Newtek®
"The Small Business Authority®"
thesba.com

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May 16, 2015

To My Fellow Shareholders,

2014 was a truly momentous year for Newtek on many levels. Our reputation for offering a comprehensive suite of business solutions for multiple stages of a business became further rooted in the marketplace, and both our brand as *The Small Business Authority*® and our currency became even more widely recognized. We are extremely proud of the many accomplishments we achieved throughout the year, however our most notable accomplishment came in the latter part of 2014, when we embarked on a new journey and successfully converted to an internally managed business development company ("BDC"). We are extremely excited about this transition and believe it better positions our Company to unlock shareholder value and to realize our maximum growth potential. We ended the year with a net asset value ("NAV") of $16.31 per share, which represents an approximate 50% increase from our book value of $10.88 per share at December 31, 2013.

Newtek Small Business Finance

Over the past 11 years we have systematically built our lending platform with adherence to strict underwriting guidelines, intense focus on credit quality and signature premier service. This winning formula enabled our small business lender, Newtek Small Business Finance, to maintain the title as the nation's largest non-bank lender by dollar volume of approved loans and our ranking in the top ten of all bank and non-bank SBA 7(a) lenders. By the middle of 2014, we achieved a milestone in our lending history and announced that we approved over $1.0 billion in loans. Once again, Newtek Small Business Finance ended the year in a strong position with over $200 million in loan originations, an increase of over 14% from 2013. We also achieved record loan originations of $30.3 million in December 2014. We intend to continue to grow our lending platform and anticipate even stronger growth in 2015. We expect to originate between $240 and $280 million, close to a 30% increase year over year.

During 2014, Standard and Poor's ("S&P") reaffirmed the AA and A ratings on our 2010-1 and 2013-1 securitizations. This is a notable achievement, particularly in light of the more stringent criteria now being used by the S&P to rate such securitizations. Our ability to maintain these ratings stems from our more than decade-long experience and expertise of originating, underwriting and servicing small business loans. In December 2014, we completed the securitization and sale of $31.7 million of S&P A-rated unguaranteed SBA 7(a) loan-backed notes, our 5th and largest securitization to date, and were able to garner more favorable terms than in past securitizations. Specifically, we received a 3.0% improvement on the advance rate and 40 basis point improvement in the quality spread since the Company's December 2013 securitization. Our reputation and expertise in the area of servicing SBA 7(a) loans gave us the opportunity to extend our contract to service FDIC SBA 7(a) loans as well as sign a new agreement with Banco Popular North America to service their existing approximate $325 million SBA 7(a) portfolio.

Conversion to a BDC

During the fourth quarter of 2014, we embarked on a new journey and converted to an internally managed BDC. With the overwhelming support of our shareholders through their votes at our 2014

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Annual Meeting of Shareholders, we began our transition to a BDC. On October 22, 2014 we effected a 1:5 reverse stock split, with the intention of attracting a much broader universe of investors to our stock, eliminating the price-threshold barrier that typically precludes many institutional investors from purchasing a stock trading below $5.00 per share. Shortly thereafter, on November 12, 2014, we successfully completed our conversion from an operating company to an internally managed BDC. Following our conversion, we closed an equity offering of 2.53 million shares (100% primary shares plus underwriter option) of common stock at a public offering price of $12.50 per share with JMP Securities LLC and Ladenburg Thalmann & Co. Inc. acting as joint-lead book-running managers and Lebenthal & Co., LLC acting as the co-manager. We received total gross proceeds of approximately $31.6 million, which was earmarked to expand our financing activities and increase activity in SBA 7(a) lending, as well as for direct investments in our portfolio companies. The equity raise was an overwhelming success and was well oversubscribed. We received orders for approximately 4.5 million shares; over double our initial 2.0 million share offering, and as a result increased the size of our share offering.

In concert with the BDC conversion, we elected to be treated as a regulated investment company ("RIC") beginning with the 2015 tax year and plan to operate in a manner to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, among other things, we will be required to meet certain source of income and asset diversification requirements and timely distribute at least 90% of investment company taxable income for each tax year to our shareholders. This will generally relieve us from paying U.S. federal income taxes on all income distributed to our stockholders. On April 13, 2015, we paid our first quarterly dividend of $0.39 per share in cash, $0.01 higher than our initial forecast in December 2014, and have recently forecasted a second quarter dividend of $0.47 per share. We expect to pay a total annual dividend in 2015 of $1.82 per share, $0.02 higher than our initial expectation in December 2014, which we anticipate will be paid from our taxable income and not a return of capital. In addition, we will pay a special dividend to distribute our previous earnings and profits as a C-corp, which will be paid in a combination of Newtek common stock and cash.

Newtek – An Internally Managed BDC

I mentioned earlier that we are an internally managed BDC versus an externally managed BDC; a very important point to consider within the BDC universe. Internally managed BDC's do not pay any incentive or base fees to an external manager, and therefore typically have lower operating expense ratios with management's interests more closely aligned with those of the shareholders. I own approximately 10% of the Company's outstanding shares and my future is very closely tied with the continued performance of Newtek. Together with the founders, management and the board of directors, we own over 20% of the total outstanding shares, therefore management's interests are closely aligned with the interests of our shareholders. Furthermore, internally managed BDC's are generally given a higher valuation by the market and typically trade at a premium to NAV versus trading at discount to NAV, which is typical for an externally managed BDC.

Portfolio Companies

We believe Newtek has a competitively distinct business model within the BDC landscape and, as such, we believe we have a competitive advantage within our peer group. We manage our wholly and majority-owned portfolio companies, which provide recurring revenue that is not traditionally credit sensitive. We are not investing in other people's businesses. We own, operate and control these businesses, practically all of them for over 10 years, and we know them well. Specifically, we own 100% of the following portfolio companies including Newtek Technology Solutions®, Small Business Lending, Inc., CDS Business Services, Inc., Newtek Merchant Solutions, Newtek Insurance Agency, LLC and we own 80% of Newtek Payroll Services.

At December 31, 2014, Newtek Merchant Solutions, our electronic payment processing business, was valued at 4.75x EBITDA or $45.5 million, and Newtek Technology Solutions, was valued at 3.75x EBITDA or $21.5 million. Together these businesses comprise a very significant portion of our total 2014 year-end NAV of approximately $166 million. It is our intent to leverage the equity in these and our other portfolio companies as we continue to expand our growth and recognition as a BDC. Specifically we will look to opportunistically acquire companies within the business service footprint with the goal to increase the total valuation of these businesses and enhance shareholder value.

Increased Market Awareness

Since our conversion, we have gained increased market awareness. Our ownership profile has changed significantly and, by the end of 201,4 we were proud to name well-recognized institutions such as Wellington Management Company, Perritt Capital Management, Royce and Associates, Potomac Capital and Zelman Capital as shareholders of Newtek. And while we are fond of retail participation in the stock, we also like the balance of strong institutional ownership. At the end of 2014, our institutional ownership increased by approximately 40% from September 30, 2014, and represented approximately 35% of total outstanding shares at December 31, 2014. From the end of 2014 into early 2015, our stock has experienced greater liquidity with an uptick in both average trading volume and dollar-based average trading volume. In January 2015, we were added to the Wells Fargo Business Development Index (Symbol: WFBDC). With two well-recognized ETNs linked to this Index, we believe we will attract a broader range and number of investors. Both JMP Securities LLC and Ladenburg Thalmann & Co. Inc. initiated coverage on Newtek in 2015 and, together with Singular, we now have three independent analysts covering our Company.

Successfully Lowered Our Cost of Capital

During 2014, we grew our business and realized increased financial and operating efficiencies and, together with our proven business model, were able to lower our cost of debt and equity capital through multiple channels to more to effectively fund the continued growth and expansion of our business. We restructured our $50 million warehouse lines of credit with Capital One Bank, North America, which now has improved terms with a holding-company only guarantee. We successfully refinanced our mezzanine debt with Summit Partners Credit Advisors, L.P. through a $10 million term loan through Capital One Bank, North America. This refinance reduces our cash interest expense on an annual basis by more than $1.0 million, or 1000 basis points, for a total of approximately $4.2 million over the remaining term of the retired mezzanine debt. Finally, we received higher yield and advance rates in our securitization transactions. In particular, our December 2014 securitization, received the most favorable pricing and terms to date.

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Growing Our Business and Alliance Partnerships

Nationally recognized institutions and organizations are increasingly attracted to our comprehensive product suite, premier customer service, and increasingly recognized brand. As a result, we have continued to expand our alliance partnership network, increasing the reach of our business services products and solutions to a larger pool of clientele. Throughout 2014, we were pleased to add several new names to our already extensive list of alliance partnerships. Specifically, we formed alliance partnerships with *Teacher's Federal Credit Union, Randolph Brooks Federal Credit Union, Amalgamated Bank, Paragon Financial Group, The Hartford, Banco Popular North America and UBS.* Our alliance partners refer their customers to us for one or more of our product categories, through our proprietary web-based technology NewTracker®, to enhance and/or expand their core product menus.

Additionally, Newtek's historical success and notoriety in the payments space garnered the attention of SEQR by Seamless (OMX: SEAM), one of the largest suppliers of payment systems for mobile phones. This partnership allows a competitive advantage for Newtek in the U.S. payments arena and enables us to deliver the same level of state-of the art, secure, cost effective, end-to-end payments platform and solution to merchants and their customers that big-box retailers currently enjoy. Most recently in May of 2015, we formed a partnership with Lending Club (NYSE: LC). This partnership will allow us to service clients who are earlier in their business development, do not have significant collateral to pledge and/or do not have long amortization loan requirements. We will continue to expand our universe of alliance partners to help expand our reach in the SMB market and increase the brand awareness of the Small Business Authority®. Currently, we have several additional alliance partner opportunities in our pipeline that will be publicly announced over the course of time.

2015 and Beyond

We believe we are in an advantageous position to capitalize on market opportunities and grow. We reported strong results in the first quarter of 2015, our first full quarter reporting as a BDC, which leaves us well poised for an even stronger year in 2015. At March 31, 2015, we increased our NAV per share by almost 2% to $16.61 from $16.31 at December 31, 2014. We believe this is only the beginning for us, and that there is a great deal of opportunities in our future. I, along with my management team, am extremely hopeful that we will be able to grow our NAV, our dividend and our business enterprise over time as an internally managed BDC. I truly look forward to sharing our future success with all of you, my fellow shareholders. I sincerely thank you all for your investment and continued support of Newtek, and look forward to an exciting and prosperous future for our Company.

Sincerely,

Barry Sloane
Founder, Chairman, President and Chief Executive Officer