

SECURITY CAPITAL CORP/DE/
Form 10-Q
September 16, 2005

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark one)

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

for the quarterly period ended **June 30, 2005**.

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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Eight Greenwich Office Park, Third Floor, Greenwich, CT 06831

(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 .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

As of September 15, 2005, there were 6,770,587 outstanding shares of Class A Common Stock, par value \$0.01, and 380 outstanding shares of Common Stock, par value \$0.01, of the registrant.

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PART I FINANCIAL INFORMATION**Item 1. Financial Statements****Security Capital Corporation and Subsidiaries****Condensed Consolidated Balance Sheets***(unaudited)*

(in thousands, except share and per share amounts)	June 30, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,688	\$ 12,488
Restricted cash	330	373
Accounts receivable, net	16,051	18,340
Reimbursable assignment development costs, net	3,018	1,548
Deferred income taxes	2,613	2,681
Other current assets	1,708	1,345
Total current assets	33,408	36,775
Property and equipment, net	6,083	6,036
Goodwill, net	72,557	59,041
Identified intangible assets, net	19,585	12,563
Deferred income taxes		1,358
Other assets	943	862
Total assets	\$ 132,576	\$ 116,635
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 2,844	\$ 5,363
Note payable	2,015	
Accrued expenses and other liabilities	13,342	9,899
Income taxes payable	3,528	8,191
Unearned revenue	19,046	24,566
Current portion of long-term debt	8,100	5,970
Total current liabilities	48,875	53,989
Long-term debt	30,375	18,959
Other long-term obligations	1,542	2,297
Deferred income taxes	2,252	
Minority interest	6,763	6,023
Stockholders' equity:		
Common stock, \$0.01 par value, 7,500 shares authorized; 380 shares issued and outstanding		
Class A common stock, \$0.01 par value, 10,000,000 shares authorized; 6,778,309 shares issued, 6,770,587 and 6,450,587 shares outstanding at June 30, 2005 and December 31, 2004, respectively	68	65
Additional paid-in capital	66,351	64,395
Accumulated deficit	(23,652)	(29,067)
Accumulated other comprehensive income	87	59
Less: treasury stock, at cost, 7,722 shares	(85)	(85)
Total stockholders' equity	42,769	35,367
Total liabilities and stockholders' equity	\$ 132,576	\$ 116,635

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

Security Capital Corporation and Subsidiaries

Condensed Consolidated Statements of Income

(unaudited)

(in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004 (Restated)	2005	2004 (Restated)
Revenues:				
Employer cost containment and health services	\$ 36,478	\$ 29,479	\$ 68,063	\$ 57,692
Educational services	3,389	2,826	6,691	5,497
Total revenues	39,867	32,305	74,754	63,189
Selling, general and administrative expenses	33,653	27,643	64,077	53,722
Depreciation and amortization	1,297	863	2,325	1,801
Operating income	4,917	3,799	8,352	7,666
Interest expense	(685)	(1,451)	(1,116)	(2,807)
Other income, net	186	265	325	373
Income from continuing operations before income taxes and minority interest	4,418	2,613	7,561	5,232
Income tax expense	(137)	(1,072)	(1,405)	(2,168)
Minority interest in income of consolidated subsidiaries	(466)	(384)	(741)	(713)
Income from continuing operations	3,815	1,157	5,415	2,351
Loss from discontinued operations (net of income tax benefit of \$152 and \$503 for the three and six months ended June 30, 2004, respectively)		(247)		(819)
Net income	3,815	910	5,415	1,532
Preferred stock accretion		(133)		(252)
Income available to common stockholders	\$ 3,815	\$ 777	\$ 5,415	\$ 1,280
Net income	\$ 3,815	910	5,415	1,532
Unrealized (loss) gain on interest rate swap, net of (benefit) taxes of \$(64) and \$187 and minority interest of \$(19) and \$54 for the three months ended June 30, 2005 and 2004, respectively, and taxes of \$76 and \$106 and minority interest of \$22 and \$31 for the six months ended June 30, 2005 and 2004, respectively	(74)	215	28	123
Comprehensive income	\$ 3,741	\$ 1,125	\$ 5,443	1,655
Basic earnings per common share:				
Earnings from continuing operations	\$ 0.56	\$ 0.16	\$ 0.81	\$ 0.33
Loss from discontinued operations		(0.04)		(0.13)
Basic earnings per common share	\$ 0.56	\$ 0.12	\$ 0.81	\$ 0.20
Diluted earnings per common share:				
Earnings from continuing operations	\$ 0.55	\$ 0.14	\$ 0.78	\$ 0.29
Loss from discontinued operations		(0.04)		(0.13)
Diluted earnings per common share	\$ 0.55	\$ 0.10	\$ 0.78	\$ 0.16
Basic weighted average shares used in computation	6,771	6,451	6,677	6,451

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Diluted weighted average shares used in computation	6,861	6,520	6,757	6,537
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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 Cash Flows

(unaudited)

(in thousands)	Six Months Ended June 30,	
	2005	2004 (Restated)
<i>Cash flows from operating activities:</i>		
Income from continuing operations	\$ 5,415	\$ 2,351
Adjustments to reconcile income from continuing operations to net cash (used in) provided by operating activities:		
Deferred income taxes	317	248
Amortization	1,184	964
Depreciation	1,141	837
Minority interest in income of consolidated subsidiaries	741	713
Amortization of deferred financing costs	91	600
Allowances for doubtful accounts and reimbursable assignment development costs	280	196
Unrealized gain on derivative	(153)	(236)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Decrease (increase) in accounts receivable	3,150	(5,222)
Increase in reimbursable assignment development costs	(1,511)	(628)
(Increase) decrease in other assets	(186)	397
(Decrease) increase in unearned revenue	(9,823)	2,009
Decrease in accounts payable, accrued expenses and other liabilities	(5,969)	(945)
Net cash (used in) provided by operating activities	(5,323)	1,284
<i>Cash flows from investing activities:</i>		
Capital expenditures	(1,127)	(1,804)
Acquisitions (net of acquired cash of \$2,611 in 2005)	(13,730)	(1,775)
Net cash received from discontinued operations		150
Net cash used in investing activities	(14,857)	(3,429)
<i>Cash flows from financing activities:</i>		
Proceeds from long-term borrowings (net of deferred financing costs of \$141 and \$712 in 2005 and 2004, respectively)	40,359	29,288
Repayments of long-term borrowings	(26,954)	(5,865)
Proceeds from borrowings under revolver	2,465	14,254
Repayments of borrowings under revolver	(450)	(11,954)
Proceeds from employee stock option exercises	1,960	
Transfers to restricted cash		(30,750)
Net cash provided by (used in) financing activities	17,380	(5,027)
Decrease in cash and cash equivalents	(2,800)	(7,172)
Cash and cash equivalents, beginning of period	12,488	11,645