Newtek Technology Solutions

IT General Controls, Customer Services and Support Systems

Service Organization Control Report

Report on Controls Placed in Operation and Tests of Operating Effectiveness

For the Period
September 1, 2015, to February 29, 2016

I. Independent Service Auditor's Report

To: Management of Newtek Technology Solutions

Scope

We have examined Newtek Technology Solutions' description of its information technology general controls system for its customer service and support system throughout the period September 1, 2015, to February 29, 2016, (the description) and the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description.

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls contemplated in the design of Newtek Technology Solutions' controls are suitably designed and operating effectively, along with related controls at the service organization. We have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

Newtek Technology Solutions uses the IO data center (subservice organization), a co-located hosting facility, for its back-office data center operations. Newtek Technology Solutions' control objectives and related controls, which are listed in Section IV of this report, include only the control objectives and related controls of Newtek Technology Solutions and exclude the control objectives and related controls of this subservice organization. Our examination did not extend to the controls of the subservice organization.

Service Organization's Responsibilities

In Section II of this report, Newtek Technology Solutions has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. Newtek Technology Solutions is responsible for preparing the description and for its assertion, including the completeness, accuracy and method of presentation of the description and the assertion; providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria, and designing, implementing and documenting controls to achieve the related control objectives stated in the description.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period September 1, 2015, to February 29, 2016.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of the

presentation of the description and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives stated in the description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in Section III of this report. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Inherent Limitations

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in the information technology general controls system for its customer service and support system. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives is subject to the risk that controls at a service organization may become inadequate or fail.

Other Information Provided by the Service Organization

The information in Section V of management's description of the service organization's system, "Other Information Provided by Newtek Technology Solutions," that describes the business continuity plan is presented by management of Newtek Technology Solutions to provide additional information and is not a part of Newtek Technology Solutions' description of its information technology general controls system for its customer service and support system made available to user entities during the period September 1, 2015, to February 29, 2016. Information in Section V has not been subjected to the procedures applied in the examination of the description of its information technology general controls system for its customer service and support system and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description of the information technology general controls system for its customer service and support system, and, accordingly, we express no opinion on it.

Opinion

In our opinion, in all material respects, based on the criteria described in Newtek Technology Solutions' assertion in Section II of this report:

- The description fairly presents the information technology general controls system for its customer service and support system for processing user entities' transactions that was designed and implemented throughout the period September 1, 2015, to February 29, 2016.

- The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period September 1, 2015, to February 29, 2016, and user entities applied the complementary user entity controls contemplated in the design of Newtek Technology Solutions' controls throughout the period September 1, 2015, to February 29, 2016.

- The controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period September 1, 2015, to February 29, 2016.

Description of Tests of Controls

The specific controls tested and the nature, timing and results of those tests are listed in Section IV of this report.

Restricted Use

This report, including the description of tests of controls and results thereof in Section IV, is intended solely for the information and use of the Newtek Technology Solutions, user entities of the Newtek Technology Solutions' information technology general controls system for its customer service and support system for processing user entities' transactions during some or all of the period September 1, 2015, to February 29, 2016, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.

RSM US LLP

New York, New York
May 26, 2016

II. Newtek Technology Solutions' Assertion

Management of Newtek Technology Solutions'Assertion Regarding the Information Technology General Controls System for its Customer Service and Support System Throughout the Period September 1, 2015, to February 29, 2016

We have prepared the description of Newtek Technology Solutions' information technology general controls system for its customer service and support system throughout the period September 1, 2015, to February 29, 2016, and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities of the system themselves, when assessing the risks of material misstatements of user entities' financial statements. We confirm, to the best of our knowledge and belief, that:

- The description fairly presents the information technology general controls system for the customer service and support system made available to user entities of the system during some or all of the period September 1, 2015, to February 29, 2016, for processing their transactions. Newtek Technology Solutions uses a subservice organization, IO Data Center (IO), for the hosting of Newtek Technology Solutions' servers and networking equipment. The description includes only the control objectives and related controls of Newtek Technology Solutions and excludes the control objectives and related controls of the subservice organization. The criteria we used in making this assertion were that the description:
  - Presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including, if applicable:
    - The types of services provided, including, as appropriate, the classes of transactions processed
    - The procedures, within both automated and manual systems, by which services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary and transferred to the reports and other information prepared for user entities
    - The related accounting records, supporting information and specific accounts that are used to initiate, authorize, record, process and report transactions (This includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.)
    - How the system captures significant events and conditions, other than transactions
    - The process used to prepare reports and other information for user entities
    - The specified control objectives and controls designed to achieve those objectives, including as applicable, complementary user entity controls contemplated in the design of the service organization's controls
    - Other aspects of our control environment, risk assessment process, information and communication systems (including the related business processes), control activities and monitoring controls that are relevant to processing and reporting transactions of user entities of the system

- Does not omit or distort information relevant to the scope of the information technology general controls system for the customer service and support system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and their financial statement auditors and may not, therefore, include every aspect of the information technology general controls system for the customer service and support system that each individual user entity of the system and its auditor may consider important in its own particular environment

- Includes relevant details of the changes to the technology-based process controls and information technology general controls relative to its customer service and support system during the period covered by the description

- The controls related to the control objectives stated in the description were suitably designed and operated effectively throughout the period September 1, 2015, to February 29, 2016, to achieve those control objectives. The criteria we used in making this assertion were that:

  - The risks that threaten the achievement of the control objectives stated in the description have been identified by management.

  - The controls identified in the description would, if operating as described, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.

- The controls were consistently applied as designed, and manual controls were applied by individuals who have the appropriate competence and authority.

III. Description of Newtek Technology Solutions' Information Technology General Controls System for its Customer Service and Support System

Overview of Operations

Background

In January 2016, CrystalTech Web Hosting, Inc. changed its name to dba Newtek Technology Solutions. Newtek Technology Solutions is a subsidiary of Newtek Business Services Corp. (NBS, Corp.; NASDAQ: NEWT), a direct distributor of a wide range of business services and financial products to the small and medium-sized business market under the NBS, Corp. brand. NBS, Corp. is focused on developing and marketing business services and financial products to the small and medium-sized business market to reduce expenses, increase revenue and minimize risk.

Since 1998, NBS, Corp. has helped small and medium-sized business owners by providing them with the essential tools needed to manage and grow their businesses and to compete effectively in today's economic climate.

Newtek Technology Solutions has responsibility and accountability for all technology compliance, systems integrity and security as well as infrastructure and networking for all of NBS, Corp.'s major business service lines, which include:

- NBS, Corp.—parent holding company
- Newtek Small Business Finance—business lending
- Newtek Business Credit—receivables financing
- Newtek Merchant Services—credit card processing and e-commerce
- Newtek Insurance Services—commercial and personal national insurance agency
- Newtek Payroll Services—payroll processing for businesses nationally
- Newtek Technology Services—Disaster-Recovery-as-a-Service and replication for business continuity, hosted managed technology solutions and Web design

Scope

The controls of the individual business service lines listed above are not in-scope for this report; rather, the technology-based process controls and information technology general controls for the customer service and support function performed by Newtek Technology Solutions on behalf of these business lines are in scope.

Newtek Technology Solutions' data center and Web hosting services are centrally located in Scottsdale and Phoenix, Arizona. Data center services are provided by IO Data Centers, LLC (IO). Controls performed by IO are not in scope for this report.

Relevant Aspects of the Control Environment, Risk Assessment Process, Information and Communication Systems, and Monitoring Controls

Control Environment

Newtek Technology Solutions' operating environment fosters discipline and structure, which sets the foundation for its internal controls, policies and procedures. Their control environment is a collaborative effort of multiple departments to establish and enhance controls and mitigate the risks the business may encounter.

No significant changes have been made to the Newtek Technology Solutions' control structure over the past 12 months. Controls continue to be modified and refined based on changes in the business and regulatory environment.

Management's Philosophy and Operating Style

Newtek Technology Solutions' management philosophy and operating style is pervasive throughout the organization. The importance of communication is stressed by the various groups and among their respective members and communication is practiced continuously through team meetings and discussions, both formal and informal, with senior management. Additionally, personal client service, attention to detail, privacy of records, confidentiality of client data and adequate review standards for all processes are stressed continuously.

Newtek Technology Solutions management frequently interacts with all personnel in both formal and informal settings. Employees are required to attend meetings held by management for the purpose of communicating important information and current events. Newtek Technology Solutions management continuously emphasizes the importance of client communications and the safeguarding of client records and confidential data.

Organizational Structure

Newtek Technology Solutions employs approximately 100 employees organized into areas reporting to the president. The organizational structure defines key areas of responsibility and establishes clear lines of reporting and organizational charts are maintained to document and communicate to employee's their authorities and responsibilities, with lines of reporting that are logical and reasonable based on the organization's size and nature of activity. Management and employees are assigned separate responsibilities within the Company to promote segregation of duties. An organizational chart follows, and the organizational areas relevant to this report and their responsibilities are described briefly below.

Technical Operations

There are approximately 70 employees within the technical operations division. The division is further organized into six functional organizations:

- Network operations center—responsible for network monitoring, incident response and communications management
- Server operations department—responsible for provisioning, maintenance and monitoring the performance of servers to internal and external users
- Development—performs regular maintenance programming, or programming for user-requested enhancements, and updates the systems documentation
- Research and innovation—responsible for introducing new products or services to the organization

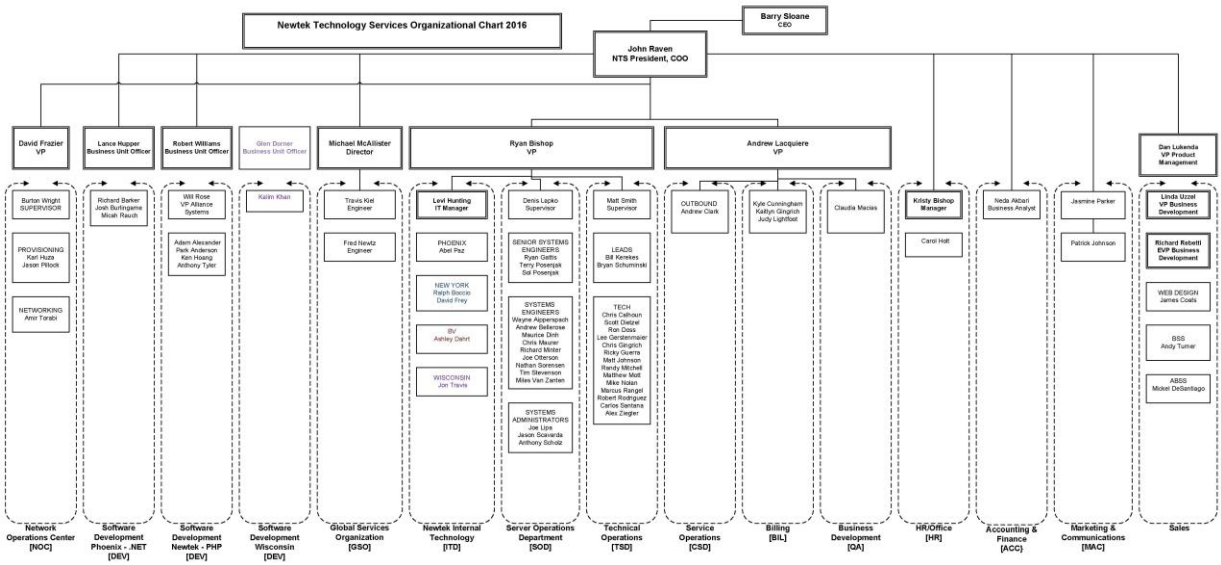
- Customer support department (includes billing and technical support Levels I, II and III)—guided by policies and procedures during the resolution process of customer issues
- Information technology—measures and monitors incidents to maintain an acceptable level of customer service

Business Operations

There are approximately 26 employees within the business operations division. The division is further organized into five functional organizations:

- Executive (senior NBS, Corp. chief information officer [CIO]/chief technology officer management)—responsible for strategic planning, the development and implementation of policies and providing day-to-day guidance for NBS, Corp. and all subsidiaries
- HR—maintains formal hiring practices to determine that employees are qualified for their positions and that employees are trained; responsible for terminations and for maintaining an organization chart
- Accounting and finance—maintains the Company's financial records
- Sales—sells the Company's services
- Marketing and communications—generates interest and activity; offers an array of merchant services that are designed to help small businesses

Senior NBS, Corp. management is responsible for the development and implementation of policies and for providing day-to-day guidance for NBS, Corp. and all subsidiaries as well as direct employees of Newtek Technology Solutions; the president of Newtek Technology Solutions is also an executive vice president (VP) and CIO for NBS, Corp.



Risk Assessment

Management's involvement in daily operations allows them to learn about risks through direct personal involvement with employees and outside parties. Management is responsible for performing risk assessments to determine appropriate mitigation efforts to ensure that business objectives are met. These efforts could include implementing and/or revising control procedures and conducting specific internal audits.

Newtek Technology Solutions recognizes the importance of risk management in properly managing corporate and client assets and providing high-quality, cost-effective data center and Web hosting services to its clients. Senior operations management reviews the results of operations and meets regularly to identify key risks and implement appropriate measures to address these risks.

Two individual Payment Card Industry compliance assessments are conducted for two different parts of Newtek Technology Solutions' business for the data center environment. These assessments include penetration testing.

All areas of the business participate in defining, regulating and driving change to reduce overall risk within the technology areas of Newtek Technology Solutions.

HR Policies and Practices

Newtek Technology Solutions has standard hiring and termination policies and procedures. The procedures include screening potential employees through an interview process, reference checks, formal offer letters and new employee training. Background checks using applicable public records are performed on each new hire to verify work history and criminal records. It is the policy of the Company to recruit, hire and promote employees without discrimination because of race, color, age, national origin, religion, disability, veteran status, marital status, weight, height or gender. The Company endorses a work environment free from discrimination, harassment and sexual harassment.

Newtek Technology Solutions maintains a Company Code of Conduct, which covers key values and ethics in business operations, including compliance with laws and regulations prohibiting kickbacks, bribes, illegal payments and gifts; compliance with generally accepted accounting principles; regulations guiding outside activities, conflicts of interest and antitrust tendencies; and protecting confidential information via email and other methods of communication. The chief executive officer (CEO), legal and HR all review and approve changes to the code of conduct (HR Policy Manual). Upon hiring, employees are required to sign an acknowledgement of having received, read and understood the Company's code of conduct. Handbooks are re-issued to employees when changes are made and employees are required to reconfirm their receipt of the handbook.

Established organizational structure and hierarchy are in place to facilitate employee management. Employee salary increases are based on performance evaluations and established salary ranges. All increases are approved by HR, senior management and the CEO of NBS, Corp.

Performance reviews are conducted biannually to monitor and encourage employees' competency in performing their job duties. In addition, Newtek Technology Solutions performs monthly quality assurance evaluations on its front-end teams, such as the technical support staff to assure acceptable levels of customer service, which are also utilized in their performance reviews.

Information and Communication

Information

Newtek Technology Solutions is a service provider, providing a wide array of business services, including Web hosting services, Web design and development, and data backup and retrieval. Newtek Technology Solutions' services also include the operation of a data center facility in Scottsdale, Arizona, offering its customers network availability, speed and quality service.

The key systems used for the management of Newtek Technology Solutions' hosting operations are Web Control Center™ and Web Services Manager, which are used to manage client hosting profiles recording the services provided to clients, it also provides customers with a portal for requesting changes or service requests. Web Control Center™ is used for managing the hosting for Microsoft Windows environments, while Web Services Manager is used for the management of clients on Linux environments.

Business Process	Application	Platform and Operating System (OS)	Data Environment
Windows Hosting	Web Control Center™	Windows Server 2008	Microsoft SQL 2005
Linux Hosting	Web Services Manager	CentOS 6	MYSQL

Hosting clients may be deployed in a dedicated or shared service model, with dedicated hosting clients being provided a dedicated server and shared service customers utilizing a shared server environment. Backups, an intrusion prevention system (IPS), patching and firewalls are provided to shared service clients by default, while dedicated clients may or may not opt to include these services.

Newtek Technology Solutions uses information systems with underlying information system infrastructure and proprietary software applications to manage Web hosting operations. Network connectivity is highly available, utilizing redundant 10-Gb Ethernet Internet connections with Tier-I connectivity providers like CenturyLink and Cogent to ensure network availability. Each server segment is supported by a separate internal maintenance network to eliminate data saturation.

Newtek Technology Solutions has a corporate WAN to enable information sharing among Company employees. While the headquarters and operational office facilities have some local information systems to support internal Company business operations, critical systems, including all client systems, are housed and supported in the data center facility located in Scottsdale, Arizona. Authorized Newtek Technology Solutions operations support personnel, both on-site at the data center and off-site, perform system administration tasks by remotely accessing the data center systems via WAN connections between the data center and office LANs. The data center is accessible 24x7x365 to authorized Newtek Technology Solutions and client personnel.

Newtek Technology Solutions' network is Ethernet-based and is logically grouped for technical management. The network consists mainly of industry-standard, business-class servers with redundancy options. OSs and database systems from major vendors are used to construct network architectures and support Web hosting systems. In addition, Newtek Technology Solutions has employee workstations throughout the Company that have connectivity to the network or are stand-alone. The system software utilized on local workstations consists of system client software, Microsoft Office suite (Word, Excel, PowerPoint, Access and Outlook), Internet Explorer and antivirus software.

The Newtek Technology Solutions' networks are isolated from the Internet using industry-standard firewall systems to ensure that only authorized access is allowed to the Newtek Technology Solutions' network and systems. Access controls are implemented to ensure system security and system availability. Intrusion detection systems (IDSs) are also implemented for enhanced network security protection.

Communication

Newtek Technology Solutions has developed an Employee Handbook addressing Company policies and procedures, with specific addendums pertinent to Newtek Technology Solutions, including sections for:

- Employment and termination
- Employee performance
- Work rules and workplace conduct
- Benefits
- Company property
- Health and safety

Job descriptions communicate assigned roles and responsibilities to management and employees. Upon hiring, new employees attend HR orientation to learn about benefits and Company policies and procedures. All new hires are required to participate in department-specific training based on their job function and titles to ensure that new employees are qualified for their job responsibilities. Furthermore, all Newtek Technology Solutions employees are required to take the training at Newtek Technology Solutions University within the first 90 days of emplacement.

Information technology usage and operational policies and procedures are also developed to educate employees about professional conduct, technology asset and information usage and to guide them in performing their job duties.

Information technologies such as intranet and email distribution are used to further facilitate information flow within the Company across multiple departments and groups. Newtek Technology Solutions also maintains two websites, http://www.newtekwebhosting.com and http://www.thesba.com, to communicate business information about the Company and its operational and management philosophy. Public information such as the Company's background and general security and infrastructure procedures, as well as industry security standards in the Web hosting services, is published on the websites for the use of clients and employees. Web hosting and data center customer support are provided 24x7x365 by a team of on-site support personnel.

Monitoring

Management's involvement in the daily operations allows them to monitor the ongoing effectiveness of internal controls through direct personal involvement with employees and outside parties. Newtek Technology Solutions' president hosts weekly meetings with senior management to discuss and assess the current business and operating environments. Significant issues identified are presented to the board of directors, as appropriate.

Senior management monitors the quality of internal control performance as a normal part of their activities in the data center and Web hosting service operations. Management's hands-on approach enables them to identify issues as they arise. Various control procedures, including technical controls such as standard vulnerability assessment and IDSs, are put in place to help protect the Company's and clients' resources and data.

An Audit Committee and internal audit personnel are established to monitor the performance of internal controls and address findings and recommendations of its internal control systems.

Information Technology General Computer Controls

Computer Operations

The network operations center (NOC) is responsible for the completion of daily processing, including monitoring the completion of backups. Newtek Technology Solutions has a formal, documented backup policy in place that defines the requirements for backing up data, frequency of backups and the monitoring of backup jobs. The policy is reviewed and approved by the senior vice president (SVP) of data center operations on annual basis. Currently, Newtek Technology Solutions runs approximately 2,000 jobs on a daily basis. Backups are scheduled to be performed on a daily basis using the CommVault system, which is configured to generate a daily report to identify any failed backups. The NOC team runs two full backups and one incremental backup, and they review the system-generated report on a daily basis to investigate failed backups. The NOC team remediates/reruns the backup if it's an internal issue. The NOC team contacts customers via phone, email or via ticket if the issue is external and relates to customer systems and waits for action/response from their customers. Also, the NOC team sends a backup detail summary report to SVP of data center operations via email on a daily basis. Furthermore, Newtek Technology Solutions retains their customer data for 14 days. The NOC performs test restores each week to confirm the viability of backed-up data.

The NOC is also responsible for monitoring the health and availability of network devices, including Juniper firewalls and the IDS. See the Operations Monitoring section below.

The NOC will perform required patching or updates to network equipment, including firewalls and the IDS. Windows OS updates are scheduled and monitored using a Windows Server Update Services server.

Newtek Technology Solutions' servers are hosted within a segregated section of the IO data center. Access into Newtek Technology Solutions' section is limited to authorized Newtek Technology Solutions network operations personnel. User access is reviewed by the operations department manager quarterly. Video cameras monitor the entrance to the IO data center and Newtek Technology Solutions' server area, and video tapes are maintained for one year.

Operations Monitoring

Newtek Technology Solutions offers 24x7x365 support via telephone, email or live chat, which will record issue tickets using SmarterTrack. Issues tickets are logged, assigned, documented, prioritized and resolved in a timely manner by Newtek Technology Solutions' support staff. Newtek Technology Solutions' support teams and service metrics are monitored regularly by management to maintain a consistent level of customer service.

Newtek Technology Solutions' critical systems, including all client systems, are housed and supported in the IO data center facility located in Scottsdale, Arizona (not in scope for this report). Authorized Newtek Technology Solutions operations support personnel both on-site at the data center and off-site perform system administration tasks by remotely accessing the data center systems via WAN connections between the data center and office LANs. The data center is accessible 24x7x365 to authorized Newtek Technology Solutions and client personnel. A user access list is reviewed quarterly to ensure that data center access is limited to current and authorized Newtek Technology Solutions employees.

Newtek Technology Solutions performs backups on all internal and customer servers on a daily basis, which is monitored by Newtek Technology Solutions' 24x7 staff. Critical corporate servers and databases are also backed up daily and stored at an off-site location at Newtek Technology Solutions' corporate headquarters. Both daily and weekly copies of internal backups are copied and retained for 60 days while regular, nightly backups are kept for 14 days. System recovery from backup media is tested on a regular basis and reviewed by authorized personnel. Operational, internal data backup logs are kept, distributed and reviewed by authorized personnel. The NOC monitors the network bandwidth through the use of the PRTG monitoring tool, which will display bandwidth on a console, as well as send email alerts

if certain thresholds are surpassed. The PRTG monitoring tool keep logs of IP addresses that are interacting with Newtek Technology Solutions' systems. The NOC team utilizes and holds these logs for the system update and checks their life cycles.

Newtek Technology Solutions has installed firewalls, IDSs, IPSs and antivirus software on its internal and client networks, protecting them from intrusion, malicious attacks and hacking attempts. Firewall, IDS and IPS logs are generated daily and are monitored and approved by authorized personnel.

The Nagios monitoring tool is used to monitor the availability and health of Newtek Technology Solutions network devices, it also keeps a log of uptime for reporting purposes. The NOC monitors the Nagios console and also receives email alerts for any outages or network issues. There is a 20-minute turnaround time for the NOC team to fix the issues, if they are not just notifications or false positive. However, if there is a major issue, the team communicates with action emails. IPMON is used to monitor server availability and performance. Server administrators in the NOC perform real-time monitoring on Newtek Technology Solutions' client servers through IPMON (a centralized third-party IP monitoring application) software. These administrators monitor the customer's server availability in real time. As issues arise, an issue ticket is created within an internal ticketing system called "Smarter Ticketing System" for the NOC to track the resolution process. Once the issue is resolved, the NOC team updates and closes the ticket.

Newtek Technology Solutions has established policies and procedures that require all changes to internal systems, including databases, OSs, applications and network infrastructure, to be performed in a controlled environment. All changes are documented, tested, evaluated and approved prior to release into production. Version controls are maintained, documented and tested to preserve the ability to roll back changes when needed.

Logical Access

Newtek Technology Solutions has an established set of formal information policies and procedures surrounding the setup of new users, termination of existing users, use of authorized administrative accounts and password integrity parameters to ensure that only authorized users are accessing Newtek Technology Solutions' network. The enforced policies include strong authentication requirements for the network, Web Control Center™ (WCC) and Web Services Manager (WSM). Access to the systems and applications require unique user IDs and passwords. WCC relies on the assigned Windows Active Directory credentials for authentication, and WSM uses multifactor authentication that includes a password, IP address restriction and electronic tokens. New user access to the Newtek Technology Solutions network is requested using a customized Web form received from the HR department, which results in a ticket being opened. Terminated employees are also communicated to technology services via a Web form, which results in a ticket being opened including a termination checklist. Requests for the addition or removal of system access requires a completed Personnel Action Form (PAF) by the employee's manager, which is approved by senior management before HR opens the IT ticket. HR will not open an access request ticket without an approved PAF. Employee access to Newtek Technology Solutions' applications or data center operations is limited to authorized, active employees. Access is revoked on the employee's last day in the case of a voluntary termination or on the day of or day after the employee's last day in the case of an involuntary termination.

Access to Web Control Center™ or Web Services Manager is also requested by HR and requires approval of the employee's manager. Daily, an automated report of employees provided access to the WCC or WSM is reviewed by management and reconciled to approved access requests or changes. Administrators of the production systems are all authorized personnel from the IT department.

Update access to production systems is monitored continually using the Login Watcher tool, and is only opened temporarily based on an approved change request.

Newtek Technology Solutions has installed firewall, IDS, IPS and antivirus software on its internal and client networks, protecting them from intrusion, malicious attacks and hacking attempts. Antivirus compliance reports are automatically generated on weekly basis for review and to investigate suspicious events, and potential threats to the production environment. Formal policies and procedures are in place to document these events as well as necessary action steps in the case of malicious activities.

Physical Access

Physical access to Newtek Technology Solutions' facilities and data center is controlled by magnetic cards and monitored continually using video surveillance. The entrance of the main office is manned by a receptionist. The IO data center that houses the servers and the NOC is secured with barriers, manned by security guards and is under 24x7 video surveillance. Visitors require photo identification and are escorted.

Management reviews the system and application access rights at least annually and the data center access on monthly basis.

System Development and Change Management

Newtek Technology Solutions has established policies and procedures, including system development and change management, that require that all changes to internal systems, including databases, OSs, applications and network infrastructure, be performed in a controlled environment. All changes are documented in the change management system, tested, evaluated and approved prior to being released into production. Code reviews are performed to ensure that Company standards are met, and code is approved prior to implementation. Version controls are maintained, documented and tested to ensure the ability to roll back changes when needed. The Subversion source control system records all actions performed on any of the files in the code repository, such as revision and additions, and maintains the audit trail. It provides different options for sorting the items and also maintains both the original and the revised versions by automatically assigning unique reference numbers.

Newtek Technology Solutions' system development and changes require a request in written or verbal form for all modifications to the Company's existing software assets or for creation of new software systems. These requests must receive corporate approval before any research or planning by the development team begins. All changes must also be authorized and assigned to the development team members by the senior VP (SVP) of software development in a controlled manner using the ticket system, which permanently records and tracks all work pertaining to the request. All requests are documented using a standard set of documentation templates that are specified by the SVP of software development at the time of assignment and based on the complexity of the request.

All code modifications are reviewed, verified and signed off by the development team's lead or SVP of software development before being promoted to the production environment.

All testing of changes to software applications is recorded in the project tracking system. Test plans are reviewed and signed off by the development team lead or SVP of software development before being promoted to the production environments. Software developers are not allowed to approve their own changes,

Access to the production servers is firewalled and only provided on temporary basis when authorized. The request is made via tickets and the same group cannot grant access to its members. NTS Core Access software is used to manage access to the production servers; the development team does not have access to NTS Core Access software. Session and global logs track and record transactions and actions performed by a user when access is granted to the production servers.

Network and infrastructure changes are handled by the server operations department (SOD) and the NOC team. Customer requests for changes to their dedicated firewalls go through the support team within the SOD, who then open a ticket authorizing the NOC team to perform the requested change. The results are communicated to the customer through the SOD team representative.

Newtek Technology Solutions Subservice Organization

Newtek Technology Solutions uses a subservice organization to perform various functions to support the delivery of services. The scope of this report does not include the controls and related control objectives at the subservice organization. Newtek Technology Solutions performs a review of the subservice organization's Service Organization Control (SOC) report and any complementary user entity controls annually. The following is a description of services that the subservice organization provided:

Subservice Organization	Services Provided
IO data center (IO)	Data center co-location provider that hosts Newtek Technology Solutions' network servers and other networking equipment (IO issues a Statement on Standards for Attestation Engagements No. 16 report annually.)

Complementary User Entity Controls

Newtek Technology Solutions' controls over its hosting operations were designed with the assumption that certain controls would be placed in operation by user entities. This section describes some of the controls that should be in operation at user entities to complement the controls at Newtek Technology Solutions. User auditors should determine whether user entities have established controls to provide reasonable assurance of the following:

- It is the customer's responsibility to read, understand and comply with all terms and conditions of Newtek Technology Solutions' Terms of Service agreement, located at http://newtekwebhosting.com/tos.aspx. (Various Control Objectives)
- It is the customer's responsibility to read, understand and comply with the Newtek Technology Solutions' Private Registration Policy, located at http://www.thesba.com. (Various Control Objectives)
- It is the customer's responsibility to evaluate its business needs and company policies to ensure that access granted to its hosted applications, databases and OS file shares is authorized and appropriate. (Control Objective 2)
- It is the customer's responsibility to ensure that the firewall rule sets configured for its hosted application environment are appropriate to its business needs and company policies. Changes to the customer's firewall rule sets should be communicated to Newtek Technology Solutions. (Control Objective 4)
- It is the customer's responsibility to ensure that all antivirus software is current and continually protecting their environment against viruses, spyware, Trojan horses, worms, bots and rootkits as well as continuous protection against new threats. Changes related to the customer's antivirus software should be communicated to Newtek Technology Solutions. (Control Objective 2)
- It is the customer's responsibility to apply appropriate software patches in order to modify or fix security holes, facilitate updates, etc., related to the customer's business needs. Changes related to the customer's software patches should be communicated to Newtek Technology Solutions. (Control Objective 4)
- It is the customer's responsibility to evaluate its backup requirements to ensure that backup frequency, backup retention and backup restore operations are sufficient to its business needs. Required changes related to the customer's backup controls should be communicated to Newtek Technology Solutions. (Control Objective 6)

- It is the customer's responsibility to provide Newtek Technology Solutions with proper licensing for software that is placed by the customer onto the server that is leased to it by Newtek Technology Solutions. (Control Objective 4)

- It is the customer's responsibility to maintain policies and procedures for communicating with Newtek Technology Solutions' customer or technical support to resolve problems. (Control Objective 5)

- It is the customer's responsibility to establish, audit and maintain physical and logical controls surrounding access points to Newtek Technology Solutions' services. (Control Objective 3)

IV. Newtek Technology Solutions' Control Objectives and Related Controls and RSM US LLP's Tests of Controls and Results of Tests

Newtek Technology Solutions' control objectives and related controls are an integral part of management's description and are included in this section for presentation purposes. RSM US LLP included the description of the tests performed to determine whether the controls were operating with sufficient effectiveness to achieve the specified control objectives and the results of tests of controls, as specified below.

Tests of the control environment, risk assessment, information and communication, and monitoring included inquiries of appropriate management, supervisory and staff personnel, observation of Newtek Technology Solutions' activities and operations, and inspection of Newtek Technology Solutions documents and records. The results of those tests were considered in planning the nature, timing and extent of RSM US LLP's testing of the controls designed to achieve control objectives. As inquiries were performed for substantially all of Newtek Technology Solutions' controls, the tests were not listed individually for every control listed in the tables below.

Control Objective 1: Controls provide reasonable assurance that data is backed up regularly and available for restoration in the event of processing errors or unexpected processing interruptions.			
Provided by Newtek Technology Solutions		***Procedures Performed by RSM US LLP***	
Control		**Test Performed**	**Test Results**
1.1	A written backup policy is in place that defines the requirements for backing up data, frequency of backups and the monitoring of backup jobs. The policy is reviewed and approved by management annually.	Inspected the backup policy to determine whether it included the following elements: • Process for backing up data • Frequency of backups • Monitoring of backup jobs	No exceptions noted.
		Inspected the backup policy to determine whether the policy was reviewed and approved by management annually.	No exceptions noted.
1.2	CommVault is configured to backup customer data on a daily basis.	Inspected the backup schedule from CommVault to determine whether all the servers were scheduled for a daily backup.	No exceptions noted.
1.3	The network operations team monitors the successful completion of backups on a daily basis and corrective action is taken when required for failed backups.	Inspected the backup results for a sample of days to determine whether the SVP of data center operations and his team were notified of the backup status and a ticket was created to log customer-related backup issues.	No exceptions noted.
1.4	The network operations team performs test restores weekly to confirm the validity of the backed-up data.	Inspected a sample of weekly test restore logs to determine whether the test restores were performed and reviewed by the SVP of data center operations.	No exceptions noted.

Control Objective 2: Controls provide reasonable assurance that identified production and customer issues reported are analyzed and resolved.

Provided by Newtek Technology Solutions		*Procedures Performed by RSM US LLP*	
Control		**Test Performed**	**Test Results**
2.1	Ticket handling procedures are in placed to guide the support staff through the incident resolution process. New support staff members are trained on the procedures upon joining the team.	Inspected the ticket handling procedures to determine whether Newtek Technology Solutions has documented procedures to guide the customer support staff through the incident resolution process.	No exceptions noted.
		Inspected training documentation for a sample of new hires in the customer service department to determine whether they completed the required technical training program.	No exceptions noted.
2.2	Customer incident tickets are logged, assigned, documented, prioritized and tracked to resolution.	Inspected a sample of incident tickets to determine whether the tickets were logged, assigned, documented, prioritized and tracked to resolution.	No exceptions noted.
2.3	Newtek Technology Solutions performs monthly quality assurance audits for each technical support representative.	Inspected a sample of monthly technology support quality assurance audits to determine whether a quality assurance audit was performed for each representative.	No exceptions noted.
2.4	Newtek Technology Solutions monitors the number of customer calls that are on hold and the customers' wait times. The system is configured to send an alert email to the support team for calls exceeding eight minutes.	Inspected the monitoring screen/dashboard in the customer support department and alert configuration to determine whether Newtek Technology Solutions monitors the number of customer calls on hold and the customers' wait times.	No exceptions noted.
		Inspected a sample of email notifications to determine whether the support team was notified of customer calls that were on hold for more than eight minutes.	No exceptions noted.

Control Objective 3: Controls provide reasonable assurance that system availability is monitored and that issues are identified and resolved on a timely basis.

Provided by Newtek Technology Solutions		*Procedures Performed by RSM US LLP*	
Control		**Test Performed**	**Test Results**
3.1	Network operations policies and procedures have been developed to provide guidance. The policies are reviewed and approved by management at least annually.	Inspected the network operations policies and procedures to determine whether they provided guidance for the operations of the NOC and were approved in the last year.	No exceptions noted.
3.2	Newtek Technology Solutions staffs the data center 24x7 to address operational issues as well as trouble tickets initiated by the technical support team.	Inspected the NOC staffing schedule from September to February to determine whether at least one technical support person was scheduled to staff the NOC data center 24x7.	No exceptions noted.
3.3	Newtek Technology Solutions obtains and reviews the IO data center's service auditor report including client control considerations on an annual basis for issues that could impact operations.	Inspected management review results of the most recent IO data center SOC report and client control considerations to determine whether management evaluated the impact of any potential weakness in the service provider's operations.	No exceptions noted.
3.4	The Nagios tool is used to monitor the availability and health of Newtek Technology Solutions network devices. The NOC monitors the Nagios console and also receives email alerts for any outages or network issues.	Inspected the Nagios dashboard to determine whether it was set up to monitor for network availability issues.	No exceptions noted.
		Inspected notification configuration from Nagios and an automated email alert to determine whether issues were automatically sent to the NOC team for any outages or network issues.	No exceptions noted.
3.5	The PRTG monitoring tool is used to monitor Newtek Technology Solutions' available bandwidth. The NOC monitors the PRTG console and receives email alerts for any bandwidth issues.	Inspected the PRTG configuration to determine whether the tool was set up to monitor for adequacy of available bandwidth.	No exceptions noted.
		Inspected an automated email alert and configuration from PRTG to determine whether issues were automatically sent to the NOC team for bandwidth issues.	No exceptions noted.
3.6	Server operations department performs the real time monitoring of client servers availability and response using IPMON tool, and create tickets for the NOC team to investigate and resolve any issues.	Inspected the IPMON configuration to determine whether the managed client servers were monitored in real time.	No exceptions noted.
		Inspected a sample of operational tickets to determine whether the operational issues were assigned to the NOC department and the issue was resolved.	No exceptions noted.

Control Objective 4: Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users.

Provided by Newtek Technology Solutions		*Procedures Performed by RSM US LLP*	
Control		**Test Performed**	**Test Results**
4.1	Formal information security policies and procedures exist and are reviewed and approved by management at least annually.	Inspected the information security policies to determine whether they were reviewed and approved by management.	No exceptions noted.
4.2	Formal policies and procedures have been developed surrounding user access management.	Inspected the information security policies to determine whether they included procedures for managing user access to IT systems.	No exceptions noted.
4.3	New user access to the network and applications is requested using help desk tickets and must be approved by management before access is granted.	Inspected a sample of new hire access request tickets to determine whether new user access was requested and approved by management before access was provided.	No exceptions noted.
4.4	Access to network administrator or super user accounts is restricted to authorized personnel.	Inspected the network user listing and management review of the domain users to determine whether access to administrator or super user accounts was restricted to IT administrators as required by job responsibility.	No exceptions noted.
4.5	Newtek Technology Solutions HR generates a request ticket and attaches a termination request form, which the IT department will use as authorization to remove employee access to the network and applications.	Inspected the help desk tickets and termination requests for a sample of terminated employees to determine whether the removal of access was requested in a timely manner.	No exceptions noted.
		Inspected application and network user access lists to determine whether terminated employees were disabled or removed.	No exceptions noted.
4.6	Administrator and user access to the network, WCC and WHMCS authenticate through Active Directory, and access is reviewed daily. A daily log of access permission changes is generated, distributed to IT management and reconciled to approved access requests.	Inspected management's review of user access rights to determine whether an access review was performed and terminated users were removed.	No exceptions noted.
		Inspected a sample of daily access permission change reconciliations to determine whether changes were reconciled to approved access requests.	No exceptions noted.
4.7	Password parameters are in place for the network and the applications that provide for minimum length, complexity, expiration, account suspension after invalid logon attempts and reset and reuse restrictions.	Inspected the password parameters for Windows Active Directory to determine whether they matched Newtek Technology Solutions' domain security policies: • Minimum length: 12 characters • Maximum age: 42 days • Minimum age: one day • Require complexity: yes • Password history: 24 iterations	No exceptions noted.

Control Objective 4: Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users.

Provided by Newtek Technology Solutions		*Procedures Performed by RSM US LLP*	
Control		**Test Performed**	**Test Results**
		Inspected the authentication requirements for Web Host Manager (WHM) and Web Control Center™ (WCC) to determine whether they included strong passwords.	No exceptions noted.
4.8	The network operations team runs a script to update the intrusion detection software with the latest intrusion detection signatures on weekly basis.	Inspected the intrusion detection version and the script run to update the IDS to determine whether it included the most current detection signatures.	No exceptions noted.
4.9	Antivirus software is installed on computing resources to protect systems from viruses.	Inspected antivirus configurations in the production server environments to determine whether the antivirus management console was configured to automatically push updates and scanning policies to client workstations and servers.	No exceptions noted.
		Inspected antivirus definition reports to determine whether the status of antivirus software installed on workstations and servers in the production environments was monitored.	No exceptions noted.
4.10	Systems are configured to alert management and system administrators of any direct access to production servers.	Inspected the script of the Login Watcher auto-generated email notification to determine whether management received an alert when the production servers were accessed.	No exceptions noted.
		Inspected the Login Watcher dashboard to determine whether the system was monitoring access to critical systems and sent alerts to management and the server operations department.	No exceptions noted.

Control Objective 5: Controls provide reasonable assurance that physical access to computer and other resources is restricted to authorized and appropriate personnel.

Provided by Newtek Technology Solutions		*Procedures Performed by RSM US LLP*	
Control		**Test Performed**	**Test Results**
5.1	Formal facilities access policies and procedures exist. The policies include the process for the addition and deletion of employees with access to the building.	Inspected the formal NBS access policies and procedures to determine whether they included the process for the addition and deletion of employees with access to the building.	No exceptions noted.
5.2	Access to the IO data center is provided to Newtek Technology Solutions employees and guests upon approval by the SVP of data center operations.	Inspected a sample of access requests for the IO data center to determine whether employee access granted was approved by the SVP of data center operations.	No exceptions noted.
5.3	The approved access list for the data center is reviewed by the SVP of data center operations on a monthly basis.	For a sample of months, inspected the data center access control listing to determine whether it was reviewed by the SVP of data center operations to ensure that access was appropriate.	No exceptions noted.
5.4	Activity within Newtek Technology Solutions' data center facility is monitored by motion-sensitive video recorders, and content is archived for 180 days.	Observed the SVP of data center operations as he inspected and monitored the activity within Newtek Technology Solutions' section of the data center facility using motion-sensitive video recorders to determine the existence and availability of recorded content.	No exceptions noted.
		Inspected screenshots of the video surveillance recordings for a sample of days to determine whether video was recorded throughout the day and to determine whether recorded content was archived for 180 days to ensure availability.	No exceptions noted.

Control Objective 6: Controls provide reasonable assurance that changes to application programs, infrastructure and related data management systems are authorized, tested, documented and implemented.

Provided by Newtek Technology Solutions		*Procedures Performed by RSM US LLP*	
Control		**Test Performed**	**Test Results**
6.1	Newtek Technology Solutions has a formal SDLC standard and Change Management Policy to govern modifications to computer systems and applications. The Policy and standard are updated as needed and reviewed annually by management.	Inspected the current SDLC and Change management policy to determine whether they were updated and approved by senior management annually, and contained requirements for the change process, including initial approval, testing, code review and approval for implementation.	No exceptions noted.
6.2	Changes to programs and data are authorized and entered into a change documentation system.	Inspected a sample of program or data changes to determine whether the changes were authorized and documented in the change management system.	No exceptions noted.
6.3	Access to production servers is firewalled to all users and granted temporarily for specific technical reasons. When developer access is required, it is documented and approved in a ticket and removed when work is completed.	Inspected security configurations for the production servers to determine whether access was restricted to development team members according to authorized requests.	No exceptions noted.
		Inspected a sample of developer access requests to determine whether developer access granted was documented, approved in a helpdesk ticket, and removed after the work was completed.	No exceptions noted.
6.4	Newtek Technology Solutions performs code reviews to ensure that Company standards are met and code is approved prior to implementation.	Inspected the YouTrack system tickets and supporting documentation for a sample of completed projects to determine whether the lead/senior code developer reviewed and approved the code changes prior to implementation.	No exceptions noted.
6.5	A test environment exists for the Web Control Center™ and Web Services Manager applications for testing changes prior to moving them to the production environment.	Inspected the Newtek Technology Solutions' network infrastructure configuration to determine whether a testing environment was set up with staging servers as part of the process to review changes prior to implementation.	No exceptions noted.
6.6	Testing results are evaluated and approved by appropriate personnel prior to migration into production.	Inspected a sample of change management tickets for the WCC and WHMCS applications to determine whether test results were reviewed and approved prior to migration into production.	No exceptions noted.
6.7	Source control systems are used to ensure that previous versions are available for rollback if an error occurred.	Inspected the Subversion source code management system configuration to determine whether previous versions of system software were available for rollback if an error occurred.	No exceptions noted.

Control Objective 6: Controls provide reasonable assurance that changes to application programs, infrastructure and related data management systems are authorized, tested, documented and implemented.

Provided by Newtek Technology Solutions		*Procedures Performed by RSM US LLP*	
Control		**Test Performed**	**Test Results**
6.8	Changes to production infrastructure, such as OSs and networks, are reviewed and approved prior to production rollout in accordance with the Change Management Policy.	Inspected a sample of production infrastructure change management tickets to determine whether the changes were approved before production rollout.	No exceptions noted.
6.9	Changes to a shared services customer (SRX) firewall must be authorized by the CIO within a change ticket before the firewall change is made.	Attempted to inspect the change request ticket for a sample of shared services (SRX) firewall changes to determine whether they were authorized by the CIO prior to the changes being made.	No SRX firewall changes were requested during the testing period.
6.10	Changes to a dedicated customer's firewall are authorized by the customer and forwarded to the NOC for processing.	Inspected a sample of change requests for dedicated customer firewalls and compared them to the customers' firewall rule sets to determine whether the changes occurred as requested and were authorized.	No exceptions noted.
6.11	On an annual basis, management reviews developer access list for Windows Active Directory and Core Access database to determine if the access is appropriate.	Inspected management's annual developer access reviews to determine whether it was performed and all individuals with access to Windows Active Directory and Core Access database was appropriate.	No exceptions noted.

V. Other Information Provided by Newtek Technology Solutions

The following has been provided by Newtek Technology Solutions to provide additional information to user entities and has not been subjected to the procedures applied in the examination of Newtek Technology Solutions' system. Accordingly, RSM US LLP expresses no opinion on the information included in this section.

Disaster Recovery Plan

A Disaster Recovery Plan (the Plan) provides detailed instructions designed to recover the infrastructure, software and data needed to support Newtek Technology Solutions in the event of a disaster. Various copies of the Plan are stored in secured locations at Newtek Technology Solutions' facilities on CD both in printed copy and electronically. All members of both the disaster recovery team and business recovery team, as identified in the Plan, have been provided copies of the Plan.

The Plan identifies all key personnel and their respective contact information, configuration and recovery details for relevant systems (e.g., Data Vault Services Web Front End, and details such as production server location, versions, boot devices, applications, backup strategy, restore procedures and total loss scenario checklist) and test results. The Plan was most recently tested successfully by Newtek Technology Solutions in June 2015.

Insurance Coverage of Assets

Newtek Technology Solutions carries insurance for all physical assets. These policies are reviewed and renewed on an annual basis. Coverage is approved by the NBS, Corp. board of directors.