NEWTEK CAPITAL INC
Form 10QSB
May 15, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10QSB

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

[X] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-16123

NEWTEK CAPITAL, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| New York | 11-3504638 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 1500 Hempstead Turnpike, East Meadow, NY | 11554 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (
-

Check whether the registrant has (1) filed all documents and reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days.
Yes x No

As of April 30, 2001, 21,644,210 shares of Common Stock were issued and outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEWTEK CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| | March 31, 2001 | December 31, 2000 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 38,812,301 | $34,697,081 |
| Credits in lieu of cash | 19,618,314 | 17,496,810 |
| Investments in qualified businesses | 13,028,898 | 15,644,515 |
| Structured insurance | 2,596,221 | 2,570,487 |
| Prepaid insurance | 11,823,724 | 12,187,376 |
| Prepaid expenses and other assset | 389,611 | 411,195 |
| Furniture, fixtures and equipemnt, net | 29,449 | 31,46 |
| Asset held for sale | 500,000 | 500,000 |
| Total asets | $86,798,518 | $83,538,926 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 1,259,045 | $ 2,546,800 |
| Notes-payable - certified investors | 3,862,591 | 3,861,220 |
| Notes payable - insurance | 9,666,666 | 5,800,000 |
| Mortgage payable | 356,817 | 369,339 |
| Interest payable | 55,339,090 | 56,147,907 |
| Deferred tax liability | 1,756,872 | 1,381,258 |

| | | |
|---|---|---|
| Total | 72,241,081 | 70,106,524 |
| Minority interest | 4,144,492 | 4,163,053 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common Stock (par value $0.02 per share: authorized 39,000,000 shares, issued and outstanding 21,644,210 and 21,373,460) | 432,884 | 427,469 |
| Additional paid-in Capital | 12,644,762 | 12,267,052 |
| Accumulated deficit | (2,664,701) | (3,425,172) |
| Total stockholders' equity | 10,412,945 | 9,269,349 |
| Total liabilities and stockholders' equity | $ 86,798,518 | $ 83,538,926 |

See accompanying notes to these Consolidated financial statements.



NEWTEK CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000

| | March 31 2001 | March 31, 2000 |
|---|---|---|
| Revenue: | | |
| Income from tax credits | $ 6,030,103 | $ 110,269 |
| Consulting fee income | 8,000 | 14,300 |
| Interest and dividend income | 638,210 | 476,419 |
| Other income | 45,238 | -- |
| Total revenue | 6,721,551 | 600,988 |
| Expenses: | | |
| General and administrative | 1,850,703 | 800,552 |
| Interest | 3,335,532 | 1,157,479 |
| Total expenses | 5,186,234 | 1,958,031 |

| | | |
|---|---|---|
| Income (loss) before equity in losses of affiliates, provision for taxes, and minority interest | 1,535,317 | (1,357,043) |
| Equity in net losses of affiliates | (298,798) | -- |
| (Loss) income before provision for taxes, extraordinary gain on defeasance of debt and minority interest | 1,236,519 | (1,357,043) |
| Provision for taxes | (494,608) | -- |
| Income (loss) before minority interest | 741,911 | (1,357,043) |
| Minority interest | 18,561 | 544,614 |
| Net income (loss) | $ 760,471 | $ (812,429) |
| Weighted average common shares outstanding | | |
| Basic | 21,382,586 | 18,456,348 |
| Diluted | 21,382,586 | 18,456,348 |
| Income (loss) per share | | |
| Basic | $.04 | $(.04) |
| Diluted | $.04 | $(.04) |

See accompanying notes to these Consolidated financial statements.



NEWTEK CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2001 | 2000 |
| Cash flows from operating activities: | | |
| Net income (loss) | $ 760,471 | $ (812,429) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Equity in net losses of affiliates | 298,798 | -- |
| Income from tax credits | (6,030,103) | (110,269) |
| Deferred Income Taxes | 375,614 | |
| Depreciation and other amortization | 2,013 | 4,764 |

| | | |
|---|---|---|
| Accretion of interest income | (25,734) | (25,734) |
| Accretion of interest expense | 3,104,657 | 1,140,685 |
| Issuance of warrants for services performed | 58,800 | -- |
| Minority interest included in loss | (18,561) | (544,614) |
| Changes in assets and liabilities: | | |
| Prepaid insurance | 363,652 | 208,637 |
| Prepaid expenses and other assets | 21,584 | (3,437) |
| Accounts payable and accrued expenses | (1,291,266) | (901,640) |
| Net cash used in operating activities | (2,380,075) | (1,044,037) |
| Cash flows from investing activities: | | |
| Investments in qualified businesses | (9,631,833) | (4,376,877) |
| Return of principal - qualified investments | 6,245,320 | 165,000 |
| Consolidation of majority owned investments | 5,703,333 | -- |
| Other investments | - | (220,000) |
| Purchase of machinery and equipment | - | (9,722) |
| Net cash provided by (used in) investing activities | 2,316,820 | (4,441,599) |

See accompanying notes to these Consolidated financial statements.



NEWTEK CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2001 | 2000 |
| Cash flows from financing activities: | | |
| Payment of note payable - bank | - | (725,358) |
| Proceeds from issuance of note payable insurance | 5,200,000 | - |
| Payments of note payable insurance | (1,333,334) | - |
| Payments on mortgage payable | (12,522) | - |
| Net proceeds from issuance of common stock | 726,391 | 1,625,000 |
| Distributions to CAPCO members | (402,060) | (225,000) |
| Loans payable - members | - | 351,000 |
| Net cash provided by financing activities | 4,178,475 | 1,025,642 |

| | | |
|---|---|---|
| Net increase (decrease) in cash and cash equivalents | 4,115,220 | (4,459,994) |
| Cash and cash equivalents - beginning of period | $34,697,081 | 25,454,016 |
| Cash and cash equivalents - end of period | $38,812,301 | $20,994,022 |

Supplemental disclosure of non-cash financing activities:

| | | |
|---|---|---|
| Reduction of credits in lieu of cash and interest payable balances due to delivery of tax credits to certified investors: | $ 3,908,599 | |

See accompanying notes to these Consolidated financial statements.



NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation and description of business

On September 20, 2000, Newtek Capital, Inc. (Newtek) acquired the controlling interests in the underlying entities listed below and accordingly consolidates the financial statements of these entities with its own. Additionally, on September 20, 2000, Newtek's common stock began trading on the American Stock Exchange under the symbol "NKC". Newtek was formed on June 29, 1999 under the name Whitestone Holdings, Inc. and changed its name to Newtek Capital, Inc. on January 18, 2000, and the underlying entities comprise: BJB Holdings, Inc. ("BJB"), Wilshire Holdings I, Inc., Wilshire Holdings II, Inc., Newtek Securities, LLC, REXX Environmental Corp. ("REXX"), Whitestone Capital Markets, Inc., The Whitestone Group, LLC ("TWG"); Wilshire Advisers, LLC ("WA"), Wilshire NY Advisers II LLC ("WAII"), and Wilshire New York Partners III LLC ("WNYIII"), certified capital companies ("Capcos") in New York, Wilshire Partners, LLC ("WP"), a Capco in Florida, Wilshire Investors, LLC ("WI"), a Capco in Wisconsin, Wilshire Louisiana Advisers, LLC ("WLA"), and Wilshire Louisiana Partners II LLC ("WLPII"), capcos in Louisiana (the Capco entities are, collectively, the "Capcos" and Newtek and all of these aforementioned entities and Capcos are collectively the "Company"). TWG acts as an investment adviser and manager to the aforementioned Capcos as well as a merchant bank and provides investment banking and business development services including general business consulting services, strategic planning, due diligence, merger and acquisition analysis, technology design and implementation support, joint venture negotiations and litigation support services. All significant intercompany balances and transactions are eliminated in consolidation.

As described above, Newtek acquired the controlling interests in the underlying entities. In this connection, Newtek issued 18,823,285 shares of common stock in exchange for 100% of BJB's shares and the member interests in the underlying entities. The principal shareholders of Newtek were the principal owners of BJB and the underlying entities. As a result, Newtek has recorded the assets acquired and liabilities assumed at their historical values, with the net asset value recorded as a credit to stockholders' equity.

Additionally, on September 19, 2000, Newtek completed its acquisition of REXX. Pursuant to the acquisition, REXX stockholders received one share of Newtek common stock in exchange for each share of REXX common stock held. The Company issued 2,467,576 shares of common stock in exchange for 100% (2,467,576 shares) of REXX stock. This transaction has been accounted for as a recapitalization, whereby Newtek has recorded the monetary assets and liabilities of REXX at their historical values (which were not material to the Company), with the net asset value recorded as a credit to stockholders' equity.

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The following is a summary of each Capco, state of certification and date of certification:

| Capco | State of Certification | Date of Certification |
|---|---|---|
| WA | New York | May 1998 |
| WP | Florida | December 1998 |
| WI | Wisconsin | October 1999 |
| WLA | Louisiana | October 1999 |
| WAII | New York | April 2000 |
| WLPII | Louisiana | October 2000 |
| WNYIII | New York | December 2000 |

In general, the Capcos issue debt and equity instruments, generally warrants ("Certified Capital"), to insurance company investors ("Certified Investors"). The Capcos then make targeted investments ("Investments in Qualified Businesses", as defined under the respective state statutes), with the Certified Capital raised. Such investments may be accounted for as either consolidated subsidiaries, under the equity method or cost method of accounting, or as notes receivable, depending upon the nature of the investment and the Company's and/or the Capco's ability to control or otherwise exercise significant influence over the investee. Each Capco has a contractual arrangement with the particular state that legally entitles the Capco to receive (or earn) tax credits from the state upon satisfying quantified, defined investment percentage thresholds and time requirements. In order for the Capcos to maintain their state-issued certifications, the Capcos must make Investments in Qualified Businesses in accordance with these requirements. Each Capco also has separate, legal contractual arrangements with the Certified Investors obligating the Capco to pay interest on the aforementioned debt instruments whether or not it meets the statutory requirements for Investments in Qualified Businesses. The Capco can satisfy this interest payment, at the Capco's discretion, by delivering tax credits in lieu of paying cash. The Capcos legally have the right to deliver the tax credits to the Certified Investors. The Certified Investors legally have the right to receive and use the tax credits and would, in turn, use these tax credits to reduce their respective state tax liabilities in an amount usually equal to 100% to 110% of their certified investment. The tax credits can be utilized over a ten-year period at a rate of generally between 10% and 11% per year and in some instances are transferable and can be carried forward.

The accompanying financial statements have been prepared without audit and do not include all footnotes and disclosures required under generally accepted accounting principles. Management believes that the results herein reflect all adjustments which are, in the opinion of management, necessary to fairly state the results and current financial condition of the Company for the respective periods. All such adjustments reflected herein are of a normal, recurring nature. These financial statements should be read in conjunction with the Company's financial statements contained in its Form 10K-SB for its year ended December 31, 2000, and all other filings with the Securities and Exchange Commission.

Note 2 - PRIVATE PLACEMENT OF COMMON STOCK

In the first quarter of 2001, the Company sold 270,750 shares of common stock in private transactions, with gross proceeds totaling approximately $1,160,000 and incurred related offering costs of approximately $434,000. Subsequently, the Company filed a resale registration statement which would permit the purchasers to resell their shares.

Note 3 - INVESTMENTS IN QUALIFIED BUSINESSES

The following table is a summary of investments as of March 31, 2001, shown separately between their debt ($8,622,133) and equity ($4,406,765) components

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(for a total non-consolidated Investment in Qualified Businesses of $13,028,898), and all terms of each are summarized. There are no expiration dates on any of the financial instruments, unless disclosed.

DEBT

| Investee | Type | Date of Investment | Maturity Date | Original Principal Amount | State |
|---|---|---|---|---|---|
| AIDA, LLC | Debt | 3/01 | 3/02 | $ 3,500,000 | |
| Multi-Media Distribution Corp. | Debt | 6/00 | 06/14/02 | $ 1,000,000 | |
| 4G's Truck Renting | Debt | 12/00, 1/01 | On demand | $ 1,000,000 | |
| Group Management Technologies, LLC | Debt | 11/99 | 11/23/01 | $ 3,150,000 | |
| Direct Creations, LLC | Debt | 9/00 | 3/9/02 | $ 750,000 | |
| Tsunami Restaurants(4) | Debt | 3/01 | Various | $ 328,500 | |
| Transworld Business Brokers, Inc. | Debt | 11/99 | 11/23/01 | $ 350,000 | |
| 1 800GiftCertificate | Debt | 7/99 | 09/15/01 | $ 300,000 | |
| Gerace Auto Parts(4) | Debt | 4/00 | Various | $ 810,000 | |
| Steve Kent Trucking(4) | Debt | 3/00, 5/00 | Various | $ 747,000 | |
| Merchant Data Systems, Inc. | Debt | 8/00 | 1/11/02 | $ 100,000 | |

| | | | | |
|---|---|---|---|---|
| Gino's Seafood(4) | Debt | 3/00, 4/00 | Various | $ 517,942 |
| Down to Earth Distribution, LLC | Debt | 12/99, 8/00 | 08/16/01 | $ 580,000 |
| St. Gabriel Hardware(4) | Debt | 11/00 | Various | $ 477,000 |
| Embosser's Sales and Service(4) | Debt | 8/00 | Various | $ 495,000 |
| Data-Tel of Louisiana(4) | Debt | 3/00 | Various | $ 513,000 |
| Raising Cain(4) | Debt | 3/00, 4/00, 5/00 | Various | $ 315,000 |
| Tari's School of Dance(4) | Debt | 5/00 | Various | $ 189,000 |
| BBQ West(4) | Debt | 10/00, 11/00 | Various | $ 49,500 |
| CB Real Net, LLC | Debt | 2/01/00 | Various | $ 2,500,000 |
| Merchant Data Systems Sales and Marketing | Debt | 10/99 | 04/15/01 | $ 3,500,000 |
| Total Debt Investments | | | | $21,171,942 |

NOTE 3 - INVESTMENTS IN QUALIFIED BUSINESSES (Continued):

EQUITY

| Investee | Date of Investment | Type of Investment | Common Stock Equivalents (1) | Percentage of Ownership | |
|---|---|---|---|---|---|
| Starphire Technologies, LLC | 8/00 | Preferred Membership Interest w/ voting rights | N/A | 50.00% | $ |
| Niche Directories, LLC | 9/00, 12/00 | Preferred Membership Interest w/ voting rights | N/A | 37.50% | $ |
| Merchant Data Systems, Inc. | 9/00 | Preferred Stock/ Common Stock | N/A | 35% | $ |
| AIDA, LLC | 10/00 | Preferred Stock/ | N/A | 50% | $ |

| | | | | | |
|---|---|---|---|---|---|
| | | Common Stock | | | |
| Multi-Media Distribution Corp. | 6/00 | Common Stock | 66,000 | 3% | $ |
| 1800GiftCertificate | 7/99 | Class B Preferred Stock | 113,140 | N/A | $ |
| 1800GiftCertificate | 7/99 | Class A Preferred Stock | 3,159 | N/A | $ |
| Group Management Technologies, LLC (5) | 11/99 | Membership Interest | N/A | 50.00% | $ |
| Cedric Kushner Boxing, Inc. (5) | 11/98 | Options for Common Stock(2) | 3 | N/A | $ |
| CB Real Net, LLC (5) | 2/00 | Warrants for Membership Interest(3) | N/A | 40.00% | $ |
| Direct Creations (5) | 12/00 | Membership Interest | N/A | 25% | $ |
| Down to Earth Technologies, LLC (5) | 12/99 | Membership Interest | N/A | 50.00% | $ |
| Merchant Data Systems Sales and Marketing, LLC (5) | 10/99 | Membership Interest | N/A | 50.00% | $ |
| Total Equity Investments | | | | | $ |
| Total Debt and Equity Investments March 31, 2001 | | | | | $2 |

(1) Common Stock Equivalents reflect conversion of all financial instruments into common stock.
(2) Expires four years from date of investment, and has a $.01 exercise price.
(3) Expires six years from date of investment, and has a $.01 exercise price.
(4) Represents Louisiana Small Business Administration (SBA) loans.
(5) Represents additional equity interests received for making funds available to qualified businesses through qualified debt.



The Company has not guaranteed any obligation of these investees, and the Company is not otherwise committed to provide further financial support for the investees. Periodically, the Company evaluates each of its individual investments for potential impairment in value. Should the Company determine that an impairment exists and it is deemed to be other than temporary, the Company will write down the recorded value of the asset to its estimated fair value and record a corresponding charge in the statement of operations. At March 31, 2001, the Company has determined that there is no other than temporary decline in the value of its investments.

The Company consolidates two of its investments. The following tables are summaries of such investments:

DEBT

| Investee | Type | Date of Investment | Maturity Date | Original Principal Amount | Stated In Rate |
|---|---|---|---|---|---|
| Universal Processing Services, LLC | Debt | 3/01 | 3/02 | $3,400,000 | 6.00 |
| PPM Link, LLC | Debt | 3/01 | 9/02 | $1,850,000 | 6.00 |
| Total Consolidated Debt Investments | | | | $5,250,000 | |

EQUITY

| Investee | Date of Investment | Type of Investment | Common Stock Equivalents (1) | Percentage of Ownership | O Inv A |
|---|---|---|---|---|---|
| Universal Processing Services, LLC | 3/01 | Preferred Membership Interest w/ voting rights | N/A | 60% | $ 2 |
| PPM Link, LLC | 3/01 | Preferred Membership Interest w/ voting rights | N/A | 67% | $ 2 |
| Total Consolidated Equity Investments | | | | | $ 4 |
| Total Consolidated Debt and Equity Investments March 31, 2001 | | | | | $5,7 |

Including the consolidated investments, the Company has qualified investments of $18,732,231 as of March 31, 2001.

NOTE 4 - EARNINGS PER SHARE

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. The dilutive effect of common stock equivalents is included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive. The effect of common stock equivalents were anti-dilutive for the three months ended March 31, 2001 and the three months ended March 31, 2000 and, therefore, have been excluded from the calculation of diluted earnings per share.

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The calculations of Net Income (Loss) Per Share were:

| | Three months ended March 31, 2001 | Three months ended March 31, 2000 |
|---|---|---|
| Basic | | |
| Net income (loss) | $ 760,471 | $ (812,429) |
| Weighted average shares | 21,382,586 | 18,456,348 |
| Basic and diluted | $ .04 | $ (.04) |

NOTE 5 - DERIVATIVES AND HEDGING ACTIVITIES

In June 1998, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") was issued. In June 2000, Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133" ("SFAS 138") was issued. SFAS 133 and SFAS 138 address the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The Company has adopted SFAS 133 and SFAS 138 in the first quarter of 2001. This had no material effect on its financial position or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Three Months Ended March 31, 2001 compared to Three Months Ended March 31, 2000

Revenues increased by approximately $6,121,000, to $6,722,000 for the three months ended March 31, 2001, from $601,000 for the three months ended March 31, 2000. Income from tax credits increased by approximately $5,920,000, attributable to the tax credits recognized in 2001, due to the Company's meeting investment thresholds mandated by the various state Capco statutes. Interest and dividend income increased by approximately $162,000, to $638,000 for the three months ended March 31, 2001, from $476,000 for the three months ended March 31, 2000. This increase was primarily due to additional investments made as a result of increased cash balances over the comparable prior period. Consulting fee income decreased by approximately $6,000 due to the decrease in consulting related activity.

General and administrative expenses increased by approximately $1,050,000, to $1,851,000 for the three months ended March 31, 2001, from $801,000 for the three months ended March 31, 2000, due to increased staffing and professional fees (legal and accounting) attributable to the increased size and number of Capcos. Interest expense increased by approximately $2,179,000 to $3,336,000 for the three months ended March 31, 2001, from $1,157,000 for the three months ended March 31, 2000, which was attributable to the issuance of notes to certified investors relating to the formation of Capcos during the prior 12 months.



LIQUIDITY AND CAPITAL RESOURCES

The Company has funded its operations primarily through the issuance of notes to Certified Investors through the Capco program. To date, the Company has received approximately $136,000,000 in proceeds from the issuance of long-term debt through the Capco programs. The Company's principal capital requirements have been to fund the defeasance of the principal amount of notes issued to the Certified Investors, the acquisition of Capco insurance policies, the acquisition of partner companies interests, funding of other investments, and working capital needs resulting from increased operating and business development activities of its partner companies.

Net cash used in operating activities for the three months ended March 31, 2001 of approximately $2,380,000 resulted primarily from net income of $760,000, offset by the non-cash interest expense of approximately $3,104,000 and non-cash income tax expense of approximately $376,000. It was also affected by the approximately $299,000 in non-cash equity in net losses of affiliates, approximately $19,000 of minority interest and the approximately $6,030,000 in non-cash income from tax credits. In addition, the Company had a decrease in components of working capital of $906,000 (primarily the decrease in accounts payable and accruals of $1,291,000).

Net cash provided by investing activities for the three months ended March 31, 2001 of approximately $2,317,000 resulted primarily from approximately $9,632,000 in additional qualified investments made in the period and offset by repayments on the debt instruments of $6,245,000. In addition, the Company consolidated approximately $5,703,000 of its investments.

Net cash provided by financing activities for the three months ended March 31, 2001 was approximately $4,178,000, primarily attributable to approximately $5,200,000 from the issuance of notes payable which was offset by approximately $1,333,000 in payments on notes payable, and approximately $726,000 from the private placement of common stock during the three months ended March 31, 2001. In addition, the Company paid approximately $402,000 in distributions to Capco members for taxes.

The Company believes that its cash and cash equivalents, its anticipated cash flow from operations, its ability to access private and public debt and equity markets, and the availability of funds under its existing credit agreements will provide it with sufficient liquidity to meet its short and long-term capital needs.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10QSB contains forward-looking statements. Additional written or oral forward-looking statements may be made by the Company from time to time in filings with the Securities and Exchange Commission or otherwise. The words "believe," "expect," "seek," and "intend" and similar expressions identify forward-looking statements, which speak only as of the date the statement is made. Such forward-looking statements are within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may include, but are not limited to, projections of income or loss, expenditures, acquisitions, plans for future operations, financing needs or plans relating to services of the Company, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements.

The Company does not undertake, and specifically disclaims, any obligation to publicly release the results of revisions which may be made to forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEWTEK CAPITAL, INC.

Date: May 14, 2001 /s/ Barry Sloane

Barry Sloane
Chairman of the Board, Chief Executive Officer, and Secretary

Date: May 14, 2001 /s/ Brian A. Wasserman

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

Date: May 14, 2001 /s/ Giuseppe Soccodato

Giuseppe Soccodato
Controller and Chief Accounting Officer