SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

SECURITY CAPITAL CORP/DE/

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

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: 1-7921

SECURITY CAPITAL CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER.)

DELAWARE	13-3003070
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

1111 NORTH LOOP WEST, SUITE 400
HOUSTON, TEXAS 77008
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 880-7100

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Class A Common Stock, $.01 par value	Pacific Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
None.

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 23, 1999, 5,306,325 shares of the Registrant's voting stock outstanding, of which 4,184,949 shares were held by affiliates of the Registrant. The aggregate market value of the remaining 1,121,376 shares of voting stock held by non-affiliates (based upon the closing price of the Registrant's Class A Common Stock on March 23, 1999 of $3.875) was approximately $4,345,332.

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PART I

ITEM 1. BUSINESS.

GENERAL

Security Capital Corporation (the "Company" or "Security Capital") is a holding company which was incorporated in Delaware in November 1979. Through its subsidiary, Possible Dreams, Ltd. ("Possible Dreams"), the Company engages in the design, importation and distribution of fine quality collectibles, other specialty seasonal giftware and religious giftware and statuary. Through its subsidiary, Pumpkin Ltd. d/b/a Pumpkin Masters, Inc. ("Pumpkin"), the Company engages in the design, manufacture and distribution of specialty products primarily for the Halloween market, consisting primarily of pumpkin carving kits and related accessories.

POSSIBLE DREAMS

BACKGROUND

On May 17, 1996, the Company, through its subsidiary, P.D. Holdings, Inc., a newly-formed Delaware corporation, and Possible Dreams, Ltd., a newly-formed Delaware corporation and a subsidiary of P.D. Holdings, Inc., acquired substantially all of the assets and assumed certain liabilities of Possible Dreams, Ltd., a Massachusetts corporation established in 1988 and engaged in the design, importation and distribution of fine quality collectible and other speciality seasonal giftware, and Columbia National Corporation, a Massachusetts corporation established in 1957 and engaged in the design, importation and distribution of religious giftware and statuary. The assets purchased consisted of cash, accounts receivable, inventories, prepaid expenses, real estate, furniture, fixtures, computer and intellectual property rights and other intangibles. The consideration paid in connection with the acquisition aggregated $17,360,000, which, in accordance with the terms of such acquisition, was subsequently reduced to $16,860,000. For additional information regarding the acquisition of such assets, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to Consolidated Financial Statements of the Company.

OVERVIEW

Possible Dreams is a leading designer, importer and distributor of fine quality collectibles and other specialty seasonal giftware. Possible Dreams is known for its hand-crafted collectible series of ClothtiqueT items. Possible Dreams' products include the ClothtiqueT Santa Collection, the American Artists CollectionT, the Saturday Evening Post Covers of Norman Rockwell and J.C. LeyendeckerT, Coca ColaT and McDonald'sT products and a variety of Angels and ornaments. Other lines include Crinkle ClausT, The Thickets At SweetbriarT and Floristine Angels 3/5. Possible Dreams distributes its products throughout the United States to approximately 15,000 independent gift retailers, as well as to department stores, mail order houses and large card and gift chains.

PRODUCTS

Possible Dreams designs, imports and distributes more than 2,000 products. Possible Dreams' leading product line is ClothtiqueT. Blending stiffened cloth, ceramic and resin, the process was first utilized by Possible Dreams for a series of angels and Santas. Clothtique is now used in a variety of both holiday and year round collections. It has the ability to mimic the look and feel of real wardrobes.

One of Possible Dreams' earliest Clothtique collections is entitled the Santa Claus Collection. This line is known for presenting a traditional Santa character yet contemporizing its appeal through style and theme. Many are now retired and have become more valuable as product availability decreases.

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In 1989, Possible Dreams introduced its figurines based on the art of Norman Rockwell and J.C. Leyendecker. Each of such Clothtique pieces is taken from a classic Saturday Evening Post cover and licensed by Curtis Publishing Company.

In addition, hundreds of original figurines, including approximately 165 Santas, have been created through the design talents of many artisans. The American Artist CollectionT is an array of Clothtique Santas inspired by renderings from Tom Browning, Judi Vaillancourt, Mark Alvin, Mary Monteiro, Judith Ann Griffth, David Wenzel and other nationally recognized professionals.

There are new introductions each year to the Possible Dreams product line, beyond those to Clothtique. Crinkle Claus is a novel technique that lays a cold cast texture or wrinkly puckers and crannies over an array of Santa shapes and designs. The success of this product from the time of its introduction has led to the development and introduction of architectural pieces called Crinkle Village, Crinkle Cousins, Crinkle Angels and Limited Editions Crinkles. Another prominent line includes a romantic fantasy world of miniature animals called the Thickets At SweetbriarT, along with the line's regular Musical Waterdomes, Stocking Holders and Glass Ornaments.

Possible Dreams takes various steps to enhance the collectibility of its products. In particular, Possible Dreams limits the availability of certain styles and retires other styles that are still selling well. While these actions sometimes cause Possible Dreams to forego some sales, the Company believes they tend to provide recurring product demand, increase access to retailer shelf space and enhance the long-term value of Possible Dreams' products. Possible Dreams also attempts to improve collectibility by the regular introductions of product line extensions and new series additions.

Possible Dreams further enhances collectibility and improves sales through the creation of Collector Clubs. These Clubs can stimulate interest in particular product lines, strengthen retail relationships and provide helpful consumer preference data. For example, in addition to the Crinkle Claus Collectors Club that was formed in 1998, the success of Possible Dreams' Santa line led to the establishment in 1992 of the Santa Claus Network, a ClothtiqueT Santa Collectors Club. This Club has approximately 15,000 members worldwide paying a $25 annual membership fee and receiving quarterly newsletters.

DESIGN AND PRODUCTION

Possible Dreams' in-house creative team, together with outside artists, have frequently developed new products that have established trends within the giftware industry. The team regularly attends trade shows and seminars, and travels extensively throughout the world for ideas. All catalog design and preparation, excluding some photograph and printing, is done in-house.

The design and manufacture of Possible Dreams' many product lines is a complex process. Once a product is conceived, it can take up to a year before it is introduced into the market. First, detailed and scaled drawings are made for each piece. A prototype is then produced and reviewed by creative directors and management. Samples of the various designs are then made by the manufacturer for review by Possible Dreams and, often, prospective buyers. Typically, only about 40% of new designs created each year will make it into production.

Possible Dreams endeavors to use first-rate craftsmanship at affordable prices. This strategy limits the possible sources of manufacturers and, accordingly, helps to achieve more controlled growth of product lines. Possible Dreams has long-standing relationships with overseas manufacturers, which to date have helped account for reliable delivery of goods.

DISTRIBUTION AND SYSTEMS

As noted above, Possible Dreams has a retail customer base of approximately 15,000 independent gift shops, department stores and mail order houses. Its products are primarily sold by approximately 25 sales groups with over 222 sales representatives operating out of 24 showrooms nationwide located in each of the major giftware markets in the United States. Possible Dreams opened its own showroom in New York, New York in February 1998.

Possible Dreams also has a preferred dealer network consisting of some of its best retail customers. These customers agree to certain product display and other requirements. In return, they are entitled to sell certain limited pieces not available through non-network channels.

Products sold by Possible Dreams in the United States are generally shipped by ocean freight from abroad and then by rail and/or common carrier to the company's warehouse and distribution center in Foxboro, Massachusetts. Shipments from Possible Dreams to its customers are handled by Roadway Package System, United Parcel Service or commercial trucking lines.

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Possible Dreams utilizes computer systems and internally developed software to help maintain efficient order processing from the time a product enters the company's system through shipping and ultimate payment collection from its customers. Possible Dreams has developed software for the processing and shipment of orders from its warehouse and believes that this has played a significant role in allowing it to maintain customer satisfaction.

TRADEMARKS AND OTHER PROPRIETARY RIGHTS

Possible Dreams has several federal trademark registrations and copyrights. In addition, Possible Dreams from time to time registers certain of its trademarks in foreign countries. The registrations for the trademarks are currently scheduled to expire or be canceled at various times between 1999 and 2005, but Possible Dreams believes that the marks can be maintained and renewed provided that they are still in use for the goods and services covered by such registrations.

EMPLOYEES

Possible Dreams employed 72 people at December 31, 1998, 10 of whom were salaried employees, with the remainder being hourly employees. None of the employees is represented by a labor union, and Possible Dreams considers its relationship with employees to be satisfactory.

COMPETITION

Possible Dreams competes with other producers of fine quality collectibles, specialty giftware and home decorative accessory products. The giftware industry is highly fragmented and competitive, with a substantial number of both large and small participants. Possible Dreams believes that the principal elements defining competitiveness are product design and quality, product brand name loyalty, product display and price. Although Possible Dreams believes it generally competes favorably with respect to these factors, some of Possible Dreams' competitors are larger than Possible Dreams and have greater financial resources and a wider range of products.

IMPORTS; MAJOR SUPPLIERS

Possible Dreams does not own or operate any manufacturing facilities and, like most of its competitors, imports most of its products from the Pacific Rim, primarily mainland China and, to a lesser extent, Taiwan and the Philippines. Possible Dreams' ability to import products and thereby satisfy customer orders is affected by the availability of, and demand for, quality production capacity abroad. Possible Dreams competes with other importers of specialty giftware products for a limited number of foreign manufacturing sources that can produce detailed, high quality products at affordable prices. In addition, Possible Dreams' import operations may be adversely affected by political instability resulting in the disruption of trade from exporting countries, regulatory changes, increases in transportation costs or delays, any significant fluctuation in the value of the United States dollar against foreign currencies and restrictions on the transfer of funds.

Substantially all of Possible Dreams' products are subject to United States Customs Service duties and regulations pertaining to the importation of goods, including requirements for the marking of certain information regarding the country of origin on its products. The United States and the countries in which Possible Dreams' products are manufactured may, from time to time, impose new quotas, duties, tariffs or other charges or restrictions, or adjust presently prevailing quotas, duty, or tariff levels, which could adversely affect Possible Dreams' financial condition or results of operations or its ability to continue to import products at current or increased levels.

From January 1, 1998 to December 31, 1998, Possible Dreams purchased approximately 53%, 15% and 5% of its supplies from, respectively, Folkraft, Seagull Decor Co. and Novelty Trading. The loss of any

of these suppliers could have an adverse effect on Possible Dreams' results of operations and financial condition. During 1998, Possible Dreams obtained an additional vendor to produce the product supplied by Folkraft, which should reduce Possible Dreams' dependence on Folkraft as a supplier.

PUMPKIN

BACKGROUND

On June 27, 1997, the Company, through its subsidiary, Pumpkin Masters Holdings, Inc., a newly-formed Delaware corporation, and Pumpkin Ltd., a newly-formed Delaware corporation and a subsidiary of Pumpkin Masters Holdings, Inc., acquired substantially all of the assets and assumed certain liabilities of Pumpkin Ltd. d/b/a Pumpkin Masters, Inc., a Colorado corporation established in 1986 and engaged in the design, manufacture and distribution of pumpkin and watermelon carving kits (comprised primarily of tools and patterns) and related

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accessories. The assets purchased consisted of cash, accounts receivable, inventories, prepaid expenses, furniture, fixtures, computer and intellectual property rights and other intangibles. The consideration paid in connection with the acquisition aggregated $7,717,493. For additional information regarding the acquisition of such assets, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to Consolidated Financial Statements of the Company.

OVERVIEW

Pumpkin is a leading designer, manufacturer and distributor of speciality products primarily for the Halloween market, consisting primarily of pumpkin carving kits and related accessories. Pumpkin outsources all of its manufacturing, assembling and packaging activities. Pumpkin distributes its products throughout the United States in over 7,000 retail locations, including discount, craft, grocery, hardware, garden and drug stores, and through mail order catalogues. Accordingly, its business is highly seasonal in nature.

PRODUCTS

Pumpkin designs, markets and distributes specialty products for the Halloween market. Pumpkin's core product is a patented pumpkin carving kit. Additional carving tools and patterns are sold as accessories. The tools include a patented Scraper Scoop 3/5, to clean out the inside of a pumpkin, and a patented CandleplanterT, to drill a hole in the bottom of a pumpkin to hold a candle. In addition, Pumpkin also currently sells and distributes other Halloween items, including a Safe Pumpkin Light (a battery operated light) and Spooky Sidewalks (a sidewalk chalk and stencil kit). Pumpkin also introduced a watermelon carving kit in January 1992. In 1998, Pumpkin acquired patent rights for use of shaped cutters to decorate pumpkins. Additionally, in 1998, Pumpkin entered into a licensing agreement granting it the exclusive rights to market a patented Trick-or-Treat Backpack.

The pumpkin carving kit consists of two slender carving saws, a poker, a drill and eight ready-to-use patterns and instructions. Patterns are transferred onto pumpkins by poking along the design lines with the poker. Carving is as simple as sawing from dot-to-dot. Pumpkin has patents for the entire kit, as well as the additional tools which are sold separately. The oldest patent does not expire until 2006. Pumpkin also distributes a similar carving kit designed specifically for younger children, for which a patent is currently pending. The patterns are protected by copyright or are used under license.

In 1998, Pumpkin acquired all of the assets of Our Kids, a Denver company specializing in sidewalk chalk, and began marketing a line of creative art products, including sidewalk chalk, all purpose chalk, chalk paint, finger paint and poster paint. Pumpkin also entered into an exclusive licensing agreement enabling it to market a patented throwing toy called FlexStar.

DESIGN

Creative design and product innovation are critical to the long-term success of Pumpkin. Pumpkin maintains a creative team which is responsible for developing new products and designing patterns for each

new Halloween season. Pumpkin invests up to 10% of its total annual revenue on the development of new products, patterns and innovative packaging techniques.

DISTRIBUTION AND SUPPLIERS

Pumpkin has a retail customer base of approximately 1,600 retailers and mail order houses. Its products are sold in the United States, Canada and Europe through a network of independent manufacturers' representatives and distributors. The independent manufacturers' representatives sell to various mass market, discount, supermarket drug, variety, hobby and craft, party and home improvement chain customers.

Pumpkin also sells directly to smaller accounts by means of direct mail of catalogs. Distributors are sold to both directly and through the independent manufacturers' representatives. Pumpkin has appointed an exclusive distributor in Canada and works with other distributors (on a non-exclusive basis) in Europe.

All of Pumpkin's manufacturing and shipping activities are conducted by third party vendors. Since 1988, Pumpkin has utilized the same core of vendors to provide substantially all of its materials and to assemble, warehouse and ship its products. Pumpkin utilizes vendors that are experts in their respective fields and each product is manufactured to Pumpkin's specifications. For example, the vendor supplying saw blades manufactures the blades and ships them to the plater. After plating, the plater forwards the blades to the injection molder for handles. The finished tools (along with the printed materials) are all shipped to the assembler, which assembles the product, warehouses it and ships it to Pumpkin's customers.

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Pumpkin owns all of its molds, tools and dies, and all other crucial pieces of machinery that are used by its vendors. In addition, Pumpkin has identified back-up and secondary sources for all major materials and services; however the sudden loss or interruption of supply or service from one of the major vendors could have an adverse effect on Pumpkin's results of operations and financial condition. Most of the products or services used by Pumpkin would be available from other sources. Pumpkin currently splits some of its production between primary and back-up vendors. In addition, Pumpkin manufactures a small amount of its product in China. In 1998, Pumpkin purchased approximately 15% of its goods from China. Pumpkin's import operations may be adversely affected by, among other things, political instability resulting in the disruption of trade from exporting countries, regulatory changes, increases in transportation costs or delay, any significant fluctuation in the value of the United States dollar against foreign currencies and restrictions on the transfer of funds.

Pumpkin begins manufacturing operations in January for the following Halloween season, based upon forecasted customer demand. The investment in inventory buildup is considerable, requiring Pumpkin to forecast customer demand accurately. To date, Pumpkin has been successful in forecasting demand with few write-downs of excess inventory or write-offs of obsolete inventory.

PATENTS AND OTHER PROPRIETARY RIGHTS

Pumpkin has several registered U.S. patents covering the pumpkin carving kit, the Scraper Scoop 3/5, the Candle PlanterT, the FlexSaw and the hand-held cutting saw. The patents will expire at various times between 2006 and 2015. Two foreign patents are pending. It also has various registered trademarks, including Pumpkin MastersT, Scraper Scoop 3/5, DurasawT, Power' Tools for PumpkinsT, CandleplanterT, Our KidsT and OKT. Pumpkin has several patents pending for Halloween and chalk products.

Pumpkin believes that its proprietary products, protected by patents and other intellectual property rights, are integral to its success, and accordingly, vigorously pursues intellectual property protection of its products and any perceived infringements of its intellectual property rights. If Pumpkin were to lose its patent protection prior to the expiration of the patents, it could have a material adverse effect on Pumpkin's results of operations and financial condition.

Pumpkin also holds copyrights to numerous pumpkin carving designs and uses other patterns under license from the artist. New designs are added to the list yearly, being developed by Pumpkin or freelance artists under contract with Pumpkin or acquired in connection with pumpkin carving contests sponsored by Pumpkin. Some freelance artists would be owed a royalty on the use of certain pattern sets; however, none

of those sets is currently used in retail products. In connection with the annual contest entries, Pumpkin pays prize fees to the winners. In addition, Pumpkin pays publication fees to the entrants whose designs are selected to be included in a retail product. The publication fees range from $100 to $500.

EMPLOYEES

Pumpkin employed 25 people at December 31, 1998, 13 of whom were salaried employees, with the remainder being hourly employees (five of the hourly employees were part-time). None of the employees is represented by a labor union, and Pumpkin considers its relationship with employees to be satisfactory.

COMPETITION

Within the market for pumpkin carving products, Pumpkin currently enjoys a substantial market share. Pumpkin believes that its ownership of the patent on its pumpkin carving kit is a significant barrier to entry into its market niche.

Pumpkin believes there are three other primary competitors in the pumpkin carving product market and that the principal elements defining competitiveness are product design and distribution. Although Pumpkin believes that it competes favorably with respect to these factors, particularly with respect to product design, some of Pumpkin's competitors are larger than Pumpkin and have greater financial resources, with a wider range of products and broader distribution channels.

ITEM 2. PROPERTIES.

Possible Dreams owns a 55,000 square feet building in Foxboro, Massachusetts where it maintains all its distribution, sales and administrative facilities. Possible Dreams currently utilizes approximately 48,000 square feet as distribution space and approximately 7,000 square feet as sales and administrative offices. Substantially all of the properties and other assets of Possible Dreams are pledged to Possible Dreams' principal lender as security for a line of credit and related loans.

Pumpkin leases 5,000 square feet of office space in Denver, Colorado for

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its sales and administrative activities.

The Company believes its owned and leased space is adequate for its current needs.

ITEM 3. LEGAL PROCEEDINGS.

On May 4, 1992, the Company received a notice from the State of New York that the Company owed $244,116 in additional withholding taxes, interest and penalties for calendar year 1984. The Company submitted information to the State of New York and, during the latter part of 1998, the Company received a new notice from the State of New York seeking payment of $417,252 in taxes, interest and penalties. At this time, although the Company is unable to determine the amount, if any, which may eventually be owed to the State of New York, the Company believes its previously filed returns are correct and that no additional amounts are owed to the State of New York.

On November 6, 1997, Pumpkin filed, in the United States Court for the District of Colorado, an action alleging patent, trademark and copyright infringement by a competitor entitled, PUMPKIN, LTD. D/B/A/ PUMPKIN MASTERS, INC. V. THE SEED CORP., INC. D/B/A CONCEPT MARKETING (Civil Action No. 97WY2387CB). Pumpkin sought a permanent injunction against Concept Marketing and monetary and treble damages. This matter was settled in 1998 with the parties agreeing to a cross-license of certain products.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Class A Common Stock of Security Capital is traded on the Pacific Exchange (the "PE"). The following table states the high and low sales prices for the Class A Common Stock on the PE for the quarterly periods indicated:

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FISCAL 1997 PRICE RANGE			FISCAL 1998 PRICE RANGE		
QUARTER	HIGH	LOW	QUARTER	HIGH	LOW
First -- ended March 31	$ 5 1/4	$ 3 3/4	First -- ended March 31	$ 4 3/4	$ 3 1/4
Second -- ended June 30	$ 4 1/4	$ 2 7/8	Second -- ended June 30	$ 5	$ 4 1/4
Third -- ended September 30	$ 5	$ 2 7/8	Third -- ended September 30	$ 4 3/8	$ 3 1/8
Fourth -- ended December 31	$ 4 5/8	$ 3	Fourth -- ended December 31	$ 4 1/2	$ 2 1/2

</TABLE>

As of March 23, 1999, there were approximately 2,383 stockholders of record of the Class A Common Stock and 5,305,945 shares outstanding, and 54 stockholders of record of the Common Stock and 380 shares outstanding. On such date, the closing price of the Class A Common Stock on the PE was $3.875. There is no public trading market for the Common Stock.

Security Capital has not paid any dividends since the first quarter of fiscal year 1987, except in connection with the exchange of the Class A Preferred Stock for the Class A Common Stock in December 1997. See "Item 13. Certain Relationships and Related Transactions."

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth certain selected consolidated financial data for the Company. This selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included in Item 8 of this Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of this Form 10-K.

<TABLE>
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	TWELVE MONTHS ENDED 12/31/980	TWELVE MONTHS ENDED 12/31/97	THREE MONTHS ENDED 12/31/96	TWELVE MONTHS ENDED 9/30/96	TWELVE MONTHS ENDED 9/30/95	TWELVE MONTHS ENDED 9/30/94
	(IN THOUSANDS, EXCEPT SHARE DATA)					
Total assets..........................	$ 33,501	$ 32,550	$ 25,797	$ 34,502	$ 10,926	$ 10,362
Long-term obligations................	$ 10,036	$ 12,383	$ 10,047	$ 11,710	$	$
Class A preferred stock (redeemable) (including dividends in arrears of						

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$0, $0, $1,537, $1,425, $975, and $525)..............................	$	$	$ 4,537	$ 4,425	$ 3,975	$ 3,525
Total stockholders' equity...........	$ 16,943	$ 14,794	$ 6,896	$ 6,884	$ 6,321	$ 6,694
Net product sales....................	$ 30,018	$ 25,723	$ 5,073	$ 9,854	$	$
Income (loss) from continuing operations.........................	$ 2,149	$ 2,145	$ 233	$ 777	$ (46)	$ (223)
Income (loss) from discontinued operations.........................	$	$ 66	$ (108)	$ 236	$ 290	$ 154
Gain on disposal of discontinued operations.........................	$	$ 1,149	$	$	$	$
Net income (loss)....................	$ 2,149	$ 3,360	$ 125	$ 1,013	$ 244	$ (69)
Less preferred stock dividends.......		(450)	(113)	(450)	(450)	(450)
Net income (loss) available to common stockholders.......................	$ 2,149	$ 2,910	$ 12	$ 563	$ (206)	$ (519)
Earnings (loss) per common share:						
Income (loss) from continuing operations.........................	$ 0.41	$ 0.39	$ 0.03	$ *0.08	$ *(0.12)	$ *(0.31)
Income (loss) from discontinued operations.........................		0.01	(0.03)	*0.06	*0.07	*0.07
Gain on disposal of discontinued operations.........................		0.26				
Earnings (loss) per common share.....	$ 0.41	$ 0.66	$ 0.0	$ *0.14	$ *(0.05)	$ *(0.24)
Dividends per share of common stock..............................	$	$	$	$	$	$

</TABLE>

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* For the fiscal years presented, earnings (loss) per share have been restated for the one-for-eight reverse stock split effected in March 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS

Security Capital reported net income of $2,149,000 for the twelve month period ended December 31, 1998 compared to net income of $3,360,000 for the twelve month period ended December 31, 1997. The net income per common share was $0.41 for the twelve month period ended December 31, 1998 compared to net income per common share (after accrual for Class A Preferred Stock dividends) of $0.66 for the twelve month period ended December 31, 1997. The decrease in net income and net income per share was primarily attributable to the sale of the Company's insurance agency affiliate, which resulted in a $1,149,000 non-recurring gain (net of tax) in the prior calendar year. The Company has recorded the disposal of its proprietary interest in its insurance operations as a discontinued operation. The Company changed its reporting year from a September 30th fiscal year end to a calendar year end as of December 31, 1996. The Company reported net income of $125,000 and $1,013,000 for the three month transitional period ended December 31, 1996 and the twelve month period ended September 30, 1996, respectively. The net income per share was $0.0 and $0.14 (after accrual for Class A Preferred Stock dividends) for the three month transitional period ended December 31, 1996 and the twelve month period ended September 30, 1996, respectively.

The Company's net product sales increased by $4,295,000, or 17%, to $30,018,000 for the twelve month period ended December 31, 1998 compared to $25,723,000 for the prior twelve month period. The increase in net product sales was primarily attributable to increased sales of and demand for Pumpkin's new carving kits and related accessories and Halloween falling on a Saturday also had a positive impact on product sales. The Company's cost of goods sold increased by $2,137,000, or 17%, primarily due to increased sales and development costs associated with new product sales. Selling, general and administrative expenses ("SG&A") increased by $1,858,000, or 21% to $10,579,000 for the twelve month period ended December 31, 1998 from $8,721,000 for the twelve month period ended December 31, 1997. The acquisition of Pumpkin occurred during June 1997 and therefore the Company's prior year SG&A expense was not representative of an entire twelve month period of the Company's SG&A expense. Depreciation and amortization increased by 32% to $888,000 for the twelve month period ended December 31, 1998 from $671,000 for the twelve month period ended December 31, 1997. The Company's 1998 depreciation and amortization expense was 32% greater than the previous year as a result of Pumpkin's acquisition occurring during the middle of the prior year. Interest expense was also impacted by the timing of Pumpkin's acquisition. Although interest expense for calendar year 1998 was up slightly by $232,000 to $2,385,000, the Company's increased interest cost was partially due to the impact of the timing of the Pumpkin acquisition in June 1997 of the prior year netted against interest cost savings due to the payment during 1998 of $2,027,000 of the Company's term loans. The Company recognized a tax benefit of $500,000 for calendar years 1998 and 1997 in recognition of the Company's future Federal net operating loss carry-forwards. This tax benefit had the effect of increasing earnings per share by $0.09 in calendar year 1998 and $0.11 in calendar year 1997.

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Net product sales increased to $25,723,000 for the twelve month period ended December 31, 1997 as compared to $5,073,000 and $9,854,000 for the three month transitional period ended December 31, 1996 and the twelve month period ended September 30, 1996, respectively. The acquisition of Pumpkin had a significant impact on the Company's product sales and profitability. The acquisition was completed just prior to Pumpkin's busiest period since 90% of its sales historically occur between July and October. The Company's 1997 calendar year product sales also reflected a full year of Possible Dreams' product sales compared to only the five month period from May 1, 1996 the date of inception to the end of fiscal year 1996. The Company reduced its cost of goods sold by 2% for calendar year 1997, which had the effect of increasing the Company's gross margin. Selling, general and administrative expenses increased to $8,721,000 for the twelve month period ended December 31, 1997 compared to $1,630,000 and $3,642,000 for the three month transitional period ended December 31, 1996 and the twelve month period ended September 30, 1996. Selling, general and administrative expenses increased because Possible Dreams' expense for the current calendar year represented a full year of its expense while the 1996 fiscal year

represented only the five month period from May 1, 1996 (the date of inception) through September 30, 1996. The acquisition of Pumpkin increased selling, general and administrative expense during calendar year 1997 by approximately $1,405,000. The Company acquired a considerable amount of goodwill in its acquisitions of Pumpkin and Possible Dreams. During calendar year 1997 the Company incurred $671,000 of depreciation and amortization expense compared to $181,000 and $290,000 for the three month transitional period ended December 31, 1996 and the twelve month period ended September 30, 1996, respectively. Interest expense increased to $2,153,000 for calendar year 1997 as compared to $507,000 and $731,000 for the three month transitional period ended December 31, 1996 and the twelve month period ended September 30, 1996, respectively. This increased interest cost can be attributed to debt service for short-term working capital and long-term bank debt incurred in connection with the purchase of both Possible Dreams and Pumpkin.

DISCONTINUED OPERATIONS

On August 29, 1996, an officer of Foster Insurance Services Inc. ("FIS") exercised the put option in the Buy-Sell Agreement to purchase the Company's proprietary interest in FIS, a 50% partner in Bowen, Miclette, Descant & Britt. On July 17, 1997 the Company sold, effective June 30, 1997, its beneficial interest in FIS, a Texas corporation, to Bowen, Miclette, Descant and Britt for consideration of $1,525,845 and recognized a gain of approximately $1,149,000 (net of tax). In an unrelated transaction, the Company in December 1997 sold Foster Insurance Managers Inc. ("FIM") for $265,000 in cash to Tri-Star Insurance Services, Ltd., a Kentucky corporation. The Company recognized no gain as part of this transaction. The Company no longer has any interest in the insurance brokerage business as a result of these two transactions.

SEASONALITY

Possible Dreams experiences a significant seasonal pattern in its working capital requirements and operating results. Possible Dreams has historically received orders representing approximately 50% of its annual bookings during the first quarter for each of the last three calendar years. It ships products throughout the year, with a majority of the shipping occurring in the third and fourth calendar quarters of each year. Possible Dreams hires temporary employees during its third and fourth calendar quarters to accommodate peak shipping periods. Possible Dreams offers extended payment terms to some of its customers for seasonal merchandise and, accordingly, collects a substantial portion of its accounts receivable in the fourth calendar quarter. Due to the seasonal pattern, Possible Dreams has had greater working capital needs in its second and third calendar quarters and has experienced greater cash availability in its fourth calendar quarter. As a result of this sales pattern, Possible Dreams typically records a substantial portion of its revenues in its third and fourth calendar quarters and expects this seasonal pattern to continue for the foreseeable future. Possible Dreams has historically financed its operations through internally generated cash flow and short term seasonal borrowings.

Pumpkin also experiences a significant seasonal pattern in its working capital requirements and operating results. Pumpkin's seasonal period has historically been between July and October, with approximately 90% of its sales occurring during this period. Pumpkin offers extended payment terms to some of its customers for seasonal merchandise and collects a substantial portion of its accounts receivable in the fourth calendar quarter. Pumpkin has had a greater working capital need in the second and third calendar quarters and has experienced its greater cash availability in the fourth calendar quarter. It is anticipated that this seasonal pattern will continue for the foreseeable future.

YEAR 2000

The Company has been assessing the impact of the Year 2000 on its business by conducting a review of the computer systems with date-related functionality used in its business. The Company is in the process of taking all steps that it

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believes are necessary or appropriate to ensure that such systems actively process all dates, including those before, on or after January 1, 2000, without loss of functionality or performance. Incremental spending for hardware upgrades and software modifications and testing required for Year 2000

compliance is currently estimated to be approximately $200,000, with $100,000 having been incurred in calendar year 1998 and the remainder to be incurred in calendar year 1999. It is expected that internal Year 2000 compliance issues will be resolved by mid-year of calendar year 1999.

The Year 2000 issue also creates risk for the Company from unforeseen problems with Year 2000 non-compliance of its vendors, suppliers, customers and other third parties with which the Company has a material relationship. The Company intends to initiate formal communications with all of its significant vendors, suppliers, customers and other material third parties to determine the extent to which the Company is vulnerable to their own potential problems related to the Year 2000 as soon as it receives and evaluates responses from its vendors, suppliers, customers and other material third parties. Due to the general uncertainty surrounding the Year 2000 process, resulting in part from the uncertainty surrounding the Year 2000 readiness of the Company's vendors, suppliers, customers and other material third parties, the Company is unable to determine a reasonable worst case scenario at this time.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased by $908,000, or 9%, to $9,133,000 at December 31, 1998, from $10,041,000 at December 31, 1997, primarily due to debt incurred for the acquisitions of Possible Dreams and Pumpkin. However, consolidated working capital at December 31, 1998 increased by $637,000, or 4%, to $15,156,000 from $14,519,000 at December 31, 1997, primarily due to an increase in the Company's deferred tax asset. The Company reported long-term debt of $10,036,000 at December 31, 1998 compared to $12,383,000 at the end of calendar year 1997. It is expected that cash generated from operations will continue to decrease the Company's debt incurred by the Company in connection with the acquisition of Possible Dreams and Pumpkin.

The Company expects no major increase in capital expenditures during calendar year 1999. The Company believes that with cash flow from operations, cash and cash equivalents and investment earnings, there will be sufficient cash on hand to meet the Company's working capital and operating expenditure requirements during calendar year 1999 and to compete for other acquisition opportunities.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company's notes payable and long-term debt bear interest at both fixed and variable rates. The Company is subject to increases and decreases in interest expense on its variable rate debt resulting from fluctuations in the interest rates on such debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FOOTNOTES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Security Capital Corporation

We have audited the accompanying consolidated balance sheets of Security Capital Corporation and subsidiaries (the "Company") as of December 31, 1998 and 1997 and the related consolidated statements of income, stockholders' equity, and cash flows for the years ended December 31, 1998 and 1997, the three months ended December 31, 1996 and the year ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Security Capital Corporation and subsidiaries at December 31, 1998 and 1997 and the results of their operations and their cash flows for the years ended December 31, 1998 and 1997, the three months ended December 31, 1996 and the year ended September 30, 1996 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Houston, Texas
March 12, 1999 (Except for the
penultimate paragraph of Note 5
as to which the date is March 18, 1999)

SECURITY CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

<S>	TWELVE MONTHS ENDED 12/31/98 <C>	TWELVE MONTHS ENDED 12/31/97 <C>	THREE MONTHS ENDED 12/31/96 <C>	TWELVE MONTHS ENDED 9/30/96 <C>
Net product sales....................	$ 30,018	$ 25,723	$ 5,073	$ 9,854
Cost of goods sold...................	14,486	12,349	2,476	4,764
Gross profit.........................	15,532	13,374	2,597	5,090
Selling, general and administrative expenses...........................	10,579	8,721	1,630	3,642
Depreciation and amortization expenses...........................	888	671	181	290
Total operating expenses............	11,467	9,392	1,811	3,932
Operating income.....................	4,065	3,982	786	1,158
Other income (expense)				
Interest income......................	347	368	96	482
Interest expense.....................	(2,385)	(2,153)	(507)	(731)
Other income.........................	32	19	16	42
Total other income (expense).........	(2,006)	(1,766)	(395)	(207)
Minority interest in income of consolidated subsidiaries..........	(345)	(356)	(55)	(129)
Income from continuing operations				

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before (benefit) provision for income taxes	1,714	1,860	336	822
(Benefit) provision for income taxes	(435)	(285)	103	45
Income from continuing operations	2,149	2,145	233	777
Discontinued operations (Note 2)				
Income (loss) from discontinued operations (net of income taxes of $0, $9, $0 and $13)		66	(108)	236
Gain on disposal of discontinued operations (net of income taxes of $149)		1,149		
Net income	$ 2,149	$ 3,360	$ 125	$ 1,013
Less preferred stock dividends		(450)	(113)	(450)
Net income available to common Stockholders	$ 2,149	$ 2,910	$ 12	$ 563
Earnings per share				
Income from continuing operations	$ 0.41	$ 0.39	$ 0.03	$ 0.08
Income (loss) from discontinued operations		0.01	(0.03)	0.06
Gain on disposal of discontinued operations	--	0.26		
Net income per common share	$ 0.41	$ 0.66	$ 0.0	$ 0.14
Weighted average shares outstanding	5,306	4,382	4,060	4,060

</TABLE>

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

SECURITY CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	AS OF DECEMBER 31,	
	1998	1997
	(IN THOUSANDS, EXCEPT SHARE DATA)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,133	$ 10,041
Account receivable (net of allowance for doubtful accounts of $351 and $317)	3,279	2,746
Inventories	5,339	4,307
Deferred tax asset	1,175	539
Other current assets	828	582
Total current assets	19,754	18,215
Property and equipment (net of accumulated depreciation of $310 and $133)	1,507	1,404
Intangible assets (net of accumulated amortization of $1,961 and $1,067)	12,044	12,767
Licenses and other assets	196	164
Total Assets	$ 33,501	$ 32,550

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Note payable	$ 1,000	$ 1,000
Current portion of long-term debt	1,659	1,339
Current portion of other long-term obligation	98	89
Accounts payable	1,265	811
Federal income taxes payable		50
Accrued expenses and other		

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liabilities	576	407
Total current liabilities	4,598	3,696
Long-term debt, less current portion	10,036	12,383
Other long-term obligations	160	258
Total Liabilities	14,794	16,337
Minority interest	1,764	1,419
Commitments and Contingencies		
Stockholders' Equity		
Common stock, $.01 par value, 7,500 shares authorized; 539 shares issued; 380 shares outstanding		
Class A common stock, $.01 par value, 10,000,000 shares authorized; 5,624,361 shares issued; 5,305,945 shares outstanding	56	56
Preferred stock, $.01 par value, 2,500,000 shares authorized; none issued		
Additional paid-in capital	67,520	67,520
Accumulated deficit	(45,418)	(47,567)
Less: Treasury stock, at cost, 318,575 shares	(5,215)	(5,215)
Total Stockholders' Equity	16,943	14,794
Total Liabilities and Stockholders' Equity	$ 33,501	$ 32,550

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

SECURITY CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	TWELVE MONTHS ENDED 12/31/98	TWELVE MONTHS ENDED 12/31/97	THREE MONTHS ENDED 12/31/96	TWELVE MONTHS ENDED 9/30/96
Cash flows from operating activities:				
<S>	<C>	<C>	<C>	<C>
Net income	$ 2,149	$ 3,360	$ 125	$ 1,013
Adjustments to reconcile net income to net cash provided (used) by operating activities:				
Depreciation and amortization	1,071	950	182	296
Gain on disposal of discontinued operations		(1,149)		
Minority interest in income of consolidated subsidiaries	345	356	55	129
Changes in operating assets and liabilities, net of effects from acquisition of business				
Deferred tax asset	(636)	(539)		
Accounts receivable	(533)	724	6,731	(6,969)
Inventories	(910)	1,653	1,398	(1,566)
Other current assets	(278)	(338)	(268)	839
Accounts payable and other accrued expenses	623	(1,427)	(657)	885
Income taxes payable	(50)	32		
Net cash provided (used) by operating activities	1,781	3,622	7,566	(5,373)
Cash flows from investing activities:				
Capital expenditures	(280)	(131)	(3)	(13)
Purchase of assets of Possible Dreams and Columbia National Corporation (net of cash acquired of $764)				(16,296)
Purchase of assets of Pumpkin, Ltd.				

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(net of cash acquired of $444)....		(5,945)		
Payment for purchase of patent.....	(43)	(6)		
Proceeds from sale of Foster Insurance Managers................		265		
Proceeds from sale of Foster Insurance Services, Inc...........		1,526		
Payment for assets of Our Kids.....	(250)			
Net cash provided (used) by investing activities.........................	(573)	(4,291)	(3)	(16,309)
Cash flows from financing activities:				
Net (decrease) increase in borrowings under line of credit........................			(7,884)	6,234
Borrowings incurred to finance the acquisition of Possible Dreams and Columbia National Corporation....................				14,360
Borrowing incurred to finance the acquisition of Pumpkin Ltd.....		5,000		
Net decrease in term loans.........	(2,027)	(1,752)	(375)	
Repayment of additional payment obligations....................	(89)	(44)		
Repayment of debt to affiliate.....		(504)		
Net cash provided (used) by financing activities.........................	(2,116)	2,700	(8,259)	20,594
(Decrease) increase in cash and cash equivalents........................	(908)	2,031	(696)	(1,088)
Cash and cash equivalents, beginning of period..........................	10,041	8,010	8,706	9,794
Cash and cash equivalents, end of period..............................	$ 9,133	$ 10,041	$ 8,010	$ 8,706

</TABLE>

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

SECURITY CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(IN THOUSANDS EXCEPT SHARES)

<TABLE>
<CAPTION>

	NUMBER OF SHARES ISSUED*	COMMON STOCK	CLASS A COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TREASURY STOCK	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, September 30, 1995..........	35,033,880	$	$ 350	$62,238	$(51,052)	$ (5,215)	$ 6,321
Net income for fiscal year 1996..........................					1,013		1,013
Dividends in arrears on preferred stock..............					(450)		(450)
Reverse one-for-eight stock split....	(30,654,818)		(306)	306			
Payment for fractional shares...	(1,037)						
Balance, September 30, 1996..........	4,378,025		44	62,544	(50,489)	(5,215)	6,884
Net income for the three months ended December 31, 1996.......					125		125
Dividends in arrears on preferred stock..............					(113)		(113)
Balance, December 31, 1996...........	4,378,025		44	62,544	(50,477)	(5,215)	6,896
Net income for calendar year 1997.........................					3,360		3,360
Dividends in arrears on preferred stock..............					(450)		(450)
Conversion of 30,000 shares of Class preferred stock into 1,246,875 Class A common stock........................	1,246,875		12	4,976			4,988
Balance, December 31, 1997...........	5,624,900		56	67,520	(47,567)	(5,215)	14,794
Net income for calendar year							

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1998..........................					2,149		2,149
Balance, December 31, 1998...........	5,624,900	$	$ 56	$67,520	$(45,418)	$ (5,215)	$ 16,943

</TABLE>

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* Includes both Common Stock and Class A Common Stock

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

SECURITY CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Security Capital Corporation ("Security Capital" or, when referred to together with its subsidiaries, the "Company") owns, through its 90% owned subsidiary, P.D. Holdings, Inc., 90% (77.5% effective after consideration of the outstanding warrants issued in connection with the acquisition) of the outstanding shares of Possible Dreams, Ltd. ("Possible Dreams"), a Delaware corporation. Possible Dreams acquired substantially all of the assets and assumed certain liabilities of Possible Dreams, Ltd. and Columbia National Corporation, both Massachusetts corporations, during May 1996. Possible Dreams operates as an importer, designer, warehouser and distributor of collectible Christmas figurines and ornaments and, to a lesser extent, religious articles. Pumpkin, Ltd. ("Pumpkin") a Delaware corporation was established in June 1997 and was initially capitalized by the contribution of $1,500,000 from Pumpkin Masters Holdings, Inc. ("Holdings") and the issuance of a warrant for 100 shares of Class B nonvoting stock of Pumpkin at the warrant holder's option. Security Capital owns, through its 80% owned subsidiary Holdings, 100%, of the capital stock of Pumpkin. Pumpkin acquired the assets and assumed certain liabilities of Pumpkin, Ltd. d/b/a Pumpkin Masters, Inc. (the "Predecessor Company") in June 1997 for a total purchase price of $7,717,493. Pumpkin is engaged in the business of manufacturing and distributing pumpkin and watermelon carving kits (comprised primarily of tools and patterns) and related accessories. On June 12, 1998, Pumpkin acquired the business and related assets, patents and trademarks of Our Kids for $250,000, of which $121,891 was allocated to inventory and the remainder to intangibles. Our Kids is engaged in the business of selling kits primarily consisting of sidewalk chalk. The Company does not consider this acquisition to be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

ACQUISITION OF POSSIBLE DREAMS, LTD.

The Company acquired the assets and assumed certain liabilities of Possible Dreams, Ltd., a Massachusetts corporation, and Columbia National Corp., a Massachusetts corporation, in May 1996, for a total initial purchase price of $17,360,000. To finance the transaction, the Company used $3,000,000 of equity contributed by P.D. Holdings, Inc. ($300,000 of which was provided by minority owners of P.D. Holdings, Inc.), borrowed $9,250,000 under term loan agreements, borrowed $2,650,000 under a line-of-credit agreement and issued $2,460,000 in subordinated debt. The subordinated debt included a note payable for $500,000 which was contingent on Possible Dreams' obtaining a certain level of cash flow from May 1, 1996 to December 31, 1996. Possible Dreams did not achieve the required cash flow and the subordinated debt was reduced during 1997 by $500,000 to $1,960,000 and goodwill was reduced in the same amount. The acquisition, after subordinated debt reduction of $500,000, was accounted for under the purchase method of accounting and can be summarized as follows:

Source of acquisition funds:	
Cash............................	$ 2,700,000
Debt issued (Note 5)............	13,860,000
Minority interests investment...	300,000
	$ 16,860,000
Allocation of purchase price:	
Goodwill and other intangible assets........................	$ 8,837,175
Inventories.....................	3,443,796
Accounts receivable.............	2,824,506
Property and equipment..........	1,100,000
Other assets....................	113,605
Working capital.................	540,918
	$ 16,860,000

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The consolidated financial statements of the Company include the operations of Possible Dreams since May 1, 1996.

ACQUISITION OF PUMPKIN, LTD.

The Company acquired the assets and assumed certain liabilities of Pumpkin, Ltd. in June 1997 for a total purchase price of $7,717,493. The Company used a $1,500,000 equity contribution and borrowed $5,000,000 under term loan agreements to finance the acquisition. The acquisition was accounted for under the purchase method of accounting and the purchase price was allocated as follows:

Source of acquisition funds:	
Cash	$ 444,007
Debt issued	5,000,000
Future minimum additional payments	391,014
Liabilities assumed	1,646,342
Transaction costs	236,130
	$ 7,717,493
Allocation of purchase price:	
Goodwill	$ 3,758,659
Inventories	2,348,295
Patents	900,867
Accounts receivable	406,529
Property and equipment	289,506
Other assets	13,637
	$ 7,717,493

In addition to the cash purchase price paid at the closing, the purchase agreement provides for additional payments (the "Earnout Amount") to the Predecessor Company which are contingent upon future earnings before interest, taxes, depreciation and amortization ("EBITDA"), as defined. The Predecessor Company will be entitled to an Earnout Amount of $2,000,000 payable in 2002 should average annual EBITDA from the four year period January 1, 1997 through December 31, 2000 exceed $2,000,000. The Earnout Amount will be reduced proportionately if annual EBITDA is less than $2,000,000 but greater than $1,500,000. If average annual EBITDA is less than $1,500,000, the Earnout Amount will be zero.

The purchase agreement also provides for additional payments ("Additional Payments") to the Predecessor Company which are also contingent upon future EBITDA. At a minimum, Pumpkin will be required to make Additional Payments totaling $120,000 annually through the year 2001. The present value of the minimum Additional Payments based upon an imputed interest rate of 10% has been recorded as a liability in the accompanying balance sheet. The annual Additional Payment will increase to $160,000 in any year in which EBITDA is greater than $2,400,000.

In connection with the transaction, Pumpkin granted an option to purchase 36 shares of its Class A Common Stock to a key employee at an exercise price of $1,754 per share. The option has a term of ten years and is immediately exercisable.

The Company's consolidated financial statements include the operations of Pumpkin for the period ended December 31, 1998 and the period from June 27, 1997 (date of inception) through December 31, 1997.

DISCONTINUED OPERATIONS OF FOSTER INSURANCE SERVICES, INC. AND FOSTER INSURANCE MANAGERS INC.

On July 17, 1997, the Company sold its beneficial interest in Foster Insurance Services, Inc. ("FIS"), a Texas corporation, to Bowen, Miclette, Descant and Britt Inc. for consideration of $1,525,845 and recognized a gain of approximately $1,149,000, net of tax. The results of FIS have been classified as a discontinued operation in the accompanying financial statements. Income (loss) from discontinued operations for calendar year 1997, the three month transitional period ended December 31, 1996 and fiscal year 1996 were $66,000, ($108,000), and $236,000, net of tax, respectively. In an unrelated transaction, in December 1997 the Company sold Foster Insurance Managers Inc. ("FIM") for $265,000 in cash to Tri-Star Insurance Services, Ltd., a Kentucky corporation. The Company recognized no gain as part of this transaction. The Company no

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longer has any interest in the insurance brokerage business as a result of these two transactions.

CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Security Capital, all of its subsidiaries and its affiliate FIS prior to its disposition effective June 30, 1997 and FIM prior to its disposition effective December 30, 1997. All significant intercompany balances have been eliminated in consolidation.

USE OF MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Significant estimates included within the financial statements include sales return and discount reserves, allowance for doubtful accounts, inventory obsolescence reserves and the fair value and economic lives of intangible assets.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. Interest paid during calendar years 1998 and 1997, the three month transitional period ended December 31, 1996 and fiscal year 1996 was $2,385,000, $2,153,000, $507,000 and $731,000, respectively. Federal income taxes of $55,000, $72,500, $30,000 and $0 were paid during calendar year 1998, 1997, the three month transitional period ended December 31, 1996 and fiscal year 1996, respectively.

REVENUE RECOGNITION

Revenues from product sales are recognized in the period in which the merchandise is shipped. Customers who purchase certain minimum quantities receive extended payment terms.

INVENTORIES

Inventories, comprised of finished goods, are valued at the lower of cost or market, with cost being determined by the first-in, first-out method ("FIFO") at Possible Dreams and the average cost method at Pumpkin.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Fixed assets are comprised of the following:

	DECEMBER 31, 1998	DECEMBER 31, 1997
	(IN THOUSANDS)	
Land and improvements	$ 370	$ 370
Buildings and improvements	828	738
Machinery and equipment	405	251
Data processing equipment	110	83
Furniture and fixtures	104	95
Total cost	$ 1,817	$ 1,537
Less accumulated depreciation	310	133
Net book value	$ 1,507	$ 1,404

INTANGIBLE ASSETS

Intangible assets consist of the cost in excess of the fair value of net assets acquired in the Pumpkin and Possible Dreams acquisitions (goodwill), patents and deferred financing costs. Goodwill is being amortized on a straight-line basis over 20 years and deferred financing costs are being amortized over the term of the related debt. Patents are being amortized on a straight-line basis over their remaining lives of nine to twelve years.

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Intangible assets as of December 31, 1998 and 1997, net of accumulated amortization of $1,961,087 and $1,067,264, respectively, consist of the following:

	DECEMBER 31, 1998	DECEMBER 31, 1997
	(IN THOUSANDS)	
Goodwill	$ 10,762	$ 11,257
Patents	483	666
Deferred financing costs	799	844
Total	$ 12,044	$ 12,767

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist of current assets (except inventories), current liabilities, notes payable, additional payment obligations and long-term debt. Current assets and current liabilities are carried at cost, which approximates fair value. Notes payable, the additional payment obligations and long-term debt bear interest at current market rates and, accordingly, the carrying value of the debt approximates fair value.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets, including intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is determined based on future net cash flows from the use and ultimate disposition of the asset. Impairment loss is calculated as the difference between the carrying amount of the asset and its fair value. As of December 31, 1998, the Company has not recognized any impairment losses.

EARNINGS PER SHARE

Earnings per common share amounts are based on the weighted average number of Common and Class A Common Shares outstanding and the dilutive effect, if any, of outstanding stock options. The sum

of Common and Class A Common Stock is used because the two classes are identical except for certain transfer restrictions. Earnings per common share assuming full dilution are based on the actual shares outstanding and the dilutive effect, if any, of outstanding stock options. The assumed conversion of these options was anti-dilutive and had no impact for all periods presented.

The weighted average number of shares outstanding used in the computations of basic and fully diluted earnings per share was 5,306,325, 4,382,157, 4,060,166 and 4,060,166 for calendar years 1998, 1997, the three month transitional period ended December 31, 1996 and fiscal year 1996, respectively. All references to amounts per share and number of shares in the financial statements and elsewhere throughout this report are restated to give effect to the one-for-eight reverse stock split effected in March 1996.

INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes, whereby deferred taxes are provided to recognize the effect of temporary differences between tax and financial statement reporting (see Note 4).

NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board released in June 1998, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement addresses the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Since the Company has not entered into transactions involving derivative instruments, the Company does not believe that the adoption of this new statement will have a material effect on the Company's financial statements. In the second quarter of 1998, the Accounting Standards Executive Committee of the AICPA issued Statement of Position 98-5, "Reporting on the Costs of Start-up Activities." This Statement provides guidance on financial reporting of start-up costs and organizational costs. This Statement of Position is effective for financial statements for fiscal years after December 15, 1998. This Statement of Position requires start-up costs to be expensed as incurred. The Company does not believe that the adoption of this statement will have a material impact on the Company's financial statements.

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3. STOCK OPTION PLAN

Security Capital's 1982 Incentive Stock Option Plan (the "Plan"), as amended on December 10, 1990, provided for the granting of options to purchase up to 950,000 shares of Class A Common Stock to eligible employees of the Company at the fair market value on the date of the grant. Options were to be exercised in installments over the option period, but no options could be exercised after 10 years from the date of the grant. The Plan terminated on January 25, 1992.

Changes in outstanding shares under option during calendar years 1998 and 1997, the three months ended December 31, 1996 and the fiscal year ended September 30, 1996 and the balance outstanding and available for future grant at December 31, 1998 are summarized as follows:

	NUMBER OF SHARES*	OPTION PRICE RANGE*
Outstanding at September 30, 1995....	4,012	$ 5.00
Granted.............................		
Exercised...........................		
Canceled............................		
Outstanding at September 30, 1996....	4,012	$ 5.00
Granted.............................		
Exercised...........................		
Canceled............................		
Outstanding at December 31,1996......	4,012	$ 5.00
Granted.............................		
Exercised...........................		
Canceled............................	(4,012)	
Outstanding at December 31, 1997.....	-0-	$ 0.00
Exercisable:		
At December 31, 1998...........	-0-	
Available for future grant..........	-0-	

The remaining outstanding stock options have expired due to reaching the final exercise date.

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* Restated for one-for-eight reverse stock split.

4. FEDERAL INCOME TAXES

Security Capital files a consolidated Federal income tax return with its subsidiaries using a September 30 fiscal year reporting basis.

At December 31, 1998, the Company had net operating loss carry-forwards for Federal income tax purposes of approximately $29.7 million, the expiration dates of which are as follows:

	AMOUNT (IN THOUSANDS)
December 31,	
2002............................	$ 1,700
2003............................	1,800
2004............................	22,600
2005............................	2,400
2006............................	400
2007............................	200
2008............................	600
	$ 29,700

The Company computes deferred income taxes based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

The tax effects of the items comprising the Company's net deferred tax asset at December 31, 1998 and 1997 in the Company's statement of financial

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position are as follows:

	DECEMBER 31, 1998	DECEMBER 31, 1997
	(IN THOUSANDS)	
Deferred tax assets (credits):		
Allowance for doubtful accounts and inventory differences	$ 284	$ 189
Operating loss carry-forwards	10,095	10,744
Alternative minimum tax carryover	141	100
Accelerated depreciation and other	(11)	(11)
	10,509	11,022
Valuation allowance	(9,334)	(10,483)
Net deferred tax asset	$ 1,175	$ 539

A reconciliation of the provision for income taxes to income taxes based on the 34% statutory rate for the twelve month period ended December 31, 1998 and 1997 and the twelve month period ended September 30, 1996 are as follows:

	DECEMBER 31, 1998	DECEMBER 31, 1997	SEPTEMBER 30, 1996
	(IN THOUSANDS)		
Federal income taxes based on 34% of pre-tax income	$ 581	$ 1,118	$ 344
Utilization of Federal net operating loss carry-forwards	(649)	(944)	(352)
State income taxes, net of Federal benefit	88	198	58
Recognition of deferred tax asset for Federal net operating loss carry-forwards	(500)	(500)	
Other	45	1	8
Provision (benefit) for income taxes	$ (435)	$ (127)	$ 58

5. DEBT

Long-term debt consists of the following at December 31, 1998 and 1997:

	1998	1997
	(IN THOUSANDS)	
Possible Dreams Tranche A Term Loan, payable in twenty quarterly installments through July 1, 2001. The loan bears interest at the commercial paper rate plus 4% (8.920% at December 31, 1998). Interest is payable monthly	$ 3,363	$ 4,175
Possible Dreams Tranche B Term Loan, payable in seven annual installments through April 1, 2003. The loan bears interest at the commercial paper rate plus 6% (10.92% at December 31, 1998). Interest is payable monthly	3,500	3,500
Possible Dreams Subordinated promissory notes payable to the former owners of Possible Dreams, interest rates ranging from 10 - 14% (10% at December 31, 1998) per annum. The principal payments are due in one installment on May 31, 2003. Interest is payable in semi-annual installments on May 1 and November 1	1,960	1,960
Pumpkin Tranche A Term Loan, payable in 16 quarterly installments ranging from $150,000 to $225,000		

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through December 31, 2001; The loan bears interest at the commercial paper rate plus 4.5% (9.42% at December 31, 1998). Interest is payable monthly....................	1,117	2,448
Pumpkin Tranche B Term Loan, payable in eight quarterly installments commencing upon repayment of the Tranche A Term Loan but no later than October 1, 2001. The loan bears interest at the commercial paper rate plus 6.5% (approximately 11.42% at December 31, 1998). Interest is payable monthly........	2,000	2,000
	$ 11,940	$ 14,083
Less amounts representing debt discount...........................	(245)	(361)
Less current portion.................	(1,659)	(1,339)
Total long term debt.................	$ 10,036	$ 12,383

The scheduled repayments of the loans are as follows:

December 31,	AMOUNT
	(IN THOUSANDS)
1999............................	$ 1,659
2000............................	1,776
2001............................	1,920
2002............................	2,850
2003............................	3,735
Total scheduled payments.............	$ 11,940

In connection with the Possible Dreams Tranche A and Tranche B loans, Possible Dreams issued warrants to purchase 250 shares (12.5%) of Possible Dreams' Class B Common Stock. The Class B Common Stock is non-voting and convertible at any time into voting, Class A Common Stock of Possible Dreams. The warrants were valued at approximately $428,571 and recorded as an original issue discount. The discount will be amortized over the life of the debt using the effective interest method. The Tranche A and B loans contain financial and prepayment of principal covenants. If Possible Dreams' cash flows meet certain thresholds, as defined in the loan agreements, payments due under the Tranche A and B loans will become accelerated. Possible Dreams' subordinated promissory note contained provisions under which the notes would be reduced by $500,000 if certain levels of cash flows were not met by Possible Dreams. Since

these levels were not met, the subordinated notes and goodwill recorded at the acquisition were reduced in 1997 by $500,000.

In connection with the Pumpkin Tranche A and Tranche B loans, Pumpkin issued a warrant to purchase 100 shares of Pumpkin's Class B common stock. The Class B Common Stock is non-voting and convertible at any time into voting, Class A Common Stock of Pumpkin The warrants were valued at $150,000 and recorded as an original issue discount. The discount will be amortized over the term of the debt of five to six years using the effective interest method.

In addition, the Company entered into a Consolidated Income Tax Sharing Agreement (the "Tax Sharing Agreement") with Possible Dreams and Pumpkin whereby both companies will calculate and pay to the Company the amount of its income tax liability as if they were not part of a consolidated group. The excess of the payment made by Possible Dreams and Pumpkin to the Company over the Company's tax liability will accrue to the Company subject to certain rights of the lenders. The lenders require the Company to set aside in a separate account such excess amounts paid by Possible Dreams and Pumpkin to the Company during the first three years of the Tax Sharing Agreement and to pledge the Company's rights in such account to the lenders as additional collateral for the loans to Possible Dreams and Pumpkin.

Possible Dreams maintains a $10,000,000 revolving line of credit that expires on May 17, 2003. Pumpkin maintains a $3,500,000 revolving line of credit which is limited to the borrowing base, as defined, and expires on the earlier of the date upon which the Pumpkin Tranche A and Tranche B loans have been paid in full or July 1, 2003. Possible Dreams had $1,000,000 drawn on its revolving line of credit at December 31, 1998 and 1997, while Pumpkin had nothing outstanding at December 31, 1998. Pumpkin's revolving line of credit bears interest at the commercial paper rate plus 4.25% (9.17% at December 31, 1998),

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while Possible Dreams' revolving line of credit bears interest at the commercial paper rate plus 4% (8.920% at December 31, 1998). Interest on both the revolving lines of credit is payable monthly.

Possible Dreams' and Pumpkin's credit agreement contains restrictive covenants prohibiting or limiting certain actions of Possible Dreams and Pumpkin, including payment of capital expenditures, investments and incurrences of debt, that provides certain affirmative covenants of both companies, including the maintenance of specified levels of profitability and tangible net worth, as defined. At December 31, 1998, Possible Dreams was not in compliance with the restrictive covenants related to lease payments, total debt coverage ratio, and minimum EBITDA. The lender for Possible Dreams agreed to a waiver of these requirements for calendar year 1998 and amended the credit agreement effective March 18, 1999 for the above covenants for calendar year 1999 as requested by Possible Dreams. At December 31, 1998, Pumpkin was not in compliance with the restrictive covenant related to capital expenditures. The lender agreed to waive this covenant with respect to the 1998 measuring period.

Both Possible Dreams and Pumpkin's lines of credit and term loans are secured by substantially all their assets as well as by a pledge to the lender of their common stock.

6. REDEEMABLE PREFERRED STOCK

FGS (see note 7) and its designees had purchased 30,000 shares of Class A Preferred Stock from the Company for $3,000,000 on July 30, 1993. This non-voting preferred stock was subject to mandatory redemption on the following date or dates: (1) eight years from the date of issuance of the first shares of such stock; (2) the occurrence of a change of control in the majority of the Board of Directors; or (3) each date, if any, on which an adjustment to the purchase price of the stock shall be required. The stock had a purchase price and redemption price equal to the liquidation value, which was $100 per share. In addition, the Class A Preferred Stock bore a dividend of 15% per annum payable in cash. Until redemption or the liquidation of the Company, dividends on Preferred Stock were payable only out of cumulative net income since January 1, 1990

As of December 31, 1997, FGS and its designees converted their 30,000 shares of Class A Preferred Stock and $1,987,500 of accrued dividends into 1,246,875 shares of Class A Common Stock at a valuation of $4 per share.

7. STOCKHOLDERS' EQUITY

On January 26, 1990, Security Capital executed a Stock Purchase Agreement with FGS, Inc., a Delaware corporation ("FGS"). Pursuant to the Stock Purchase Agreement, FGS and its designees had acquired for an aggregate consideration to date of $4,416,613 (subject to adjustments as noted below) 4,483,975 shares (without adjusting for the reverse stock split) of Class A Common Stock, 1025 shares (without adjusting for the reverse stock split) of Common Stock and 30,000 shares of Class A Preferred Stock. The original purchase price per share for such Common Equity purchased by FGS and its designees was $0.3822816 per share. This per share price was the unconsolidated net book value of the Company's Common Stock as of September 30, 1989 which were subject to various adjustments pursuant to the Stock Purchase Agreement. The adjustments to the Per Share Price under the Stock Purchase Agreement which have been made since the purchase of capital stock by FGS, reflected the difference between estimated amounts and actual amounts (a) received in connection with (i) the liquidation of the Company's investment in Security Capital Lloyds ("SCL"), (ii) the sale of certain assets of the Company and (iii) the termination of the Company's pension plan and (b) expended in connection with termination of the lease of the Company's New York office. Such adjustments shall be made no less frequently than every six months with the final adjustment no later than the date of termination of the sublease of the Company's former New York office in January 1995. In addition, the Per Share Price is subject to adjustment (i) to reflect liabilities of the Company, if any, existing prior to January 26, 1990 not included in the calculation of the Per Share Price or (ii) in satisfaction of Security Capital's obligation to indemnify FGS for losses resulting from or relating to (x) any misrepresentation, breach of warranty or breach of covenant in the Stock Purchase Agreement or (y) operations of the Company prior to January 26, 1990. As of the date of this report, the only known remaining adjustments to the per share price under the Stock Purchase Agreement relate to possible amounts due to the City and State of New York. During fiscal year 1996, the Company paid $166,000 to FGS and its designees for prior year adjustments.

In March 1996, the Company effected a one-for-eight reverse split of the Company's Common Stock and Class A Common Stock. The reverse split had the effect of decreasing the number of issued shares from 35,033,880 to approximately 4,378,025. The par value of the reduced shares in connection with the reverse split was charged to Common Stock and Class A Common Stock and a like amount credited to paid-in-capital. Accordingly, all share and per share

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data in the financial statements and footnotes have been restated to reflect the reverse stock split.

8. RELATED PARTY TRANSACTIONS

On April 27, 1990, Security Capital entered into an Advisory Services Agreement effective as of January 26, 1990 (the "Advisory Agreement") with Capital Partners, Inc. ("CP, Inc."), an affiliate of the Company, pursuant to which such entity provides certain advisory services in the areas of investments, general administration, corporate development, strategic planning, stockholder relations, financial matters and general business policy in lieu of the services previously provided by certain of the Company's officers and other support personnel from the Company's former New York office. The annual fee for such services pursuant to the Advisory Agreement was $150,000 (due in quarterly installments in advance) plus certain out-of-pocket costs (which do not include rent and utilities of CP, Inc. and compensation of CP, Inc. employees). In connection with the acquisition of Possible Dreams, the Company entered into an amendment to the Advisory Agreement with CP, Inc. to provide management advisory services to Possible Dreams for an increase in the annual fee of $175,000 to $325,000. In connection with the acquisition of Pumpkin, the Company entered into another amendment to the Advisory Agreement with CP, Inc. to

provide management advisory services to Pumpkin. The fee to CP, Inc. will be payable quarterly and will be the greater of $100,000 annually or 5% of the Pumpkin's annual EBITDA, as defined in the purchase agreement. During the calendar year ended December 31, 1998 and the period from June 27, 1997 (date of inception) through December 31, 1997 Pumpkin paid $175,000 for such advisory fees. Such fees are subject to appropriate adjustment should the scope of operations of the Company change, whether from an acquisition or otherwise. Pursuant to the Advisory Agreement, no compensation is paid to the current Chairman of the Board, President and Secretary and Assistant Secretary in their respective capacities as such.

The Advisory Agreement states that, from time to time, CP, Inc. may present acquisition opportunities to the Company that it believes may be appropriate for the Company, but that CP, Inc. is under no obligation to present any or all acquisition candidates of which it is aware to the Company except for insurance agency business. If the Company or any of its subsidiaries completes any acquisition which was presented by CP, Inc., the Company is obligated to pay CP, Inc. an investment banking fee at the usual and customary rate for transactions of such size and complexity. In connection with the Possible Dreams and Pumpkin acquisitions, investment banking fees of $200,000 and $120,000 were paid to CP, Inc., respectively. The initial term of the Advisory Agreement was for one year commencing on January 26, 1990; the agreement provides that thereafter it will be automatically extended for additional one-year periods unless either party gives 30 days' written notice to the other of its intention to terminate.

Both of the key executives of Possible Dreams have entered into employment, consulting and non-competition agreements. The President and Chief Executive Officer of Possible Dreams, acquired 10% of the Class A Common Stock of P.D. Holdings for $300,000, as part of the Company's transaction to purchase Possible Dreams. The President and another executive officer were granted options to purchase an additional 10% of such Class A Common Stock at an exercise price of approximately $1,904 per share. Both executive officers, P.D. Holdings and the Company entered into a Stockholders' Agreement providing for certain restrictions on transfers of the shares of P.D. Holdings owned by them, together with certain preemptive rights, rights of first refusal, puts and calls, "tag along/drag along" rights and registration rights with respect to the Class A and Class B Common Stock of Holdings. The Company has employment agreements with both key executives for five and three year terms. In addition, at the conclusion of the employment agreements the President and the other key executive officer each have a consulting agreement for three and one year terms, respectively. During the term of the agreement, the President will be paid $75,000, adjusted for the cost of living, and the other executive officer will be paid $50,000, adjusted for the cost of living.

A key employee of Pumpkin was granted options to acquire 36 shares, or 4% of the Class A Common Stock of Pumpkin, at an exercise price per share of $1,754. The options, which are immediately exercisable, are subject to certain restrictions on transfer of these shares of Pumpkin owned by the executive, together with certain preemptive rights, puts and calls and "tag along/drag along" rights with respect to these shares. The options have a term of ten years.

The Predecessor Company received stock of Pumpkin Holdings constituting 20% of the outstanding Common Stock of Holdings. The Seller of Pumpkin is also entitled to receive a payment of up to $2,000,000 (the "Earnout Amount") if Pumpkin's average earnings before income taxes, depreciation and amortization ("EBITDA"), as defined in the asset purchase agreement, is in excess of $1,500,000 during the four fiscal years following the closing. If earned, the

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amount is first payable in June of 2002, with the possibility of being deferred until June 2004. In addition, the Seller of Pumpkin will receive a payment of at least $120,000 and up to $160,000 each fiscal year, payable quarterly, until the Earnout Amount is either not to be earned or, if determined to be earned, paid. The Earnout Amount is fully subordinate to debt under such credit agreement and any loans by the Company to Pumpkin. The purchase agreement also provides for certain restrictions on transfers of shares of Pumpkin Holdings owned by the Company and the Seller of

Pumpkin Masters, together with certain preemptive rights, rights of first refusal, puts and calls and "tag along" rights.

Effective September 1, 1992, FIM entered into (i) an Agency and Management Services Agreement (as amended, the "Agency Agreement") with FIS which replaced a previous agreement with Stanley L. Spring, and (ii) a Buy-Sell Agreement (the "Buy-Sell Agreement") with FIS and Edward G. Britt, Jr. ("Britt"), the sole shareholder of FIS. In connection with these transactions, Mr. Spring resigned all directorships and offices held by him with Security Capital and its affiliates.

Pursuant to the Agency Agreement, FIM reappointed FIS as its local recording agent in Texas for FIM and related insurance companies and FIM agreed to provide management consultation services to FIS and to use its best efforts to maintain insurance markets for the placement of the insurance business produced by FIS. As compensation for its management consultation services, FIM will be paid 100% of the net pre-tax income of FIS (after the accrual of up to 25% of the pre-tax income to FIS for the payment of bonuses to FIS's employees) until the earlier of (i) the payment to FIM of (x) $1,000,000 (plus or minus the net pre-tax profits or losses of FIS from October 1, 1991 through the effective date of the Agency Agreement and less amounts paid to FIM as rental for certain office furniture), reduced by (y) an amount equal to two times any amount paid by FIS to FIM prior to September 30, 1995 from the proceeds of capital contributions by Britt or (ii) September 30, 1996. Thereafter, FIM will be paid a percentage of FIS's net pre-tax income based upon the amounts theretofore paid to FIM as provided in the Agency Agreement, but in any event not less than 50% of such net pre-tax income. The Agency Agreement has a term of 20 years, and will be automatically renewed for successive one year periods unless terminated by either party on 60 days' prior notice; provided, however, that the Agency Agreement will terminate upon the earliest to occur of (i) the death or disability of Britt, (ii) a sale of the stock of FIS by Britt or the termination of the Buy-Sell Agreement, (iii) the inability of FIM and FIS to resolve material disputes on or after September 30, 1994 upon notice of termination from either party, and (iv) notice from FIM following the suspension, cancellation or failure to renew any of the insurance licenses of FIS.

Pursuant to the Buy-Sell Agreement, FIM had received an option to purchase 50% of the stock of FIS at any time for $1,000. In addition, Britt received the option, any time after the later of (i) September 30, 1994 and (ii) the payment to FIM of $1,000,000 pursuant to the Agency Agreement, to purchase any shares of FIS then owned by FIM and to terminate the Agency Agreement for a purchase price equal to 50% of the then fair market value of FIS (which fair market value shall in any event not be less than $3,000,000) plus an amount equal to $1,000,000 less the amounts previously paid to FIM pursuant to the Agency Agreement. The Buy-Sell Agreement also required FIM to purchase Britt's shares of FIS for $500,000 in the event that the Agency Agreement was terminated due to the death or disability of Britt and required Britt to make certain payments to FIM in the event that the Agency Agreement is terminated for any other reason.

Mr. Larry M. Karren ("Karren"), the Vice President and Treasurer of Security Capital, the Controller of FIS and the Vice President and Chief Financial Officer of FIM, had entered into an agreement (the "Participation Agreement") with Britt, FIS and FIM whereby Karren was entitled to receive from FIS, after payment in full of the FIM Fee (as defined in the Buy-Sell Agreement), a bonus payment equal to 10% of the net pre-tax income of FIS until the occurrence of either (i) the exercise by Britt of the Put Option under the Buy-Sell Agreement or (ii) the sale of a majority of the stock or assets of FIS to a party other than Karren, FIS or FIM. In the case of (i), Karren was entitled to purchase for nominal consideration approximately 10% of the stock of, or an interest in, FIS. In the case of (ii), Karren was entitled to receive a portion of the net proceeds of any such sale described in (ii) otherwise distributable to Britt.

In connection with the sale of the Company's proprietary interest in FIS, the Agency Agreement, the Buy-Sell Agreement and the Participation Agreement discussed above were canceled.

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9. QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of operations by quarter (dollar amounts in thousands, except per share amounts):

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
CALENDAR YEAR 1998:				
Net product sales	$ 3,123	$ 5,870	$17,193	$ 3,832
Net (loss) income	(888)	(46)	3,259	(176)
(Loss) earnings per common share	(0.17)	(0.01)	0.61	(0.02)
Dividends per share of common stock				
CALENDAR YEAR 1997:				
Net product sales	$ 2,542	$ 3,490	$14,863	$ 4,828
Net (loss) income	(240)	1	3,517	82
(Loss) earnings per common share	(0.09)	(0.03)	0.80	(0.02)
Dividends per share of common stock				

10. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Possible Dreams maintains certain agreements with giftware designers which require payment of royalties based upon a percentage of net sales of certain products and other formulas as stated in the agreements. The royalty expense under these agreements amounted to $324,567 and $237,961 for the calendar years ended December 31, 1998 and 1997. Possible Dreams rents a show room in New York under a five year lease agreement, which expires in 2002. Annual rent expense is $78,600 through the year 2001 and $72,050 in the year 2002. Pumpkin leases its office building and certain equipment from the minority shareholders of Pumpkin Holdings under operating lease agreements. Annual rent expense is $44,669 thru the year 2001 and $22,334 in year 2002. Future minimum rental payments under the office space operating leases for the years ending December 31 are as follows:

	MINIMUM RENTAL PAYMENTS (IN THOUSANDS)
Year	
1999	$ 123
2000	123
2001	123
2002	94
Total minimum office operating lease payments	$ 463

During 1998, Possible Dreams purchased approximately 53%, 15%, and 5% of its supplies from, respectively, Folkraft, Seagull Decor Co. and Novelty Trading. The loss of any of these suppliers could have an adverse effect on Possible Dreams' results of operations and financial condition. During 1998, Possible Dreams obtained an additional vendor to produce the product supplied by Folkraft, which should reduce Possible Dreams' dependence on Folkraft as a supplier.

CONTINGENCIES

On May 4, 1992, the Company received a notice from the State of New York that the Company owed $244,116 in additional withholding taxes, interest and penalties for calendar year 1984. The Company has submitted information to the State of New York and during the latter part of 1998, the Company received a new notice from the State of New York seeking payment of $417,252 in taxes, interest and penalties. At this

time, although the Company is unable to determine the amount, if any, which may eventually be owed to the State of New York, the Company believes its previously filed returns are correct and that no additional amounts are owed to the State of New York.

On November 6, 1997, Pumpkin filed, in the United States Court for the District of Columbia, an action alleging patent, trademark and copyright infringement by a competitor entitled, Pumpkin, Ltd. d/b/a/ Pumpkin Masters, Inc. v. The Seed Corp., Inc. d/b/a Concept Marketing (Civil Action No. 97WY2387CB). Pumpkin had sought a permanent injunction against Concept Marketing and monetary and treble damages. This matter was settled in 1998 with the

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parties agreeing to a cross-license of certain products.

The Company is a party to several legal actions arising in the ordinary course of its business. In management's opinion, the Company has adequate legal defenses to these actions, and they should have no material adverse effect on the operations or financial condition of the Company.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not Applicable

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The following table sets forth certain information with respect to the directors and executive officers of the Company.

NAME	AGE	DIRECTOR SINCE	PRINCIPAL OCCUPATIONS DURING THE LAST FIVE YEARS; OTHER DIRECTORSHIPS
William T. Bozarth............	58	1988	Deputy Controller of Citigroup, Inc. since October 1998; Vice President and Controller of Travelers Group Inc., a diversified financial services company, from November 1991 until October 1998; Senior Vice President and Chief Financial Officer of Gulf Insurance Group, a property and casualty insurance company, since September 1990; Executive Vice President of the Company from March 1989 until January 1990; Senior Vice President of the Company from August 1984 until March 1989; a former director or officer of various present and former subsidiaries or affiliates of the Company; and, previously, a Partner of Arthur Andersen & Co., New York, New York, public accountants.
Brian D. Fitzgerald...........	54	1990	Chairman of the Board of the Company since January 1990; President, Treasurer and a director of FGS, Inc., a Delaware corporation ("FGS"), since March 1989; and a partner, general partner, stockholder, officer and/or director of various Capital Partners entities for more than five years. Mr. Fitzgerald was a director of Bryant Universal Roofing, Inc. ("Bryant"), a privately-held Delaware corporation that on May 17, 1996 filed a petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Arizona.
A. George Gebauer.............	66	1990	President of the Company since January 1990 and Secretary of the Company since February 1994; Vice President, Secretary and a director of FGS since March 1989; and a partner, general partner, stockholder, officer and/or director of various Capital Partners entities for more than five years. Mr. Gebauer was formerly a director and executive officer of Alpha Modular Systems, Inc., a privately-held California corporation which had an involuntary petition under Chapter 7 of the U.S. Bankruptcy Code filed against it on March 18, 1994 by certain of its creditors in the United States Bankruptcy Court for the Central District of California, San Bernardino division. Mr. Gebauer also was a director of Bryant, a privately-held Delaware corporation that on May 17, 1996 filed a petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in United States Bankruptcy Court for the District of Arizona.

(TABLE CONTINUED ON FOLLOWING PAGE)

NAME	AGE	DIRECTOR SINCE	PRINCIPAL OCCUPATIONS DURING THE LAST FIVE YEARS; OTHER DIRECTORSHIPS
Thomas J. Gochberg............	60	1979	President of TJG Holdings, Inc., a New York corporation which is the general partner of various real estate investment entities, since July 1991; President and Chief Executive Officer of the Company from its inception in November 1979 until January 1990; a former director or officer of various present and former subsidiaries or affiliates of the Company;

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		and a director of Smith Barney, Inc., New York, New York, an investment banking holding company, from February 1979 until March 1984.
Larry M. Karren...............	44	Vice President of the Company since February 1990; Vice President and Secretary of Security Capital Insurance Group, Inc. ("SCIGI") for more than five years; current or former officer of various present or former subsidiaries or affiliates of SCIGI.

</TABLE>

Each director holds office until the next annual meeting of stockholders and until his successor shall have been duly elected and qualified. Officers serve at the pleasure of the Board of Directors. The Board of Directors has an Audit Committee. The Audit Committee, which is presently composed of Messrs. Gebauer, Gochberg and Bozarth, selects the independent auditors, consults with such auditors and management with regard to the adequacy of the Company's internal accounting controls, considers any non-audit functions to be performed by the independent auditors and carries out such activities related to the financial statements of the Company as the Board of Directors shall from time to time request.

ITEM 11. EXECUTIVE COMPENSATION.

1. SUMMARY COMPENSATION TABLE The following Summary Compensation Table sets forth certain information about the cash and non-cash compensation earned by or awarded to the chief executive officer of the Company, A. George Gebauer, President and Secretary of the Company, and to Brian D. Fitzgerald, the Chairman of the Board of the Company, for services rendered to the Company during the fiscal years ended December 31, 1998, December 31, 1997 and September 30, 1996 and for the three month period from October 1 through December 31, 1996.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

	ANNUAL COMPENSATION			
NAME AND PRINCIPAL POSITION	PERIOD	SALARY	BONUS	ALL OTHER COMPENSATION
<S>	<C>	<C>	<C>	<C>
A. George Gebauer....................	Fiscal Year 1998	(1)	(1)	(1)
President and Secretary	Fiscal Year 1997	(1)	(1)	(1)
	Fiscal Year 1996	(1)	(1)	(1)
	Three-Month Period from 10/1-12/31/96	(1)	(1)	(1)
Brian D. Fitzgerald.................	Fiscal Year 1998	(1)	(1)	(1)
Chairman of the Board	Fiscal Year 1997	(1)	(1)	(1)
	Fiscal Year 1996	(1)	(1)	(1)
	Three-Month Period from 10/1-12/31/96	(1)	(1)	(1)

</TABLE>

----

(1) Messrs. Fitzgerald and Gebauer receive no compensation for their services as officers of the Company. CP Inc., a corporation controlled by Mr. Fitzgerald and for which Mr. Gebauer serves as an officer, is paid a management fee pursuant to the Advisory Agreement between the Company and CP Inc. Pursuant to the Advisory Agreement, CP Inc. provides certain advisory services to the Company in the areas of investments, general administration, corporate development, strategic planning, stockholder relations, financial matters and general business policy. The annual fee for such services pursuant to the

(FOOTNOTES CONTINUED ON FOLLOWING PAGE)

Advisory Agreement is $325,000 (due in quarterly installments in advance) plus certain out-of-pocket costs (which do not include rent and utilities of CP Inc. and compensation of CP Inc. employees), subject to adjustment, as described below). Such fee is subject to appropriate adjustment should the scope of operations of the Company change, whether from an acquisition or otherwise. For example, when the Company acquired the assets of Possible Dreams, Ltd. and Columbia National Corporation, the Advisory Agreement was amended to increase the annual fee from $150,000 to $325,000. In addition, upon the acquisition of the assets of Pumpkin, Ltd. d/b/a Pumpkin Masters, Inc. it was amended to increase the fee by an amount equal to the greater of $100,000 and 5% of the annual EBITDA of Pumpkin (calculated as provided in the Asset Purchase Agreement, dated as of June 27, 1997, effecting such purchase). During the period from October 1, 1996 through December 31, 1996, CP Inc. was paid a fee of $81,300. During fiscal 1997, CP Inc. was paid a fee of $375,000. In addition, for additional services rendered in connection with the Company's acquisition of Pumpkin, CP Inc. was paid an investment banking fee of $120,000. CP Inc. was also reimbursed for approximately

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$6,700 of legal and other expenses incurred by it on behalf of the Company in connection with a prospective acquisition that failed to close in 1997. During fiscal 1998, CP Inc. was paid a fee of $425,000. See "Item 13. Certain Relationships and Related Transactions."

2. OPTION/SAR GRANTS IN LAST FISCAL YEAR. No Options or SARs were granted to any executive officer of the Company during the period from January 1, 1998 through December 31, 1998.

3. AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR. No Options or SARs were exercised by any executive officer of the Company during the period from January 1, 1998 through December 31, 1998.

4. LONG-TERM INCENTIVE PLAN ("LTIP") AWARDS IN LAST FISCAL YEAR No LTIP Awards were made to any executive officer of the Company during period from January 1, 1998 through December 31, 1998.

5. COMPENSATION OF DIRECTORS. William T. Bozarth and Thomas J. Gochberg, who are not employees or officers of the Company, receive an annual fee of $5,000 plus reasonable expenses in connection with attendance at meetings of the Board of Directors or any committee thereof, but do not receive any separate fee for attendance at meetings. Messrs. Fitzgerald and Gebauer do not receive any annual fee, or any fees for attendance at meetings.

6. COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION. The Company does not have a Compensation Committee. Messrs. Gebauer and Fitzgerald, directors and executive officers of the Company who receive no salary or bonus, participate in any deliberations of the Board of Directors concerning executive officer compensation.

REPORT OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION

Larry M. Karren, Vice President and Treasurer of the Company, is the only executive officer who receives any compensation from the Company for service as an officer of the Company. When the Company sold its interest in Foster Insurance Company in 1997, the Company and Mr. Karren agreed that, as a result of his reduction in his duties resulting from the sale, he would be paid a salary of $3,200 per month and would not be eligible for an annual bonus. Other than with respect to Mr. Karren, the Board of Directors has not formulated any specific policies with respect to compensation of its executive officers.

THE BOARD OF DIRECTORS

William T. Bozarth

Brian D. Fitzgerald

A. George Gebauer

Thomas J. Gochberg

PERFORMANCE GRAPH

The performance graph below shows a comparison of the cumulative total return, on a dividend reinvestment basis, measured at each fiscal year end and calendar year end for the last five years assuming $100 invested on September 30, 1994 in the Class A Common Stock, the Company's selected peer group and the Nasdaq Market Index. The selected peer group consists of Department 56 Inc., Enesco Group Inc. and Russ Berrie & Co. Inc. These companies are seasonal products companies and are considered by the Company's management to be competitors of the Company. The returns of each peer group company have been weighted according to its stock market capitalization for purposes of arriving at a peer group average.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN
AMONG SECURITY CAPITAL CORP.,
NASDAQ MARKET INDEX AND PEER GROUP INDEX

[LINEAR GRAPH PLOTTED FROM DATA IN TABLE BELOW]

<TABLE>
<CAPTION>

	FISCAL YEAR ENDING							
COMPANY/INDEX/MARKET	9/30/1994	12/30/1994	9/29/1995	12/29/1995	9/30/1996	12/31/1996	12/31/1997	12/31/1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SECURITY CAPITAL CORP	100.00	100.00	133.33	100.00	225.00	282.33	200.00	275.00
Customer Selected Stock List	100.00	98.08	110.31	94.18	83.68	83.56	100.38	106.50
NASDAQ Market Index	100.00	97.99	122.97	121.98	140.85	147.48	180.40	254.43

</TABLE>

ASSUMES $100 INVESTED ON SEPT. 20, 1994
ASSUMES DIVIDENDS REINVESTED

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table and the notes thereto set forth information, as of March 23, 1999, with respect to the beneficial ownership of shares of each class of equity securities of the Company by the only persons known to the Company to have beneficial ownership of more than 5% of such class, by each director of the Company, by each executive officer of the Company and by the directors and executive officers of the Company as a group. Except as otherwise indicated, each person is believed to exercise sole voting and dispositive power over the shares reported.

<TABLE>
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT OF BENEFICIAL OWNERSHIP AS OF MARCH 23, 1999				
	COMMON STOCK	PERCENTAGE OF CLASS	CLASS A COMMON STOCK	PERCENTAGE OF CLASS	PERCENTAGE OF COMMON EQUITY
<S>	<C>	<C>	<C>	<C>	<C>
Brian D. Fitzgerald................. One Pickwick Plaza Suite 310, Greenwich CT 06830(1)(2)	128	34.1%	4,086,879	77.0%	77.0%
FGS, Inc............................ 1105 North Market St. Suite 1300, Wilmington, DE 19894(1)(2)	128	34.1%	3,846,997	72.5%	72.5%
Capital Partners, Inc................ One Pickwick Plaza Suite 310, Greenwich, CT 06830(1)(2)			3,319,308	62.6%	62.6%
CP Acquisition, L.P. No. 1........... 1105 North Market St. Suite 1300, Wilmington, DE 19894(1)(2)			3,319,308	62.6%	62.6%
FGS Partners, L.P.................... One Pickwick Plaza Suite 310, Greenwich, CT 06830(1)(2)			3,319,308	62.6%	62.6%
William T. Bozarth...................					
A. George Gebauer(1)(2).............			89,198	1.7%	1.7%
Thomas J. Gochberg..................	1	*	8,709	*	*
Larry M. Karren......................			34	*	*
All Directors and Executive Officers as a Group (5 persons)............	129	34.4%	4,184,820	78.9%	78.9%

</TABLE>

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* Less than one percent

(1) The following related entities are generally referred to as "Capital Partners": (a) CP Inc., a Connecticut corporation, of which Brian D. Fitzgerald is the sole stockholder and director, and A. George Gebauer is an officer; (b) Fitzgerald and Partners, a Delaware general partnership ("F&P"), of which Messrs. Fitzgerald and Gebauer are partners; (c) Capital Partners I, L.P., a New York limited partnership, of which CP Inc. and F&P are the general partners; and (d) 11 related Delaware limited partnerships, known collectively as "Capital Partners II," as follows: (i) CP Acquisition, L.P. No. 1; (ii) CP Acquisition, L.P. No. 4A; (iii) CP Acquisition, L.P. No. 4B; (iv) CP Acquisition, L.P. No. 5A; (v) CP Acquisition, L.P. No. 5B; (vi) CP Acquisition, L.P. No. 6A; (vii) CP Acquisition, L.P. No. 6B; (viii) CP Acquisition, L.P. No. 7A; (ix) CP Acquisition, L.P. No. 7B; (x) CP Acquisition, L.P. No. 8A; and (xi) CP Acquisition, L.P. No. 8B. CP Inc., FGS, a Delaware corporation, of which Mr. Fitzgerald is the controlling stockholder, president, treasurer and a director, and FGS Partners, L.P., a Connecticut

(FOOTNOTES CONTINUED ON FOLLOWING PAGE)

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limited partnership, of which CP Inc. is the general partner, are the general partners of the 11 related partnerships.

Brian D. Fitzgerald owns of record 239,882 shares of the Class A Common Stock. CP Acquisition owns of record 3,319,308 shares of the Class A Common Stock and FGS owns of record 527,689 shares of the Class A Common Stock and 128 shares of the Common Stock.

(2) Mr. Fitzgerald may be deemed to own beneficially the 239,882 shares of the Class A Common Stock owned of record by him, the 3,319,308 shares of the Class A Common Stock owned of record by CP Acquisition and the 527,689 shares of the Class A Common Stock and the 128 shares of the Common Stock owned of record by FGS. Mr. Fitzgerald has shared authority to vote and dispose of the FGS-owned shares of the Class A Common Stock and the Common Stock and disclaims beneficial ownership of such FGS-owned shares for all other purposes. Mr. Gebauer is also a stockholder, officer and director of FGS and an officer of CP Inc., but he disclaims beneficial ownership of shares of the Class A Common Stock and the Common Stock owned of record by such corporations for any purpose. The ownership noted above excludes the 82,453 shares of the Class A Common Stock owned by the Fitzgerald Trust (of which Mr. Fitzgerald's brother is sole trustee and Mr. Fitzgerald's minor children are sole beneficiaries), as to which beneficial ownership is disclaimed for all purposes.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

EXCHANGE AGREEMENT; EXCHANGE OF CLASS A PREFERRED SHARES FOR CLASS A COMMON STOCK. In late 1997, CP Inc., on behalf of the holders of all the outstanding shares of the Class A Preferred Stock, proposed that the Company consider an exchange of all of the outstanding shares of the Class A Preferred Stock, and all accrued dividends thereon, for shares of the Class A Common Stock, at an exchange price per share equal to $4.00 (the "Exchange"). In light of the affiliations of Mr. Fitzgerald and Mr. Gebauer to CP Inc., as described earlier in this Form 10-K, the Company's Board of Directors established a Special Committee composed of Messrs. Bozarth and Gochberg to review, analyze and negotiate the proposed Exchange or other possible transaction. After reviewing and considering information about the Class A Preferred Stock and the accrued dividends thereon, including the historical trading prices of the Class A Common Stock, the impact of the Exchange on the Company's financial condition and results of operations, the potential uses of the cash to be saved by the Company as a result of the Exchange and the terms and provisions of the Exchange Agreement (as defined below), including Mr. Fitzgerald's undertaking described in the next paragraph, the Special Committee approved the Exchange on January 5, 1998.

The Exchange was effective as of December 31, 1997 (the "Exchange Date") pursuant to an Exchange Agreement among the Company, each holder of Class A Preferred Stock and Mr. Fitzgerald (the "Exchange Agreement"). As of the Exchange Date, 30,000 shares of Class A Preferred Stock were outstanding and such shares had an aggregate liquidation preference of $3,000,000, exclusive of accrued dividends thereon of $1,987,500. Accordingly, in accordance with the Exchange Agreement, such shares of Class A Preferred Stock were exchanged for 1,246,875 shares of Class A Common Stock. The Exchange Agreement also includes an undertaking from Mr. Fitzgerald to the effect that neither he nor any entity controlled by him, during the five-year period following the Exchange Date, will propose or effect any Rule 13e-3 transaction ("going private" transaction) within the meaning of Rule 13e-3 under the Securities Exchange Act of 1934, as amended. In addition, pursuant to agreements made in the Exchange Agreement, in 1998 the Company amended its Restated Certificate of Incorporation to delete Article Twelfth (which contains certain anti-takeover provisions, including higher voting requirements for certain business combinations) therefrom.

ADVISORY SERVICES AGREEMENT; ACQUISITION CRITERIA AND PROCEDURES

On April 27, 1990, effective as of January 26, 1990, the Company entered into the Advisory Agreement with CP Inc., an entity controlled by Mr. Fitzgerald and for which Mr. Gebauer serves as an officer. Pursuant to the Advisory Agreement, CP Inc. provides certain advisory services in the areas of investments, general administration, corporate development, strategic planning, stockholder relations, financial matters and general business policy. The annual fee for such services pursuant to the Advisory Agreement was $150,000 (due in quarterly installments in advance) plus certain out-of-pocket costs (which do not include rent and utilities of CP Inc. and compensation of CP Inc. employees) prior to the acquisition

of the assets of Possible Dreams, Ltd. and Columbia National Corporation. In connection with such acquisition, the Advisory Agreement was amended to increase the annual fee to $325,000. In addition, upon the acquisition of Pumpkin Ltd. d/b/a Pumpkin Masters, Inc., the Advisory Agreement was further amended to increase the fee by an amount equal to the greater of $100,000 and 5% of the annual EBITDA of Pumpkin (calculated as provided in the Asset Purchase Agreement, dated as of June 27, 1997, effecting such purchase). Such fee is subject to appropriate adjustment should the scope of operations of the Company

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change again, whether from an acquisition or otherwise. In this regard, CP Inc. would likely be paid an annual fee for ongoing advisory services following an acquisition of no more than 4% to 5% of the acquired company's annual operating profit. Pursuant to the Advisory Agreement and otherwise, no compensation is paid to the current Chairman of the Board (Mr. Fitzgerald), President and Secretary (Mr. Gebauer) and Assistant Secretary (Joan E. Wolff) in their respective capacities as such. During fiscal 1998, CP Inc. was paid $425,000 in fees and reimbursed for expenses incurred by it of approximately $19,700. In addition, in 1998 the Company paid approximately $84,500 in expenses, and reimbursed approximately $17,600 of expenses incurred by CP Inc. on behalf of the Company in connection with prospective acquisitions.

The initial term of the Advisory Agreement was for one year commencing on January 26, 1990; thereafter, the agreement will be automatically extended for additional one-year periods unless either party gives 30 days' written notice to the other of its intention to terminate. The Advisory Agreement was automatically renewed for a one-year period commencing January 26, 1999.

The Advisory Agreement confirms that, from time to time, CP Inc. may present acquisition opportunities to the Company that it believes may be appropriate for the Company, but that CP Inc. is under no obligation to present any or all acquisition candidates of which it is aware to the Company except for insurance agency businesses. If the Company or any of its subsidiaries completes any acquisition which was presented by CP Inc., the Company is obligated to pay CP Inc. an investment banking fee at the usual and customary rate for transactions of such size and complexity. This fee is likely to be in the range of 1% to 1 1/2% of the aggregate purchase price for the acquisition.

While enterprises proposed for acquisition may be in any line of business, to date the acquisitions in which CP Inc. and its affiliates have participated have been primarily in the manufacturing, distribution and service fields. Consistent with the investment strategies and principles utilized by CP Inc., the Company currently intends in general to focus upon, as potential targets, established companies of medium size with histories of earnings and cash flow stability, favorable earnings growth prospects, good management and strong competitive positions. It is currently the Company's plan that acquisitions will be undertaken directly or by one or more subsidiaries of the Company, with financing achieved through equity contributed by the Company and debt and subordinated debt raised at the subsidiary or parent level. It may be necessary to issue preferred stock, common equity or warrants or options to purchase common equity of the Company or of the acquired entity to one or more lenders in order to obtain the financing. In some instances, it may be possible to obtain financing from the sellers of the acquired entity in the form of subordinated notes or earn-outs. Such sellers may also receive shares of common equity or warrants or options to purchase the same of the Company or the acquired entity. Typically, certain members of management of the acquired entity will be granted incentives (usually equity-based) to remain with the acquired entity following the acquisition. The companies targeted usually will have annual operating profits of $3,000,000 to $10,000,000. Consequently, purchase prices should range from approximately $10,000,000 to $75,000,000. Under such acquisition strategy, significant uncertainties involving product life cycles, volatile market demand, organization changes and other major turnaround aspects will generally disqualify a prospect. The acquisition criteria set forth above are only guidelines and may change from time to time in response to market conditions, the Company's financial condition and results of operations and other factors.

In connection with its acquisition activities on behalf of the Company, other portfolio companies and for its own account, CP Inc. maintains ongoing relationships with hundreds of merger and acquisition intermediary firms, ranging from large investment banks and accounting firms to small business brokerages. In a typical year, CP Inc. receives over 500 leads on companies which are or might be for sale. Of these,

perhaps 50 are sufficiently close to the Company's acquisition criteria set forth above to merit further consideration.

CP Inc. may decide at some future date to present one of its portfolio companies to the Company for possible acquisition. Any such acquisition would be submitted to the Company's independent directors for their approval.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) (1) and (2) Financial Statements and Financial Statement Schedules
See "Index to Financial Statements and Schedules" set forth in Item 8 on page 11 of this Form 10-K.

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(a) (3) Exhibits Required To Be Filed By Item 601 of Regulation S-K
The documents required to be filed as exhibits to this Form 10-K are listed below. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 14(c) of Form 10-K is marked with an asterisk.

<TABLE>
<CAPTION>

EXHIBIT NO.		DESCRIPTION OF DOCUMENT
<C>		<S>
3.1	--	Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 2 to the Registrant's Form 8-K Current Report dated June 22, 1990), and amendment thereto (incorporated by reference to Exhibit 1 to the Registrant's Form 8-K Current Report dated February 23, 1994).
3.1A	--	Certificate of Amendment dated March 27, 1996 to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1A to the Registrant's Form 10-K Annual Report for the fiscal year ended September 30, 1996).
3.1B	--	Certificate of Amendment dated March 27, 1996 to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1B to the Registrant's Form 10-K Annual Report for the fiscal year ended September 30, 1996).
3.2	--	By-laws of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Form 8-K Current Report dated June 22, 1990).
4.2	--	Reference is made to Exhibit 3.1.
*10.1	--	Security Capital Corporation 1982 Incentive Stock Option Plan, as amended through December 10, 1990 (incorporated by reference to Exhibit (10)(A) to the Registrant's Form 10-K Annual Report for the fiscal year ended September 30, 1990).
10.4	--	Stock Purchase Agreement between Security Capital Corporation and FGS, Inc. dated January 26, 1990, as amended May 14, 1990 (incorporated by reference to Exhibit(c) to the Registrant's Form 8-K Current Report dated January 26, 1990 and Exhibit 10.7 to the Registrant's Registration Statement on Form S-4 (Reg. 33-34324) as filed on May 17, 1990).
10.5	--	Agreement Regarding Adjustment of Purchase Price Pursuant to Section 2 of Stock Purchase Agreement between Security Capital Corporation and FGS, Inc., executed September 28, 1990, between and among the Corporation, FGS, Inc., CP Acquisition, L.P. No. 1 and Mr. John A. Bogardus, Jr. (incorporated by reference to Exhibit 1 to the Registrant's Form 8-K Current Report dated September 28, 1990).
10.7	--	Advisory Services Agreement dated as of April 27, 1990 and effective as of January 26, 1990, between Security Capital Corporation and Capital Partners, Inc. (incorporated by reference to Exhibit (10)(B) to the Registrant's Form 10-Q Quarterly Report for the period ended March 31, 1991).
10.19	--	Subscription Agreement dated as of March 28, 1994 between the Registrant and CP Acquisition, L.P. No. 1 ("CP Acquisition") (incorporated by reference to Exhibit 10.19 to the Registrant's Statement on Form S-1 (Reg. No. 33-74680)).
10.20	--	Registration Rights Agreement and Amendment to Stock Purchase Agreement dated as of March 28, 1994 among the Registrant, CP Acquisition and FGS, Inc. (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (Reg. No. 33-74680)).
10.21	--	Undertaking dated March 28, 1994 from Brian D. Fitzgerald to the Registrant (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 (Reg. No. 33-74680)).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NO.		DESCRIPTION OF DOCUMENT
<C>		<S>
10.23		Asset Purchase Agreement dated as of May 17, 1996 by and among Possible Dreams, Ltd., a Massachusetts corporation, Columbia National Corporation, a Massachusetts corporation, Leonard Miller, Richard L. Seegal, as trustee of the Samuel C. Miller Trust u/d/t 8/5/85, Warren Stanley and Arnold Lee and Possible Dreams, Ltd., a Delaware corporation ("Possible Dreams") (incorporated by reference to Exhibit 1 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.24	--	Subordinated Promissory Note dated May 17, 1996 in the amount of $2,128,000 from Possible Dreams to Possible Dreams, Ltd., a Massachusetts corporation (incorporated by reference to Exhibit 2 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.25	--	Corrective Amendment dated November 25, 1996 to Subordinated Promissory Note dated May 17,

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		1996 in the amount of $2,128,000 from Possible Dreams to Possible Dreams, Ltd., a Massachusetts corporation (incorporated by reference to Exhibit 10.25 to the Registrant's Form 10-K Annual Report for the fiscal year ended September 30, 1996).
10.26	--	Subordinated Promissory Note dated May 17, 1996 in the amount of $332,000 from Possible Dreams to Columbia National Corporation (incorporated by reference to Exhibit 3 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.27	--	Corrective Amendment dated November 25, 1996 to Subordinated Promissory Note dated May 17, 1996 in the amount of $332,000 from Possible Dreams to Columbia National Corporation (incorporated by reference to Exhibit 10.27 to the Registrant's Form 10-K Annual Report for the fiscal year ended September 30, 1996).
10.28	--	Credit Agreement dated as of May 17, 1996 among Possible Dreams, P.D. Holdings, Inc., a Delaware corporation ("Holdings"), the Lenders referred to therein and NationsCredit Commercial Corporation ("NationsCredit"), as Agent (incorporated by reference to Exhibit 4 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.29	--	Warrant dated May 17, 1996 from Possible Dreams to NationsCredit (incorporated by reference to Exhibit 5 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.30	--	Warrantholders Rights Agreement dated as of May 17, 1996 among Possible Dreams, Holdings, Security Capital Corporation ("Security Capital"), Warren Stanley and Arnold Lee and NationsCredit (incorporated by reference to Exhibit 6 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.31	--	Security Capital Pledge and Guarantee Agreement dated as of May 17, 1996 between Security Capital and NationsCredit, as Agent (incorporated by reference to Exhibit 7 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.32	--	Holdings Pledge Agreement dated as of May 17, 1996 among Holdings and NationsCredit, as Agent (incorporated by reference to Exhibit 8 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.33	--	Investors Subordination Agreement dated as of May 17, 1996 among Possible Dreams, the Subordinated Obligations Holders (as defined therein) and NationsCredit, as Agent (incorporated by reference to Exhibit 9 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.34	--	Sellers Subordination Agreement dated as of May 17, 1996 among Possible Dreams, the Subordinated Obligations Holders (as defined therein) and NationsCredit, as Agent (incorporated by reference to Exhibit 10 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.35	--	Stockholders' Agreement dated as of May 17, 1996 among Holdings, Arnold Lee, Warren Stanley and Security Capital (incorporated by reference to Exhibit 11 to the Registrant's Form 8-K Current Report dated May 17, 1996).
*10.36	--	Employment, Consulting and Non-Competition Agreement dated May 17, 1996 by and between Possible Dreams and Warren Stanley (incorporated by reference to Exhibit 12 to the Registrant's Form 8-K Current Report dated May 17, 1996).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NO.		DESCRIPTION OF DOCUMENT
<C>		<S>
*10.37	--	Employment, Consulting and Non-Competition Agreement dated May 17, 1996 by and between Possible Dreams and Arnold Lee (incorporated by reference to Exhibit 13 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.38	--	First Amendment to Advisory Services Agreement dated as of May 17, 1996 by and between Security Capital and Capital Partners, Inc. (incorporated by reference to Exhibit 14 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.39	--	Consolidated Income Tax Sharing Agreement dated as of May 17, 1996 among Possible Dreams, Holdings and Security Capital (incorporated by reference to Exhibit 15 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.40	--	Asset Purchase Agreement dated as of June 27, 1997 by and among Pumpkin, Ltd. d/b/a Pumpkin Masters, Inc., a Colorado corporation (the "Seller"), Pumpkin Ltd., a Delaware corporation ("Pumpkin"), Pumpkin Masters Holdings, Inc., a Delaware corporation ("Pumpkin Holdings"), and the Registrant (incorporated by reference to Exhibit 1(c)(1) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.41	--	Credit Agreement dated as of June 27, 1997 among Pumpkin, Pumpkin Holdings, the Lenders referred to therein and NationsCredit Commercial Corporation ("NationsCredit"), as Agent (incorporated by reference to Exhibit 1(c)(2) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.42	--	Warrant dated June 27, 1997 from Pumpkin to NationsCredit (incorporated by reference to Exhibit 1(c)(3) to the Registrant's Form 8-K Current Report dated June 27, 1997).

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10.43	--	Warrantholders Rights Agreement dated as of June 27, 1997 among Pumpkin, Pumpkin Holdings, the Registrant, Seller and NationsCredit (incorporated by reference to Exhibit 1(c)(4) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.44	--	Company Security Agreement dated as of June 27, 1997 between Pumpkin and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(5) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.45	--	Pumpkin Holdings Pledge Agreement dated as of June 27, 1997 between Pumpkin Holdings and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(6) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.46	--	Security Capital Pledge and Guarantee Agreement dated as of June 27, 1997 between the Registrant and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(7) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.47	--	Security Capital Subordination Agreement dated as of June 27, 1997 among Pumpkin, the Subordinated Obligations Holders (as defined therein) and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(8) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.48	--	Investors Subordination Agreement dated as of June 27, 1997 among Pumpkin, the Subordinated Obligations Holders (as defined therein) and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(9) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.49	--	Seller Subordination Agreement dated as of June 27, 1997 among Pumpkin, Pumpkin Holdings, the Subordinated Obligations Holders (as defined therein) and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(10) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.50	--	Stockholders' Agreement dated as of June 27, 1997 among Pumpkin, Pumpkin Holdings and Gay Burke (incorporated by reference to Exhibit 1(c)(11) to the Registrant's Form 8-K Current Report dated June 27, 1997).
*10.51	--	Employment Agreement dated June 27, 1997 by and between Pumpkin and John Bardeen (incorporated by reference to Exhibit 1(c)(12) to the Registrant's Form 8-K Current Report dated June 27, 1997).
*10.52	--	Employment Agreement dated June 27, 1997 by and between Pumpkin and Kea Bardeen (incorporated by reference to Exhibit 1(c)(13) to the Registrant's Form 8-K Current Report dated June 27, 1997).

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EXHIBIT NO.		DESCRIPTION OF DOCUMENT
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*10.53	--	Employment Agreement dated June 27, 1997 by and between Pumpkin and Gay Burke (incorporated by reference to Exhibit 1(c)(14) to the Registrant's Form 8-K Current Report dated June 27, 1997).
*10.54	--	Stock Option Agreement dated June 27, 1997 by and between Pumpkin and Gay Burke (incorporated by reference to Exhibit 1(c)(15) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.55	--	Advisory Services Agreement dated June 27, 1997, by and between Pumpkin and the Registrant (incorporated by reference to Exhibit 1(c)(16) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.56	--	Second Amendment to Advisory Services Agreement dated June 27, 1997 by and between the Registrant and Capital Partners, Inc. (incorporated by reference to Exhibit 1(c)(17) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.57	--	Joinder Agreement dated June 27, 1997 among Pumpkin, Pumpkin Holdings and the Registrant to Consolidated Income Tax Sharing Agreement dated as of May 17, 1996 among Possible Dreams, Holdings and the Registrant (incorporated by reference to Exhibit 1(c)(18) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.58	--	Purchase Agreement dated as of July 3, 1997 by and among FIM, FIS, BMD&B, Inc., a Texas corporation, formerly known as BMD&B, Inc., Larry M. Karren and Edward G. Britt, Jr. (incorporated by reference to Exhibit 4 to the Registrant's Form 8-K Current Report dated July 17, 1997).
10.59	--	Modification Agreement dated as of July 3, 1997 by and among FIM, FIS, BMD, and BMD&B, Inc. and BMD&B, Inc. (incorporated by reference to Exhibit 5 to the Registrant's Form 8-K Current Report dated July 17, 1997).
10.60	--	Exchange Agreement among the Registrant, each holder of Class A Preferred Stock and Brian D. Fitzgerald.
21	--	Subsidiaries of the Registrant.

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23	--	Consent of Deloitte & Touche LLP.
27	--	Financial Data Schedule.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED THERETO DULY AUTHORIZED.

SECURITY CAPITAL CORPORATION

By /s/ A. GEORGE GEBAUER
A. GEORGE GEBAUER
PRESIDENT

Date: March 26, 1999

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATE INDICATED.

SIGNATURE	POSITION	DATE
/s/ A. GEORGE GEBAUER A. GEORGE GEBAUER	President, Secretary and Director (Principal Executive Officer)	March 26, 1999
/s/ LARRY M. KARREN LARRY M. KARREN	Vice President (Principal Financial and Accounting Officer)	March 26, 1999
/s/ BRIAN D. FITZGERALD BRIAN D. FITZGERALD	Chairman of the Board	March 26, 1999
/s/ WILLIAM T. BOZARTH WILLIAM T. BOZARTH	Director	March 26, 1999
/s/ THOMAS J. GOCHBERG THOMAS J. GOCHBERG	Director	March 26, 1999

EXHIBIT INDEX

EXHIBIT NO.		DESCRIPTION OF DOCUMENT
3.1	--	Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 2 to the Registrant's Form 8-K Current Report dated June 22, 1990), and amendment thereto (incorporated by reference to Exhibit 1 to the Registrant's Form 8-K Current Report dated February 23, 1994).
3.1A	--	Certificate of Amendment dated March 27, 1996 to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1A to the Registrant's Form 10-K Annual Report for the fiscal year ended September 30, 1996).
3.1B	--	Certificate of Amendment dated March 27, 1996 to Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1B to the Registrant's Form 10-K Annual Report for the fiscal year ended September 30, 1996).
3.2	--	By-laws of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Form 8-K Current Report dated June 22, 1990).
4.2	--	Reference is made to Exhibit 3.1.
*10.1	--	Security Capital Corporation 1982 Incentive Stock Option Plan, as amended through December 10, 1990 (incorporated by reference to Exhibit (10)(A) to the Registrant's Form 10-K Annual Report for the fiscal year ended September 30, 1990).
10.4	--	Stock Purchase Agreement between Security Capital Corporation and FGS, Inc. dated January 26, 1990, as amended May 14, 1990 (incorporated by reference to Exhibit(c) to the Registrant's Form 8-K Current Report dated January 26, 1990 and Exhibit 10.7 to the Registrant's Registration Statement on Form S-4 (Reg. 33-34324) as filed on May 17, 1990).
10.5	--	Agreement Regarding Adjustment of Purchase Price Pursuant to Section 2 of Stock Purchase Agreement between Security Capital Corporation and FGS, Inc., executed September 28, 1990, between and among the Corporation, FGS, Inc., CP Acquisition, L.P. No. 1 and Mr. John A.

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		Bogardus, Jr. (incorporated by reference to Exhibit 1 to the Registrant's Form 8-K Current Report dated September 28, 1990).
10.7	--	Advisory Services Agreement dated as of April 27, 1990 and effective as of January 26, 1990, between Security Capital Corporation and Capital Partners, Inc. (incorporated by reference to Exhibit (10)(B) to the Registrant's Form 10-Q Quarterly Report for the period ended March 31, 1991).
10.19	--	Subscription Agreement dated as of March 28, 1994 between the Registrant and CP Acquisition, L.P. No. 1 ("CP Acquisition") (incorporated by reference to Exhibit 10.19 to the Registrant's Statement on Form S-1 (Reg. No. 33-74680)).
10.20	--	Registration Rights Agreement and Amendment to Stock Purchase Agreement dated as of March 28, 1994 among the Registrant, CP Acquisition and FGS, Inc. (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (Reg. No. 33-74680)).
10.21	--	Undertaking dated March 28, 1994 from Brian D. Fitzgerald to the Registrant (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 (Reg. No. 33-74680)).
10.23		Asset Purchase Agreement dated as of May 17, 1996 by and among Possible Dreams, Ltd., a Massachusetts corporation, Columbia National Corporation, a Massachusetts corporation, Leonard Miller, Richard L. Seegal, as trustee of the Samuel C. Miller Trust u/d/t 8/5/85, Warren Stanley and Arnold Lee and Possible Dreams, Ltd., a Delaware corporation ("Possible Dreams") (incorporated by reference to Exhibit 1 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.24	--	Subordinated Promissory Note dated May 17, 1996 in the amount of $2,128,000 from Possible Dreams to Possible Dreams, Ltd., a Massachusetts corporation (incorporated by reference to Exhibit 2 to the Registrant's Form 8-K Current Report dated May 17, 1996).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NO.		DESCRIPTION OF DOCUMENT
<C>		<S>
10.25	--	Corrective Amendment dated November 25, 1996 to Subordinated Promissory Note dated May 17, 1996 in the amount of $2,128,000 from Possible Dreams to Possible Dreams, Ltd., a Massachusetts corporation (incorporated by reference to Exhibit 10.25 to the Registrant's Form 10-K Annual Report for the fiscal year ended September 30, 1996).
10.26	--	Subordinated Promissory Note dated May 17, 1996 in the amount of $332,000 from Possible Dreams to Columbia National Corporation (incorporated by reference to Exhibit 3 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.27	--	Corrective Amendment dated November 25, 1996 to Subordinated Promissory Note dated May 17, 1996 in the amount of $332,000 from Possible Dreams to Columbia National Corporation (incorporated by reference to Exhibit 10.27 to the Registrant's Form 10-K Annual Report for the fiscal year ended September 30, 1996).
10.28	--	Credit Agreement dated as of May 17, 1996 among Possible Dreams, P.D. Holdings, Inc., a Delaware corporation ("Holdings"), the Lenders referred to therein and NationsCredit Commercial Corporation ("NationsCredit"), as Agent (incorporated by reference to Exhibit 4 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.29	--	Warrant dated May 17, 1996 from Possible Dreams to NationsCredit (incorporated by reference to Exhibit 5 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.30	--	Warrantholders Rights Agreement dated as of May 17, 1996 among Possible Dreams, Holdings, Security Capital Corporation ("Security Capital"), Warren Stanley and Arnold Lee and NationsCredit (incorporated by reference to Exhibit 6 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.31	--	Security Capital Pledge and Guarantee Agreement dated as of May 17, 1996 between Security Capital and NationsCredit, as Agent (incorporated by reference to Exhibit 7 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.32	--	Holdings Pledge Agreement dated as of May 17, 1996 among Holdings and NationsCredit, as Agent (incorporated by reference to Exhibit 8 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.33	--	Investors Subordination Agreement dated as of May 17, 1996 among Possible Dreams, the Subordinated Obligations Holders (as defined therein) and NationsCredit, as Agent (incorporated by reference to Exhibit 9 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.34	--	Sellers Subordination Agreement dated as of May 17, 1996 among Possible Dreams, the Subordinated Obligations Holders (as defined therein) and NationsCredit, as Agent (incorporated by reference to Exhibit 10 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.35	--	Stockholders' Agreement dated as of May 17, 1996 among Holdings, Arnold Lee, Warren

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		Stanley and Security Capital (incorporated by reference to Exhibit 11 to the Registrant's Form 8-K Current Report dated May 17, 1996).
*10.36	--	Employment, Consulting and Non-Competition Agreement dated May 17, 1996 by and between Possible Dreams and Warren Stanley (incorporated by reference to Exhibit 12 to the Registrant's Form 8-K Current Report dated May 17, 1996).
*10.37	--	Employment, Consulting and Non-Competition Agreement dated May 17, 1996 by and between Possible Dreams and Arnold Lee (incorporated by reference to Exhibit 13 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.38	--	First Amendment to Advisory Services Agreement dated as of May 17, 1996 by and between Security Capital and Capital Partners, Inc. (incorporated by reference to Exhibit 14 to the Registrant's Form 8-K Current Report dated May 17, 1996).
10.39	--	Consolidated Income Tax Sharing Agreement dated as of May 17, 1996 among Possible Dreams, Holdings and Security Capital (incorporated by reference to Exhibit 15 to the Registrant's Form 8-K Current Report dated May 17, 1996).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NO.		DESCRIPTION OF DOCUMENT
<C>		<S>
10.40	--	Asset Purchase Agreement dated as of June 27, 1997 by and among Pumpkin, Ltd. d/b/a Pumpkin Masters, Inc., a Colorado corporation (the "Seller"), Pumpkin Ltd., a Delaware corporation ("Pumpkin"), Pumpkin Masters Holdings, Inc., a Delaware corporation ("Pumpkin Holdings"), and the Registrant (incorporated by reference to Exhibit 1(c)(1) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.41	--	Credit Agreement dated as of June 27, 1997 among Pumpkin, Pumpkin Holdings, the Lenders referred to therein and NationsCredit Commercial Corporation ("NationsCredit"), as Agent (incorporated by reference to Exhibit 1(c)(2) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.42	--	Warrant dated June 27, 1997 from Pumpkin to NationsCredit (incorporated by reference to Exhibit 1(c)(3) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.43	--	Warrantholders Rights Agreement dated as of June 27, 1997 among Pumpkin, Pumpkin Holdings, the Registrant, Seller and NationsCredit (incorporated by reference to Exhibit 1(c)(4) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.44	--	Company Security Agreement dated as of June 27, 1997 between Pumpkin and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(5) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.45	--	Pumpkin Holdings Pledge Agreement dated as of June 27, 1997 between Pumpkin Holdings and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(6) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.46	--	Security Capital Pledge and Guarantee Agreement dated as of June 27, 1997 between the Registrant and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(7) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.47	--	Security Capital Subordination Agreement dated as of June 27, 1997 among Pumpkin, the Subordinated Obligations Holders (as defined therein) and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(8) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.48	--	Investors Subordination Agreement dated as of June 27, 1997 among Pumpkin, the Subordinated Obligations Holders (as defined therein) and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(9) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.49	--	Seller Subordination Agreement dated as of June 27, 1997 among Pumpkin, Pumpkin Holdings, the Subordinated Obligations Holders (as defined therein) and NationsCredit, as Agent (incorporated by reference to Exhibit 1(c)(10) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.50	--	Stockholders' Agreement dated as of June 27, 1997 among Pumpkin, Pumpkin Holdings and Gay Burke (incorporated by reference to Exhibit 1(c)(11) to the Registrant's Form 8-K Current Report dated June 27, 1997).
*10.51	--	Employment Agreement dated June 27, 1997 by and between Pumpkin and John Bardeen (incorporated by reference to Exhibit 1(c)(12) to the Registrant's Form 8-K Current Report dated June 27, 1997).
*10.52	--	Employment Agreement dated June 27, 1997 by and between Pumpkin and Kea Bardeen (incorporated by reference to Exhibit 1(c)(13) to the Registrant's Form 8-K Current Report dated June 27, 1997).
*10.53	--	Employment Agreement dated June 27, 1997 by and between Pumpkin and Gay Burke

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		(incorporated by reference to Exhibit 1(c)(14) to the Registrant's Form 8-K Current Report dated June 27, 1997).
*10.54	--	Stock Option Agreement dated June 27, 1997 by and between Pumpkin and Gay Burke (incorporated by reference to Exhibit 1(c)(15) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.55	--	Advisory Services Agreement dated June 27, 1997, by and between Pumpkin and the Registrant (incorporated by reference to Exhibit 1(c)(16) to the Registrant's Form 8-K Current Report dated June 27, 1997).

</TABLE>

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EXHIBIT NO.		DESCRIPTION OF DOCUMENT
<C>		<S>
10.56	--	Second Amendment to Advisory Services Agreement dated June 27, 1997 by and between the Registrant and Capital Partners, Inc. (incorporated by reference to Exhibit 1(c)(17) to the Registrant's Form 8-K Current Report dated June 27, 1997).
10.57	--	Joinder Agreement dated June 27, 1997 among Pumpkin, Pumpkin Holdings and the Registrant to Consolidated Income Tax Sharing Agreement dated as of May 17, 1996 among Possible Dreams, Holdings and the Registrant (incorporated by reference to Exhibit 1(c)(18) to the Registrant's Form 8-K Current Report dated June 27, 1997).
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10.60	--	Exchange Agreement among the Registrant, each holder of Class A Preferred Stock and Brian D. Fitzgerald.
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EXHIBIT 21

SUBSIDIARIES OF SECURITY CAPITAL CORPORATION

NAME	JURISDICTION OF INCORPORATION
Security Capital Insurance Group, Inc.	Delaware
Possible Dreams, Ltd.	Delaware
P.D. Holdings, Inc.	Delaware
Pumpkin Masters Holdings, Inc.	Delaware
Pumpkin, Ltd.	Delaware

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EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Security Capital Corporation:

We consent to the incorporation by reference in Post-Effective Amendment No. 2 to Registration Statement No. 2-91703 (which is also Post-Effective Amendment No. 3 to Registration Statement No. 2-82443) of Security Capital Corporation on Form S-8 of our report dated March 12, 1999 appearing in the Annual Report on Form 10-K of Security Capital Corporation for the year ended December 31, 1998.

DELOITTE & TOUCHE LLP

Houston, Texas
March 24, 1999

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THE FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM SECURITY CAPITAL CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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