

SEIBELS BRUCE GROUP INC
Form PRER14A
December 31, 2003

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SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE
SECURITIES EXCHANGE ACT OF 1934
(Amendment No. 1)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

The Seibels Bruce Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined)

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

THE SEIBELS BRUCE GROUP, INC.

**1501 Lady Street
Columbia, South Carolina 29201
(803) 748-2000**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON _____, 2003**

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders (the "Special Meeting" or "Meeting") of The Seibels Bruce Group, Inc., a South Carolina corporation, (the "Company"), will be held on _____, 2003 at _____ a.m. at the offices of the Company at 1501 Lady Street, Columbia, South Carolina 29201, for the following purposes, as more fully described in the Proxy Statement accompanying this Notice:

1. To amend the Company's Articles of Incorporation to effect a 1-for-1,000 reverse stock split of the Company's common stock and pay \$3.00 per share to the holders of shares that would be converted to a fraction of one share; and
2. To transact any other business as may properly come before the Meeting or any adjournment or postponement of the Meeting.

The proposal to amend the Company's Articles of Incorporation provides for the Company to effect a 1-for-1,000 reverse stock split of the Company's issued common stock. If approved, this reverse stock split will enable the Company to "go private" and thus terminate its obligations to file annual and periodic reports and make other filings with the Securities and Exchange Commission.

We have set the close of business on _____, 2003, as the record date for determining shareholders who are entitled to notice of and to vote at the Special Meeting. If your shares are held in the name of a broker, trust or other nominee, you will need a proxy appointment form from the broker, trustee or nominee if you wish to vote personally at the Meeting.

All shareholders are cordially invited to attend the Special Meeting in person. Whether or not you expect to attend the Meeting, your vote is important. To assure your representation at the Meeting, please sign and date the enclosed proxy appointment form and return it promptly in the enclosed envelope, which requires no additional postage if mailed in the United States. You may revoke your proxy appointment at any time prior to the Special Meeting. If you attend the Special Meeting and vote by ballot, your proxy appointment will be revoked automatically, and only your vote at the Special Meeting will count.

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Shareholders may be entitled to assert dissenters' rights under Chapter 13 of Title 33 of the Code of Laws of South Carolina, 1976, as amended.

By order of the Board of Directors,

Charles H. Powers
Chairman of the Board

Columbia, South Carolina
, 2003

Your vote is very important, regardless of the number of shares you own. Please read the attached proxy statement carefully, complete, sign and date the enclosed proxy appointment form as promptly as possible and return it in the enclosed envelope.

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PRELIMINARY COPIES

THE SEIBELS BRUCE GROUP, INC.

**1501 Lady Street
Columbia, South Carolina 29201
(803) 748-2000**

**PROXY STATEMENT
FOR SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON , 2003**

The Board of Directors of The Seibels Bruce Group, Inc., (the "Company") is providing this proxy statement to you to solicit your vote for use at a Special Meeting of Shareholders to be held on , 2003. The Special Meeting will be held at the offices of the Company, 1501 Lady Street, Columbia, South Carolina 29201, at a.m. This proxy statement and the accompanying proxy appointment form are being mailed on or about , 2003 to shareholders of record as of , 2003.

At the Special Meeting, shareholders of record will vote on approval of an amendment to the Company's Articles of Incorporation that will provide for a 1-for-1,000 reverse split of the Company's common stock. As permitted under South Carolina law, shareholders whose shares are converted into less than 1 share in the reverse split (because they had fewer than 1,000 shares at the effective time of the reverse split) will receive a cash payment from the Company for their fractional share interests of \$3.00 per share, without interest, for each share of common stock they held immediately before the reverse split.

Shareholders who own more than 1,000 shares at the effective time of the reverse split will receive 1 share for each 1,000 shares they own at the effective time of the reverse split, and a cash payment of \$3.00 per share, without interest, for the remaining shares of common stock they held immediately before the reverse split that aggregate less than 1,000 shares. We refer to the reverse stock split and cash payments to shareholders holding fewer than 1,000 shares as the "transaction."

After the transaction, we anticipate that the Company will have approximately 97 shareholders of record. As a result, the Company will no longer be required to file annual and periodic reports under the federal securities laws that are applicable to public companies. Additionally, transactions in our common stock will no longer be quoted on the OTC Bulletin Board.

A shareholder of the Company is entitled by Chapter 13 of Title 33 of the Code of Laws of South Carolina, 1976, as amended, (the "Dissenters' Rights Law") to dissent from the transaction, and obtain payment of the fair value of his shares if the transaction reduces the number of shares owned by the shareholder to a fraction of a share. To exercise dissenters' rights, a shareholder must, at or prior to the Special Meeting of Shareholders of the Company, give written notice that he dissents from the proposed amendment to the Articles of Incorporation and not vote in favor of the proposed amendment to the Articles of Incorporation. In addition, the shareholder must comply strictly with statutory procedures at the time and in the manner set forth in the Dissenters Rights Law, a copy of which is attached to this proxy statement as Appendix B. Also see "Special Factors Dissenters' Rights; Escheat Laws" beginning on page .

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this transaction, passed upon the merits or fairness of the transaction or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

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FORWARD LOOKING STATEMENTS

Forward looking statements are those statements that describe management's beliefs and expectations about the future. We have identified forward looking statements by using words such as "anticipate," "believe," "could," "estimate," "may," "expect," and "intend." Although we

believe these expectations are reasonable, our operations involve a number of risks and uncertainties, including those described in this proxy statement and in other documents filed with the SEC. Therefore, these types of statements may prove to be incorrect.

SUMMARY TERM SHEET FOR REVERSE STOCK SPLIT

The following summary, together with the "Questions and Answers" section, briefly describes the proposed amendment to our Articles of Incorporation and the reverse stock split. While this summary and the question and answer section describe what we believe are the most material terms and features of the transaction, the proxy statement contains a more detailed description of the terms. We encourage you to read the entire proxy statement and the documents we have incorporated by reference before voting. We have included section references to direct you to a more complete description of the topics described in this summary.

As used in this proxy statement, "Seibels," the "Company," "we," "our," "ours," and "us" refer to The Seibels Bruce Group, Inc. and all of its subsidiaries, and the "transaction" refers to the reverse stock split to be effected by the amendment of our Articles of Incorporation, together with the related cash payments for fractional shares to shareholders whose number of shares is not evenly divisible by 1,000 at the effective time of the transaction.

Effects of the Transaction

If the transaction is completed:

shareholders who own fewer than 1,000 shares of common stock of record before the reverse stock split will receive cash in exchange for their shares of common stock and will no longer have any interest in our future earnings or growth;

shareholders who own 1,000 or more shares of common stock of record before the reverse stock split will receive 1 share for each 1,000 shares of common stock held before the reverse stock split, and cash in lieu of fractional shares for their remaining shares;

we will have fewer than 300 registered holders of common stock, and therefore will be eligible to terminate registration of our common stock with the Securities and Exchange Commission, which will terminate our obligation to continue filing periodic reports and proxy statements pursuant to the Securities Exchange Act of 1934 (the "1934 Act");

our common stock will no longer be quoted on the OTC Bulletin Board, and any trading in our common stock will only occur in privately negotiated sales;

the officers and directors of the Company at the effective time of the transaction will continue to serve as the officers and directors of the Company immediately after the transaction;

the rights and number of shares outstanding of our Adjustable Rate Cumulative Nonvoting Preferred Special Stock will remain unchanged;

the number of shares subject to currently outstanding options and warrants and the corresponding exercise prices will be adjusted in accordance with the terms of the applicable warrant or option plan to give effect to the reverse stock split, and the number of shares subject to options will be rounded down resulting in the elimination of any rights to acquire fractional shares;

holders of options granted under the Company's 1996 Stock Option Plan for Employees and 1995 Stock Option Plan for Non-Employee Directors may receive a cash payment for their rights to acquire fractional shares that are eliminated, but as provided by the Company's 1995 Stock Option Plan for Independent Agents, holders of options granted under that plan will

not receive any such cash payment;

the Company stock investment feature in the Company's 401(k) Plan will be terminated and the Company will purchase all of the shares of Company stock held by the Plan for the then-current fair market value of the shares in cash, which will not, in any event, be less than \$3.00 per share;

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the number of our shareholders of record will be reduced from approximately 924 to approximately 97, and the number of outstanding shares of the Company's common stock will decrease by approximately 9% from 7,816,044 to approximately 7,103,000 shares on a pre-split basis (7,103 on a post-split basis);

the percentage of ownership of the Company's common stock beneficially owned by the directors of the Company as a group will increase from 52% to approximately 57% based on shares outstanding on October 24, 2003, which will not affect control of the Company;

aggregate shareholders' equity of the Company as of September 30, 2003, will be reduced from approximately \$31,085,000 on an historical basis to approximately \$28,605,000 on a pro forma basis;

the book value per share of common stock as of September 30, 2003 will decrease from \$2.95 per share on an historical basis to approximately \$2.90 per share on a pro forma, pre-split basis;

the Company will pay cash of approximately \$2,418,000 in the aggregate to repurchase fractional shares and pay the costs of the transaction; and

net income per share of common stock (including non-recurring income and expenses) for the nine months ended September 30, 2003, will not change from \$0.04 on an historical basis when calculated on a pro forma basis (on both a basic and a fully-diluted basis).

For a description of the provisions regarding the treatment of shares held in street name, please see "Special Factors Effect of the Proposed Reverse Split on Shareholders (both Affiliated and Unaffiliated)" beginning on page . Please also read "Proposal to Amend the Company's Articles of Incorporation to Effect a Reverse Stock Split of the Common Stock" beginning on page and "Special Factors" beginning on page . (Shares held in "street name" are shares held in a stock brokerage account or by a bank or other nominee.)

The Purpose and Benefits of the Reverse Stock Split

If approved, the reverse stock split will enable the Company to go private and thus terminate its obligation to file annual and periodic reports and make other filings with the Securities and Exchange Commission ("SEC"). The purpose behind the proposal and the benefits of going private include:

eliminating the costs associated with filing documents under the 1934 Act with the SEC;

eliminating the costs of compliance with the Sarbanes-Oxley Act of 2002 and related regulations;

reducing the direct and indirect costs of administering shareholder accounts and responding to shareholder requests;

affording shareholders holding less than 1,000 shares immediately before the transaction the opportunity to receive cash for their shares without having to pay brokerage commissions and other transaction costs; and

increasing management's flexibility to consider and initiate actions that may produce long-term benefits and growth without the pressure and expectation to produce quarterly earnings per share growth.

Please read "Special Factors Purpose of the Transaction" beginning on page .

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Disadvantages of the Reverse Stock Split

The disadvantages of the reverse stock split are that:

the Company's working capital or assets will be decreased, or indebtedness increased, to fund the purchase of fractional shares and the costs of the transaction;

the Company's ability to raise capital in the public securities markets will be significantly diminished;

remaining shareholders will experience reduced liquidity for their shares of common stock;

less public information about the Company will be available after the transaction; and

shareholders who are cashed out will be unable to participate in any future earnings or growth of the Company.

Please read "Special Factors Effect of the Proposed Reverse Split on Shareholders (both Affiliated and Unaffiliated)" beginning on page and "Special Factors Effect of the Proposed Reverse Split on the Company" beginning on page .

Board Determination of the Fairness of the Reverse Stock Split

The Board has determined that the reverse stock split is advisable, substantively fair to, and in the best interests of the Company and its shareholders, including both affiliated and unaffiliated shareholders, and unanimously recommends that you vote "FOR" the reverse stock split. As used in this proxy statement, the term "affiliated shareholder" means any shareholder who is a director or executive officer of the Company, the term "unaffiliated shareholder" means any shareholder other than an affiliated shareholder, and the term "executive officers" means all persons named under "Management of the Company Executive Officers and Key Employees" beginning on page .

The Board also believes that the transaction is procedurally fair because, among other things: (a) the reverse stock split is being effected in accordance with applicable requirements under South Carolina law; (b) the reverse stock split is being submitted to a vote of the Company's shareholders and is subject to the approval of holders of two-thirds of the outstanding shares of common stock; (c) shareholders who will be totally cashed-out will have the opportunity to exercise dissenters' rights; and (d) shareholders can also increase, divide or otherwise adjust their existing holdings, prior to the effective date of the reverse split, so as either to retain some or all of their shares or to be cashed-out with respect to some or all of their shares.

As of October 24, 2003, our directors and executive officers owned approximately 55% of the outstanding shares of the common stock that would be entitled to vote at the Special Meeting. If our directors and executive officers exercised options they hold prior to the Special Meeting, they would own approximately the same percentage of the outstanding shares of common stock entitled to vote at the Special Meeting. See "Management of the Company Security Ownership of Management," beginning on page . Some of our executive officers may, however, sell their shares before the record date and may not be entitled to vote at the Special Meeting. See "Special Factors Interests of Executive Officers and Directors in the Transaction" beginning on page . Other than the expressed intent of directors and executive officers to vote their shares for the reverse stock split, the Company has not obtained any assurances or agreements from any of its shareholders as to how they will vote on the reverse stock split.

Please read "Special Factors Recommendation of the Board; Fairness of the Transaction" beginning on page .

Fairness Opinion of Financial Advisor

Capitalink, L.C., our financial advisor, has delivered to our Board of Directors its written opinion to the effect that, as of the date of such opinion and based upon and subject to the matters stated in the opinion, the cash consideration to be paid in the proposed transaction is fair, from a financial point of view, to our shareholders. The full text of the written opinion of Capitalink, which sets forth the assumptions made, matters considered and limitations on the review undertaken, is attached as Appendix A to this proxy statement. You should read the opinion carefully in its entirety, along with the discussion under "Special Factors Opinion and Report of the Financial Advisor" beginning on page .

The opinion of Capitalink is directed to the Company's Board of Directors, addresses only the fairness to holders of the Company's common stock from a financial point of view of the cash consideration to be paid in the proposed transaction, and does not constitute a recommendation to any shareholder as to how such shareholder should vote at the Special Meeting.

Conditions to the Completion of the Transaction

The completion of the transaction depends upon the approval of the proposed amendment to our Articles of Incorporation that will implement the transaction by the holders of at least two-thirds of our outstanding shares of common stock. The text of the amendment is set forth under "Proposal to Amend the Company's Articles of Incorporation to Effect a Reverse Stock Split of the Common Stock Proposed Language Amending the Company's Articles of Incorporation" beginning on page .

Reservation of Rights

We reserve the right to abandon the transaction without further action by our shareholders at any time before the filing of the necessary amendment to our Articles of Incorporation with the South Carolina Secretary of State, even if the transaction has been authorized by our shareholders at the Special Meeting, and by voting in favor of the transaction you are also expressly authorizing us to determine not to proceed with the transaction if we should so decide. See "Proposal to Amend the Company's Articles of Incorporation to Effect a Reverse Split of the Common Stock Reservation of Rights" beginning on page .

Sources of Funds; Financing of the Transaction

We estimate that the total funds required to pay the consideration to shareholders entitled to receive cash for their shares and to pay the costs of the transaction will be approximately \$2,418,000. The consideration to shareholders and the costs of the transaction will be paid from working capital, proceeds from the sale of assets, or borrowings. See "Special Factors Sources of Funds and Financial Effect of the Transaction" beginning on page .

Potential Conflicts of Interest of Directors

Our directors may have interests in the transaction that are different from your interests as a shareholder, or relationships that may present conflicts of interest, including the following:

Each member of the Board of Directors holds of record 1,000 or more shares of our common stock and will retain one or more shares after the transaction; and

As a result of the transaction, the shareholders who own of record on , 2003, 1,000 or more shares, such as our directors, will increase their percentage ownership interest in the Company as a result of the transaction. For example, assuming the transaction is approved, and based on shares outstanding on October 24, 2003, the ownership percentage of the directors of

the Company will increase from 52% to approximately 57% as a result of the reduction by an estimated 713,000 shares in the number of shares of common stock outstanding.

Required Vote on the Reverse Stock Split

The reverse stock split is subject to approval by the affirmative vote of holders of two-thirds of the outstanding shares of our common stock. The holder of the Company's outstanding Adjustable Rate Cumulative Nonvoting Preferred Stock does not have the right to vote those shares on the transaction.

Rights of Dissenting Shareholders

Under the South Carolina Business Corporation Act, (the "SCBCA"), S.C. Code § 33-1-101, et seq., a shareholder of the Company's common stock who does not vote in favor of the transaction and who complies with certain notice requirements, which include the delivery of written notice of intent to demand payment prior to the vote at the Special Meeting and other procedures, will have the right to dissent from the transaction and to be paid cash for the fair value of his shares if the transaction reduces the number of shares owned by the shareholder to a fraction of a share. (A vote in favor of the transaction cast by the holder of a proxy appointment solicited by the Company will not disqualify a shareholder granting such proxy appointment from exercising dissenters' rights.) South Carolina law defines "fair value" to mean the value of the shares immediately before the effectuation of the transaction, excluding any appreciation or depreciation in anticipation of the transaction, unless such exclusion would be inequitable. Under South Carolina law, the "fair value" of the shares is to be determined by techniques that are acceptable generally in the financial community. In order for a holder of the Company's common stock to perfect dissenters' rights, such holder must file with the Company, prior to or at the Special Meeting, a written notice of intent to demand payment. Neither delivery of a proxy appointment form directing a vote against the transaction nor a failure to vote for the transaction will constitute such written notice. Certain additional procedures must be followed in order for a Company shareholder to exercise dissenters' rights. Any deviation from such procedures may result in the forfeiture of dissenters' rights. This proxy statement does not create or modify any dissenters' rights. The only dissenters' rights shareholders have are those granted by the SCBCA. Accordingly, shareholders wishing to dissent from the transaction are urged to read carefully "Special Factors Dissenters' Rights; Escheat Laws" beginning on page and the SCBCA Code sections included herewith as Appendix B.

U. S. Federal Income Tax Consequences

Generally, for shareholders who have fewer than 1,000 shares of common stock before the reverse stock split, the receipt of cash for fractional shares will be treated for tax purposes in the same manner as if the shares were sold in the market for cash. For shareholders who will remain shareholders of the Company following the reverse stock split, the receipt of shares of new common stock will be treated as a tax-free reorganization and any cash received in lieu of fractional shares by such shareholders will be treated as "boot" for federal income tax purposes. Accordingly, if the fair market value of the boot plus the new common stock received exceeds a shareholder's total tax basis in its common stock, the gain will be recognized up to the amount of boot received. Tax matters are very complicated, and the tax consequences to you of the transaction will depend on your own situation. Please read "Special Factors Material Federal Income Tax Consequences" beginning on page .

Selected Per Share Financial Information

The following table sets forth selected historical per share financial information for the Company and unaudited pro forma per share financial information for the Company giving effect to the transaction as if it had been consummated as of the end of each period presented, in the case of book value information, and as of the beginning of the respective reporting periods, in the case of statement

of operations information. The information presented below is derived from (i) the consolidated historical financial statements of the Company, including the related notes thereto, and (ii) the unaudited Pro Forma Consolidated Financial Statements, including the assumptions beginning on page . You should read this table together with the unaudited Pro Forma Consolidated Financial Statements and the related assumptions and the Selected Historical Financial Information beginning on page and the consolidated financial statements of the Company and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2002 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, which information is incorporated by reference in this proxy statement. As described in the assumptions to the unaudited Pro Forma Consolidated Financial Statements, the pro forma per share information assumes that 713,000 shares of our common stock are cashed-out in connection with the transaction and \$2,418,000 cash is paid in lieu of issuance of fractional shares and to pay the costs of the transaction. The pro forma information set forth below is not necessarily indicative of what the Company's actual financial position or results of operations would have been had the transaction been consummated as of the above referenced dates or of the financial position or results of operations that may be reported by the Company in the future.

**As of and for the
Nine Months Ended
September 30, 2003**

**As of and for the
Year Ended
December 31, 2002**

The Company Historical:

Earnings per common share from continuing operations

Basic	\$	0.04	\$	0.73
Diluted		0.04		0.72
Book value per common share(1)		2.95		2.97
Dividends per common share				

The Company Pro Forma:

Earnings per common share from continuing operations(2)

Basic		0.04		0.79
Diluted		0.04		0.77
Book value per common share(3)		2.90		2.91
Dividends per common share				

- (1) Historical book value per common share is computed by dividing common shareholders' equity by the number of common shares outstanding at the end of the respective periods, excluding the dilutive effect of options.
- (2) Pro forma earnings per share from continuing operations is computed by dividing pro forma net income from continuing operations by the historical weighted average shares outstanding for the respective periods minus the 713,000 shares of the Company's common stock assumed to be cashed-out in the transaction.
- (3) Pro forma book value per common share of the Company is computed by dividing pro forma common shareholders equity by the number of common shares outstanding at the end of the respective periods, excluding the dilutive effect of options, minus the 713,000 shares of the Company's common stock assumed to be cashed-out in the transaction.

SPECIAL FACTORS**Background of the Transaction**

As of September 4, 2003 approximately 827 record holders of the Company's common stock, or approximately 90% of the total number of record holders, owned less than 1,000 shares of common stock (not including beneficial owners whose shares may be registered in street name). In addition, record holders owning less than 1,000 shares own, in the aggregate, 93,000, or approximately 1%, of the outstanding shares of common stock.

We have no direct knowledge of the number of shares of our common stock owned beneficially (but not of record) by persons who own fewer than 1,000 shares of our common stock and who hold the shares in street name. However, based upon information obtained from our transfer agent and ADP Investor Communication Services, we estimate there are 1,083 beneficial holders of fewer than 1,000 shares, who in the aggregate collectively own approximately 226,000 shares, or approximately 3%, of our common stock.

In summary, we estimate there are approximately 319,000 shares of our common stock, representing approximately 4% of our outstanding shares, held by approximately 1,910 record and beneficial shareholders holding fewer than 1,000 shares.

As a public company, we are required to prepare and file with the SEC, among other items, the following:

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Quarterly Reports on Form 10-Q;

Annual Reports on Form 10-K;

Proxy statements and annual shareholder reports as required by Regulation 14A under the 1934 Act; and

Current Reports on Form 8-K.

The costs associated with these reports and other filing obligations compose a significant overhead expense. These costs include professional fees for our auditors and corporate counsel, printing and mailing costs, internal compliance costs, and transfer agent costs. These SEC registration-related costs have been increasing over the years, and we believe that they will continue to increase, particularly as a result of the additional reporting and disclosure obligations imposed on public companies by the recently enacted Sarbanes-Oxley Act of 2002. We also incur substantially higher premiums for director and officer insurance as a result of being a publicly held company than we would incur if we were privately held.

The Company also incurs substantial indirect costs as a result of, among other things, management's time expended in preparing and reviewing such filings. The Board believes that in light of the Company's reduced size and recent operating results, these costs have, and are expected to continue to have, a material adverse effect on the Company. At the same time, the Board believes that the Company will not benefit significantly from remaining public. Even as a publicly-traded stock, there is a very limited trading market for our shares, especially for sales of larger blocks of our shares, and shareholders derive little benefit from the Company's status as a publicly-traded corporation. Furthermore, the Board has no present intention to raise capital through sales of securities in a public offering in the future or to acquire other business entities using its stock as the consideration for any such acquisition, and the Company is therefore unlikely to have the opportunity to take advantage of its current status as a public company for these purposes. In addition, the Company's securities are not currently listed on a stock exchange or national market system such as Nasdaq that would otherwise require the Company to continue reporting and filing reports as a public company, and the Board has no present intention to have the Company listed on a stock exchange or national market system. The

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Board also believes that, as a private company, management would have greater flexibility to consider and initiate actions that may produce long-term benefits and growth without the pressure and expectation to produce short-term earnings per share growth.

The cost of administering each shareholder's account and the amount of time spent by the Company's management in responding to shareholder requests is the same regardless of the number of shares held in the account. Accordingly, the burden to the Company of maintaining many small accounts is disproportionately high when compared with the total number of shares involved. Unlike many larger public companies, the Company does not have employees assigned to managing investor relations. Instead, the Company's executive officers respond directly to shareholder requests, and time spent fulfilling these duties limits the time that such officers are able to allocate to other aspects of managing the Company. Therefore, the Company's management believes that it would be beneficial to the Company and its shareholders as a whole to eliminate the administrative burden and cost associated with the approximately 827 record shareholder accounts containing less than 1,000 shares of common stock and an estimated additional 1,083 beneficial owners of less than 1,000 shares of common stock.

During 2003, the Board attempted to reduce some of the Company's costs of administering a large number of shareholder accounts by conducting an odd lot tender offer to holders of 99 or fewer shares of the Company's common stock. This effort to reduce the cost of providing annual reports and materials to and maintaining accounts for those shareholders was approved by the Board on April 7, 2003, at which time the Company had approximately 1,406 record holders of 99 shares or fewer of its common stock. Based primarily on a recent trading price of the shares at the time of \$1.40, the Board established the tender offer price at \$2.50 per share. The offer commenced on April 14, 2003 and was extended on June 4, 2003 until July 31, 2003. It was only moderately successful, resulting in the Company's purchasing a total of 15,646 shares and the elimination of 396 shareholder accounts. While the Company believes that some cost savings have been and will continue to be realized from the elimination of these shareholder accounts, any such savings will be more than offset by increased costs of complying with new regulations applicable to public companies that were adopted subsequent to the commencement of the odd lot tender offer.

The Board also believes that the high number of outstanding shares of common stock and its low trading price impairs the acceptability of the common stock by the financial community and the investing public. The Company believes that the transaction, by reducing the number of outstanding shares of common stock, should increase the per share market price accordingly. It is possible, however, that any increase in per share market price may be proportionately less than the decrease in the number of outstanding shares.

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In light of the foregoing, the Board believes that it is in the best interests of the Company and its shareholders, including unaffiliated shareholders, to change the status of the Company to a private company at this time by reducing the number of shareholders of record to under 300 and terminating registration of our common stock with the SEC.

The going private proposal is being made at this time because the sooner the proposal can be implemented, the sooner the Company will cease to incur the expenses and burdens (which are only expected to increase in the near future) and the sooner shareholders who are to receive cash in the transaction will receive and be able to reinvest or otherwise make use of such cash payments.

Board Deliberations. At a meeting of the Company's Board of Directors on May 7, 2003, the Board discussed generally the concept of going private and authorized one of our directors to do research on the topic and prepare a report for the Board. The Board's interest in a going private transaction at that time was precipitated in large part by consultation with, and receipt of a letter from, the Company's accountants outlining the substantial new internal and external accounting requirements and procedures imposed by new legislation and regulations that would be expected to have a direct

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impact on the 2003 audit. The Company had also received numerous communications from its corporate legal counsel about the increased burdens, time and expense the new legislation and related regulations would be expected to impose on public companies, including the Company.

In July 2003, the Company received an unsolicited letter from an investment banking firm offering to make a presentation and consult with the Board about various possible transactions, including a going private transaction. The Board decided to accept the offered presentation and it was made on August 14, 2003. Based on the information presented at that meeting and consultations with the Company's accountants and lawyers, the Board decided to pursue the possibility of a going private transaction further. The Board instructed management to contact other investment bankers and offer them the opportunity to make a presentation and bid on offering consulting services and providing a fairness opinion. On September 4, 2003, Capitalink, L.C. and one additional investment banking firm made presentations along with the original investment banking firm. Because Capitalink proposed the lowest fee and Capitalink appeared to have the necessary training and experience, on September 10, 2003, the Board retained Capitalink to assist with the transaction and to prepare an opinion as to the fairness, from a financial point of view, of the transaction.

On November 6, 2003, the Board met again, with all directors being present, and after consultation with management, its outside legal counsel and Capitalink, determined that the reverse split was the most efficient means to reduce the number of shareholders and permit the Company to go private. As part of the Board's analysis, the Board considered the relative advantages and disadvantages of continuing as a public company to both the Company and its shareholders, particularly in light of the anticipated costs of continuing as a public company, which the Board considered would be very significant as a percentage of projected revenues and expenses. The Board determined, based on the number of shareholders with a nominal number of shares, that the reverse stock split ratio of 1-for-1,000 shares of common stock was the appropriate ratio to ensure a reduction in the number of record holders to fewer than 300 (which would permit the Company to terminate registration with the SEC under the 1934 Act of its common stock) and, based upon the report of Capitalink and the other factors described herein, that a price of \$3.00 per share should be paid in lieu of issuance of fractional shares. The Board believed that the 1-for-1,000 ratio would also sufficiently reduce the number of shares outstanding so that re-registration of the common stock would not be required in the near future, and that payment of \$3.00 per share in lieu of issuance of fractional shares would not overly strain the Company's financial resources.

In addition to the matters discussed above, the Board considered the opportunity presented by the transaction to provide shareholders of record owning fewer than 1,000 shares immediate liquidity for their holdings without incurring brokerage costs, particularly in light of the relatively illiquid market for shares of the common stock.

Approximately 10,397 shares of common stock will be authorized but unissued after the transaction. At this time, the Company has no current plans to issue common stock other than upon any exercise of outstanding warrants, options or conversion rights.

Alternative Considered. The Board considered making a cash tender offer to all shareholders to accomplish the reduction in the number of record shareholders to fewer than 300, but ultimately determined that the reverse split amendment is the preferred method of achieving its goal. The Board does not believe that a tender offer would result in the purchase of a sufficient number of shares to reduce the number of record holders to fewer than 300 because many shareholders with a small number of shares would not make the effort to tender their shares and the cost of completing the tender offer could be significant in relation to the value of the shares sought to be purchased. On the other hand, the reverse split transaction, if successfully completed, is likely to allow the Company to achieve its objective.

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The Board has determined that the reverse split is the most expeditious and economical alternative for changing the Company's status from that of a reporting company to that of a private, non-reporting company.

The Company has not sought, and has not received, any proposals from any persons for the merger or consolidation of the Company, or for the sale or other transfer of all or substantially all of the Company's assets, or for the sale or other transfer of securities of the Company that would enable the holder thereof to exercise control of the Company. The Board did not seek any such proposals because such transactions are inconsistent with the narrower purpose of the proposed transaction.

Purpose of the Transaction

The purpose of the transaction is to cash-out the equity interests in the Company of shareholders who, as of the effective date, hold fewer than 1,000 shares of common stock in any discrete account at a price determined to be fair by the entire Board in order to:

eliminate the cost of maintaining small shareholder accounts;

permit small shareholders to receive cash for their shares without having to pay brokerage commissions or other fees;

reduce the number of shareholders of record of the Company to fewer than 300 so that the Company can deregister its common stock under the 1934 Act, and thereby be relieved of the administrative burdens and costs and competitive disadvantages associated with filing reports with the SEC and otherwise complying with the requirements under the 1934 Act; and

increase management's flexibility to consider and initiate actions that may produce long-term benefits and growth without the pressure and expectation to produce short-term per share earnings.

If the reverse split amendment is approved and implemented, the directors of the Company may benefit by an approximately 10% increase in their percentage beneficial ownership of common stock while incurring an approximately 2% decrease in the net book value of their holdings per share, based on shares outstanding on October 24, 2003. However, following the deregistration of the common stock under the 1934 Act, there will be limited public information concerning the Company and even less of a trading market for the Company's common shares than presently exists. The transaction will provide registered shareholders with fewer than 1,000 shares of common stock with a cost-effective way to cash-out their investments in the Company, because the Company will pay all transaction costs in connection with the reverse split. Moreover, the Company will benefit from substantial cost savings (as described below) as a result of the transaction.

The Company incurs direct and indirect costs associated with compliance with the SEC's filing and reporting requirements imposed on public companies. The Company also incurs substantial indirect costs as a result of, among other things, management's time expended in preparing and reviewing such filings. Since the Company has relatively few executive personnel, these indirect costs can be substantial. Based on the Company's experience in prior years, the direct annual costs resulting from the Company's being a public company are estimated as follows:

Independent Auditors and other Compliance Costs	\$ 82,000
Legal Counsel	50,000
Transfer Agent, Printing and Mailing	53,000
Insurance	200,000
Other	55,000
	<hr/>
Total	\$ 440,000
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Estimates of the annual savings expected to be realized if the reverse split amendment is implemented are based upon (1) the actual costs to the Company of the services and disbursements in each of the above categories that were reflected in its recent historical financial statements and (ii) the allocation to each category of management's estimates of the portion of the expenses and disbursements in such category believed to be solely or primarily attributable to the Company's public reporting company status. In some instances, Company management's estimates were based on information provided by others or upon verifiable assumptions. For example, its auditors have informed the Company, informally, that there will be a reduction in auditing fees if the Company ceased to be public. In addition, there will be limited need for legal counsel for SEC matters and no need for a financial printer if the Company no longer files reports with the SEC. Other estimates were more subjective (e.g., the savings in transfer agent's fees that could be expected because of the estimated 90% reduction in the number of accounts to be handled by the transfer agent, the lower printing and mailing costs attributable to such reduction and the less complicated disclosure required by the Company's private status, the need for fewer directors' meetings (and the consequent reduction in associated expenses), and the reduction in direct miscellaneous clerical and other expenses (e.g., the word processing, edgarizing, telephone and fax charges associated with SEC filings, and the elimination of the charges imposed by brokers and banks to forward materials to beneficial holders).

The estimates set forth above are just that estimates, and the actual savings to be realized may be higher or lower than estimated above. The Company expects that if it becomes private before its Report on Form 10-K for the year ended December 31, 2003 is otherwise due, then it will not be required to file such Report and as a result a portion of the estimated savings could be realized in 2004 due to reductions in audit and legal fees associated with the preparation of the Report. In addition, the Company expects the various costs associated with remaining a public company will continue to increase as a result of enactment of the Sarbanes-Oxley Act of 2002 and regulations adopted pursuant to the legislation. Based on the Company's size and resources, the Board does not believe the costs associated with remaining a public company are justified. In light of these disproportionate costs, the Board believes that it is in the best interests of the Company and all of its shareholders to eliminate the administrative burden and costs associated with these small record accounts.

Recommendation of the Board; Fairness of the Transaction

The Board unanimously determined that the transaction, taken as a whole, is fair to, and in the best interests of the Company and its shareholders, including unaffiliated shareholders, as discussed below, regardless of whether a shareholder receives cash in lieu of fractional shares, shares of new common stock, or both cash and shares of new common stock. The Board also believes that the process for approving the transaction is procedurally fair. The Board recommends that shareholders vote for approval and adoption of the reverse split amendment.

The Board has retained for itself the absolute authority to reject (and not implement) the reverse split amendment (even after approval of the amendment) if it determines subsequently that the reverse split amendment is not then in the best interests of the Company and its shareholders. If for any reason the reverse split amendment is not approved, or, if approved, is not implemented, the common stock will not be deregistered until such time as the Company otherwise is eligible to do so.

As discussed above, the Board considered one alternative to the reverse split, but ultimately approved the reverse split structure. Please see "Background of the Transaction."

The Board considered a number of factors in determining whether it was in the best interests of, and fair to, the Company and its shareholders to undertake a transaction to reduce the number of shareholders to fewer than 300 record holders in order to terminate the registration of its common

stock under the 1934 Act. The Board did not assign any specific weights to the factors below, and individual directors may have given differing weights to different factors. Factors considered included:

Current and Historical Market Prices of the Company's Common Stock. The Company's common stock is quoted on the OTC Bulletin Board, but is thinly traded. During the 12 months prior to the public announcement of the proposed transaction, the stock traded infrequently with reported trades occurring on only 141 days with an average trading volume on those days of approximately 4,978 shares per day.

The Board also reviewed high and low sales prices for the common stock from January 1, 2002 to November 5, 2003, which ranged from \$0.75 to \$3.34 per share. You should read the discussion under "Financial Information Market Prices of the Common Stock" beginning on page for more information about our stock prices. The last sale price of the Company's common stock on November 13, 2003, the day before we announced the going-private transaction, was \$2.00. The majority of recent trades have been at prices significantly below the \$3.00 per share price offered in this transaction. Accordingly, the

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Board believes the market price analysis supports its determination that the transaction is fair to shareholders.

Net Book Value. As of September 30, 2003, the book value per common share was \$2.95. In connection with its deliberations, the Board did not consider the Company's liquidation value. The Board did not view the Company's liquidation value to be a relevant measure of valuation given that the consideration in the transaction exceeds the book value per common share of the Company, and the Board's financial adviser determined in conjunction with the Company's management that a liquidation analysis would not derive a value in excess of book value. However, book value per common share is an historical accounting value which may be more or less than the net market value of the Company's assets after payment of its liabilities, and a liquidation could produce a higher value than book value per common share.

Going Concern Value. In determining the cash amount to be paid to cashed-out shareholders in the transaction, the Board considered the value of the Company's shares on the basis of a going concern as presented in its financial advisor's report, without giving effect to any anticipated effects of the transaction. Also, the Board did not consider the amount per share that might be realized in a sale of all or substantially all of the stock or assets of the Company, believing that consideration of such an amount was inappropriate in the context of a transaction that would not result in a change of control of the Company and having no reason to believe that the sum of the values of the parts would exceed the value of the whole. In considering the going concern value of the Company's shares, the Board adopted the analyses and conclusions of its financial advisor, which indicated a share price range of \$2.75 \$3.25 and which are described below under "Opinion and Report of the Financial Advisor" beginning on page . Accordingly, the Board believes the going concern analysis supports its determination that the transaction is fair to shareholders.

Earnings. The Board reviewed historic earnings of the Company for the previous three years and for the first three quarters of 2003 and the relevance of historic earnings to future prospects, and factored this review into the going concern analysis. For the three years ended December 31, 2000, 2001 and 2002, the Company reported net (loss) income of \$(15,361,000), \$4,366,000 and \$6,123,000, respectively. For the quarter and nine months ended September 30, 2003, the Company reported net (loss) income of \$(1,539,000) and \$637,000, respectively. The Board believes the earnings analysis supports its determination that the transaction is fair to shareholders.

Prices at which the Company and its Affiliates have purchased shares in the past two years. The Board took account of the fact that, in an effort to reduce the cost of providing annual reports and materials to shareholders, the Company had purchased an aggregate of

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15,646 shares of the Company's common stock for \$2.50 per share in an odd-lot tender offer to holders of 99 or fewer shares of the Company's common stock that was announced on April 14, 2003, was extended on June 4, 2003, and terminated on July 31, 2003. The transaction price of \$3.00 per share is consistent with the prices of recent purchases by the Company. Accordingly, the Board believes this analysis supports its determination that the transaction is fair to shareholders.

Opinion of the Financial Advisor. The Board considered the opinion of Capitalink, L.C. rendered to the Board on November 6, 2003 to the effect that, as of the date of such opinion and based upon and subject to certain matters stated therein, the going private transaction is fair, from a financial point of view, to the Company's shareholders, including unaffiliated shareholders and shareholders who will receive cash as well as those who will retain their shares after the transaction. You should read the discussion below under "Opinion and Report of the Financial Advisor" beginning on page and a copy of the opinion of Capitalink attached as Appendix A to this proxy statement. The transaction price falls within the range of prices referenced in the financial advisor's opinion. Accordingly, the Board believes the opinion of the financial advisor supports its determination that the transaction is fair to shareholders.

Opportunity to Liquidate Shares of common stock. The Board considered the opportunity the transaction presents for shareholders owning fewer than 1,000 shares to liquidate their holdings without incurring brokerage costs, particularly given the relatively illiquid market for shares of the Company's common stock, at a price that represents a premium over recent trading prices. The Board believes this opportunity is a benefit to shareholders, and, accordingly, that availability of this opportunity supports its determination that the transaction is fair to shareholders.

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At the Board's meeting on November 6, 2003, Capitalink, L.C. presented the financial analyses supporting their fairness opinion. The Board had an opportunity to ask questions and discuss each of the analyses individually. After careful consideration of these factors, the Board concluded that \$3.00 per share was not only a fair price to shareholders being cashed-out, but also to shareholders remaining after the transaction after taking into account the pro forma analysis which examines the effect of the transaction on the Company itself.

The Board also considered the fact that, in addition to the deregistration of the Company's common stock under the 1934 Act as a result of the transaction, the stock would cease to be quoted on the OTC Bulletin Board. However, the Board determined that the current limited market for shares of the Company's common stock provides little benefit to the Company's shareholders. The Board also recognized that the consideration to be paid to the cashed-out shareholders in the transaction reflected a substantial premium over recent trading prices for the Company's stock.

The Board did not seek, and is not aware in the last two years of any, proposals from any unaffiliated persons for the merger or consolidation of the Company, or for the sale or other transfer of all or substantially all of the Company's assets, or for the sale or other transfer of securities of the Company that would enable the holder to exercise control of the Company. In making its fairness determination, the Board considered the transactions discussed below under " Possible Corporate Transactions." Capitalink was also aware of these transactions and factored them into its analysis in giving its opinion.

The Board believes that in its business judgment the transaction is substantively fair to all shareholders. Present shareholders (including those whose shares are expected to be cashed-out) and investors generally will have an opportunity both to evaluate all of the information contained herein and to compare the potential value of an investment in the Company with that of other available investments.

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As part of its evaluation, the Board focused on, among other things, the fairness of the transaction to unaffiliated holders of fewer than 1,000 shares of common stock who will receive a price per share in cash in lieu of fractional shares of \$3.00.

The Board also believes that the transaction is procedurally fair to unaffiliated shareholders because, among other things:

The reverse split is being effected in accordance with all applicable requirements of South Carolina law and our organizational documents.

The transaction is being submitted to a vote of Company shareholders and is subject to the approval of holders of two-thirds of the Company's outstanding shares of common stock, recognizing that shareholders to be cashed out in the transaction hold a nominal percentage of the vote.

Shareholders who will be cashed-out may exercise dissenters' rights under South Carolina law and receive payment for the fair value of their shares in accordance with the law if they are dissatisfied by the \$3.00 per share value and comply with the procedures specified by the law.

Other than the expressed intent of our directors and executive officers to vote their shares of common stock for the reverse split amendment, the Company has not obtained any prior assurances from any of its shareholders regarding the vote on the reverse split amendment.

Between the date of this proxy statement and the effective date of the reverse split, all of our shareholders will have an opportunity to adjust the number of shares of common stock they will own as of the effective date. In this way, holders who would otherwise be cashed out can become continuing holders and holders of more than 1,000 shares can divide or otherwise adjust their holdings into amounts of fewer than 1,000 shares.

The approximately 2% decrease in the net book value per share that remaining unaffiliated shareholders may encounter and the reduction in available information about the Company will be offset by the approximately 4% increase in beneficial ownership that may be experienced by remaining unaffiliated shareholders.

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The Board also took into consideration the following additional factors:

Although holders of shares that are cashed out in lieu of issuance of fractional shares will receive cash consideration for their shares, the remaining shareholders will bear the burden of the expenses of the transaction, reduced liquidity and greater uncertainty regarding the price they may receive for their shares in the event they attempt at some later date to liquidate their investment of common stock.

As of the effective date, record and beneficial shareholders who own fewer than 1,000 shares of common stock are expected to account for approximately 1% and 3%, respectively, of our outstanding capital stock.

After consideration of all the facts, all of the directors determined that the proposed reverse split amendment, taken as a whole, is fair to, and in the best interests of the Company and all of its shareholders.

The transaction is not structured so that approval of at least a majority of unaffiliated shareholders is required. The Board determined that any such voting requirement would usurp the power of the holders of two-thirds of the Company's outstanding shares to consider and approve the proposed amendment as provided under South Carolina law and the Company's Articles of Incorporation.

No independent committee of the Board has reviewed the fairness of the transaction. No unaffiliated representative acting solely on behalf of unaffiliated shareholders for the purpose of

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negotiating the terms of the transaction or preparing a report covering the fairness of the transaction was retained by the Company or by a majority of directors who are not employees of the Company.

The Company has not made any special provision in connection with the transaction to grant unaffiliated shareholders access to the Company's corporate files or to obtain counsel or appraisal services at the Company's expense. With respect to unaffiliated shareholders' access to the Company's corporate files, the Board determined that this proxy statement, together with the Company's other filings with the SEC, provide adequate information for unaffiliated shareholders to make an informed decision with respect to the transaction. The Board also considered the fact that under South Carolina corporate law, and subject to certain conditions set forth under South Carolina law, shareholders have the right to review the Company's relevant books and records of account. The Board did not consider these steps necessary to ensure the fairness of the transaction proposal. The Board determined that such steps would be costly and would not provide any meaningful additional benefits. The Board noted the fact that the financial advisor engaged by the Company considered and rendered its opinion as to the fairness of the consideration payable in the transaction, from a financial point of view, to the Company's shareholders, including shareholders who will receive cash and those who will retain their shares after the transaction.

After consideration of the factors described above, the Board believes that the transaction is fair, notwithstanding the absence of such an unaffiliated shareholder approval requirement, independent committee or unaffiliated representative, or special provisions for access to corporate files.

Although shareholders who are not cashed out in the transaction will indirectly bear the transaction costs associated with taking the Company private, the Board believes that such expenses will be offset by the anticipated savings of approximately \$440,000 on an annual basis once the Company is private. None of the directors is expected to adjust his holdings so as to become a cashed-out shareholder, but the Board believes that it has acted in accordance with its legal duties to the Company and its shareholders.

Opinion and Report of the Financial Advisor

The opinion of Capitalink, L.C., is included with this proxy statement as Appendix A. The report of Capitalink will be made available for inspection and copying at the Company's principal executive offices during its regular business hours by any interested common shareholder of the Company or any representative of the shareholder designated by the shareholder in writing. Upon written request, the Company will furnish a copy of the report to any interested common shareholder of the Company, or any representative designated by the shareholder in writing, at the expense of the requesting shareholder. The report has also been filed with the SEC as an exhibit to the Company's Transaction Statement on Schedule 13E-3. Capitalink consented to filing of its report with the Schedule 13E-3.

The Board of Directors of the Company engaged Capitalink as financial advisor and to render an opinion as to the fairness, from a financial point of view, to the Company's shareholders of a proposal by the Company to undertake a 1-for-1,000 reverse stock split in which all shareholders whose shares are converted into less than 1 share will receive a \$3.00 per share cash payment. On November 6, 2003, Capitalink made a presentation to the Board of Directors setting forth its financial analyses regarding the transaction and rendered its oral opinion that, as of such date, based upon and subject to the assumptions made, matters considered, and limitations on its review as set forth in the opinion, the transaction is fair, from a financial point of view, to the Company's shareholders. Subsequently, Capitalink delivered its written opinion.

THE FULL TEXT OF THE WRITTEN OPINION OF CAPITALINK, L.C. DATED NOVEMBER 6, 2003 IS ATTACHED AS APPENDIX A, AND IS INCORPORATED BY REFERENCE. THE COMPANY'S SHAREHOLDERS ARE URGED TO READ THE CAPITALINK OPINION CAREFULLY AND IN ITS ENTIRETY FOR A DESCRIPTION OF THE ASSUMPTIONS MADE, MATTERS

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CONSIDERED, PROCEDURES FOLLOWED AND LIMITATIONS ON THE REVIEW UNDERTAKEN BY CAPITALINK IN RENDERING ITS OPINION. THE SUMMARY OF THE CAPITALINK OPINION SET FORTH IN THIS TRANSACTION IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION.

No limitations were imposed by the Company on the scope of Capitalink's investigation or the procedures to be followed by Capitalink in rendering its opinion. The opinion was for the use and benefit of the Board of Directors in connection with its consideration of the transaction and was not intended to be and does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote with respect to the transaction. Capitalink was not requested to opine as to, and its opinion does not address, the Company's underlying business decision to proceed with or effect the transaction. Further, Capitalink was not asked to consider, and its opinion does not address, the relative merits of the transaction as compared to any alternative business strategy that might exist for the Company.

In undertaking its analysis and in arriving at its opinion, Capitalink took into account its assessment of general economic, market and financial conditions as well as its experience in connection with similar transactions and securities valuations generally and, among other things: (i) reviewed documents relating to the transaction; (ii) reviewed publicly available financial information and other data with respect to the Company, including the Annual Report on Form 10-K for the fiscal year ended December 31, 2002, and the draft Quarterly Report on Form 10-Q for the quarter ended September 30, 2003; (iii) reviewed and analyzed a range of fractional share consideration at various possible per share prices, a range of pro forma shares outstanding at various reverse split ratios, a range of pro forma common book values per share and a range of pro forma earnings per share; (iv) reviewed and analyzed the Company's projected unlevered free cash flows and prepared discounted cash flows; (v) reviewed and analyzed certain financial characteristics of companies that were deemed to have characteristics comparable to those of the Company; (vi) reviewed and analyzed certain financial characteristics of comparable transactions that involved the acquisition of companies that were deemed to have characteristics comparable to those of the Company; (vii) reviewed and analyzed recent transaction premiums paid in going-private transactions involving a reverse stock split; (viii) reviewed and analyzed the premiums implied by the fractional share consideration; (ix) reviewed and discussed with representatives of the management of the Company certain financial and operating information furnished by them, including financial analyses and projections and related assumptions with respect to the business, operations and prospects of the Company; (x) considered the historical financial results and present financial condition of the Company; (xi) reviewed certain publicly available information concerning the trading of, and the trading market for, the common stock of the Company; (xii) inquired about and discussed the transaction and other matters related thereto with Company management, the Board of Directors and its legal counsel; and (xiii) performed such other analyses and examinations as were deemed appropriate.

In undertaking its analysis and in arriving at its opinion, Capitalink relied upon and assumed the accuracy and completeness of all of the financial and other information that was used without assuming any responsibility for any independent verification of any such information and Capitalink has further relied upon the assurances of the Company management that it is not aware of any facts or circumstances that would make any such information inaccurate or misleading. With respect to the financial projections utilized, Capitalink assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments, and that such projections provide a reasonable basis upon which it could form an opinion. Capitalink has not made a physical inspection of the properties and facilities of the Company and has not made or obtained any evaluations or appraisals of the assets and liabilities (contingent or otherwise) of the Company. Capitalink has assumed that the transaction will be consummated in a manner that complies in all respects with the applicable provisions of the Securities Act of 1933, as amended, the 1934 Act, as

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amended, and all other applicable federal and state statutes, rules and regulations. In addition, based upon discussions with the Company, it is assumed that the receipt of the fractional share consideration will be a taxable event to the Company's shareholders that receive such consideration. Capitalink assumed that the transaction will be consummated substantially in accordance with the terms set forth, without any further amendments thereto, and without waiver by the Company of any of the conditions to any obligations or in the alternative that any such amendments, revisions or waivers thereto will not be detrimental to the Company or the shareholders of the Company.

Capitalink's opinion is necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, November 6, 2003. Accordingly, although subsequent developments may affect its opinion, Capitalink has not assumed any obligation to update, review or reaffirm its opinion.

The estimates contained in Capitalink's analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by such analyses. In addition, analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, Capitalink's analyses and estimates are inherently subject to substantial uncertainty.

Each of the analyses conducted by Capitalink was carried out in order to provide a different perspective on the transaction, and to enhance the total mix of information available. Capitalink did not form a conclusion as to whether any individual analysis, considered in isolation, supported or failed to support an opinion as to the fairness