

Edgar Filing: INTREPID CAPITAL CORP - Form 8-K/A

INTREPID CAPITAL CORP  
Form 8-K/A  
March 18, 2002

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 18, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A  
(Amendment No. 1)

CURRENT REPORT

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

Date of Report (Date of earliest event reported): December 31, 2001

Intrepid Capital Corporation  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other  
jurisdiction of  
incorporation)

333-66859  
(Commission File Number)

59-3546446  
(IRS Employer  
Identification  
Number)

3652 South Third Street, Suite 200, Jacksonville Beach, Florida 32250  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (904) 246-3433

NOT APPLICABLE  
(Former name or former address, if changed since last report)

This Amendment No. 1 amends and supplements the Current Report on Form 8-K filed on January 15, 2002 (the "Original 8-K") by Intrepid Capital Corporation (the "Company"). Capitalized terms used herein which are not otherwise defined herein are used with the respective meanings ascribed to them in the Original 8-K.

As previously reported, on December 31, 2001, the Company acquired all of the outstanding capital stock of ICC Investment Advisors, Inc. ("ICC"). As of the date of the filing of the Original 8-K, it was impractical for the Company to provide the financial statements required by Form 8-K. In accordance with General Instruction C. and Item 7 of Form 8-K, such financial statements are

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being filed with this Amendment No.1.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

- (a) Financial Statements of Business Acquired. Included in this Current Report are the balance sheets, statements of operations, stockholders' deficit and cash flows of ICC for the years ended December 31, 2000 and December 31, 1999, together with the notes thereto, which have been audited by the independent accounting firm of Babione, Kuehler & Caslow, whose opinion thereon is included herein.
- (b) Pro Forma Financial Information. Included in this Current Report are the following unaudited pro forma financial statements, together with the notes thereto (the "Unaudited Pro Forma Consolidated Financial Statements"):
  - (i) Unaudited pro forma consolidated balance sheet as of September 30, 2001.
  - (ii) Unaudited pro forma consolidated condensed statement of operations for the nine months ended September 30, 2001.
  - (iii) Unaudited pro forma consolidated condensed statement of operations for the year ended December 31, 2000.
- (c) Exhibits. The following is a list of the Exhibits attached hereto:

|              |  |
|--------------|--|
| Exhibit 2.1  | Share Purchase Agreement*                      |
| Exhibit 4.1  | Form of Warrant Agreement*                     |
| Exhibit 4.2  | Option Agreement*                              |
| Exhibit 4.3  | Convertible Note*                              |
| Exhibit 10.1 | Non-Competition and Confidentiality Agreement* |
| Exhibit 10.2 | Form of Registration Rights Agreement*         |
| Exhibit 10.3 | Investment Agreement*                          |
| Exhibit 10.4 | Convertible Note Agreement*                    |
| Exhibit 10.5 | Registration Rights Agreement*                 |
| Exhibit 10.6 | Standstill Agreement*                          |

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\* - Previously filed.

[Signature Page Follows]

SIGNATURE

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

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INTREPID CAPITAL CORPORATION

By: /s/ Forrest Travis

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Forrest Travis, President and  
Chief Executive Officer

Dated: March 18, 2002

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INDEX TO FINANCIAL STATEMENTS

Balance sheets, statements of operations, stockholders' deficit and cash flows of ICC for the year  
December 31, 2000 and December 31, 1999, together with the notes thereto, which have been audited  
independent accounting firm of Babione, Kuehler & Caslow, whose opinion thereon is included herein

Unaudited pro forma consolidated balance sheet as of September 30, 2001.....

Unaudited pro forma condensed consolidated statements of operations for the  
nine months ended September 30, 2001 and the year ended December 31, 2000.....

Notes to the unaudited pro forma consolidated financial statements.....

[BKC LOGO]

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BABIONE, KUEHLER & CASLOW  
-----

CERTIFIED PUBLIC ACCOUNTANTS

Marcia S. Babione, CPA  
Mark A. Kuehler, CPA  
Sharon Caslow, CPA

4060 Edgewater Drive  
Orlando, FL 3280  
(407) 291-6400  
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A  
Certified  
Certified  
A P

Independent Auditors' Report

Board of Directors  
The Investment Counsel Company  
of the Southeast  
Orlando, Florida

We have audited the accompanying balance sheet of The Investment Counsel Company of the Southeast as of December 31, 2000, and the related statements of operations, stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Investment Counsel Company of the Southeast as of December 31, 2000, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of general and administrative expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 17, 2002

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Balance Sheet  
December 31, 2000

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ASSETS

Current assets:

|   |           |
|---|-----------|
| Cash                                      | \$119,469 |
| Accounts receivable                       | 40,048    |
| Prepaid expenses and other current assets | 8,196     |
|   | -----     |
| Total current assets                      | 167,713   |

|                             |         |
|-----------------------------|---------|
| Property and equipment, net | 115,105 |
|-----------------------------|---------|

Other assets:

|                           |        |
|---------------------------|--------|
| Deposits and other assets | 13,592 |
| Deferred income taxes     | 72,634 |
|                           | -----  |
| Total other assets        | 86,226 |

|              |           |
|--------------|-----------|
| Total assets | \$369,044 |
|              | -----     |

The accompanying notes are an integral part of these financial statements.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
 Balance Sheet (Continued)  
 December 31, 2000

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

|  |           |
|--|-----------|
| Line of credit                               | \$ 75,000 |
| Accounts payable                             | 62,550    |
| Accrued expenses                             | 39,008    |
| Income tax payable                           | 10,346    |
| Current portion of long-term debt            | 19,550    |
| Current portion of capital lease obligations | 10,938    |
| Current portion of pension plan obligation   | 1,552     |
|  | -----     |

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|   |            |
|---|------------|
| Total current liabilities                       | 218,944    |
| Long-term liabilities:                          |            |
| Long-term debt, less current portion            | 17,802     |
| Capital lease obligations, less current portion | 9,206      |
| Pension plan obligations, less current portion  | 214,938    |
|   | -----      |
| Total long-term liabilities                     | 241,946    |
|   | -----      |
| Total liabilities                               | 460,890    |
| Stockholders' deficit:                          |            |
| Common stock                                    | 1,200      |
| Additional paid-in capital                      | 63,233     |
| Accumulated deficit                             | (19,184)   |
| Excess cost of corporate split-off              | (133,895)  |
| Treasury stock, 200 shares at cost              | (3,200)    |
|   | -----      |
| Total stockholders' deficit                     | (91,846)   |
|   | -----      |
| Total liabilities and stockholders' deficit     | \$ 369,044 |
|   | -----      |

The accompanying notes are an integral part of these financial statements.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Statement of Operations  
For the year ended December 31, 2000

|                            |              |
|----------------------------|--------------|
| Revenue:                   |              |
| Investment advisory fees   | \$ 2,332,556 |
| Interest and other income  | 691          |
|                            | -----        |
| Total revenue              | 2,333,247    |
| Expenses:                  |              |
| General and administrative | 2,288,446    |
| Interest                   | 26,569       |
|                            | -----        |
| Total expenses             | 2,315,015    |
|                            | -----        |

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|  |          |
|--|----------|
| Income from operations before income taxes | 18,232   |
| Income tax expense                         | (11,576) |
|  | -----    |
| Net income                                 | \$ 6,656 |
|  | -----    |

The accompanying notes are an integral part of these financial statements.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Statement of Stockholders' Deficit  
For the year ended December 31, 2000

|                               | Common<br>Stock(1) | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Excess Cost<br>of Corporate<br>Split-off |
|-------------------------------|--------------------|----------------------------------|------------------------|--|
|                               | -----              | -----                            | -----                  | -----                                    |
| Balances at December 31, 1999 | \$1,200            | \$63,233                         | \$(25,840)             | \$(133,895)                              |
| 2000 Net Income               | --                 | --                               | 6,656                  | --                                       |
|                               | -----              | -----                            | -----                  | -----                                    |
| Balances at December 31, 2000 | \$1,200            | \$63,233                         | \$(19,184)             | \$(133,895)                              |
|                               | =====              | =====                            | =====                  | =====                                    |

(1) Common stock, \$1 par value, 10,000 shares authorized: 1,200 shares issued, 1,000 shares outstanding

The accompanying notes are an integral part of these financial statements.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Statement of Cash Flows  
For the year ended December 31, 2000

Cash flows from operating activities:

|   |            |
|---|------------|
| Net Income  | \$ 6,656   |
| Adjustments to reconcile net income to net cash provided by Operating activities: |            |
| Depreciation and amortization   | 37,519     |
| Deferred income taxes   | 1,230      |
| (Increase) decrease in accounts receivable  | 323        |
| (Increase) decrease in prepaid expenses   | 23,341     |
| Increase (decrease) in accounts payable   | (25,347)   |
| Increase (decrease) in accrued expenses   | (39,830)   |
| Increase (decrease) in income tax payable   | 10,346     |
|   | -----      |
| Total adjustments   | 7,582      |
|   | -----      |
| Net cash provided by operating activities   | 14,238     |
|   | -----      |
| Cash flows from investing activities:   |            |
| Cash payments for the purchase of property  | (4,424)    |
|   | -----      |
| Net cash used by investing activities   | (4,424)    |
|   | -----      |
| Cash flows from financing activities:   |            |
| Principle payments on long-term debt  | (18,124)   |
| Repayments on capital lease obligations   | (9,582)    |
| Decrease in unfunded pension obligation   | (997)      |
|   | -----      |
| Net cash used by financing activities   | (28,703)   |
|   | -----      |
| Net decrease in cash and equivalents  | (18,889)   |
| Cash and equivalents, beginning of year   | 138,358    |
|   | -----      |
| Cash and equivalents, end of year   | \$ 119,469 |
|   | -----      |

The accompanying notes are an integral part of these financial statements.



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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Statement of Cash Flows (Continued)  
For the year ended December 31, 2000

Supplemental disclosures of cash flows information:

Cash paid during the period for:

|          |           |
|----------|-----------|
| Interest | \$ 26,678 |
|----------|-----------|

-----

Property acquisitions:

|   |          |
|---|----------|
| Cost of property and equipment acquired | \$ 7,898 |
| Capital lease obligations incurred      | (3,474)  |

-----

|   |          |
|---|----------|
| Cash paid to acquire property and equipment | \$ 4,424 |
|---|----------|

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The accompanying notes are an integral part of these financial statements.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Notes to Financial Statements  
December 31, 2000

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of The Business

The Investment Counsel Company of the Southeast (the "Company") is a wholly owned subsidiary of ICC Investment Advisors, Inc. (the "Parent"). The Company manages investments for individuals, profit sharing plans, and municipalities. The Company's clients are located across the country with a concentration in Florida. The main office of the Company is located in Orlando, Florida. The Company was formally a wholly owned subsidiary of ICC Capital, Inc. On April 30, 1998, the Company separated from ICC Capital, Inc. through a corporate

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split-off.

### Revenue Recognition

The Company charges fees, principally in advance, based on the market value of assets managed. These amounts are recorded ratably over the service period.

### Accounts Receivable

The Company's management believes that all accounts receivable are collectible; therefore, no allowance for doubtful accounts has been established. In the normal course of business, the Company extends unsecured credit to its customers.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows:

|                                |           |
|--------------------------------|-----------|
| Automobiles                    | 5 years   |
| Office equipment and furniture | 5-7 years |

Leasehold improvements are amortized over the shorter of the lease term or the useful life of the asset.

### Cash Equivalents

For purposes of the statements of cash flows, the Company considers cash investments purchased with a maturity of three months or less to be cash equivalents.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Notes to Financial Statements (Continued)  
December 31, 2000

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income Taxes

The Company follows FASB Statement No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting for income taxes. Deferred income tax assets and liabilities are computed annually for

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differences between financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable during the period plus or minus the changes during the period in deferred tax assets and liabilities.

The Company files consolidated income tax returns with the Parent. The Company's policy is to apply inter-corporate tax allocations using the "separate return method". Liabilities and assets that result from this allocation are included in the accompanying balance sheets.

### NOTE 2 -- PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2000:

|                                |           |
|--------------------------------|-----------|
| Office equipment               | \$ 79,582 |
| Furniture and fixtures         | 26,073    |
| Automobiles                    | 86,557    |
| Capital lease assets           | 96,399    |
| Leasehold improvements         | 10,901    |
|                                | -----     |
|                                | 299,512   |
| Less: Accumulated depreciation | (184,407) |
|                                | -----     |
| Property and equipment, net    | \$115,105 |
|                                | =====     |

Depreciation expense includes the amortization of capital lease assets. For the year ended December 31, 2000, depreciation expense was \$37,519.

### NOTE 3 -- EMPLOYEE PROFIT SHARING PLAN

The Company has a defined contribution employee profit sharing plan with a 401(k) plan feature, which covers substantially all employees. The Company's Board of Directors may elect to make contributions to a trust on behalf of the Plan. Contributions for the year ended December 31, 2000, were \$24,347.

### NOTE 4 -- PENSION PLAN OBLIGATION

The Company has a non-qualified defined benefit pension plan covering a former employee/stockholder. The benefit is adjusted annually by the percentage increase in the Consumer Price Index - All Urban Consumers (CPI) and is paid on a quarterly basis. The adjusted annual benefit is not to exceed \$25,000. The Company has no current funding for this obligation.

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NOTE 4 -- PENSION PLAN OBLIGATION (Continued)

|   | December 31, 2000 |
|---|-------------------|
|   | -----             |
| Actuarial present value of benefit obligations:       |                   |
| Accumulated benefit obligation                        | \$216,490         |
|   | =====             |
| Projected benefit obligation                          | \$216,490         |
| Plan assets at fair market value                      | 0                 |
|   | -----             |
| Projected benefit obligation in excess of plan assets | \$216,490         |
|   | =====             |

The assumptions used to determine the actuarial present value of the projected benefit obligation are as follows:

|   |       |
|---|-------|
| Average annual increase in CPI percentage | 2.58% |
| Discount rate                             | 8.00% |

NOTE 5 -- LINE OF CREDIT

The Company has a \$75,000 line of credit, which is personally guaranteed by the shareholders of the Company. The total outstanding balance on this line of credit was \$75,000 at December 31, 2000. The line of credit is collateralized by the accounts receivable of the Company, interest is due monthly at 1% over the bank's prime lending rate. Originally due February 2000, the line of credit was refinanced and is due February 2002.

NOTE 6 -- LONG-TERM DEBT

|  | December 31, 2000 |
|--|-------------------|
|  | -----             |
| Note payable to bank, due in monthly installments of \$559 including interest at 9.05%, collateralized by an automobile, due April, 2002 | \$ 8,314          |
| Note payable to bank, due in monthly installments of \$611 including interest at 7.9%, collateralized by an automobile, due March, 2002  | 8,600             |

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|  |           |
|--|-----------|
| Note payable to bank, due in monthly installments of \$623 including interest at 5.9%, collateralized by an automobile, due November, 2003 | 20,438    |
|  | -----     |
|  | 37,352    |
| Less current portion   | (19,550)  |
|  | -----     |
|  | \$ 17,802 |
|  | =====     |

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Notes to Financial Statements (Continued)  
December 31, 2000

NOTE 6 -- LONG-TERM DEBT (Continued)

Maturities of long-term debt for the years following December 31, 2000, are as follows:

|      |          |
|------|----------|
| 2001 | \$19,550 |
| 2002 | 10,638   |
| 2003 | 7,164    |
|      | -----    |
|      | \$37,352 |
|      | =====    |

NOTE 7 -- LEASES

The Company is obligated under capital lease agreements for office furniture and equipment. These leases expire through 2003. As of December 31, 2000, the total amount of furniture and equipment recorded under capital leases is \$96,399, and the related accumulated amortization is \$69,774.

Future minimum lease payments as of December 31, 2000, are as follows:

|   |           |
|---|-----------|
| 2001                                    | \$ 13,308 |
| 2002                                    | 9,126     |
| 2003                                    | 805       |
|   | -----     |
| Total future minimum lease payments     | 23,239    |
| Amount representing interest            | (3,095)   |
|   | -----     |
| Present value of minimum lease payments | 20,144    |

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|                      |          |
|----------------------|----------|
| Less current portion | (10,938) |
|                      | -----    |
| Long term portion    | \$ 9,206 |
|                      | =====    |

The Company also has several noncancellable operating leases for office facilities and office equipment that expire over the next five years and generally provide for purchase or renewal options.

Future minimum lease payments under noncancellable operating leases at December 31, 2000, are:

|                              |           |
|------------------------------|-----------|
| 2001                         | \$131,803 |
| 2002                         | 86,561    |
| 2003                         | 16,198    |
| 2004                         | 16,198    |
| 2005                         | 8,946     |
|                              | -----     |
| Total minimum lease payments | \$259,706 |
|                              | =====     |

Total rent expense under these operating lease obligations was \$152,056 for the year ended December 31, 2000.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Notes to Financial Statements (Continued)  
December 31, 2000

NOTE 8 -- INCOME TAXES

For the year ended December 31, 2000, income tax expense consists of the following:

|                             |          |
|-----------------------------|----------|
| Current income tax expense  |          |
| Federal                     | \$ 9,120 |
| State                       | 1,226    |
|                             | -----    |
|                             | 10,346   |
| Deferred income tax expense |          |
| Federal                     | 676      |
| State                       | 554      |
|                             | -----    |
|                             | 1,230    |
|                             | -----    |
| Total income tax expense    | \$11,576 |
|                             | =====    |

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Income tax expense attributable to income was \$11,576 for the year ended December 31, 2000, and differed from the amounts computed by applying the U.S. federal income tax rate of 35% to income before income taxes primarily due to the deductible payments made on the non-qualified pension plan obligation, accelerated depreciation methods for tax purposes, deductible state income taxes and non-deductible entertainment and meals.

The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities at December 31, 2000, are presented below:

Deferred tax liability (asset):

|  |             |
|--|-------------|
| Property and equipment                           | \$ 10,919   |
| Non-qualified defined benefit pension obligation | (83,553)    |
|  | -----       |
|  | \$ (72,634) |
|  | =====       |

### NOTE 9 -- FINANCIAL INSTRUMENTS

The Company maintains its cash at financial institutions. The balance, at times, may exceed federally insured limits. At December 31, 2000, the Company exceeded the insured limit by approximately \$10,500.

### NOTE 10 -- SUBSEQUENT EVENTS

Subsequent to the balance sheet date, in December 2001, the stockholders of the Parent entered into an agreement to sell all of their capital stock to Intrepid Capital Corporation.

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SUPPLEMENTARY INFORMATION

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Schedule of General and Administrative Expenses  
For the year ended December 31, 2000

|   |          |
|---|----------|
| Salaries                                  | \$       |
| Travel and entertainment                  |          |
| Payroll taxes and employee benefits       |          |
| Professional fees                         |          |
| Data processing                           |          |
| Office supplies and expenses              |          |
| Office rent                               |          |
| Telephone                                 |          |
| Depreciation and amortization             |          |
| Insurance                                 |          |
| Profit sharing contribution               |          |
| Consulting                                |          |
| Marketing and promotion                   |          |
| Equipment rental                          |          |
| Dues and subscriptions                    |          |
| Repairs and maintenance                   |          |
| Taxes and licenses                        |          |
| Parking                                   |          |
| Bad debt expense                          |          |
| Contributions                             |          |
| Postage and shipping                      |          |
| Miscellaneous                             |          |
| <br>                                      |          |
| Total general and administrative expenses | \$<br>== |



See Auditors' Report

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[BKC LOGO]

-----  
BABIONE, KUEHLER & CASLOW  
-----  
CERTIFIED PUBLIC ACCOUNTANTS

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Members:  
American Institute of  
Certified Public Accountants  
Florida Institute of  
Certified Public Accounts  
A Partnership Including  
Professional Associations

Independent Auditors' Report

Board of Directors  
The Investment Counsel Company  
of the Southeast  
Orlando, Florida

We have audited the accompanying balance sheet of The Investment Counsel Company of the Southeast as of December 31, 1999, and the related statements of operations, stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Investment Counsel Company of the Southeast as of December 31, 1999, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of general and administrative expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been

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subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 17, 2002

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Balance Sheet  
December 31, 1999

ASSETS

Current assets:

|   |    |         |
|---|----|---------|
| Cash                                      | \$ | 138,358 |
| Accounts receivable                       |    | 40,372  |
| Prepaid expenses and other current assets |    | 31,989  |
|   |    | -----   |
| Total current assets                      |    | 210,719 |

|                             |  |         |
|-----------------------------|--|---------|
| Property and equipment, net |  | 144,726 |
|-----------------------------|--|---------|

Other assets:

|                           |  |        |
|---------------------------|--|--------|
| Deposits and other assets |  | 13,139 |
| Deferred income taxes     |  | 73,864 |
|                           |  | -----  |
| Total other assets        |  | 87,003 |
|                           |  | -----  |

|              |  |           |
|--------------|--|-----------|
| Total assets |  | \$442,448 |
|              |  | =====     |

The accompanying notes are an integral part of these financial statements.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Balance Sheet (Continued)  
December 31, 1999

LIABILITIES AND STOCKHOLDERS' DEFICIT

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Current liabilities:

|  |           |
|--|-----------|
| Line of credit                               | \$ 75,000 |
| Accounts payable                             | 87,898    |
| Accrued expenses                             | 78,838    |
| Current portion of long-term debt            | 18,124    |
| Current portion of capital lease obligations | 8,555     |
| Current portion of pension plan obligation   | 997       |
|  | -----     |

Total current liabilities 269,412

Long-term liabilities:

|   |         |
|---|---------|
| Long-term debt, less current portion            | 37,352  |
| Capital lease obligations, less current portion | 17,696  |
| Pension plan obligations, less current portion  | 216,490 |
|   | -----   |

Total long-term liabilities 271,538

Total liabilities 540,950

Stockholders' deficit:

|                                    |           |
|------------------------------------|-----------|
| Common stock                       | 1,200     |
| Additional paid-in capital         | 63,233    |
| Accumulated deficit                | (25,840)  |
| Excess cost of corporate split-off | (133,895) |
| Treasury stock, 200 shares at cost | (3,200)   |
|                                    | -----     |

Total stockholders' deficit (98,502)

Total liabilities and stockholders' deficit \$ 442,448

The accompanying notes are an integral part of these financial statements.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Statement of Operations  
For the year ended December 31, 1999

Revenue:

|                           |              |
|---------------------------|--------------|
| Investment advisory fees  | \$ 2,726,345 |
| Interest and other income | 4,963        |
|                           | -----        |

Total revenue 2,731,308

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|  |             |
|--|-------------|
| Expenses:                                |             |
| General and administrative               | 2,721,888   |
| Interest                                 | 24,351      |
| Loss on disposal of assets               | 15,629      |
|  | -----       |
| Total expenses                           | 2,761,868   |
|  | -----       |
| Loss from operations before income taxes | (30,560)    |
| Income tax benefit                       | 3,391       |
|  | -----       |
| Net loss                                 | \$ (27,169) |
|  | -----       |

The accompanying notes are an integral part of these financial statements.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Statement of Stockholders' Equity  
For the year ended December 31, 1999

|   | Common<br>Stock(1) | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Stock<br>Subscriptions<br>Receivable | Excess Cost<br>of Corporat<br>Split-off |
|---|--------------------|----------------------------------|------------------------|--------------------------------------|---|
|   | -----              | -----                            | -----                  | -----                                | -----                                   |
| Balances, as previously<br>reported, at December 31, 1998 | \$1,200            | \$63,233                         | \$ 12,052              | \$ (10,723)                          | \$ --                                   |
| Prior period adjustment                                   | --                 | --                               | (10,723)               | 10,723                               | (133,895)                               |
|   | -----              | -----                            | -----                  | -----                                | -----                                   |
| Balances, restated,<br>at December 31, 1998               | 1,200              | 63,233                           | 1,329                  | --                                   | (133,895)                               |
| 1999 net loss   | --                 | --                               | (27,169)               | --                                   | --                                      |
|   | -----              | -----                            | -----                  | -----                                | -----                                   |
| Balances at December 31, 1999                             | \$1,200            | \$63,233                         | \$ (25,840)            | \$ --                                | \$ (133,895)                            |
|   | =====              | =====                            | =====                  | =====                                | =====                                   |

(1) Common stock, \$1 par value, 10,000 shares authorized: 1,200 shares issued, 1,000 shares outstanding

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The accompanying notes are an integral part of these financial statements.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
Statement of Cash Flows  
For the year ended December 31, 2000

Cash flows from operating activities:

|   |  |    |           |
|---|--|----|-----------|
| Net Loss  |  | \$ | (27,16)   |
| Adjustments to reconcile net income to net cash provided by Operating activities: |  |    |           |
| Depreciation and amortization   |  |    | 36,94     |
| Deferred income taxes   |  |    | (2,54)    |
| Loss on disposal of property  |  |    | 15,62     |
| (Increase) decrease in accounts receivable  |  |    | (4,71)    |
| (Increase) decrease in prepaid expenses   |  |    | (5,72)    |
| (Increase) decrease in other assets   |  |    | (8,49)    |
| Increase (decrease) in accounts payable   |  |    | 57,65     |
| Increase (decrease) in accrued expenses   |  |    | 4,46      |
| Increase (decrease) in income tax payable   |  |    | (10,16)   |
|   |  |    | -----     |
| Total adjustments   |  |    | 83,05     |
|   |  |    | -----     |
| Net cash provided by operating activities   |  |    | 55,88     |
|   |  |    | -----     |
| Cash flows from investing activities:   |  |    |           |
| Cash payments for the purchase of property  |  |    | (19,34)   |
|   |  |    | -----     |
| Net cash used by investing activities   |  |    | (19,34)   |
|   |  |    | -----     |
| Cash flows from financing activities:   |  |    |           |
| Principle payments on long-term debt  |  |    | (17,90)   |
| Repayments on capital lease obligations   |  |    | (16,09)   |
| Decrease in unfunded pension obligation   |  |    | (49)      |
|   |  |    | -----     |
| Net cash used by financing activities   |  |    | (34,50)   |
|   |  |    | -----     |
| Net increase in cash and equivalents  |  |    | 2,03      |
| Cash and equivalents, beginning of year   |  |    | 136,31    |
|   |  |    | -----     |
| Cash and equivalents, end of year   |  |    | \$ 138,35 |
|   |  |    | -----     |

The accompanying notes are an integral part of these financial statements.

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
 Statement of Cash Flows (Continued)  
 For the year ended December 31, 1999

Supplemental disclosures of cash flows information:

Cash paid during the period for:

|          |           |
|----------|-----------|
| Interest | \$ 24,021 |
|          | -----     |

Supplemental disclosures of non-cash activities:

Property acquisitions:

|   |           |
|---|-----------|
| Cost of property and equipment acquired     | \$ 66,220 |
| Capital lease obligations incurred          | (20,361)  |
| Note payable                                | (26,512)  |
|   | -----     |
| Cash paid to acquire property and equipment | \$ 19,347 |
|   | -----     |

The accompanying notes are an integral part of these financial statements.

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The Investment Counsel Company of the Southeast  
 Notes to Financial Statements  
 December 31, 1999

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of The Business

The Investment Counsel Company of the Southeast (the "Company") was a wholly owned subsidiary of ICC Capital, Inc. On April 30, 1998, the Company was separated from ICC Capital, Inc. through a corporate split-off. Subsequent to the split-off, the Company became a wholly owned subsidiary of ICC Investment Advisors, Inc. (the "Parent") The Company manages investments for individuals, profit sharing plans, and municipalities. The Company's clients are located across the country with a concentration in Florida. The main office of the Company is located in Orlando, Florida.

Revenue Recognition

The Company charges fees, principally in advance, based on the market value of

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assets managed. These amounts are recorded ratably over the service period.

### Accounts Receivable

The Company's management believes that all accounts receivable are collectible; therefore, no allowance for doubtful accounts has been established. In the normal course of business, the Company extends unsecured credit to its customers.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows:

|                                |           |
|--------------------------------|-----------|
| Automobiles                    | 5 years   |
| Office equipment and furniture | 5-7 years |

Leasehold improvements are amortized over the shorter of the lease term or the useful life of the asset.

### Cash Equivalents

For purposes of the statements of cash flows, the Company considers cash investments purchased with a maturity of three months or less to be cash equivalents.

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The Investment Counsel Company of the Southeast  
Notes to Financial Statements (Continued)  
December 31, 1999

### NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income Taxes

The Company follows FASB Statement No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable during the period plus or minus the changes during the period in deferred tax assets and liabilities.

The Company files consolidated income tax returns with the Parent. The Company's policy is to apply inter-corporate tax allocations using the "separate return method". Liabilities and assets that result from this allocation are included in the accompanying balance sheets.

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NOTE 2 -- PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 1999:

|                                |           |
|--------------------------------|-----------|
| Office equipment               | \$ 75,158 |
| Furniture and fixtures         | 26,073    |
| Automobiles                    | 86,557    |
| Capital lease assets           | 92,925    |
| Leasehold improvements         | 10,901    |
|                                | -----     |
|                                | 291,614   |
| Less: Accumulated depreciation | (146,888) |
|                                | -----     |
| Property and equipment, net    | \$144,726 |
|                                | =====     |

Depreciation expense includes the amortization of capital lease assets. For the year ended December 31, 1999, depreciation expense was \$36,944.

NOTE 3 -- EMPLOYEE PROFIT SHARING PLAN

The Company has a defined contribution employee profit sharing plan with a 401(k) plan feature, which covers substantially all employees. The Company's Board of Directors may elect to make contributions to a trust on behalf of the Plan. Contributions for the year ended December 31, 1999, were \$62,374.

NOTE 4 -- PENSION PLAN OBLIGATION

The Company has a non-qualified defined benefit pension plan covering a former employee/stockholder. The benefit is adjusted annually by the percentage increase in the Consumer Price Index - All Urban Consumers (CPI) and is paid on a quarterly basis. The adjusted annual benefit is not to exceed \$25,000. The Company has no current funding for this obligation.

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The Investment Counsel Company of the Southeast  
Notes to Financial Statements (Continued)  
December 31, 1999

NOTE 4 -- PENSION PLAN OBLIGATION (Continued)

|   |                   |
|---|-------------------|
|   | December 31, 1999 |
|   | -----             |
| Actuarial present value of benefit obligations: |                   |
| Accumulated benefit obligation                  | \$217,487         |
|   | =====             |
| Projected benefit obligation                    | \$217,487         |



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|   |           |
|---|-----------|
| Plan assets at fair market value                      | 0         |
|   | -----     |
| Projected benefit obligation in excess of plan assets | \$217,487 |
|   | =====     |

The assumptions used to determine the actuarial present value of the projected benefit obligation are as follows:

|   |       |
|---|-------|
| Average annual increase in CPI percentage | 2.58% |
| Discount rate                             | 8.00% |

NOTE 5 -- LINE OF CREDIT

The Company has a \$75,000 line of credit, which is personally guaranteed by the shareholders of the Company. The total outstanding balance on this line of credit was \$75,000 at December 31, 1999. The line of credit is collateralized by the accounts receivable of the Company, interest is due monthly at 1% over the bank's prime lending rate. Originally due February 2000, the line of credit was refinanced and is due February 2002.

NOTE 6 -- LONG-TERM DEBT

December 31, 1999  
-----

|  |           |
|--|-----------|
| Note payable to bank, due in monthly installments of \$559 including interest at 9.05%, collateralized by an automobile, due April, 2002   | \$ 13,986 |
| Note payable to bank, due in monthly installments of \$611 including interest at 7.9%, collateralized by an automobile, due March, 2002    | 14,978    |
| Note payable to bank, due in monthly installments of \$623 including interest at 5.9%, collateralized by an automobile, due November, 2003 | 26,512    |
|  | -----     |
|  | 55,476    |
| Less current portion   | (18,124)  |
|  | -----     |
|  | \$ 37,352 |
|  | =====     |

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### NOTE 6 -- LONG-TERM DEBT (Continued)

Maturities of long-term debt for the years following December 31, 2000, are as follows:

|      |          |
|------|----------|
| 2000 | \$18,124 |
| 2001 | 19,550   |
| 2002 | 10,638   |
| 2003 | 7,164    |
|      | -----    |
|      | \$55,476 |
|      | =====    |

### NOTE 7 -- LEASES

The Company is obligated under capital lease agreements for office furniture and equipment. These leases expire through 2003. As of December 31, 1999, the total amount of furniture and equipment recorded under capital leases is \$92,925, and the related accumulated amortization is \$59,710.

Future minimum lease payments as of December 31, 1999, are as follows:

|   |          |
|---|----------|
| 2000                                    | \$11,787 |
| 2001                                    | 11,787   |
| 2002                                    | 7,604    |
| 2004                                    | 806      |
|   | -----    |
| Total future minimum lease payments     | 31,984   |
| Amount representing interest            | (5,733)  |
|   | -----    |
| Present value of minimum lease payments | 26,251   |
| Less current portion                    | (8,555)  |
|   | -----    |
| Long term portion                       | \$17,696 |
|   | =====    |

The Company also has several noncancellable operating leases for office facilities and office equipment that expire over the next five years and generally provide for purchase or renewal options.

Future minimum lease payments under noncancellable operating leases at December 31, 1999, are:

|                              |           |
|------------------------------|-----------|
| 2000                         | \$147,646 |
| 2001                         | 112,332   |
| 2002                         | 67,839    |
|                              | -----     |
| Total minimum lease payments | \$327,817 |
|                              | =====     |

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Total rent expense under these operating lease obligations was \$168,852 for the year ended December 31, 1999.

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The Investment Counsel Company of the Southeast  
Notes to Financial Statements (Continued)  
December 31, 1999

NOTE 8 -- INCOME TAXES

For the year ended December 31, 1999, income tax expense consists of the following:

|                                       |            |
|---------------------------------------|------------|
| Current income tax expense (benefit)  |            |
| Federal                               | \$ (849)   |
| State                                 | 0          |
|                                       | --         |
|                                       | -----      |
|                                       | (849)      |
| Deferred income tax expense (benefit) |            |
| Federal                               | (1,801)    |
| State                                 | (741)      |
|                                       | -----      |
|                                       | (2,542)    |
|                                       | -----      |
| Total income tax expense (benefit)    | \$ (3,391) |
|                                       | =====      |

Income tax expense attributable to income was \$3,391 for the year ended December 31, 1999, and differed from the amounts computed by applying the U.S. federal income tax rate of 35% to income before income taxes primarily due to the deductible payments made on the non-qualified pension plan obligation, accelerated depreciation methods for tax purposes, deductible state income taxes and non-deductible entertainment and meals.

The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities at December 31, 1999, are presented below:

Deferred tax liability (asset):

|  |             |
|--|-------------|
| Property and equipment                           | \$ 8,110    |
| Non-qualified defined benefit pension obligation | (81,974)    |
|  | --          |
|  | -----       |
|  | \$ (73,864) |
|  | =====       |

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### NOTE 9 -- FINANCIAL INSTRUMENTS

The Company maintains its cash at financial institutions. The balance, at times, may exceed federally insured limits. At December 31, 1999, the Company exceeded the insured limit by approximately \$20,900.

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The Investment Counsel Company of the Southeast  
Notes to Financial Statements (Continued)  
December 31, 1999

### NOTE 10 -- PRIOR PERIOD ADJUSTMENT

Subsequent to the issuance of the Company's financial statements as of December 31, 1998 and dated September 30, 1999, management discovered that the non-qualified defined benefit pension plan obligation (See Note 4) assumed in connection with the corporate split-off from the former parent was not recorded. The present value of the obligation as of April 30, 1998 was \$217,981. Accrual of non-qualified pension plan benefits are not deductible for tax purposes until paid. Therefore a deferred tax asset of \$84,086 has been recorded. Upon reevaluation of the reorganization, the effect of including this obligation, net of the deferred tax asset, resulted in an excess cost of the corporate split-off totaling \$133,895.

During the year ended December 31, 1999, a change was made to the Company's retained earnings to properly account for the balance of the stock subscription receivable. This adjustment decreased retained earnings by \$10,723 and decreased stock subscription receivable by \$10,723.

### NOTE 11 -- SUBSEQUENT EVENTS

Subsequent to the balance sheet date, in December 2001, the stockholders of the Parent entered into an agreement to sell all of their capital stock to Intrepid Capital Corporation.

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### SUPPLEMENTARY INFORMATION

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THE INVESTMENT COUNSEL COMPANY OF THE SOUTHEAST  
 Schedule of General and Administrative Expenses  
 For the year ended December 31, 1999

|   |              |
|---|--------------|
| Salaries                                  | \$ 1,827,093 |
| Travel and entertainment                  | 77,087       |
| Payroll taxes and employee benefits       | 168,207      |
| Professional fees                         | 17,580       |
| Data processing                           | 20,113       |
| Office supplies and expenses              | 71,741       |
| Office rent                               | 140,794      |
| Telephone                                 | 37,786       |
| Depreciation and amortization             | 36,944       |
| Insurance                                 | 20,526       |
| Profit sharing contribution               | 62,374       |
| Consulting                                | 52,109       |
| Marketing and promotion                   | 43,050       |
| Equipment rental                          | 33,737       |
| Dues and subscriptions                    | 30,698       |
| Repairs and maintenance                   | 16,305       |
| Taxes and licenses                        | 16,252       |
| Parking                                   | 19,044       |
| Contributions                             | 2,105        |
| Postage and shipping                      | 26,240       |
| Miscellaneous                             | 2,103        |
|   | -----        |
| Total general and administrative expenses | \$ 2,721,888 |
|   | =====        |

See Auditors' Report

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### INTREPID CAPITAL CORPORATION AND SUBSIDIARIES

Pro Forma Consolidated Balance Sheet  
 September 30, 2001  
 (unaudited)

| ASSETS                                    | ICAP<br>HISTORICAL | ICC<br>HISTORICAL | PRO F<br>ADJUST |
|---|--------------------|-------------------|-----------------|
|   | -----              | -----             | -----           |
| Current assets:                           |                    |                   |                 |
| Cash and cash equivalents                 | \$ 217,993         | 29,403            | 356             |
| Investments, at fair value                | 54,306             | --                |                 |
| Accounts receivable                       | 69,439             | 40,936            |                 |
| Prepaid and other assets                  | 71,082             | 114,822           | (81             |
| Assets of discontinued operation          | 1,137,543          | --                |                 |
|   | -----              | -----             | -----           |
| Total current assets                      | 1,550,363          | 185,161           | 274             |
| Equipment and leasehold improvements, net | 306,854            | 87,671            |                 |

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|                                       |              |           |       |
|---------------------------------------|--------------|-----------|-------|
| Goodwill and intangible assets, net   | 34,575       | --        | 4,347 |
|                                       | -----        | -----     | ----- |
| Total assets                          | \$ 1,891,792 | 272,832   | 4,622 |
|                                       | =====        | =====     | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY  |              |           |       |
| Current liabilities                   |              |           |       |
| Accounts payable                      | \$ 147,871   | 69,787    |       |
| Accrued expenses                      | 372,919      | 22,251    |       |
| Current portion of notes payable      | 241,572      | 112,728   | 3,500 |
| Advances from shareholder             | 287,110      | --        |       |
| Other                                 | 119,654      | 4,390     |       |
| Liabilities of discontinued operation | 229,128      | --        |       |
|                                       | -----        | -----     | ----- |
| Total current liabilities             | 1,398,254    | 209,156   | 3,500 |
| Notes payable, less current portion   | 422,317      | 246,494   |       |
|                                       | -----        | -----     | ----- |
| Total liabilities                     | 1,820,571    | 455,650   | 3,500 |
|                                       | -----        | -----     | ----- |
| Stockholders' equity:                 |              |           |       |
| Common stock                          | 23,502       | 1,200     | 8     |
| Treasury stock at cost                | (3,669)      | (52,359)  | 52    |
| Additional paid-in capital            | 2,686,915    | (81,385)  | 1,011 |
| Accumulated deficit                   | (2,635,527)  | (50,274)  | 50    |
|                                       | -----        | -----     | ----- |
| Total stockholders' equity            | 71,221       | (182,818) | 1,122 |
|                                       | -----        | -----     | ----- |
|                                       | \$ 1,891,792 | 272,832   | 4,622 |
|                                       | =====        | =====     | ===== |

See accompanying notes to pro forma consolidated financial statements.

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INTREPID CAPITAL CORPORATION AND SUBSIDIARIES

Pro Forma Condensed Consolidated Statements of Operations  
 Nine month period ended September 30, 2001  
 (unaudited)

|                              | ICAP<br>HISTORICAL | ICC<br>HISTORICAL |
|------------------------------|--------------------|-------------------|
|                              | -----              | -----             |
| Revenues:                    |                    |                   |
| Commissions                  | \$ 1,025,509       | --                |
| Asset management fees        | 602,578            | 1,504,984         |
| Investment banking fees      | 341,386            | --                |
| Net trading profits          | 3,246              | --                |
| Dividend and interest income | 24,366             | 57                |
| Other                        | 47,867             | 2,189             |

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|  |                |           |
|--|----------------|-----------|
|  | -----          | -----     |
| Total revenues   | 2,044,952      | 1,507,230 |
|  | -----          | -----     |
| Expenses:  |                |           |
| Salaries and employee benefits                         | 1,625,729      | 1,063,291 |
| Brokerage and clearing                                 | 199,888        | --        |
| Advertising and marketing                              | 173,283        | 79,115    |
| Professional and regulatory fees                       | 212,376        | 115,726   |
| Occupancy and maintenance                              | 272,263        | 163,670   |
| Depreciation and amortization                          | 65,169         | 28,040    |
| Interest expense                                       | 52,334         | 25,178    |
| Other  | 197,999        | 76,875    |
|  | -----          | -----     |
| Total expenses   | 2,799,041      | 1,551,895 |
|  | -----          | -----     |
| Loss from continuing operations before<br>income taxes | (754,089)      | (44,665)  |
| Income tax benefit                                     | --             | (2,851)   |
|  | -----          | -----     |
| Loss from continuing operations                        | (754,089)      | (41,814)  |
| Discontinued operations                                | (345,007)      | --        |
| Net loss   | \$ (1,099,096) | (41,814)  |
|  | =====          | =====     |
| Basic and diluted loss per share                       | \$ (0.47)      |           |
|  | =====          |           |
| Weighted average shares outstanding                    | 2,336,510      |           |
|  | =====          |           |

See accompanying notes to pro forma consolidated financial statements.

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INTREPID CAPITAL CORPORATION AND SUBSIDIARIES

Pro Forma Condensed Consolidated Statements of Operations  
Year ended December 31, 2000  
(unaudited)

|                         | ICAP<br>HISTORICAL<br>----- | ICC<br>HISTORICAL<br>----- |
|-------------------------|-----------------------------|----------------------------|
| Revenues:               |                             |                            |
| Securities commissions  | \$ 1,779,596                | --                         |
| Asset management fees   | 696,575                     | 2,332,556                  |
| Investment banking fees | 510,968                     | --                         |

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|   |              |              |
|---|--------------|--------------|
| Net trading profits   | 153,362      | --           |
| Dividend and interest income                                    | 63,602       | --           |
| Other   | 34,412       | 691          |
|   | <u>-----</u> | <u>-----</u> |
| Total revenues  | 3,238,515    | 2,333,247    |
|   | <u>-----</u> | <u>-----</u> |
| Expenses:   |              |              |
| Salaries and employee benefits                                  | 2,407,372    | 1,654,902    |
| Brokerage and clearing  | 362,461      | --           |
| Advertising and marketing                                       | 153,961      | 104,195      |
| Professional and regulatory fees                                | 419,571      | 96,764       |
| Occupancy and maintenance                                       | 369,681      | 294,777      |
| Depreciation and amortization                                   | 111,585      | 37,519       |
| Interest expense  | 91,585       | 26,569       |
| Other   | 315,564      | 100,289      |
|   | <u>-----</u> | <u>-----</u> |
| Total expenses  | 4,231,780    | 2,315,015    |
|   | <u>-----</u> | <u>-----</u> |
| (Loss) income from continuing operations<br>before income taxes | (993,265)    | 18,232       |
| Income tax (benefit) expense                                    | (161,433)    | 11,576       |
|   | <u>-----</u> | <u>-----</u> |
| (Loss) income from continuing operations                        | (831,832)    | 6,656        |
| Discontinued operations   | (20,754)     | --           |
| Net (loss) income   | \$ (852,586) | 6,656        |
|   | <u>=====</u> | <u>=====</u> |
| Basic and diluted loss per share                                | \$ (0.38)    |              |
|   | <u>=====</u> |              |
| Weighted average shares outstanding                             | 2,218,051    |              |
|   | <u>=====</u> |              |

See accompanying notes to pro forma consolidated financial statements.

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INTREPID CAPITAL CORPORATION AND SUBSIDIARIES  
Notes to Pro Forma Consolidated Financial Statements

The Unaudited Pro Forma Consolidated Financial Statements of the Company give effect to the consummation of the acquisition of ICC. The pro forma adjustments are based upon currently available information and upon certain assumptions that the Company's management believes are reasonable. The acquisition has been accounted for using the purchase method of accounting. The adjustments recorded in the Unaudited Pro Forma Consolidated Financial Statements represent the Company's preliminary determination of these adjustments based upon available information. There can be no assurance that the actual adjustments will not differ significantly from the pro forma adjustments reflected in the Unaudited Pro Forma Consolidated Financial Statements. The Unaudited Pro Forma Consolidated Financial Statements should be read in conjunction with the



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historical consolidated financial statements of the Company and the related notes thereto.

- (1) The Unaudited Pro Forma Consolidated Financial Statements set forth the pro forma balance sheet at September 30, 2001 and the pro forma statements of operations for the nine month period ended September 30, 2001 and the year ended December 31, 2000. The statements of operations reflect the effects of the acquisition as though the transactions had occurred at the beginning of the periods presented, and the balance sheet assumes the acquisition occurred at the balance sheet date presented. On December 31, 2001, the Company acquired all of the outstanding capital stock of ICC Investment Advisors, Inc ("ICC"). The purchase price consists of (i) cash of \$2,835,365, (ii) 1,000,000 shares of the Company's common stock valued at the bid price on the date of acquisition, less a discount for certain restrictions on the shares issued, (iii) warrants to purchase up to an aggregate of 100,000 shares of the Company's common stock, (iv) direct costs of \$307,684 and (v) the value of net liabilities assumed. The Company financed the purchase by borrowing \$3,500,000 from AJG Financial Services, Inc. ("AJG"). The acquisition will be accounted for under the purchase method of accounting. The unaudited pro forma consolidated financial statements do not reflect any cost savings or increased revenues anticipated as a result of the acquisition.
- (2) The Company is still identifying and measuring goodwill and identifiable intangible assets. Goodwill and identifiable intangible assets have been reflected for the excess of the estimated purchase price over the fair value of the tangible assets acquired, as follows:

|   |    |           |
|---|----|-----------|
| Cash paid                                   | \$ | 2,835,365 |
| Stock and stock warrants issued             |    | 940,000   |
| Direct costs                                |    | 307,684   |
| Fair value of liabilities assumed           |    | 455,650   |
|   |    | -----     |
| Total purchase price                        |    | 4,538,699 |
|   |    | -----     |
| Less fair value of tangible assets acquired |    | (190,854) |
|   |    | -----     |
| Goodwill and identifiable intangibles       | \$ | 4,347,845 |
|   |    | =====     |

Identifiable intangible assets, subject to final identification and measurement, are \$869,569 and represent the estimated portion of the purchase price attributable to net investment management fees arising under contractual arrangements with ICC clients. Amortization is on a straight line basis over 10 years, based on the estimated useful life of the identifiable tangible assets. Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), is effective for all business combinations accounted for under the purchase method and for which the date of acquisition is July 1, 2001, or later. Under SFAS 142, goodwill related to such acquisitions shall not be amortized. Therefore, no adjustment has been made to reflect the amortization of goodwill in the Pro Forma Condensed Consolidated Statements of Operations.

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INTREPID CAPITAL CORPORATION AND SUBSIDIARIES  
Notes to Pro Forma Consolidated Financial Statements

- (3) Adjust prepaid and other assets to their fair values.
- (4) Eliminate the equity of ICC for consolidation of the Company and increase equity of the Company by value of common stock and stock warrants issued, or \$940,000.
- (5) Interest expense has been increased to reflect the effect of financing the purchase with the debt borrowed from AJG at 5.00%.
- (6) Eliminate income tax expense (benefit) of ICC for consolidation of the Company.

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