

SECURITY CAPITAL CORP/DE/
Form 10-Q
November 14, 2002

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 September 30, 2002.

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

For the transition period from _____ to _____.

1-7921

(Commission file number)

Security Capital Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3003070
(I.R.S. Employer Identification No.)

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Three Pickwick Plaza, Suite 310, Greenwich, CT. 06830

(Address of principal executive offices, including zip code)

(203) 625-0770

(Registrant's telephone number, including area code)

N.A.

(Former address, if changed since last report)

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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

As of November 14, 2002, there were 6,450,587 outstanding shares of Class A Common Stock, par value \$.01, and 380 outstanding shares of Common Stock, par value \$.01, of the registrant.

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Certifications by the Chief Executive Officer and the Chief Financial Officer

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Security Capital Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

	September 30, 2002 (Unaudited)	December 31, 2001 (Note 1)
(in thousands, except share and per share amounts)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 954	\$ 11,562
Restricted cash	1,927	
Accounts receivable (less allowances for doubtful accounts of \$989 and \$850, respectively)	28,135	11,111
Inventories	5,245	4,557
Deferred tax assets	1,429	1,364
Other current assets	1,472	1,660
Total current assets	39,162	30,254
Property and equipment (less accumulated depreciation of \$4,317 and \$2,943, respectively)	5,333	5,385
Goodwill (less accumulated amortization of \$7,149 and \$7,149, respectively)	60,290	60,290
Franchise agreements (less accumulated amortization of \$1,449 and \$1,135, respectively)	7,301	7,615
Other intangible assets (less accumulated amortization of \$1,733 and \$1,539, respectively)	2,115	2,453
Deferred tax assets		626
Other assets	1,039	662
Total assets	\$ 115,240	\$ 107,285
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt and other obligations	\$ 15,787	\$ 9,591
Revolving lines of credit	18,023	6,600
Accounts payable	3,398	2,549
Accrued expenses and other liabilities	10,322	5,977
Unearned revenues	6,924	12,103
Total current liabilities	54,454	36,820
Long-term debt	15,705	33,873
Other long-term obligations	4,368	2,887
Total liabilities	74,527	73,580
Minority interests	4,711	3,553
Redeemable convertible preferred stock (liquidation value \$5,000)	3,163	2,867
Stockholders' equity:		
Common stock, \$.01 par value, 7,500 shares authorized, 380 shares issued and outstanding		
Class A common stock, \$.01 par value, 10,000,000 shares authorized, 6,458,309 shares issued, 6,450,587 shares outstanding	65	65
Additional paid-in capital	66,232	66,528
Accumulated deficit	(33,373)	(39,223)
Less: treasury stock, at cost, 7,722 shares	(85)	(85)
Total stockholders' equity	32,839	27,285

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Total liabilities and stockholders' equity	\$	115,240	\$	107,285
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The accompanying notes are an integral part of these condensed consolidated financial statements.

Security Capital Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001 (as restated, see Note 1)	2002	2001 (as restated, see Note 1)
(in thousands, except per share amounts)				
Revenues:				
Employer cost containment-related services	\$ 15,399	\$ 13,926	\$ 46,078	\$ 39,601
Seasonal products	17,899	19,549	26,083	28,114
Educational services	1,980	1,837	6,280	5,725
Total revenues	35,278	35,312	78,441	73,440
Cost of revenues:				
Employer cost containment-related services	1,829	1,416	5,149	3,775
Seasonal products	7,970	8,211	12,364	12,537
Educational services	386	328	1,083	1,007
Total cost of revenues	10,185	9,955	18,596	17,319
Gross profit	25,093	25,357	59,845	56,121
Selling, general and administrative expenses				
Amortization and depreciation	731	1,480	2,151	4,438
Operating income	8,833	9,686	14,300	13,205
Interest expense	(896)	(1,570)	(3,861)	(4,438)
Other income (expense)	(412)	(564)	985	(526)
Income before income tax expense and minority interests	7,525	7,552	11,424	8,241
Income tax expense	(3,115)	(3,257)	(4,416)	(3,754)
Minority interests in income of consolidated subsidiaries	(754)	(663)	(1,158)	(790)
Net income	3,656	3,632	5,850	3,697
Less: preferred stock accretion	(102)	(89)	(296)	(259)
Income available to common stockholders	\$ 3,554	\$ 3,543	\$ 5,554	\$ 3,438
Basic earnings per common share	\$ 0.55	\$ 0.55	\$ 0.86	\$ 0.54
Diluted earnings per common share	\$ 0.49	\$ 0.48	\$ 0.78	\$ 0.51

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Basic weighted average shares used in computation	6,451	6,442	6,451	6,442
Diluted weighted average shares used in computation	7,135	7,376	7,143	7,150

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

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Security Capital Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Nine Months Ended September 30,	
	2002	2001 (as restated, see Note 1)
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 5,850	\$ 3,697
Adjustments to reconcile net income to net cash used in operating activities:		
Deferred income taxes	2,260	2,411
Warrant expense (income)	229	(19)
Amortization	1,797	3,186
Depreciation	1,583	1,670
Minority interests in income of consolidated subsidiaries	1,158	790
Unrealized loss on derivatives	389	631
Changes in operating assets and liabilities:		
Accounts receivable	(17,001)	(17,129)
Inventories	(687)	592
Other current assets	(212)	(85)
Accounts payable, accrued expenses and other liabilities	733	(2,819)
Net cash used in operating activities	(3,901)	(7,075)
Cash flows from investing activities:		
Capital expenditures	(1,456)	(600)
Payments for acquired businesses and acquired product lines	(68)	(6,231)
Net cash used in investing activities	(1,524)	(6,831)
Cash flows from financing activities:		
Proceeds from long-term borrowings		