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NEWTEK BUSINESS SERVICES INC
Form 10KSB/A
February 12, 2004

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

FORM 10-KSB/A
AMENDMENT NO. 1

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 001-16123

NEWTEK BUSINESS SERVICES, INC.

NEW YORK

11-3504638

(STATE OR OTHER JURISDICTION OF INCORPORATION
OR ORGANIZATION)

(I.R.S. EMPLOYER IDENTIFICATION
NO.)

100 QUENTIN ROOSEVELT BOULEVARD SUITE 408
GARDEN CITY NY

11530

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (516) 390-2260

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

COMMON STOCK, PAR VALUE \$0.02 PER SHARE

(TITLE OF CLASS)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12
months (or for such shorter period that the registrant was required to file such
reports) and (2) has been subject to such filing requirements for the past 90
days.

Yes No

Check if there is no disclosure of delinquent filers in response to
Item 405 of Regulation S-B contained herein, and no disclosure will be
contained, to the best of registrant's knowledge, in definitive proxy or
information statements incorporated by reference in Part III of this Form 10-KSB
or any amendment to this Form 10-KSB.

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State the issuer's revenues for its most recent fiscal year:
\$34,624,151 The aggregate market value of the voting stock held by
non-affiliates of the registrant computed by reference to the price at which the
common equity was sold on March 17, 2003, was approximately \$44,851,144.

As of March 17, 2003 there were 25,410,844 shares issued and
outstanding of the registrant's Common Stock, par value \$0.02 per share.

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ITEM 1. DESCRIPTION OF BUSINESS

THE COMPANY

OVERVIEW. Newtek Business Services, Inc., which changed its name from that of Newtek Capital, Inc. in November 2002 in order to emphasize its current business objectives, is engaged in the business of

- o owning, operating or coordinating 8 businesses lines which serve small businesses and
- o organizing certified capital companies ("capcos") and investing funds made available under the capco programs in small businesses including, those in which it holds an equity position.

During 2002, direct business operations of its businesses resulted in revenue of approximately \$4 Million or 12% of total revenue and the operation of the capcos resulted in non-cash revenues related to the capco tax credits of approximately \$30 Million, or 88% of total revenue. The chart on the following page depicts how these revenues are generated. During the same period, Newtek realized net income (exclusive of extraordinary gains) of approximately \$4.5 Million, substantially all of which is attributable to the non-cash income related to the capco programs. The revenue resulting from the capco tax credits are non-cash and are used exclusively to satisfy obligations of the capcos to deliver tax credits to their investors. Until Newtek's partner companies are able to generate and distribute cash earnings to Newtek, it must rely on the capco management fees as the sole source of cash to meet its non-capco expenses.

Newtek is a New York corporation organized in 1999 in conjunction with the combination of the business of Newtek's predecessor, BJB Holdings, Inc., and REXX Environmental Corporation which at that time was traded on the American Stock Exchange.

BUSINESS & BUSINESS STRATEGY. Newtek's strategy is to operate the capcos and utilize resources and funds available under the programs to develop businesses that emphasize serving other small businesses. During 2002 Newtek has reduced the number of business lines that it is investing in and operating and as of year-end Newtek is placing primary emphasis on 8 such lines. Services to small businesses which Newtek has emphasized during 2002 and expects to emphasize into the future include:

NEWTEK SMALL BUSINESS FINANCE - small business loans available under programs of the United States Small Business Administration
NEWTEK MERCHANT SOLUTIONS - small business electronic payment processing
NEWTEK FINANCIAL INFORMATION SERVICES - small business financial and management reporting and planning
NEWTEK TAX SERVICES - small business tax preparation services (currently being organized)

Secondary emphasis has been placed on the following:

NEWTEK BUSINESS EXCHANGE -- small business brokerage and M & A services
NEWTEK IT SERVICES - software development and systems integration
NEWTEK SECURITIES - the capital formation assistance of a broker-dealer
NEWTEK STRATEGIES - small business strategic marketing planning and advice

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NEWTEK GENERATES REVENUE THROUGH THE OPERATION OF CAPCO'S AND THROUGH EARNINGS AND RETURNS ON THE INVESTMENTS IT MAKES

STATES ADOPT CAPCO PROGRAMS TO FOSTER JOB & SMALL BUSINESSES GROWTH; INSURANCE COMPANIES GET TAX CREDITS FOR FUNDING.	-> FUNDS REMAINING AFTER PAYMENT FOR CREDIT ENHANCEMENT PLUS OTHER FUNDS RAISED OUTSIDE CAPCO PROGRAMS ARE INVESTED: \$63.6 MILLION IN BUSINESSES THRU DECEMBER 31, 2002
 \\ /	 \\ /
NEWTEK HAS ORGANIZED AND INVESTED \$3,778,000 IN SEED CAPITAL FOR TEN CAPCOS	\$43.7 MILLION INVESTED IN COMPANIES WHERE NEWTEK TAKES A VERY ACTIVE PARTICIPATION IN OWNERSHIP AND MANAGEMENT INCLUDING COST-FREE LICENSING OF NEWTEK BRAND NAME
 \\ /	 \\ /
NEWTEK'S CAPCOS HAVE BORROWED ABOUT \$165 MILLION FROM INSURANCE COMPANIES THROUGH 2002; INSURANCE COMPANIES TREAT RECEIPT OF STATE TAX CREDITS AS INTEREST INCOME	INVESTMENTS ARE PRINCIPALLY DIRECTED AT PROVIDING SERVICES NEEDED BY OTHER SMALL BUSINESSES AND WHICH CAN BENEFIT FROM CROSS MARKETING
 \\ /	 \\ /
ABOUT HALF OF AVAILABLE CASH USED TO PURCHASE CREDIT EXTINGUISHMENT (REPAYMENT OF PRINCIPAL) AND	A SMALLER PORTION OF INVESTMENTS ARE VENTURE CAPITAL-TYPE OR PASSIVE