

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**  
SEC Accession No. **0000950168-94-000188**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### FILER

#### INTERSTATE JOHNSON LANE INC

CIK: **771296** | IRS No.: **561470946** | State of Incorporation: **DE** | Fiscal Year End: **0930**  
Type: **10-Q** | Act: **34** | File No.: **001-08952** | Film No.: **94528161**  
SIC: **6211** Security brokers, dealers & flotation companies

Mailing Address  
121 WEST TRADE ST STE  
1500  
CHARLOTTE NC 28202

Business Address  
121 WEST TRADE STREET,  
SUITE 1500  
CHARLOTTE NC 28202  
7043799000

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1994

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 1-8952

INTERSTATE/JOHNSON LANE, INC.  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

56-1470946  
(I.R.S. Employer Identification No.)

Interstate Tower, P.O. Box 1012, Charlotte, North Carolina 28201-1012  
(Address of principal executive offices, zip code)

(704) 379-9000  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (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 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      X              No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1994
(Common stock, \$.20 par value)	6,496,298

INTERSTATE/JOHNSON LANE, INC. AND SUBSIDIARIES

Index

	Page Number
Part I. Financial Information	
Item 1. Financial Statements	
Condensed Consolidated Statements of Financial Condition--March 31, 1994 and September 30, 1993	3
Condensed Consolidated Statements of Operations--Six Months Ended March 31, 1994 and 1993	4
Condensed Consolidated Statements of Cash Flows--Six Months Ended March 31, 1994 and 1993	5
Notes to Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Part II. Other Information	
Item 1. Legal Proceedings	13
Item 6. Exhibits and Reports on Form 8-K	13

Page 2

INTERSTATE/JOHNSON LANE, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(Unaudited)

	(All dollars in thousands)	
	March 31, 1994	September 30, 1993
Assets		
Cash and short-term investments	\$ 21,753	\$ 20,393
Cash and securities segregated for regulatory purposes	121,753	117,666
Receivables under securities repurchase agreements	336,061	254,686

Receivables:		
Customers	164,598	155,582
Brokers, dealers and clearing agencies	12,577	17,244
Other	7,082	5,447
Securities owned, at market	56,591	58,755
Land, buildings, and improvements, net	12,435	13,285
Office facilities and equipment, net	5,910	5,568
Goodwill and intangible assets	14,587	14,889
Other assets	13,875	10,895
	\$767,222	\$674,410
Liabilities and Shareholders' Equity		
Short-term borrowings:		
Check payable	\$ 12,023	\$ 13,273
Bank loans		2,288
Financing repurchase agreements	12,407	
Payables under securities repurchase agreements	312,247	241,205
Payables:		
Customers	250,489	248,266
Brokers and dealers	8,607	15,115
Income taxes	3,135	3,952
Other	8,155	8,928
Accrued compensation and benefits	12,635	15,887
Securities sold but not yet purchased, at market	31,747	16,744
Notes payable	8,627	9,308
Other liabilities and accrued expenses	17,876	16,882
	677,948	591,848
Minority interest	200	200
Subordinated debt	21,999	21,999
Shareholders' equity:		
Common stock	1,377	1,377
Additional paid-in-capital	31,327	31,532
Retained earnings	37,775	29,532
	70,479	62,441
Less: treasury stock, at cost	(3,404)	(2,078)
Total shareholders' equity	67,075	60,363
	\$767,222	\$674,410

The accompanying notes are an integral part of the condensed consolidated financial statements.

Page 3

INTERSTATE/JOHNSON LANE, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	For the Six Months		For the Three Months	
	Ended March 31,		Ended March 31,	
	1994	1993	1994	1993
(All dollars in thousands)				
Revenues:				
Commissions and sales credits	\$ 61,732	\$ 55,006	\$ 30,638	\$ 30,713
Trading gains, net	3,968	5,209	1,836	2,695
Investment banking and underwriting	3,545	3,154	2,542	2,065

Asset management and advisory	2,927	2,149	1,581	1,008
Interest	11,949	9,073	6,579	4,114
Other	4,027	3,703	2,257	2,200
Total revenues	88,148	78,294	45,433	42,795
Interest expense	7,959	6,220	4,523	2,693
Net revenues	80,189	72,074	40,910	40,102
Expenses:				
Compensation and benefits	48,593	43,734	24,922	24,764
Occupancy	4,164	3,918	2,155	1,985
Communications and data processing	6,190	5,709	3,130	2,997
Execution, clearance and depository	1,925	1,632	957	902
Promotion and development	2,376	1,931	1,224	1,001
Office supplies and postage	1,850	1,682	1,006	920
Other operating expenses	6,056	5,403	2,730	2,980
Total expenses	71,154	64,009	36,124	35,549
Income before income taxes, extraordinary item and cumulative effect of a change in accounting principle	9,035	8,065	4,786	4,553
Income tax expense	3,652	3,219	1,962	1,774
Income before extraordinary item and cumulative effect of a change in accounting principle	5,383	4,846	2,824	2,779
Extraordinary item:				
Reduction of income taxes arising from carryforward of prior years' operating losses		2,161		1,194
Cumulative effect of a change in accounting principle (Note 5)	3,059			
Net income	\$ 8,442	\$ 7,007	\$ 2,824	\$ 3,973
Primary earnings per share:				
Income before extraordinary item and cumulative effect of a change in accounting principle	\$ 0.81	\$ 0.69	\$ 0.43	\$ 0.40
Extraordinary item		0.31		0.17
Cumulative effect of a change in accounting principle (Note 5)	0.47			
Net income	\$ 1.28	\$ 1.00	\$ 0.43	\$ 0.57
Fully diluted earnings per share:				
Income before extraordinary item and cumulative effect of change in accounting principle	\$ 0.74	\$ 0.66	\$ 0.39	\$ 0.37
Extraordinary item		0.26		0.15
Cumulative effect of a change in accounting principle (Note 5)	0.38			
Net income	\$ 1.12	\$ 0.92	\$ 0.39	\$ 0.52
Weighted average shares:				
Primary	6,618,176	6,990,842	6,597,095	7,020,817
Fully diluted	7,945,401	8,194,705	7,926,571	8,203,859

The accompanying notes are an integral part of the condensed consolidated financial statements.

INTERSTATE/JOHNSON LANE, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the six months ended March 31,  
(Unaudited)

	(All dollars in thousands)	
	1994	1993
Cash flows from operating activities:		
Net income	\$ 8,442	\$ 7,007
Adjustments to reconcile net income to cash provided (used) by operating activities:		
Depreciation and amortization	1,557	1,584
Provision for real estate charges	500	200
Other non-cash items	1,145	829
Cash and securities segregated for regulatory purposes	(4,087)	(25,251)
Receivables under repurchase agreements, net	(10,334)	2,040
Net payables to customers	(6,793)	24,761
Net receivables from brokers, dealers and clearing agencies	(1,841)	(536)
Other receivables	(1,635)	(1,197)
Securities owned, net	17,168	15,408
Other assets	(3,054)	(2,612)
Income taxes payable	(817)	414
Accrued compensation and benefits	(3,252)	1,401
Other liabilities and accrued expenses	(798)	1,138
	(12,241)	18,179
Cash (used) provided by operating activities	(3,799)	25,186
Cash flows from financing activities:		
Proceeds from (repayment of):		
Short-term bank borrowings	(3,538)	(14,381)
Borrowings under financing repurchase agreements	12,407	(11,373)
Notes payable	(681)	1,032
Proceeds from issuance of common stock	192	849
Purchase of treasury stock	(2,097)	(1,119)
Cash dividends paid	(199)	
Cash provided (used) by financing activities	6,084	(24,991)
Cash flows from investing activities:		
Capital expenditures	(925)	(431)
Cash used by investing activities	(925)	(431)
Net increase (decrease) in cash	1,360	(237)
Cash at beginning of period	20,393	9,104
Cash at end of period	\$ 21,753	\$ 8,867
Cash paid during the quarter for:		
Interest	\$ 4,207	\$ 2,814
Income taxes	\$ 1,049	\$ 648

Non-cash financing activity:

Cumulative effect of a change in accounting principle	\$ 3,059	
Settlement of ESOP liability with treasury stock		\$ 325

The accompanying notes are an integral part of the condensed consolidated financial statements.

Page 5

INTERSTATE/JOHNSON LANE, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. Basis of Presentation:

The interim financial statements are unaudited; however, such information reflects all normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the period. The nature of the Company's business is such that the results of any interim period are not necessarily indicative of results for a full fiscal year.

2. Net Capital Requirements:

As a registered broker-dealer and member of the New York Stock Exchange, Interstate/Johnson Lane Corporation ("IJL"), the principal operating subsidiary of the Company, is subject to the Securities and Exchange Commission's uniform net capital rule. IJL has elected to operate under the alternative method of the rule, which prohibits a broker-dealer from engaging in any transactions when its "net capital" is less than 2% of its "aggregate debit balances" arising from customer transactions, as these terms are defined in the rule. The Exchange may also impose business restrictions on a member firm if its net capital falls below 5% of its aggregate debit balances. IJL is also subject to the Commodity Futures Trading Commission minimum net capital requirement.

At March 31, 1994, IJL's net capital was 23.4% of its aggregate debit balances and approximately \$34.4 million in excess of its minimum regulatory requirements.

3. Commitments and Contingencies:

Leases for office space and equipment are accounted for as operating leases. Approximate minimum rental commitments under noncancelable leases, some of which contain escalation clauses and renewal options, are as follows:

Millions

For the six months ended September 30, 1994	\$4.8
For the fiscal year ended September 30,	
1995	8.0
1996	6.2
1997	4.7
1998	4.1
Thereafter	8.5
	\$36.3

Page 6

INTERSTATE/JOHNSON LANE, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

3. Commitments and Contingencies, continued:

In connection with its involvement as a general partner and/or placement agent of various real estate limited partnerships, the Company has guaranteed certain obligations of limited partners and, with others, has jointly or severally guaranteed mortgage loan obligations of some of the partnerships. At March 31, 1994, contingent liabilities under these obligations amounted to approximately \$1.3 million in the aggregate.

Of a \$20 million irrevocable letter of credit available, the amount outstanding at March 31, 1994 under this facility was \$6.2 million.

4. Legal Proceedings:

IJL is a defendant, or otherwise has possible exposure, in various legal actions arising out of its activities as a broker-dealer, underwriter, or employer. Several of these actions, including some class actions, claim substantial or unspecified damages which could be material. While predicting the outcome of litigation is inherently very difficult, and the ultimate resolution, range of loss, and impact on operating results cannot reliably be estimated, management is of the opinion, based upon its understanding of the facts and the advice of legal counsel, that resolution of these actions will not have a material adverse effect on the Company's consolidated financial condition.

IJL as managing underwriter for common stock offerings of Del-Val Financial Corporation, is a defendant in a consolidated class action seeking damages estimated to potentially exceed \$40 million from all defendants. No opinion can be formed at this time concerning the outcome of this litigation.

5. Income Taxes:

Effective October 1, 1993, the Company changed its method of accounting for income taxes from the deferred method to the liability method as required by Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes". As permitted under the new rules, prior years' financial statements have not been restated. The cumulative effect of adopting Statement 109 as of October 1, 1993 was to increase net income by approximately \$3.1 million for the six months ended March 31, 1994.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Net deferred tax assets of \$4,841,000 at March 31, 1994 were comprised of the following:

Page 7

INTERSTATE/JOHNSON LANE, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

5. Income Taxes, continued:

Deferred tax assets attributable to:

Deferred compensation and other benefits not currently deductible	\$1,744
Other accruals not currently deductible	2,732
Tax credits awaiting utilization	2,007
Other	45
Total deferred tax assets	6,528

Deferred tax liabilities attributable to:

Carrying value of partnership investments	1,687
Net deferred tax assets	\$4,841

6. Financial Instruments with Off-Balance-Sheet Risk:

IJL's business activities involve the execution, settlement and financing of securities transactions generating accounts receivable, and thus may expose IJL to financial risk in the event a customer or other counterparty is unable to fulfill its contractual obligations. For example, IJL may be required to liquidate a customer's margin loan collateral at prevailing market prices which may not totally satisfy his obligations. IJL controls this risk by revaluing collateral at current prices, monitoring compliance with applicable credit limits and industry regulations, and requiring the posting of additional collateral when appropriate.

Obligations arising from financial instruments sold short in connection with its normal trading activities expose IJL to off-

balance-sheet risk in the event market prices increase, since it may be obligated to repurchase those positions at a greater price. IJL's short selling primarily involves debt securities, which are typically less volatile than equities or options.

Forward and futures contracts provide for the seller agreeing to make delivery of securities or other instruments at a specified future date and price. Risk arises from the potential inability of counterparties to honor contract terms, and from changes in values of the underlying instruments. At March 31, 1994, IJL's commitments included forward purchase and sale contracts involving mortgage-backed securities with long market values of approximately \$105.8 million and short market values of approximately \$109.5 million and futures sale contracts with short values of \$14 million.

Page 8

INTERSTATE/JOHNSON LANE, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

6. Financial Instruments with Off-Balance-Sheet Risk, continued:

IJL enters into repurchase agreements, whereby it lends money by purchasing U.S. government/agency or mortgage-backed securities from customers or dealers with an agreement to resell them to the same customers or dealers at a later date. Such loans are collateralized by the underlying securities, which may be converted into cash at IJL's option. It is IJL's policy to take delivery of such underlying collateral in its custodial account. In addition, it monitors the market value of the collateral underlying each such receivable, and issues margin calls as necessary according to the creditworthiness of the borrower. Approximately 92% of all receivables under securities repurchase agreements at March 31, 1994 were from two counterparties.

Page 9

INTERSTATE/JOHNSON LANE, INC. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General Business Environment

The Company's principal activities -- securities brokerage for individual (retail) and institutional investors, market-making in equity and fixed-income securities, investment management and advisory services -- are highly competitive. Strategic alliances between investment firms and commercial banks, insurance companies, and other

financial services entities have intensified this competition. Many of the Company's revenue sources are sensitive to marketplace trading volumes and to interest rate conditions, which can be volatile.

During the past three years, the Company has undertaken a major commitment to build its retail sales force by recruiting and training individuals without securities industry experience. As a result, approximately 30% of the Company's retail account executives consist of individuals with less than three years' experience. While this condition may bode well for the future, any near-term slowdown in individual investor activity could severely impact the production output of a less seasoned sales force. The ultimate outcome of congressional hearings on payment for order flow and on disclosure requirements for institutions using "soft dollars" to pay for research services, the latter a significant source of the Company's profits, could also have a dampening effect on operating results.

The Company's trading inventories include positions in taxable and non-taxable debt securities which have greater risks than positions in investment grade securities. While these positions are required to be valued at "market", there is a thinly traded market for such securities; quotes are generally available from a limited number of dealers, and may not represent firm bids or offers. The average inventory of these securities during the six months ended March 31, 1994, was \$9.1 million. As of that same date, such holdings represented \$10.1 million, or 17.8%, of all securities owned by the Company, with \$3.5 million related to one issuer.

#### Liquidity and Capital Resources

For the six months ended March 31, 1994, operating activities and capital expenditures consumed \$4.7 million of cash, net of \$11.6 million provided by net income adjusted for depreciation and non-cash charges. Financing sources were utilized to provide \$6.1 million of cash; as a result, aggregate cash flows increased by \$1.4 million.

Page 10

INTERSTATE/JOHNSON LANE, INC. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

#### Liquidity and Capital Resources, continued

The Company's permanent capital consists of its shareholders' equity and subordinated debt. Day-to-day financing requirements are primarily influenced by the level of securities inventories, net receivables from customers and broker-dealers, and net receivables under repurchase agreements. Significant cash requirements could also occur in connection with payments under deferred compensation plans, repurchase of the Company's common stock and/or convertible debentures, payment of dividends, litigation settlements arising from

normal business operations, and technology expenditures planned over the next several years.

At March 31, 1994, the Company had \$115 million of unused call loan financing available. In addition, the Company maintains significant credit lines for repurchase agreements with other financial institutions and has financed its customer receivables with customer payables for many years. Management believes that these resources, together with the Company's permanent capital base and funds provided by operations, will satisfy normal financing needs for the foreseeable future. The Company's broker-dealer subsidiary, Interstate/Johnson Lane Corporation ("IJL"), is subject to liquidity and capital requirements of the Securities and Exchange Commission, Commodity Futures Trading Commission, and The New York Stock Exchange, and has consistently operated well in excess of the minimum requirements. At March 31, 1994, IJL had net capital of \$37.6 million, "excess net capital" of approximately \$34.4 million, and a net capital ratio of 23.4%.

### Results of Operations

For the six months ended March 31, 1994, net revenues increased \$8.1 million, or 11%, from the previous year, while expenses, other than interest, increased \$7.1 million, or 11%. Operating income of \$5.4 million was up \$540,000 from the same six month period of a year ago and was augmented by a \$3.1 million credit from the cumulative effect of a change in accounting principle, pushing net income up to \$8.4 million, or \$1.28 per share.

Net revenues increased \$800,000, or 2%, for the three months ended March 31, 1994, while total expenses increased \$575,000, or 2%. Operating income increased \$45,000, or 2%. Net income for the three month period was \$2.8 million or \$.43 per share compared with \$4.0 million or \$.57 per share for the same quarter of a year ago. Last year's net income included the partial realization of tax loss carryforwards of \$1.2 million.

Overall, commissions and sales credits increased by about \$6.7 million, or 12% from the same six-month period of a year ago, representing gains of 10% and 16% for the retail and institutional sectors, respectively. For the three-month period ended March 31, 1994, commissions and sales credits decreased about \$100,000 from the same period of a year ago. Institutional clients participated heavily in non-taxable debt securities and in the secondary and new issues markets for equities, while Retail customers aggressively invested in OTC stocks, equity underwritings, mutual funds, and annuities throughout both the three and six-month periods.

## Results of Operations, continued

Net trading profits decreased \$1.2 million, or 24%, and \$860,000, or 32% from the same six and three-month periods of a year ago. Profits from trading in government and mortgaged backed securities were up \$1.4 million, or 193% for the six month period. This increase was offset by losses from corporate fixed-income (down \$1.3 million) and tax-exempt securities (down \$1.5 million). The net decrease in profits for the three month period is explained in the same manner.

Investment banking fees and underwriting profits increased \$390,000 or 12% for the six month period and \$480,000 for the quarter due to an improved new issues market. Asset management and advisory fees were up \$800,000 and \$600,000 for the six and three month periods, respectively, due primarily to the continued growth of "wrap fees" paid by retail customers in lieu of transaction based commissions.

Interest revenues were up about \$2.9 million for the six months ended March 31, 1994 (\$2.5 million for the quarter) while expenses increased \$1.7 million and \$1.8 million for the corresponding periods. The increase in revenues is attributable to higher levels of receivables under securities repurchase agreements and increased margin interest resulting from a higher level of margin loans. The increase in expense is due to higher levels of borrowings under financing repurchase agreements. The improvement in net interest income of \$1.1 million for the six month period (\$700,000 for the quarter) can be attributed primarily to higher rates of margin interest earned on increased customer balances.

Overall compensation and benefits costs increased by about \$4.9 million, or 11%, for the six-month period, commensurate with the increase in overall commission revenues over the same period of a year ago. Execution, clearance and depository expense increased \$300,000, or 18% from the prior year as a result of increased execution charges associated with higher listed equity transaction volume. Promotion and development costs increased 23% for the six-month period, (22% for the quarter) in connection with successful efforts to build revenue. Other operating expenses increased \$700,000, or 12%, for the year largely as a result of increased provisions for declines in certain asset valuations and for other contingencies.

Page 12

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

IJL is a defendant, or otherwise has possible exposure, in various legal actions arising out of its activities as a broker-dealer, underwriter, or employer. Several of these actions, including some class actions, claim substantial or unspecified damages which could be

material. While predicting the outcome of litigation is inherently very difficult, and the ultimate resolution, range of loss, and impact on operating results cannot reliably be estimated, management is of the opinion, based upon its understanding of the facts and the advice of legal counsel, that resolution of these actions will not have a material adverse effect on the Company's consolidated financial condition.

IJL as managing underwriter for common stock offerings of Del-Val Financial Corporation, is a defendant in a consolidated class action seeking damages estimated to potentially exceed \$40 million from all defendants. No opinion can be formed at this time concerning the outcome of this litigation.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Designation of Exhibit in this Report	Description	Sequential Page Number
11	Statement Regarding Computation of Per Share Earnings	15

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the six months ended March 31, 1994.

Page 13

INTERSTATE/JOHNSON LANE, INC.  
AND CONSOLIDATED SUBSIDIARIES

SIGNATURES

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

INTERSTATE/JOHNSON LANE, INC.  
Registrant

<TABLE>  
<CAPTION>

Signature

Title

Date

<S>

<C>

<C>

---

Edward C. Ruff

Vice President - Finance  
and Treasurer (Principal  
Financial Officer)

May 13, 1994

---

C. Fred Wagstaff, III

Assistant Vice President  
(Principal Accounting  
Officer)

May 13, 1994

Page 14

</TABLE>

<TABLE>  
<CAPTION>

## STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

	Six Months Ended March 31,		Three Months Ended March 31,	
	1994 <C>	1993 <C>	1994 <C>	1993 <C>
Net income per share was computed as follows:				
Primary:				
1) Income before extraordinary item and cumulative effect of a change in accounting principle	\$5,382,565	\$4,846,408	\$2,823,923	\$2,779,335
Extraordinary item		2,161,000		1,194,000
Cumulative effect of a change in accounting principle	3,059,000			
Net income	\$8,441,565	\$7,007,408	\$2,823,923	\$3,973,335
2) Weighted average shares outstanding	6,618,176	6,768,145	6,597,095	6,759,081
3) Incremental shares under stock options computed under the treasury stock method using the average market price of issuer's stock during the periods	144,183	222,697	146,434	261,736
4) Weighted average shares and common equivalent shares outstanding	6,762,359	6,990,842	6,743,529	7,020,817
5) Weighted average shares outstanding which were used for calculation	6,618,176 (A)	6,990,842	6,597,095 (A)	7,020,817
6) Income per share before extraordinary item (item 1 divided by item 5) and cumulative effect of a change in accounting principle	\$ 0.81	\$ 0.69	0.43	0.40
Extraordinary item per share		0.31		0.17
Cumulative effect of a change in accounting principle per share	0.47			
Net income per share	\$ 1.28	\$ 1.00	\$ 0.43	\$ 0.57
Fully Diluted:				
1) Unadjusted income before extraordinary item and cumulative effect of a change in accounting principle	\$5,382,565	\$4,846,408	\$2,823,923	\$2,779,335
2) Interest on convertible subordinated debentures, net of tax effect	492,295	537,049	246,148	268,525
3) Adjusted income before extraordinary item and cumulative effect of a change in accounting principle	\$5,874,860	\$5,383,457	\$3,070,071	\$3,047,860
Extraordinary item		2,161,000		1,194,000
Cumulative effect of a change in accounting principle	3,059,000			
Adjusted net income	\$8,933,860	\$7,544,457	\$3,070,071	\$4,241,860
4) Weighted average shares outstanding	6,618,176	6,768,145	6,597,095	6,759,081
5) Incremental shares under stock options computed under the treasury stock method using the higher of the average or ending market price of issuer's stock at the end of the periods	144,183	243,518	146,434	261,736
6) Incremental shares relating to convertible subordinated debentures	1,183,042	1,183,042	1,183,042	1,183,042
7) Weighted average shares and common equivalent shares outstanding	7,945,401	8,194,705	7,926,571	8,203,859
8) Income per share before extraordinary item (item 3 divided by item 7) and cumulative effect of a change in accounting principle	\$ 0.74	\$ 0.66	\$ 0.39	\$ 0.37
Extraordinary item per share		0.26		0.15
Cumulative effect of change in accounting principle	0.38			
Net income per share	\$ 1.12	\$ 0.92	\$ 0.39	\$ 0.52

(A) Dilutive effect of common equivalent shares not included since dilution is less than 3%.

</TABLE>