

NEWTEK BUSINESS SERVICES INC  
Form DEF 14A  
June 18, 2004

## SCHEDULE 14A INFORMATION

### Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant  Filed by the 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 Pursuant to Rule 14a-11(c) or Rule 14a-12

**NEWTEK BUSINESS SERVICES, INC**

(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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x 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:

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2. Aggregate number of securities to which transaction applies:

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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):

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4. Proposed maximum aggregate value of transaction:

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1. Amount previously paid:

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2. Form, Schedule or Registration Statement No.:

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3. Filing Party:

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4. Date Filed:

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**NEWTEK BUSINESS SERVICES, INC.**

**100 Quentin Roosevelt Boulevard**

**Suite 408**

**Garden City, New York 11530**

June 18, 2004

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 462 Seventh Avenue, 14<sup>th</sup> floor, New York, NY 10018 on Friday, July 9, 2004 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.

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 auditors 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 Annual Report which also is enclosed.

**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 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,

/s/ Barry Sloane  
Barry Sloane  
Chairman, Chief Executive Officer and  
Secretary

**NEWTEK BUSINESS SERVICES, INC.**

**100 Quentin Roosevelt Boulevard**

**Suite 408**

**Garden City, New York 11530**

**(516) 390-2260**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held on July 9, 2004**

**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 462 Seventh Avenue, 14<sup>th</sup> floor, New York, NY 10018 on Friday, July 9, 2004 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. The election of all seven directors of the Company.
2. The approval of the Company's 2003 Stock Incentive Plan.
3. Such other matters 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 May 12, 2004 are the shareholders entitled to vote at the Annual Meeting and any adjournment thereof.

You are requested to fill in and sign the enclosed proxy which is solicited by the Board of Directors and to mail it promptly in the enclosed envelope. The proxy will not be used if you attend and vote at the Annual Meeting in person.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Barry Sloane

BARRY SLOANE  
CHAIRMAN, CHIEF EXECUTIVE OFFICER  
AND SECRETARY

Garden City, New York

June 18, 2004

**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.**

**PROXY STATEMENT**

**NEWTEK BUSINESS SERVICES, INC.**

**100 Quentin Roosevelt Boulevard**

**Suite 408**

**Garden City, New York 11530**

**(516) 390-2260**

**ANNUAL MEETING OF SHAREHOLDERS**

**June 18, 2004**

**INTRODUCTION**

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 462 Seventh Avenue, 14 floor, New York, NY 10018 on Friday, July 9, 2004, at 9:00 a.m., local time. The accompanying Notice of Annual Meeting and this Proxy Statement, together with the enclosed form of proxy, are first being mailed to shareholders on or about May 8, 2003.

**VOTING AND REVOCATION OF PROXIES**

Proxies solicited by the Board of Directors of the Company will be voted in accordance with the directions given therein. **Properly executed but unmarked proxies will be voted FOR Proposal I to elect six nominees of the Board of Directors as directors of the Company and FOR Proposal II to approve the adoption of the Newtek Business Services, Inc. 2003 Stock Incentive Plan.** If any other matters are properly brought before the Annual Meeting as to which proxies in the accompanying form confer discretionary authority, the persons named in the accompanying 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 to 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.

Shareholders who execute the form of proxy enclosed herewith 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.

### VOTING SECURITIES

The securities which can be voted at the Annual Meeting consist of shares of the Company's common stock, \$.02 par value per share ( Common Stock ). Shareholders of record as of the close of business on May 12, 2004 (the Record Date ) are entitled to one vote for each share of Common Stock then held on all matters. As of the Record Date, 26,816,433 shares of the Common Stock were issued and outstanding. The presence, in person or by proxy, of at least one-third of the total number of shares of Common Stock 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 Common Stock are required to file certain reports regarding such ownership with the Company and the Securities and Exchange Commission ( SEC ) pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act ). See Security Ownership of Certain Beneficial Owners. Since December 30, 2003 the Company's Common Stock has been traded on the Nasdaq National Market (symbol: NKBS) and prior to that date was traded on the American Stock Exchange.

**PROPOSAL I ELECTION OF DIRECTORS**

The Company's Certificate of Incorporation requires one class of directors to serve for a term of one year and until their successors are elected and qualified. In October 2003 the Board of Directors voted to increase the number of independent directors of the Company by increasing the size of the Board from six to seven members and elected Christopher G. Payan to serve until this Annual Meeting. The Corporate Governance and Nominating Committee of the Board of Directors has nominated David C. Beck, Christopher G. Payan, Jeffrey G. Rubin, Jeffrey M. Schottenstein, Steven A. Shenfeld, Barry Sloane and Brian A. Wasserman, all seven incumbent directors, to serve for a one-year term or until their successors are elected and qualified. New York law provides that directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy and entitled to vote on the election of directors.

The persons named in the proxies solicited by the Board of Directors will vote for the election of the named nominees. Shareholders are not entitled to cumulate their votes for the election of directors. If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such substitute director as the Board of Directors may recommend, or the Board of Directors may reduce the number of directors to eliminate the vacancy.

The following table sets forth for the nominees and for each director, including the named current executive officers, such person's name, age, the year such person first became a director and the number of shares and percentage of Common Stock beneficially owned.

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

<u>Name<sup>(1)</sup></u>	<u>Positions with the Company</u>	<u>Total Beneficial Ownership</u>	<u>% of Class<sup>(8)</sup></u>	<u>Year Elected Director</u>
Barry Sloane	Chairman, Chief Executive Officer and Secretary	4,752,429 <sup>(2)</sup>	17.72	1999
Jeffrey G. Rubin	President and Director	4,757,499 <sup>(3)</sup>	17.74	1999
Brian A. Wasserman	Treasurer, Chief Financial Officer and Director	4,732,521 <sup>(4)</sup>	17.65	1999
David C. Beck	Director	72,095 <sup>(5)</sup>	*	2002
Christopher G. Payan	Director	11,991	*	2003
Steven A. Shenfeld	Director	572,164 <sup>(5)(6)</sup>	2.13	2000
Jeffrey M. Schottenstein	Director	270,191 <sup>(5)(7)</sup>	1.01	2001
All directors as a group (7 persons)		15,175,890	56.59	

\* Less than 1%

(1) The address of each person listed is c/o Newtek Business Services, Inc., 100 Quentin Roosevelt Blvd., Suite 408, Garden City, New York 11530. For purposes of this table and the table under Security Ownership of Certain Beneficial Owners, in accordance with Rule 13d-3 under the Exchange Act, a person is considered to beneficially own any shares of Common Stock (a) over which he has or shares voting or investment power, or (b) as to which he has the right to acquire beneficial ownership at any time within 60 days of the Record Date. As used herein, voting power is the power to vote or direct the vote of shares, and investment power is the power to dispose or direct the disposition of shares.

(2) Includes 87,125 shares owned by the B. Sloane Family Foundation as to which Mr. Sloane shares voting and dispositive control over such shares.



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- (3) Includes 107,125 shares owned by the J. Rubin Family Foundation as to which Mr. Rubin shares voting and dispositive control over such shares.
- (4) Includes 37,852 shares owned by the B. Wasserman Family Foundation as to which Mr. Wasserman shares voting and dispositive control over such shares and includes 2,355,000 shares owned by Mrs. Andrea Wasserman, Mr. Wasserman's spouse. Mr. Wasserman disclaims beneficial ownership of the shares owned by Mrs. Wasserman, and Mrs. Wasserman disclaims beneficial ownership of the shares owned by Mr. Wasserman.
- (5) Includes 45,000, 55,000 and 77,000 shares underlying stock options held by Messrs Beck, Shenfeld, and Schottenstein, respectively.
- (6) Includes 408,730 shares and 99,996 options to acquire shares held by a limited liability company of which Mr. Shenfeld is a member and manager, the assets of which he disclaims pecuniary interest except to the extent of his pecuniary interest in the company.

- (8) Includes options to acquire 211,753 shares issued to Mr. Schottenstein in exchange for his interest in one of our capcos.
- (8) Does not reflect the additional shares expected to be offered in the current public offering of shares expected to conclude in late June 2004.

Listed below is certain information about the principal occupations of each nominee. Unless otherwise noted, all such persons have held these positions for at least five years.

**Barry Sloane** has been our Chairman of the Board, Chief Executive Officer and Secretary since inception in 1999. From July 1995 to January 1999, Mr. Sloane was the founder and principal of The Sloane Organization, LLC, engaged in financial consulting and investment banking. From September 1993 through July 1995, Mr. Sloane was a Managing Director of Smith Barney, Inc. where he directed the Commercial and Residential Real Estate Securitization Unit and, prior to that, he was national sales manager for institutional mortgage and asset backed securities sales. From April 1991 through September 1993, he 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.

**Jeffrey G. Rubin** has been our President and a Director since February 1999. In June 1994, Mr. Rubin founded, financed and participated in the day-to-day management of Optical Dynamics Corporation, formally known as Fastcast Corporation, an early stage technology company. Mr. Rubin served as an officer of that company and a member of the Board of Directors until December 1997. From January 1992 through January 1998, Mr. Rubin served as a private venture capitalist. From September 1989 through January 1994, Mr. Rubin served as Vice President of American European Corporation, an import/export company, and participated in management in various capacities. Mr. Rubin also has served as a director of BRT Realty Trust, a New York Stock Exchange listed company, since March 2004.

**Brian A. Wasserman** has been our Chief Financial Officer, Treasurer and a Director since 1999. From December 1997 until December 1999, Mr. Wasserman was the general partner of two private venture capital limited partnerships with diverse public and private investments. From December 1997 until November 1999, Mr. Wasserman was a directors of Heuristic Development Group (subsequently, Virtual Communities, Inc.), a publicly-traded company engaged in the development, marketing, sale and licensing of the Intellifit System, a computerized system which generates personalized exercise prescriptions. From 1997 to November 1999 Mr. Wasserman was a director of REXX Environmental Corporation, a publicly-traded holding company in the environmental remediation business which, following the sale of its entire business to third parties, merged with us in 2000. Previously, Mr. Wasserman was an audit and tax manager with Coopers & Lybrand, LLP. Mr. Wasserman is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

**David C. Beck** has been Managing Director of Copia Capital, LLC, a private equity investment firm, since September 1998. Prior to joining Copia, Mr. Beck was Chairman and Chief Executive Officer of Universal Savings Bank, Milwaukee and First Interstate Corporation of Wisconsin, a publicly traded company. He is a certified public accountant and has served on a number of boards of both publicly-held and private corporations. Mr. Beck joined our Board in 2002.

**Christopher G. Payan** has been Senior Vice President, Chief Financial Officer, Co-Chief Operating Officer, Secretary and Treasurer of Emerging Visions, Inc., a publicly traded company. From 1995 through July 2001 Mr. Payan worked for Arthur Anderson LLP, where he provided various audit, accounting, operating, consulting and advisory services to numerous small and mid-sized private and public corporations in various industries. Mr. Payan is a certified public accountant and joined our Board in 2003.

**Jeffrey M. Schottenstein** has specialized in the investment and restructuring of diverse companies since 1974. He has served since 1983 as an executive officer and as a director of Schottenstein Investment, a diversified investment holding company with \$650,000,000 in assets.

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Previously he served as Vice President of Schottenstein Stores Value City Stores Division and Chief Executive Officer of Schottenstein Realty Company, which specializes in the investment and restructuring of companies. Mr. Schottenstein has been involved in the capitalization and restructuring of numerous retail enterprises. Mr. Schottenstein joined our Board in 2001.

**Steven A. Shenfeld** has been general partner of M.D. Sass Financial Strategies, LP, a private equity fund focused on the acquisition of investment management companies and hedge funds since 2002. From December 1999 to 2001, he was senior managing director of Amroc Investments LLC. From December 1999 until 2002, Mr. Shenfeld was a general partner of Avenue Capital Management, LLC, a multi-billion dollar hedge fund. From April

1996 through October 1999, Mr. Shenfeld was on the management committee of BancBoston Robertson Stephens where he managed the Debt Capital Markets Division. Mr. Shenfeld has extensive experience in capital markets and investment banking and has managed investment businesses including high yield securities, leveraged finance, private placements, asset securitization and investment grade corporates. From April 1991 through March 1996, Mr. Shenfeld was Head of Sales and Trading in Global Finance at Bankers Trust Securities. Previously, Mr. Shenfeld worked for Donaldson, Lufkin and Jenrette and Salomon Brothers. Mr. Shenfeld joined our Board in 2000.

### **Corporate Governance and Other Matters**

**Board of Directors and Shareholder Meetings.** The Board of Directors met five times during the fiscal year ended December 31, 2003. All directors attended all meeting of the Board of Directors and assigned committee meetings in 2003. While the Company encourages all members of the Board of Directors to attend annual and other shareholder meetings, there is no formal policy as to their attendance.

**Board of Director Independence.** Each year, the Board of Directors reviews the relationships that each director has with the Company and with other parties. Only those directors who do not have any of the categorical relationships that preclude them from being independent within the meaning of applicable Nasdaq and SEC rules and who the Board of Directors affirmatively determines have no relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director are considered to be independent directors. The Board of Directors has reviewed a number of factors to evaluate the independence of each of its members. These factors include its members relationships with the Company and its competitors, suppliers and customers; their relationships with management and other directors; the relationships their current and former employers have with the Company; and the relationships between the Company and other companies of which the Company's Board members are directors or executive officers. After evaluating these factors, the Board of Directors has determined that Messrs. Beck, Payan, Schottenstein and Shenfeld are independent directors of the Company within the meaning of currently applicable Nasdaq and SEC rules.

Independent members of the Board of Directors of the Company meet in executive session without management present, and are scheduled to do so at least annually. The Board has established the position of Lead Director and appointed Mr. David C. Beck to hold that office for 2004. In that capacity, he has responsibility for coordinating the activities of the independent directors, chairing the executive sessions with the Company's auditors and chairing the meetings of the full Board in the absence of the Chairman.

**Shareholder Communications.** Shareholders may communicate directly with members of the Board of Directors or the individual chairman of standing Board of Directors committees by writing directly to those individuals at the following address: Newtek Business Services, Inc., 100 Quentin Roosevelt Blvd., Suite 408, Garden City, NY 11530. The Company's general policy is to forward any mail received at the Company's corporate office that is sent directly to an individual, unless the Company believes the communication may pose a security risk.

**Code of Ethics.** The Board of Directors has adopted a Code of Ethics that applies to all officers, other employees and directors. A link to the Code of Ethics is on the Corporate Governance portion of the Company's website at: <http://www.newtekbusinessservices.com>.

### **Meetings and Committees of the Board of Directors**

The Board of Directors maintains four committees: an Executive Committee, an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee, and may establish others or reconstitute the current committees in the future.

**Executive Committee**

The members of the Executive Committee are Messrs. Sloane, as chair, Rubin and Wasserman, each of whom are executive officers. The Executive Committee is able to act in the place of the full Board in matters requiring immediate attention.

### **Audit Committee**

The members of the Audit Committee are Mr. Beck, as chair, and Messrs. Schottenstein and Payan, each of whom are independent directors. The Audit Committee is, generally, responsible for selection and retention of our independent auditors, reviewing with our independent auditors the plans and results of the audit engagement, approving professional services provided by our independent auditors, reviewing the independence of our independent auditors and reviewing the adequacy of our internal accounting controls. In addition, the Audit Committee has established a communications channel independent of management to permit employees or other interested parties to raise questions about accounting practices directly with the chair of the committee. The Board of Directors and the Audit Committee have adopted a written charter to govern its operations.

### **Compensation Committee**

The members of the Compensation Committee are Mr. Shenfeld, as chair, and Messrs. Beck and Payan, each of whom are independent directors. The Compensation Committee is generally responsible for general oversight and implementation of our two stock incentive plans for recommending to the Board the compensation of the three executive officers and the terms of their respective employment. The Board of Directors has adopted a written charter for the compensation committee.

### **Corporate Governance and Nominating Committee**

The members of the Corporate Governance and Nominating Committee are Mr. Schottenstein, as chair, and Messrs. Shenfeld and Payan, each of whom are independent directors. The Corporate Governance and Nominating Committee is generally responsible for identifying corporate governance issues, creating corporate governance policies and identifying and recommending potential candidates for election to the Board and reviewing director compensation and performance. The Corporate Governance and Nominating Committee was created pursuant to the adoption by the Board of written corporate governance guidelines.

### **Report of the Audit Committee\***

The Board of Directors (Board), through its Audit Committee, and in accordance with its written charter, reviews the audit function, internal controls and financial statements of the Company. The Audit Committee consists solely of directors who are not Company employees and are considered independent under applicable and current rules of the SEC and the Nasdaq Stock Market. In 2003, the Audit Committee convened five times to discuss with management or the independent auditors their respective accounting, auditing and financial reporting responsibilities and related matters with respect to the fiscal year 2003.

In connection with the December 31, 2003 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 Statement on Auditing Standards No. 61 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 Audit 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 PricewaterhouseCoopers 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

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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.

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\* The Report of the Audit Committee does not constitute solicitation material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

The Committee, with and without management present, discussed and reviewed the results of the independent auditor's examination of the financial statements. The Committee reviewed the audited financial statements of the Company as of and for the fiscal year ended December 31, 2003, with management and the independent auditors. Based upon this review and the resulting discussions, the 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, 2003, for filing with the Securities and Exchange Commission.

The Committee also discussed the necessity of rotating accountants for the next fiscal year, and determined that it is not legally necessary nor practically required under the present circumstances.

Date: March 31, 2004

Respectfully submitted,

David C. Beck, Chairman  
 Christopher G. Payan  
 Jeffrey M. Schottenstein

**Directors Compensation**

The Board has adopted a plan for compensation of non-employee directors, for the years ending December 31, 2003 and 2004, which gives effect to the time and effort required of each of them in the performance of their duties. The plan approved by the Board provides annual compensation, paid quarterly in our Common Stock:

for participation on the Board : \$25,000;

for acting as chair of the Compensation Committee or the Corporate Governance and Nominating Committee: \$15,000;

for acting as chair of the Audit Committee: \$60,000; and

for acting as lead independent director: \$15,000.

As a result of this plan, our independent directors each received Common Stock in the following amounts for 2003 and are expected to receive a similar amount in 2004, based on the closing price of our Common Stock on the last trading day of each quarter:

David C. Beck	\$ 100,000
Steven A. Shenfeld	\$ 40,000
Jeffrey M. Schottenstein	\$ 40,000
Christopher G. Payan	\$ 25,000

**Executive Compensation**



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The information set forth below describes the components of the total compensation of the Company's Chief Executive Officer and its two other executive officers for services rendered in all capacities during the years ended December 31, 2001, 2002 and 2003.

### Summary Compensation Table

<u>Name and Principal Position</u>	<u>Year</u>	<u>Annual Compensation</u>		<u>Long-Term Compensation</u>	<u>All Other Compensation<sup>(2)</sup></u>
		<u>Salary</u>	<u>Bonus<sup>(1)</sup></u>	<u>Awards</u>	
		(\$)	(\$)	<u>Securities</u>	
				<u>Underlying</u>	
				<u>Options/SARs</u>	
				(#)	
					(\$)
Barry Sloane, Chairman, CEO and Secretary	2003	\$ 286,668	\$ 250,000		\$ 2,860
	2002	\$ 313,750			\$ 3,135
	2001	\$ 250,000			\$ 2,860
Jeffrey G. Rubin President	2003	\$ 286,668	\$ 125,000		\$ 1,380
	2002	\$ 313,750			\$ 1,045
	2001	\$ 250,000			\$ 1,380
Brian A. Wasserman Treasurer and CFO	2003	\$ 286,668	\$ 125,000		\$ 1,380
	2002	\$ 330,000			\$ 1,070
	2001	\$ 250,000			\$ 1,380

<sup>(1)</sup> Represents the value of cash compensation which the named individuals have deferred receipt of and directed that eventual payment be in the form of shares of our Common Stock.

- (2) Represents the amount of premium paid by us on term life insurance for the named executive for the periods shown. None of the named individuals have any interest in the cash surrender value of the respective insurance policies, nor is there any understanding or agreement whereby the individuals are to be given any such interest.

### **Employment Agreements**

We have entered into employment agreements with:

Barry Sloane, as Chairman and Chief Executive Officer;

Jeffrey G. Rubin, as President; and

Brian A. Wasserman, as Treasurer and Chief Financial Officer.

Each employment agreement provides for:

a term ending June 30, 2005;

an annual salary of \$350,000 for Mr. Sloane;

an annual base salary of \$285,000 for Messrs Rubin and Wasserman;

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

\$2,000,000 of split-dollar life insurance coverage.

Each of the foregoing agreements contains a non-competition provision (during the term of the employment agreement) that requires the executive to devote substantially all of his business time and efforts to the performance of his duties under the agreement. The executive 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 ours or, solely as a passive or minority investor, in any business.

The respective Board may terminate an executive's employment for just cause as defined in the agreement, and upon the termination, no severance benefits are available. If the Board terminates an executive without just cause, or the executive terminates his employment with good reason as defined in the agreement, or if the term of the agreement is not extended for an additional year, the executive will be paid severance benefits in an amount equal to six months' compensation. If the executive's employment terminates during the term of the agreement due to death, disability, or retirement after age 62, the executive will be entitled to his compensation, vested rights and benefits through the date of termination. The executive is able to voluntarily terminate his agreement by providing 60 days' written notice to the Board of Directors, in which case the executive is entitled to receive only his compensation, vested rights, and benefits up to the date of termination.

Each employment agreement contains provisions stating that in the event of the executive's involuntary termination of employment (other than for just cause) in connection with, or within six months after, any change in control of the company, the executive will be paid within ten days of the termination a sum equal to 2.99 times the average annual compensation he received during the five-year period immediately prior to the date of change in control. Control generally refers to the acquisition, by any person or entity, of the ownership or power to vote more than 25% of our voting stock, or the control of the election of a majority of directors or the exercise of a controlling influence over our management or policies.

Each employment agreement also provides for a similar lump sum payment to be made in the event of the executive's voluntary termination of employment within 30 days of a change in control, or within 90 days of a trigger event, certain specified events following any change in control, whether approved by the Board of Directors or otherwise, which have not been consented to in writing by the executive including:

requiring the executive to move his personal residence or perform his principal executive functions more than 50 miles from the executive's primary office;

failing to maintain existing employee benefit plans, including material vacation, fringe benefits, and retirement plans;

assigning duties and responsibilities to the executive which are other than those normally associated with his position;

materially diminishing the executive's authority and responsibility; and

failing to elect or re-elect the executive to our Board of Directors.

#### Cash Bonus Plan

We have established the Newtek Business Services, Inc. Cash Bonus Plan for the purpose of providing our employees with incentive compensation in the form of cash bonuses. All full-time employees are eligible to receive cash bonuses under the plan. If an employee's employment is terminated for cause as defined in the Plan, then the employee shall be ineligible to receive a bonus, and an employee whose employment otherwise terminates shall be eligible for a bonus that fiscal year, prorated to the number of days the employee was employed by the Company during its fiscal year. The Compensation Committee administers the Plan. Bonuses are paid at the discretion of the Compensation Committee or the full Board of Directors. The aggregate amount of bonuses payable for any fiscal year are established by the Board of Directors and are based in part on the Company's pre-tax net profit for that fiscal year.

#### Equity Compensation Plans

The following table provides information as of May 27, 2004 with respect to the shares of our Common Stock that may be issued under our equity compensation plans.

Plan Category	Number of Securities to be	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
	issued upon Exercise of Outstanding Options, Warrants and Rights		
Equity Compensation Plans Approved by Shareholders <sup>(1)</sup>	1,642,329	\$ 4.51	2,607,671
Equity Compensation Plans Not Approved by Shareholders			
Total	1,642,329	\$ 4.51	2,607,671

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- (1) Consists of the company's 2000 Stock Incentive and Deferred Compensation Plan. Excludes the Company's 2003 Stock Incentive Plan which was adopted in October 2003 and is being submitted to a vote of our shareholders at the Annual Meeting, and which provides for up to an additional 1,000,000 shares. Awards of 430,149 shares of restricted stock under the 2003 Stock Incentive Plan have been awarded and are expressly contingent upon the receipt of shareholder approval at the Annual Meeting.

#### **REPORT OF THE COMPENSATION COMMITTEE**

The mission of the Compensation Committee (the Committee) is to assure that the Company's compensation program for our executives is effective in attracting and retaining executives, that it links pay to performance, that it is reasonable in light of economic position of the company and the relevant practices of other, similar companies, and that it is administered fairly and in the shareholders' interests. The Committee

acts on behalf of the Board of Directors in setting executive compensation policy and administering Board approved plans with respect to the compensation of our three top executives.

The goals of the Committee are to assist in attracting and retaining highly qualified management, motivating executives to achieve performance goals, rewarding management for outstanding performance and ensuring that the financial interests of management and shareholders are aligned.

**Overview.** The Company's compensation program for executive officers is designed to attract, retain, and motivate superior executive talent and to align a significant portion of each officer's total compensation with the performance of the Company and the interests of its shareholders.

We have implemented a competitive total compensation program for executive officers composed of the following elements discussed below: base salary, annual bonus, and long-term incentive compensation.

**Base Salary.** Executive base salaries reflect our operating philosophy, culture and business direction with each salary determined subjectively 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 peer company compensation gathered by independent compensation consulting firm. The Committee believes that the Company's most direct competitors for executive talent are not necessarily restricted to those companies that are included in the industry 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.

**Annual Bonus.** Annual bonuses may be earned by executive officers under the Company's cash bonus plan. Payments under the plan are based on the company's overall performance. Annual bonus targets for the Chief Executive Officer are determined by the Committee. The Chief Executive Officer recommends annual bonus targets and goals for other participants. The goals incorporate the achievement of business plans and performance relative to other high performing companies of a similar size. The mix and weighting of the goals vary and are subjectively determined. The level of achievement of the goals determines the level of bonus.

**Compensation of the Chief Executive Officer.** The Committee and Board determined the compensation for Barry Sloane, Chairman and Chief Executive Officer for 2003. Recognizing the Chief Executive Officer's leadership in building a highly talented management team and in driving the company forward with superior operational and financial performance as well as shareholder returns, Mr. Sloane's salary was maintained at \$285,000 less than the competitive labor market median, but reflective of the company's current cash position. It was increased to \$350,000 for 2004. Mr. Sloane was awarded a bonus for 2003 performance of \$250,000. This was in recognition of the Company's achievements during the year and also his leadership in the successful acquisition of Commercial Capital Corporation and in growing the business of the company.

**Committee Governance.** The Compensation Committee will continue to review and evaluate executive compensation programs at least annually. When and where appropriate, the Committee will consult with its independent sources and its legal advisors with respect to the proper design of the program toward achieving the Company's strategic business objectives and balancing the interests of key stakeholders.

Following review and approval by the Committee, all issues pertaining to executive compensation policies and programs as well as recommendations on CEO compensation are submitted to the full Board of Directors for its approval.

Steven A. Shenfeld, Chairman  
David C. Beck  
Christopher G. Payan

**Additional Information with Respect to Compensation Committee Interlocks and Insider Participation in Compensation Decisions**

None of the members of the Compensation Committee was an officer or employee, or former officer or employee, of the Newtek or any of its subsidiaries during 2003.

**Performance Graph**

The following chart and graph, which were prepared by management, compare the cumulative total return on our Common Stock over a measurement period beginning December 31, 2000 with (i) the cumulative total return on the stocks included in the Russell 3000 Index and (ii) the cumulative total return on the stock of a company we have determined provides a peer comparison, Century Business Services, Inc. All of these cumulative returns are computed assuming the quarterly reinvestment of dividends paid during the applicable time period.

<i>Index</i>	<u>12/31/00</u>	<u>12/31/01</u>	<u>12/31/02</u>	<u>12/31/03</u>
Newtek Business Services, Inc.	\$ 100	\$ 99.36	\$ 140.71	\$ 222.44
Russell 3000 Index	\$ 100	\$ 87.38	\$ 67.45	\$ 86.82
Century Business Services, Inc.	\$ 100	\$ 205.36	\$ 236.61	\$ 399.11

We have used Century Business Services, Inc. as a peer comparison due to the fact that it is approximately the same in market capitalization and provides a variety of services to small and medium-sized businesses. However, as we are the only publicly traded company with a material portion of our business in the operation of certified capital companies, it may not be possible to make a direct comparison of us to any other company.



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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table sets forth, as of the Record Date the beneficial ownership of Common Stock by each person who is known by the Company to own more than 5% of the outstanding shares of Common Stock. This information is based on filings with the SEC or information furnished to the Company by such persons.

<b>Name and Address of Beneficial Owner <sup>(1)</sup></b>	<b>Amount and Nature of Beneficial Ownership <sup>(2)</sup></b>	<b>Percent of Class</b>
Jeffrey G. Rubin	4,757,499	17.74%
Barry Sloane	4,752,429      &nb	