

Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

INTREPID CAPITAL CORP  
Form 10QSB  
November 14, 2001

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

FORM 10-QSB  
(Mark One)

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

OR

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 333-66859

INTREPID CAPITAL CORPORATION  
(Exact name of Registrant as specified in its Charter)

DELAWARE 59-3546446  
(State of Incorporation) (I.R.S. Employer Identification No.)

3652 SOUTH THIRD STREET, SUITE 200, JACKSONVILLE BEACH, FLORIDA 32250  
(Address of principal executive offices) (Zip Code)

(904) 246-3433  
(Registrant's telephone number)

N/A  
(Former name, former address and former fiscal year,  
if changed since last report)

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

YES  NO

As of October 31, 2001, there were 2,350,246 shares of Common Stock, \$0.01 par value per share, outstanding, and 1,000 shares of Common Stock issued and held in treasury.

Transitional Small Business Disclosure Format  
(check one): Yes  No

INTREPID CAPITAL CORPORATION AND SUBSIDIARIES

INDEX TO FORM 10-QSB

Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

FOR THE QUARTER ENDED SEPTEMBER 30, 2001

PART I - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

Consolidated Balance Sheets of Intrepid Capital Corporation and Subsidiaries as of September 30, 2001 and December 31, 2000.....

Consolidated Statements of Operations of Intrepid Capital Corporation and Subsidiaries for the Three and Nine Month Periods Ended September 30, 2001 and 2000.....

Consolidated Statements of Cash Flows of Intrepid Capital Corporation and Subsidiaries for the Nine Month Periods Ended September 30, 2001 and 2000.....

Notes to Consolidated Financial Statements.....

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Discontinued Operations.....

Liquidity and Capital Resources.....

Results of Operations.....

Expected Impact of Recently Announced Accounting Standards.....

PART II - OTHER INFORMATION

ITEM 1 AND ITEM 6. OTHER INFORMATION

Other Information.....

SIGNATURES.....

ITEM 1. FINANCIAL INFORMATION

INTREPID CAPITAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2001 and December 31, 2000

(unaudited)

Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

ASSETS	2
	-----
Current assets:	
Cash and cash equivalents	\$ 2
Investments, at fair value	
Accounts receivable	
Prepaid and other assets	
Assets of discontinued operation (note 2)	1,1
	-----
Total current assets	1,5
Equipment and leasehold improvements, net of accumulated depreciation of \$200,588 in 2001 and \$137,470 in 2000	3
Goodwill, less accumulated amortization of \$6,447 in 2001 and \$4,396 in 2000	
	-----
Total assets	\$ 1,8
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$ 1
Accrued expenses	3
Current portion of notes payable	2
Advances from shareholder	2
Other	1
Liabilities of discontinued operation (note 2)	2
	-----
Total current liabilities	1,3
Notes payable, less current portion	4
	-----
Total liabilities	1,8
	=====
Stockholders' equity:	
Common stock, \$.01 par value. Authorized 15,000,000 shares; issued 2,350,246 and 2,318,996 shares at September 30, 2001 and December 31, 2000, respectively	
Treasury stock, at cost - 1,000 shares	
Additional paid-in capital	2,6
Accumulated deficit	(2,6
	-----
Total stockholders' equity	
	-----
	\$ 1,8
	=====

See accompanying notes to consolidated financial statements.

Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

(unaudited)

	THREE MONTHS ENDED SEPTEMBER 30	
	2001	2000
	-----	-----
Revenues:		
Commissions	\$ 331,354	412,508
Asset management fees	198,679	165,473
Investment banking revenues	74,738	74,583
Net trading (losses) profits	(1,072)	(6,528)
Dividend and interest income	6,079	12,651
Other	10,204	1,659
	-----	-----
Total revenues	619,982	660,346
	-----	-----
Expenses:		
Salaries and employee benefits	455,657	532,131
Brokerage and clearing	64,866	70,021
Advertising and marketing	86,695	30,565
Professional and regulatory fees	79,994	101,288
Occupancy and maintenance	90,985	86,777
Depreciation and amortization	21,759	30,143
Interest expense	16,632	26,165
Other	61,383	59,016
	-----	-----
Total expenses	877,971	936,106
	-----	-----
Loss from continuing operations before income taxes	(257,989)	(275,760)
Income tax benefit	--	--
	-----	-----
Loss from continuing operation	(257,989)	(275,760)
Discontinued operations (note 2):		
Income (loss) from discontinued operation	15,849	105,657
Loss on sale of discontinued operation	(327,747)	--
	-----	-----
Income (loss) on discontinued operation	(311,898)	105,657
Net loss	\$ (569,887)	(170,103)
	=====	=====
Basic loss per share from continuing operations	\$ (0.11)	(0.13)
Basic income (loss) per share from discontinued operations	0.01	0.05
Basic loss per share on sale of discontinued operations	(0.14)	--
	-----	-----
Basic net loss per share	\$ (0.24)	(0.08)
	=====	=====
Weighted average shares outstanding	2,350,246	2,214,525
	=====	=====

Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

See accompanying notes to consolidated financial statements.

4

INTREPID CAPITAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Nine month periods ended September 30, 2001 and 2000

(unaudited)

	2001
	-----
Cash flows from operating activities:	
Net loss	\$(1,099,096)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	65,169
Loss on sale of discontinued operations	327,747
Sales of investments and securities sold, not yet purchased, net	8,939
Net trading profits	(3,246)
Change in assets and liabilities:	
Accounts receivable	14,190
Prepaid and other assets	200,265
Accounts payable and accrued expenses	192,360
Other liabilities	10,822
Discontinued operations - working capital changes	10,720
	-----
Net cash used in operating activities	(272,130)
	-----
Cash flows from investing activities-	
purchase of equipment	(5,492)
	-----
Cash flows from financing activities:	
Principal payments on notes payable	(211,111)
Advances from shareholder	287,110
	-----
Net cash provided by financing activities	75,999
	-----
Net decrease in cash and cash equivalents	(201,623)
Cash and cash equivalents at beginning of period	419,616
	-----
Cash and cash equivalents at end of period	\$ 217,993
	=====
Supplemental disclosure of cash flow information:	
Cash paid during the period for interest	\$ 43,422
	=====

See accompanying notes to consolidated financial statements.

INTREPID CAPITAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2001

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS

(A) ORGANIZATION AND BASIS OF PRESENTATION

Intrepid Capital Corporation (ICAP), incorporated in 1998, is a Florida-based financial services holding company that conducts its business through its two wholly owned subsidiaries: Intrepid Capital Management, Inc. (ICM) and Allen C. Ewing & Co. (Ewing).

The interim financial information included herein is unaudited. Certain information and footnote disclosures normally included in the financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). ICAP believes that the disclosures made herein are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and related notes contained in ICAP's Annual Report on Form 10-KSB filed with the SEC on April 2, 2001. Except as indicated herein, there have been no significant changes from the financial data published in ICAP's Annual Report. In the opinion of management, such unaudited information reflects all adjustments, consisting of normal recurring accruals, necessary for fair presentation of the unaudited information. The results of operations for the three and nine month periods ended September 30, 2001 and 2000 are not necessarily indicative of the results that may be expected for the full year.

(B) PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of ICAP and its subsidiaries ICM and Ewing. Also included are the accounts of Enviroq Corporation (Enviroq) and Sprayroq, Inc. (Sprayroq) which were controlled by ICAP and have been reported as discontinued operations (see note 2). All significant intercompany balances and transactions have been eliminated in consolidation.

(C) EARNINGS PER SHARE

Net loss per share of common stock is computed based upon the weighted average number of common shares and share equivalents outstanding during the period. Stock warrants and convertible instruments, when dilutive, are included as share equivalents. For the three and nine month periods ended September 30, 2001 and 2000, ICAP had no dilutive common stock equivalents.

(D) COMPREHENSIVE INCOME

No differences between total comprehensive loss and net loss

## Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

existed in the financial statements reported for the three and nine month periods ended September 30, 2001 and 2000.

6

INTREPID CAPITAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2001

(2) DISCONTINUED OPERATIONS

On September 19, 2001, ICAP signed an agreement in principle with Sprayroq of Ohio, Inc., an unrelated party, whereby Sprayroq of Ohio, Inc. agreed to purchase all of the issued and outstanding capital stock of Sprayroq, Enviroq's 50% owned subsidiary. Enviroq's operations consisted solely of its investment in Sprayroq, and ICAP has reported its operations as discontinued for all periods presented.

The sale of Sprayroq was completed on October 30, 2001 and ICAP received on that date its share of the purchase price which consisted of cash in the amount of \$584,496 and two promissory notes in the aggregate principal amount of \$323,919. A loss on sale of discontinued operations of \$327,747 was accrued during the three month period ended September 30, 2001 as follows:

Loss on sale of discontinued operation:		
Proceeds		
Cash	\$	584
Notes		323
		-----
		908
Net book value of assets of discontinued operation		(1,106)
Accrued severance costs		(130)
		-----
	\$	(327)
		=====

Enviroq's assets and liabilities as of September 30, 2001, adjusted for the loss on sale of discontinued operations, consisted of the following:

Assets:		
Cash and cash equivalents	\$	32,
Accounts receivable		259,
Inventories and other assets		80,
Equipment, net of accumulated depreciation		83,
Goodwill, net of accumulated amortization		680,
		-----
	\$	1,137,
		=====
Liabilities:		
Accounts payable and accrued expenses	\$	144,
Other		21,

Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

Minority interest

63,  
-----  
\$ 229,  
=====

7

INTREPID CAPITAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2001

(3) RELATED PARTY TRANSACTIONS

ICM performs certain asset management functions for Intrepid Capital, L.P., an investment limited partnership of which ICM is general partner and a 1.23% equity interest owner as of September 30, 2001. For the nine months ended September 30, 2001 and 2000, ICM received \$32,248 and \$27,448, respectively, for such services.

As of September 30, 2001, ICAP had received advances from its largest shareholder amounting to \$287,110. At an interest rate of 6.50%, the advances have no set maturity and are expected to be repaid as future cash flows become available.

(4) SEGMENTS

During 2001 and 2000, ICAP operated in two principal segments, investment advisory services and broker-dealer services, which includes investment banking revenues. The operations of Enviroq formerly constituted a separate operating segment which have been reclassified as discontinued operations. ICAP assesses and measures operating performance based upon the net income derived from each of its operating segments exclusive of the impact of corporate expenses. The revenues and net loss from operations for each of the reportable segments are summarized as follows for the three and nine month periods ended September 30, 2001 and 2000:

	Three months ended September 30		Nine m
	2001	2000	200
	-----	-----	-----
Revenues:			
Investment advisory services segment	\$ 197,796	170,810	60
Broker-dealer services segment	421,392	488,972	1,41
Corporate	69,767	62,200	22
Intersegment revenues	(68,973)	(61,636)	(20
	-----	-----	-----
	\$ 619,982	660,346	2,04
	=====	=====	=====
Net loss from operations:			
Investment advisory services segment	\$ (50,968)	(42,491)	(15
Broker-dealer services segment	(24,834)	(31,865)	(7
Corporate	(182,187)	(201,404)	(52
	-----	-----	-----
	\$ (257,989)	(275,760)	(75



# Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

The total assets for each of the reportable segments are summarized as follows as of September 30, 2001 and December 31, 2000. Non-segment assets consist primarily of cash, certain investments and other assets, which are recorded at the parent company level.

	2001	
	-----	-----
Assets:		
Investment advisory services segment	\$ 116,256	
Broker-dealer services segment	475,853	
Other	162,140	
Discontinued operation	1,137,543	1,
	-----	-----
	\$ 1,891,792	2,
	=====	=====

8

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained in this Quarterly Report on Form 10-QSB are "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995, and are thus prospective in nature. Such forward-looking statements reflect management's beliefs and assumptions and are based on information currently available to management. The forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Intrepid Capital Corporation to differ materially from those expressed or implied in such statements. There can be no assurance that such factors or other factors will not affect the accuracy of such forward-looking statements.

### Discontinued Operations

Because of its inconsistency with ICAP's mission, ICAP considered several disposition opportunities for Sprayroq. On September 19, 2001, ICAP signed an agreement in principle with Sprayroq of Ohio, Inc., an unrelated party, whereby Sprayroq of Ohio, Inc. agreed to purchase all of the issued and outstanding capital stock of Sprayroq, Enviroq's 50% owned subsidiary. Enviroq's operations consisted solely of its investment in Sprayroq, and ICAP has reported its operations as discontinued for all periods presented.

A loss on sale of discontinued operations of \$327,747 was accrued during the three month period ended September 30, 2001. Revenues from Enviroq were \$466,696 and \$858,015 for the three month periods ended September 30, 2001 and 2000, respectively, and were \$1,054,714 and \$1,345,975 for the nine month periods ended September 30, 2001 and 2000, respectively. Income (loss) from discontinued operation for Enviroq were \$15,849 and \$105,657 for the three month periods ended September 30, 2001 and 2000, respectively, and were (\$17,260) and \$281 for the nine month periods ended September 30, 2001 and 2000, respectively.

### Liquidity and Capital Resources

## Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

ICAP's current assets consist generally of cash and accounts receivable. ICAP has financed its operations with funds provided by stockholder capital, advances from its largest shareholder, and the sale of trading securities. ICAP has developed a growth strategy plan that includes both internal and external growth through sales and marketing and acquisitions.

ICAP consummated the sale of Sprayroq on October 30, 2001 and received cash proceeds of \$584,496 and two promissory notes in the aggregate principal amount of \$323,919. ICAP used proceeds from the sale to repay notes payable of approximately \$389,000 and advances from shareholder of approximately \$183,000.

In October 2001, a significant investment banking fee was earned by the broker-dealer services segment resulting in cash proceeds of \$558,148. ICAP believes that its broker-dealer services segment will generate additional high-margin investment banking revenues during the remaining three months of 2001 and into the first three months of 2002. One specific significant investment banking fee is expected to be earned during these periods totaling more than \$300,000.

ICAP is evaluating a variety of options to enhance its liquidity and capital resources. ICAP's scope of options includes the issuance of equity securities in private placements and strategic acquisitions. If additional funds are raised through the issuance of equity securities, the percentage of ownership of the current stockholders of ICAP will be reduced.

9

For the nine months ended September 30, 2001, ICAP incurred significant operating losses and negative cash flows from operations. While management believes it will be able to meet its capital needs through the above sources and financing alternatives, there can be no assurances that sources will be sufficient or that such transactions will take place on terms favorable to ICAP, if at all. If adequate funds are not available or terms are not suitable, ICAP's growth strategy would be significantly limited and such limitation could have an adverse effect on ICAP's business, results of operations and financial condition.

For the nine months ended September 30, 2001, net cash used in operating activities was \$272,130, primarily attributable to ICAP's net loss for the period offset by decreases in accounts receivable and other assets, including the receipt of a federal income tax refund of \$193,167. Net cash used in investing activities was \$5,492, which is primarily due to the purchase of equipment. Net cash provided by financing activities was \$75,999, which is primarily due to advances from ICAP's largest shareholder offset by principal payments on notes payable.

ICAP, through its subsidiary Ewing, is subject to the net capital requirements of the SEC, the NASD and other regulatory authorities. At September 30, 2001, Ewing's regulatory net capital was \$134,442, which is \$84,442 in excess of its minimum net capital requirement of \$50,000.

### Results of Operations

Three Months Ended September 30, 2001 Compared to the Three Months Ended September 30, 2000

Total revenues were \$619,982 for the three months ended September 30, 2001, compared to \$660,346 for the three months ended September 30, 2000, representing a 6.1% decrease.

## Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

Commissions decreased \$81,154, or 19.7%, to \$331,354. Commissions represent revenue earned by Ewing from securities transactions conducted on behalf of customers, including sales of mutual fund shares and variable annuities. The decrease is primarily attributable to decreased transaction volume as a result of negative and volatile market conditions.

Asset management fees increased \$33,206, or 20.1%, to \$198,679. Asset management fees represent revenue earned by ICM for investment advisory services. The fees earned are generally a function of the overall fee rate charged to each account and the level of Assets Under Management (AUM). Quarterly management fees are billed on the first day of each quarter based on each account value at the market close of the prior quarter. AUM was \$79.3 million at June 30, 2001, compared to \$76.8 million at June 30, 2000. The increase in asset management fees for the three months ended September 30, 2001 relates directly to an increase in AUM and the average fee rate per account. AUM was \$74.1 million at September 30, 2001, compared to \$77.8 million at September 30, 2000. The net decrease in AUM during the three months ended September 30, 2001 is primarily attributable to client withdrawals during the period.

Investment banking revenues remained essentially flat at \$74,738 for the three months ended September 30, 2001 compared to \$74,583 for the three months ended September 30, 2000. Investment banking revenues represent fees earned by Ewing for providing investment banking services to clients on corporate finance matters, including mergers and acquisitions and the issuance of capital stock to the public. Such revenues are dependent on the timing of services provided and are normally received upon consummation of the underlying transaction.

10

Net trading losses decreased \$5,456, or 83.6%, to \$1,072. Net trading losses consist of unrealized losses in ICAP's investment in trading securities, which includes an investment in Intrepid Capital, L.P. The decrease is primarily attributable to the performance of assets invested in Intrepid Capital, L.P.

Dividend and interest income decreased \$6,572, or 51.9%, to \$6,079. The decrease is primarily attributable to a decrease in interest received from the lower average cash balances invested in money markets.

Total expenses were \$877,971 for the three months ended September 30, 2001, compared to \$936,106 for the three months ended September 30, 2000, representing a 6.2% decrease.

Salaries and employee benefits decreased \$76,474, or 14.4%, to \$455,657. Salaries and employee benefits represent fixed salaries, commissions paid on securities transactions and investment banking revenues, and other related employee benefits. The decrease is primarily attributable to decreased commission expenses as a result of decreased securities transactions.

Brokerage and clearing expenses decreased \$5,155, or 7.4%, to \$64,866. Brokerage and clearing expenses represent the securities transaction and other costs paid to the clearing broker-dealer, and are related to commission revenue earned by Ewing. The net decrease is primarily attributable to decreased transaction volume.

Advertising and marketing expenses increased \$56,130, or 183.6%, to \$86,695. The increase is primarily attributable to an increase in ICM's advertising and marketing expenses associated with a new advertising and marketing campaign aimed to attract prospective clients and inform them of ICM's

## Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

superior investment performance.

Professional and regulatory expenses decreased \$21,294, or 21.0%, to \$79,994. The decrease is primarily attributable to the elimination of Ewing's market making operations in December 2000.

Other expenses decreased \$2,367, or 4.0%, to \$61,383 due to decreased general and administrative expenses.

Nine Months Ended September 30, 2001 Compared to the Nine Months Ended September 30, 2000

Total revenues were \$2,044,952 for the nine months ended September 30, 2001, compared to \$2,270,457 for the nine months ended September 30, 2000, representing a 9.9% decrease.

Commissions decreased \$412,762, or 28.7%, to \$1,025,509. Commissions represent revenue earned by Ewing from securities transactions conducted on behalf of customers, including sales of mutual fund shares and variable annuities. The decrease is primarily attributable to decreased transaction volume as a result of negative and volatile market conditions.

Asset management fees increased \$88,979, or 17.3%, to \$602,578. Asset management fees represent revenue earned by ICM for investment advisory services. The fees earned are generally a function of the overall fee rate charged to each account and the level of AUM. Quarterly management fees are billed on the first day of each quarter based on each account value at the market close of the prior quarter. AUM was \$105.3 million, \$84.6 million and \$79.3 million at December 31, 2000, March 31, 2001 and June 30, 2001, respectively, compared to \$92.5 million, \$84.5 million and \$76.8 million at December 31, 1999, March 31, 2000 and June 30, 2000, respectively. The increase in asset management fees for the nine months ended September 30, 2001 relates directly to an increase in AUM and the

11

average fee rate per account. AUM was \$74.1 million at September 30, 2001, compared to \$77.8 million at September 30, 2000.

Investment banking revenues increased \$200,512, or 142.3%, to \$341,386. Investment banking revenues represent fees earned by Ewing for providing investment banking services to clients on corporate finance matters, including mergers and acquisitions and the issuance of capital stock to the public. Such revenues are dependent on the timing of services provided and are normally received upon consummation of the underlying transaction. The increase is primarily attributable to an increase in mortgage loan placement and merger and acquisition services. A significant fee was earned during the nine months ended September 30, 2001, accounting for approximately 24.9% of total investment banking revenues earned during the period.

Net trading profits decreased \$99,449, or 96.8%, to \$3,246. Net trading profits consist of realized and unrealized gains from ICAP's investment in trading securities, which includes an investment in Intrepid Capital, L.P. The decrease is primarily attributable to lower exposure in trading securities as a result of the elimination of Ewing's market making operations.

Dividend and interest income decreased \$27,221, or 52.8%, to \$24,366. The decrease is primarily attributable to a decrease in interest received from the lower average cash balances invested in money markets.

## Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

Total expenses were \$2,799,041 for the nine months ended September 30, 2001, compared to \$3,102,746 for the nine months ended September 30, 2000, representing a 9.8% decrease.

Salaries and employee benefits decreased \$126,438, or 7.2%, to \$1,625,729. Salaries and employee benefits represent fixed salaries, commissions paid on securities transactions and investment banking revenues, and other related employee benefits. The decrease is primarily attributable to decreased commission expenses as a result of decreased securities transactions, with such decrease partially offset by increased fixed salaries.

Brokerage and clearing expenses decreased \$92,155, or 31.6%, to \$199,888. Brokerage and clearing expenses represent the securities transaction and other costs paid to the clearing broker-dealer, and are related to commission revenue earned by Ewing. During the first quarter of 2000, ICAP re-negotiated its clearing agreement, resulting in reduced transactional costs and decreased brokerage and clearing expenses per trade. The net decrease is primarily attributable to decreased transaction volume and reflects decreased costs as a result of the re-negotiated clearing agreement.

Advertising and marketing expenses increased \$62,591, or 56.5%, to \$173,283. The increase is primarily attributable to an increase in ICM's advertising and marketing expenses associated with a new advertising and marketing campaign aimed to attract prospective clients and inform them of ICM's superior investment performance.

Professional and regulatory expenses decreased \$69,993, or 24.8%, to \$212,376. The decrease is primarily attributable to the elimination of Ewing's market making operations in December 2000.

Other expenses decreased \$34,191, or 14.7%, to \$197,999 due to decreased general and administrative expenses.

12

### Expected Impact of Recently Announced Accounting Standards

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (FAS 141), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (FAS 142). FAS 141, effective immediately, requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. FAS 142, effective January 1, 2002, will require that goodwill and intangible assets with indefinite useful lives no longer be amortized but instead be tested for impairment at least annually. Furthermore, under FAS 141, any goodwill and intangible assets determined to have indefinite useful lives that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized until the adoption of FAS 142, however FAS 141 will require, upon adoption of FAS 142, that goodwill acquired in a prior purchase business combination be evaluated and any necessary reclassifications be made in order to conform to the new criteria in FAS 141 for recognition apart from goodwill. Any impairment loss will be measured as of the date of the adoption and recognized as a cumulative effect of a change in accounting principles in the first interim period of 2002. ICAP is currently evaluating, but has not yet determined the impact that FAS 141 and FAS 142 will have on its financial statements.

PART II - OTHER INFORMATION

Edgar Filing: INTREPID CAPITAL CORP - Form 10QSB

ITEM 1. LEGAL PROCEEDINGS

There are no legal proceedings pending, or to the Company's knowledge, threatened against the Company or any of its subsidiaries.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

None.

(b) Reports on Form 8-K:

None.

13

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTREPID CAPITAL CORPORATION

By /s/ Forrest Travis

-----  
Forrest Travis, President and  
Chief Executive Officer

Dated: November 14, 2001

By /s/ Michael J. Wallace

-----  
Michael J. Wallace, Chief  
Accounting Officer

Dated: November 14, 2001

14