FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

DALLAS GOLD & SILVER EXCHANGE INC /NV/
CIK:**701719**| IRS No.: **880097334** | State of Incorp.:**NV** | Fiscal Year End: **1231**
Type: **10KSB** | Act: **34** | File No.: **001-11048** | Film No.: **99573884**
SIC: **5944** Jewelry stores

Mailing Address
2817 FOREST LN
DALLAS TX 75234

Business Address
2817 FOREST L
STE 202
DALLAS TX 75234
2144843662

U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-KSB

(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 under Section 13 or 15 (d) of the Securities Exchange Act of 1934 (No Fee Required)
For the transition period from to

Commission file number 1-11048

Dallas Gold and Silver Exchange, Inc.
(formerly The American Pacific Mint, Inc.)
(Name of small business issuer)

NEVADA	88-0097334
(State or other jurisdiction incorporation or organization)	(I.R.S. Employer Identification Number)
2817 Forest Lane, Dallas, Texas	75234
(Address of Principal Executive Offices)	(Zip Code)

Issuer's telephone number, including area code (972) 484-3662
Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK $ .01 par value	AMERICAN STOCK EXCHANGE EMERGING COMPANIES

Securities registered pursuant to Section 12 (g) of the Exchange Act:

NONE
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes X No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. [X]

During fiscal year ended December 31, 1998, total revenues were $ 16,472,917.

As of March 11, 1999, the aggregate market value of the voting stock held by non-affiliates of the registrant was $ 5,382,102.

As of March 11, 1999, 4,194,912 shares of Common Stock were outstanding.

Documents incorporated by reference: Portions of the proxy statement for the annual shareholders' meeting to be held June 7, 1999, are incorporated by reference into Part III.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Dallas Gold and Silver Exchange, Inc. (the "Company") (formerly The American Pacific Mint, Inc.) was incorporated in Nevada in September 1965.

Through its wholly-owned subsidiary, DGSE Corporation, the Company sells jewelry and bullion products to both retail and wholesale customers throughout the United States and makes collateralized loans to individuals. During the last three years the Company has focused its efforts toward expanding its retail jewelry operations. Management expects this trend to continue until such time that interest in precious metals results in significantly higher gross profit margins on bullion related products. The Company's products are marketed through its facility in Dallas, Texas and through its internet web site dgse.com.

During 1993 the Company founded DLS Financial Services, Inc. ("DLS") as a wholly-owned subsidiary corporation which provides consulting services involving the reorganization of other business enterprises (primarily enterprises that are or have been involved in proceedings under Chapter 11 of the United States Bankruptcy Code). The Company offers these services through its facility in Dallas, Texas.

During 1992 the Company founded Dallas Global Travel, Inc.("DGT") as a wholly-owned subsidiary corporation which provided travel planning and related services to both business and pleasure travelers. Since its inception, DGT has operated at a small loss. As a result, during October 1997 the Company discontinued the operations of DGT. During 1998 the Company changed the name of Dallas Global Travel to International Jewelry Exchange, Inc.

During 1995 the Company developed a World Wide Web Site on the Internet called the Computer Jewelry Exchange. Customers can buy and sell items of jewelry and are free to set their own prices in an interactive market. For its services the Company receives a fee from the seller. In addition, the Company may offer for sale its own inventory. During 1996 the Company also offered customers current quotations for precious metals prices on the internet. The Company offers these services through its facility in Dallas, Texas.

In January 1997, the Company formed a new wholly-owned subsidiary, eye media, inc. On January 28, 1997, eye media, inc. purchased certain assets owned by National Media Mail, Inc. and hired nine former employees of National Media Mail, Inc. eye media, inc. was an internet/intranet web site development company and sold advertising on its web site, the Gathering. Revenues for eye media did not meet expectations and, as a result, the operations of eye media, inc. were discontinued in May 1997. During 1998, management decided to continue the development of its Internet software through eye media, inc. The Company transferred 20% of the common stock and granted an option to purchase an additional 20% of the

common stock of eye media, inc. to an unrelated third party at fair market value who is developing the Company's internet auction software. In February 1999, eye media, inc. announced the release of Virtual Auctioneer v2.0, an electronic commerce product that allows users to easily build online auction sites. The Company is marketing this software product through eye media, inc. The operations of eye media and the transfer and option on its common stock were not material to the December 31, 1998 financial statements.

In December 1998, the Company acquired the assets including inventory, pawn loans, equipment and pawn license of Belt Line Pawn Shop located in Carrollton, Texas. The Company formed a new wholly-owned subsidiary in February 1999, National Jewelry Exchange, Inc. and transferred these assets to this new subsidiary. The operations of Belt Line Pawn Shop will be continued under National Jewelry Exchange and the Company plans to focus its operations on sales and pawn loans of jewelry products. This transaction and the operations were not material the Company's December 31, 1998 financial statements.

Products and Services

The Company's jewelry operations include sales to both wholesale and retail customers. The Company sells finished jewelry, gem stones, and findings (gold jewelry components) and makes custom jewelry to order. Jewelry inventory is readily available from wholesalers throughout the United States. In addition, the Company purchases inventory from pawn shops and individuals. During the last three years management has focused its efforts toward expanding its retail jewelry business. Additional resources have been invested in advertising and additional staff has been added in jewelry sales and jewelry and watch repair.

The Company's bullion trading operations buy and sell all forms of precious metals products including United States and other government coins, medallions, art bars and trade unit bars.

Bullion products, which are purchased and sold based on current market pricing and sales commitments, are often sold prior to the purchase of the product. The Company protects itself from gains or losses in its inventory position, including purchase and sale commitments, by hedging its net position in the precious metals futures markets when necessary. During the three years ended December 31, 1998, the Company did not engage in any hedging transactions. The availability of precious metal products is a function of price as virtually all bullion items are actively traded. Precious metals sales amounted to 44.3% of total sales for 1998 and 44.4% in 1997. (For further details, see Item 6 below). The Company did not have any customer or supplier that accounted for more than 10% of total sales or purchases during 1998 or 1997.

Products and Services (continued...)

Pawn loans ("loans") are made on the pledge of tangible personal property, primarily jewelry, for one month with an automatic sixty-day extension period ("loan term"). Pawn service charges are recorded on a constant yield basis over the loan term. If the loan is not repaid, the principal amount loaned plus accrued pawn service charges become the carrying value of the forfeited collateral and is transferred to inventory which is recovered through sale. Although revenues from the Company's pawn loans have not been significant, management believes this activity to be a good source of jewelry inventory and provides an excellent return on investment. In December 1998 the Company acquired the assets of Belt Line Pawn Shop located in Carrollton, Texas. The Company will focus these operations on sales and pawn loans of jewelry products.

Through its wholly-owned subsidiary, DLS, the Company provides insolvency advisory services primarily to business enterprises that are or have been involved in proceedings under Chapter 11 of the United States Bankruptcy Code. Services provided by the Company include assistance in developing plans of reorganization, negotiations with creditors and general management advice.

The Company earns a cash fee and or equity participation in the organizations to which it provides services. The Company expects to accept only a limited number of assignments each year which meet the criteria of having significant fee and or substantial growth potential. Where equity participation is involved, as the client enterprises mature, the Company plans to sell its equity interest subject to compliance with state and federal securities law in order to provide non-dilutive resources for the expansion of the Company's other business activities or will distribute the equity or cash from the sale of such equity of client companies to the stockholders of the Company as dividends subject to compliance with state and federal securities law.

During 1998 and 1997, the Company provided consulting advice and participated in four such reorganizations. As a result, the Company received consulting revenues in the amount of $ 466,566 in 1997 and became a stockholder in each of these enterprises. The Company's largest ownership interest in any of these enterprises is approximately 7.5%.

During 1998 and 1997, the Company sold in the open market a portion of these trading securities and realized gains in the amount of $ 118,451 and $ 1,051,742, respectively. In addition, during 1998 and 1997 the Company had unrealized gains on trading securities in the amount of $ 482,071 and $ 211,295, respectively. As of December 31, 1998 the Company's investment in these enterprises totaled $ 3,028,462. These realized and unrealized gains are reflected in the statement of income.

Products and Services (continued...)

During 1992, the Company began offering a full range of business and pleasure travel planning and related services through its wholly-owned subsidiary, DGT. The travel agency was operated in the Company's principal executive office in Dallas, Texas. Since its inception, DGT has operated at a small loss. As a result, in October 1997 the Company discontinued the operations of DGT. During

1999 the Company changed the name of Dallas Global Travel to National Jewelry Exchange.

During 1995 the Company developed a World Wide Web Site on the Internet called The Computer Jewelry Exchange. This web site is a fully integrated live trading market in jewelry items on the internet. Customers can buy and sell items of jewelry and are free to set their own prices in an interactive market. For its services, the Company collects a listing fee and a sales commission from the seller. In addition, the Company may offer for sale its own inventory.

In April 1996 the Company began operating an additional web site. This site allows customers unlimited access to current quotations for prices on approximately 200 precious metals, coins and other bullion related products. The site is integrated with The Computer Jewelry Exchange and is located on the Company's server at http://www.dgse.com.

During 1997 management made a decision to significantly expand our internet activities. With over 1,000,000 page views since inception, it has become apparent that the Internet has become a viable mechanism to sell products and introduce customers from around the world to the business of the Company. Our web site was one of the first to utilize the auction format to sell jewelry and related products. In addition, our introduction of a live real time trading floor in jewelry, diamonds and fine watches has allowed our commercial site to attract wide participation. During 1997, our auction and trading site were expanded to include a high level of automation and during the first quarter of 1998 our internet store began functioning as a CyberCashTM authorized site which allows customers to purchase products automatically, securely and on line. Auctions now close at least five times per week and the trading floor transactions can occur twenty-four hours per day. Internet related sales increased 743 percent from 1997 to 1998 and management believes that this activity will represent nearly 10 percent of consolidated sales in 1999.

In an effort to expand its internet activities, in January 1997 the Company formed a new wholly-owned subsidiary, eye media, inc. On January 28, 1997, eye media, inc. purchased certain assets owned by National Media Mail, Inc. and hired nine former employees of National Media Mail, Inc. The assets purchased include rights, title and interest in a patent pending and a registered service mark for ("The Gathering"), one of the largest college web sites on the internet. eye media, inc. was an internet/intranet web site development company and sells advertising on The Gathering. Revenues for eye media, inc. did not meet expectations and, as a result, the Company discontinued its operations in May 1977.

Products and Services (continued...)

During 1998, management decided to continue the development of its internet software through eye media, inc. The Company transferred 20% of the outstanding common stock and granted an option to purchase an additional 20% of the common stock of eye media, inc. to an unrelated third party at fair market value who is developing the Company's internet auction software. In February 1998, eye media, inc. announced the release of Virtual Auctioneer v2.0, an electronic commerce product that allows users to easily build online auction sites. Virtual Auctioneer is built around an eye media, inc. developed bidding engine, which was created utilizing the Allaire ColdFusiontm development environment. Virtual Auctioneer allows clients unparalleled flexibility, customization and power, placing it in its own market space, by offering a complete, integrated online product. The Company plans to launch several new internet auction sites during 1999.

Sales and Marketing

All Company activities other than DLS rely heavily on local television, print media, the internet, pamphlets, and brochures to attract retail customers. Solicitations of wholesale customers are made through local print media, direct mailings, and direct contact. Marketing activities emphasize what the Company perceives to be the attractiveness of its pricing and its customer service. DLS relies on professional contacts of the Company's Chairman in order to attract new clients.

The Company markets its bullion trading services through a combination of advertising in national coin publications, local print media,coin and bullion wire services and its internet web site. Trades are primarily with coin and bullion dealers on a "cash on confirmation" basis which is prevalent in the industry. Cash on confirmation simply means that once credit is approved the buyer remits funds by mail or wire concurrently with the mailing of the precious metals. Customer orders for bullion trades are customarily delivered within three days of the order or upon clearance of funds depending on the customer's credit standing. Consequently, there was no significant backlog for bullion orders as of December 31, 1998 or 1997. Company backlogs for fabricated jewelry products were also insignificant as of December 31, 1998 and 1997.

Seasonality

The retail jewelry business is seasonal. The Company realized 38.3% of its annual jewelry sales in the fourth quarters of both 1998 and 1997.

While the Company's bullion business is not seasonal, management believes it is directly impacted by the perception of inflation trends. Historically, anticipation of increases in the rate of inflation have resulted in higher levels of interest in precious metals as well as higher prices for such metals. Other Company business activities are not seasonal.

Competition

The Company operates in a highly competitive industry where competition is based on a combination of price, service and product quality. The jewelry and consumer loan activities of the Company compete with numerous other retail jewelers and consumer lenders in Dallas, Texas and the surrounding area.

The bullion industry in which the Company competes is dominated by substantially larger enterprises which wholesale bullion and other precious metal products. Likewise, the consulting industry in which the Company competes is dominated by large investment banking, accounting and consulting firms.

The Company attempts to compete in these industries by offering quality products and services at prices below that of its competitors and by maintaining a staff of highly qualified employees to provide customers services such as watch and jewelry repairs and custom jewelry design.

Management is of the opinion that the Company is a factor in the local jewelry trade. However, its consumer lending, bullion trading and consulting activities are dominated by larger companies.

Employees

As of December 31, 1998, the Company employed 25 individuals, all of which were full time employees.

ITEM 2. DESCRIPTION OF PROPERTY

In December 1987, through its wholly-owned subsidiary DGSE Corporation the Company acquired a 6,000 square foot building in Dallas, Texas which houses retail jewelry, consumer lending and bullion trading operations and its principal executive offices. The land and building are subject to a 20 year mortgage maturing in January 2014, with a balance outstanding of approximately $ 637,923 as of December 31, 1998.

In February 1994, the Company entered into a lease agreement covering a 5,000 square foot building in Dallas, Texas which housed its second retail jewelry store. The lease has a term of ten years beginning July 1, 1994 and requires monthly payments of $ 7,500 for the first five years and $ 9,000 thereafter. In November 1995, the Company closed this store and subleased this facility to another retail jewelry company for a term of six months and receives monthly payments of $ 9,050. In May 1996, this sublease was renewed for the remaining term of the prime lease. In May 1998 the sublessee went out of business. The Company is currently seeking a new tenant for this property.

Eye Media, Inc. rented on a month to month basis a 900 square foot facility in an office complex located in Newport Beach, California for which it paid a monthly rental in the amount of $ 684. This lease was terminated in May 1997.

DESCRIPTION OF PROPERTY (continued...)

In December 1998 the Company leased a 2,400 square foot facility in Carrollton, Texas which houses National Jewelry Exchange. The lease expires on July 31, 2002 and requires monthly lease payments in the amount of $ 1,088.

The Company also maintains a resident agent office in Nevada at the office of its Nevada counsel, McDonald, Carano, Wilson, McClure, Bergin, Frankovitch and Hicks, 241 Ridge Street, Reno, Nevada 89505.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material pending legal proceedings which are expected to have a material adverse effect on the Company and none of its property is the subject of any material pending legal proceedings.

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

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock trades on the American Stock Exchange ("ASE") pursuant to its "Emerging Companies" listing program under the symbol "DLS.EC". The following table sets forth for the period indicated, the per share high and low sale prices as reported by the ASE for the common stock. During the past two years, the Company has not declared any dividends with respect to its common stock. The Company intends to retain all earnings to finance future growth; accordingly, it is not anticipated that cash dividends will be paid to holders of common stock in the foreseeable future.

High and low stock prices for the last two years were:

	1998		1997	
	High	Low	High	Low
First Quarter	3 1/4	2 1/4	1 3/4	7/8
Second Quarter	2 7/8	2 1/4	1 7/8	1 1/8
Third Quarter	3 1/8	2 1/4	2 3/8	1 5/8

Fourth Quarter	3 7/8	1 3/4	2 7/8	1 7/8

On March 11, 1999, the closing sales price for the Company's common stock was $ 2.375 and there were 625 shareholders of record.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

GENERAL

The Company's bullion trading operation has the ability to significantly increase or decrease sales by adjusting the "spread" or gross profit margin added to bullion products. In addition, economic factors such as inflation and interest rates as well as political uncertainty are major factors affecting both bullion sales volume and gross profit margins. Historically, the Company has earned gross profit margins of from 2.0% to 3.0% on its bullion trading operations compared to 29.0% to 32.0% on the sale of jewelry products. As a result, since the year ended December 31, 1991, the Company has emphasized the more profitable jewelry products. Management expects this trend to continue until such time that interest in precious metals results in higher gross margins on bullion products.

In 1993 the Company founded DLS in an effort to generate additional revenue and enhance shareholder value by capitalizing on the experience and professional contacts of the Company's Chairman. DLS provides insolvency advisory services to businesses that are or have been involved in proceedings under Chapter 11 of the United States Bankruptcy Code. During 1998 and 1997 DLS has provided consulting advice and participated in four such reorganizations. As a result, the Company received consulting revenues in the amount of $ 466,566 in 1997 and became a stockholder in each of these enterprises.

Results of Operations

Sales increased by $ 3,390,772 (27.3%) in 1998. This increase was the result of a $ 1,440,954 (22.4%) increase in the sale of bullion related products and a $ 1,949,818 (32.5%) increase in the sale of jewelry products. Management believes that the Company's Internet related activities have had a significant impact on all sectors of its business. In addition, public concerns related to Y2K issues have resulted in an increased demand for bullion products. Consulting service fees in the amount of $ 426,566 during 1997 were due to fees received from three new clients. During 1998 DLS concentrated it efforts on existing clients. The Company sold marketable trading securities during 1998 and 1997 and realized gains of $ 118,451 and $ 1,051,742, respectively. The unrealized gains on trading securities during 1998 and 1997 in the amounts of $ 482,071 and $ 211,295 was the result of an increase in market value of the Company's investment in trading securities. These realized and unrealized gains on trading securities are reflected in the statement of income. Other income in the amount of $ 123,472 during 1997 was the result of $ 108,000 in rental income received from the sublease of the facility which had been the Company's second store and interest income in the amount of $ 15,472 from investments in money market accounts. During 1998 the sublessee went out of business and as a result other income decreased to $ 19,011 which was primarily composed of interest earned from

Results of Operations (continued...)
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investments in money market accounts.

Sales increased by $ 1,135,313 (10.1%) in 1997. This increase was the result of a $ 580,409 increase in the sale of bullion related products and a $ 514,442 increase in the sale of jewelry products. The increase in bullion sales was the result of increased interest in precious metals products by retail clientele. Management believes that the Company's Internet related activities had a significant impact on this sector of its business. The increase in the sale of jewelry related products was the result of a strong retail climate and the Company's Internet related activities. Consulting service fees increased by $ 426,566 during 1997 due to fees received from three new clients. During 1997 the Company sold marketable trading securities in the amount of $ 1,350,141 and realized gains of $ 1,051,742 on these sales. The unrealized gains on trading securities during 1997 in the amount of $ 211,295 was the result of an increase in market value of the Company's investment in trading securities. Other income of $ 123,472 was the result of $ 108,000 in rental income received from the sublease of the facility which had been the Company's second store and interest income in the amount of $ 15,472 from investments in money market accounts.

Cost of goods sold increased by $ 2,721,831 (26.3%) in 1998 and $ 894,107 (9.4%) in 1997 due to the changes in sales volume. Cost attributable to consulting services increased by $ 85,782 in 1998 and $ 33,654 in 1997 due to cost associated with DLS's three new clients.

Selling, general and administrative expenses increased by $ 408,902 in 1998 and $ 58,665 in 1997 due to an increase in payroll and related costs and higher advertising cost.

Interest expense decreased by $ 25,705 in 1998 due the $ 254,684 reduction in interest bearing debt. Interest expense increased by $ 54,693 in 1997 due to interest paid on the $ 875,000 convertible note issued in December 1996.

During 1997 the Company used the remaining balance of its net operating loss carryforwards and, as a result, the Company recorded deferred income taxes of $ 640,700. Of this amount $ 411,500 is reflected as deferred tax expense and $ 229,200 as a reduction of the unrealized gain on available for sale marketable securities.

During 1997 the Company discontinued the operations of Dallas Global Travel, Inc. and Eye Media, Inc. The operating results of these discontinued operations were net losses of $ 95,010 in 1997.

Liquidity and Capital Resources

During 1998 the Company generated $ 502,897 from operating activities. These resources were used to fund investing activities in the amount of $ 374,605 and financing activities in the amount of $ 381,710. As a result, cash and cash equivalents decreased by $ 253,418 during the year.

Management of the Company expects capital expenditures to total approximately $ 95,000 during 1999. It is anticipated that these expenditures will be funded from the Company's current working capital position.

From time to time, management has adjusted the Company's inventory levels to meet seasonal demand or in order to meet working capital requirements. Management is of the opinion that if additional working capital is required, additional loans can be obtained from individuals or from commercial banks. If necessary, inventory levels may be adjusted or a portion of the Company's investments in marketable securities may be liquidated in order to meet unforseen working capital requirements.

This report contains forward-looking statements which reflect the view of Company's management with respect to future events. Although management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from such expectations are a down turn in the current strong retail climate and the potential for fluctuations in precious metals prices. The forward-looking statements contained herein reflect the current views of the Company's management and the Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those contemplated by such forward-looking statements.

The Year 2000 (Y2K) Disclosure

The Company's computerized information system has been tested and has met the requirements of a certification for Year 2000 compliance. The Company does not rely on any third parties who, if are unable to address this issue in a timely manner, could result in a material financial risk to the Company.

ITEM 7. FINANCIAL STATEMENTS

(a) Financial Statements (see pages 16 - 29 of this report).

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The information contained in Dallas Gold and Silver Exchange, Inc.'s Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-KSB with respect to directors and executive officers of the Company, is incorporated by reference in response to this item.

ITEM 10. EXECUTIVE COMPENSATION

The information contained in Dallas Gold and Silver Exchange, Inc.'s Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-KSB, with respect to executive compensation and transactions, is incorporated by reference in response to this item.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the Dallas Gold and Silver Exchange, Inc.'s Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-KSB with respect to security ownership of certain beneficial owners and management, is incorporated by reference in response to this item.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in Dallas Gold and Silver Exchange, Inc.'s Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-KSB, with respect to certain relationships and related transactions, is incorporated by reference in response to this item.

ITEM 13. EXHIBITS REPORTS ON FORM 8-K

(a) Exhibits:

10.1 - Renewal of Shopping Center Lease dated as of August 1, 1997 by and between Beltline Pawn Shop and Belt Line - Denton Road Associates.

21 - List of subsidiaries
DGSE Corporation
International Jewelry Exchange, Inc.
(formerly Dallas Global Travel, Inc.)
DLS Financial Services, Inc.
Eye Media, Inc.
National Jewelry Exchange, Inc.

The following exhibits are incorporated by reference to the Company's Form 10-KSB for the year ended December 31, 1996:

10.1 - Agreement For Purchase And Sale Of Stock dated as of December 30, 1996 by and among Dallas Gold And Silver Exchange, Inc. and Henry Hirschman.

10.2 - First Amendment To Sublease Agreement effective July 3, 1996 by and between Dallas Gold And Silver Exchange, Inc. and Fuller's Jewelry, Inc.

The following exhibits are incorporated by reference to the Company's Form 10-KSB for the year ended December 31, 1995:

10.1 - 9% Convertible Promissory Note dated December 5, 1995, by and among Dallas Gold And Silver Exchange, Inc. and A-Mark Precious Metals, Inc.

The following exhibits are incorporated by reference to the Company's Form 10-KSB for the year ended December 31, 1994:

10.1 - Lease Agreement dated February 11, 1994, by and among Dallas Gold And Silver Exchange, Inc. and Stanley N. Kline.

10.2 - Renewal, Extension And Modification Agreement dated January 28, 1994, by and among DGSE Corporation and Michael E. Hall And Marian E. Hall.

10.3 - Note Payable dated December 31, 1993, by and among Dallas Gold And Silver Exchange, Inc. and Dimitri Krstava.

10.4 - Profit Participation Agreement dated December 11, 1993, by and among Dallas Gold And Silver Exchange, Inc. and Craig Alan-Lee.

(b) Reports on Form 8-K -- None

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dallas Gold and Silver Exchange, Inc.

By: /s/ L. S. Smith Dated: March 26, 1999

L. S. Smith
Chairman of the Board,
Chief Executive Officer and
Secretary

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By: /s/ L. S. Smith Dated: March 26, 1999

L. S. Smith
Chairman of the Board,
Chief Executive Officer and
Secretary

By: /s/ W. H. Oyster Dated: March 26, 1999

W. H. Oyster
Director, President and
Chief Operating Officer

By: /s/ John Benson Dated: March 26, 1999

John Benson
Director and Chief Financial
Officer
(Principal Accounting Officer)

Accountants and
Mamagement Consultants

Grant Thornton [Graphic omitted]
Grant Thornton LLP

The US Member Firm of
Grant Thornton International

Report of Independent Certified Public Accountants

Board of Directors and Shareholders
Dallas Gold and Silver Exchange, Inc.

We have audited the accompanying consolidated balance sheet of Dallas Gold and Silver Exchange, Inc. and Subsidiaries as of December 31, 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period then ended. 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dallas Gold and Silver Exchange, Inc. and Subsidiaries as of December 31, 1998, and the consolidated results of their operations and their cash flows for each of the two years in the period then ended in conformity with generally accepted accounting principles.

/s/ Grant Thornton LLP

GRANT THORNTON LLP

Dallas, Texas
February 20, 1999

<TABLE>

<CAPTION>

Dallas Gold and Silver Exchange, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 1998

ASSETS

<S>	<C>
CURRENT ASSETS	
Cash and cash equivalents	$ 1,004,836
Marketable securities - trading	3,010,462
Trade receivables	166,929
Notes receivable - officers	4,001
Inventories	1,354,686
Prepaid expenses	27,844
Total current assets	5,568,758
MARKETABLE SECURITIES - AVAILABLE FOR SALE	18,000
PROPERTY AND EQUIPMENT - AT COST, NET	1,104,091
OTHER ASSETS	64,220
	$ 6,755,069

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES	
Notes payable	$ 350,713
Accounts payable - trade	457,003
Accrued expenses	231,504
Accrued compensation	364,727
Customer deposits	174,600
Federal income taxes payable	11,658

Current maturities of long-term debt and capital lease obligations	148,072
Deferred income taxes	591,452
Total current liabilities	2,329,729
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current maturities	1,560,602
SHAREHOLDERS' EQUITY	
Common stock, $.01 par value; authorized 10,000,000 shares; issued and outstanding 4,144,912 shares	41,449
Additional paid-in capital	3,341,387
Accumulated other comprehensive income	(4,950)
Accumulated deficit	(513,148)
Total shareholders' equity	2,864,738
	$ 6,755,069

</TABLE>

The accompanying notes are an integral part of this statement.

<TABLE>

<CAPTION>

Dallas Gold and Silver Exchange, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31,

<S>	1998 <C>	1997 <C>
Revenue		
Sales	$ 15,817,775	$ 12,427,003
Consulting income	--	466,566
Pawn service charges	35,609	32,962
Gain on sale of marketable securities - trading	118,451	1,051,742
Unrealized gains on marketable securities - trading	482,071	211,295
Other income	19,011	123,472
	16,472,917	14,313,040
Costs and expenses		
Cost of goods sold	13,088,184	10,366,353
Consulting service costs	246,761	160,979
Selling, general and administrative expenses	2,201,358	1,792,456
Depreciation and amortization	101,156	92,252
Interest expense	204,358	230,063
	15,841,817	12,642,103
Income from continuing operations before income taxes	631,100	1,670,937
Income tax expense	212,967	460,500
Income from continuing operations	418,133	1,210,437
Discontinued operations		
Loss from operations, net of deferred tax benefit of $49,000	--	(95,010)
Net income	$ 418,133	$ 1,115,427

Basic earnings (loss) per common share		
Continuing operations	$.10	$ .27
Discontinued operations	--	(.02)
Earnings per common share	$.10	$ .25
Diluted earnings (loss) per common share		
Continuing operations	$.09	$ .25
Discontinued operations	--	(.02)
Earnings per common share	$.09	$ .23
Weighted average number of common shares		
Basic	4,156,705	4,397,266
Diluted	4,569,188	4,809,644

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>

<CAPTION>

Dallas Gold and Silver Exchange, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Years ended December 31, 1998 and 1997

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income	Total shareholders' equity
	Shares	Amount				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at January 1, 1997	4,618,193	$ 46,182	$ 4,126,451	$(2,046,708)	$ --	$ 2,125,925
Net income	--	--	--	1,115,427	--	1,115,427
Other comprehensive income:						
Unrealized gain on marketable securities, net of tax	--	--	--	--	444,923	444,923
Comprehensive income						1,560,350
Purchase and retirement of common shares	(445,264)	(4,453)	(670,818)	--	--	(675,271)
Balances at December 31, 1997	4,172,929	41,729	3,455,633	(931,281)	444,923	3,011,004
Net income	--	--	--	418,133	--	418,133
Other comprehensive income:						
Unrealized gain on						

marketable securities, net of tax and reclassification adjustment	--	--	--	--	(449,873)	(449,873)
Comprehensive income (loss)						(31,740)
Purchase and retirement of common shares	(53,017)	(530)	(126,496)	--	--	(127,026)
Common stock issued on conversion of debt	25,000	250	12,250	--	--	12,500
Balances at December 31, 1998	4,144,912	$ 41,449	$ 3,341,387	$ (513,148)	$ (4,950)	$ 2,864,738

</TABLE>

The accompanying notes are an integral part of this statement.

<TABLE>

<CAPTION>

Dallas Gold and Silver Exchange, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

<S>	1998 <C>	1997 <C>
Reconciliation of net income to net cash provided by operating activities		
Net income	$ 418,133	$ 1,115,427
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	101,156	92,252
Unrealized gain on marketable securities - trading	(482,071)	(211,295)
Reclassification adjustment for other comprehensive income	449,873	--
Deferred taxes	(46,698)	460,500
Marketable securities received in payment of consulting fees	--	(439,066)
(Increase) decrease in operating assets and liabilities		
Net change in marketable securities - trading	--	298,399
Trade receivables	(32,840)	13,475
Inventories	(320,883)	77,682
Prepaid expenses and other assets	(37,652)	(2,013)
Accounts payable	177,046	(202,971)
Accrued expenses	48,756	52,626
Accrued compensation	155,595	37,055
Customer deposits	60,824	56,006
Income taxes payable	11,658	--
Net cash provided by continuing operating activities	502,897	1,348,077
Net cash provided by (used in) discontinued operating activities	--	(5,036)
Total net cash provided by operating activities	502,897	1,343,041
Cash flows from investing activities		
Cash paid for purchases of marketable securities available-for-sale	(203,148)	(162,111)
Decrease in notes receivable - officers	(78,624)	(82,625)

Capital expenditures	(92,833)	(80,719)
Net cash used in investing activities	(374,605)	(325,455)

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>

<CAPTION>

Dallas Gold and Silver Exchange, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31,

<S>	1998 <C>	1997 <C>
Cash flows from financing activities		
Proceeds from notes issued	$ 100,980	$ 212,713
Payment of short-term notes	(297,995)	(200,497)
Purchase and retirement of common stock	(127,026)	(675,271)
Principal payments on long-term debt	(32,290)	(17,567)
Principal payments under capital lease obligations	(25,379)	(28,296)
Net cash used in financing activities	(381,710)	(708,918)
Net increase in cash and cash equivalents	(253,418)	308,668
Cash and cash equivalents at beginning of year	1,258,254	949,586
Cash and cash equivalents at end of year	$ 1,004,836	$ 1,258,254

</TABLE>

Supplemental schedule of noncash, investing and financing activities:

Interest paid during the year amounted to $211,796

During 1998, debt amounting to $12,500 was converted to common stock

The accompanying notes are an integral part of these statements.

Dallas Gold and Silver Exchange, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1998 and 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Dallas Gold and Silver Exchange, Inc. and its wholly-owned subsidiaries (the Company), sell jewelry and bullion products to both retail and wholesale customers throughout the United States through its facility in Dallas, Texas and provide consulting services related to reorganization of other business enterprises. The operations of the Company's subsidiaries, Dallas Global Travel, Inc. and Eye Media, Inc. are reflected as discontinued operations in the accompanying financial statements.

Principles of Consolidation

The consolidated financial statements of the Company include the financial statements of Dallas Gold and Silver Exchange, DGSE Corporation and DLS Financial Services, Inc.

All material intercompany transactions and balances have been eliminated.

Inventory

Jewelry and other inventory is valued at lower-of-cost-or-market (specific identification). Bullion inventory is valued at lower-of-cost-or-market (average cost).

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are being provided on the straight-line method over periods of five to thirty years. Machinery and equipment under capital lease are amortized on the straight-line method over their useful lives.

Earnings Per Share

Basic earnings per common share is based upon the weighted average number of shares of common stock outstanding. Diluted earnings per share is based upon the weighted average number of common stock outstanding and, when dilutive, common shares issuable for stock options, warrants and convertible securities.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments in Marketable Securities

Marketable equity securities have been categorized as either available-for-sale or trading and carried at fair value. Unrealized gains and losses for available-for-sale securities are included as a component of shareholders' equity net of tax until realized, while unrealized gains and losses for trading securities are included in the statement of income. Realized gains and losses on the sale of securities are based on the specific identification method.

Financial Instruments

The carrying amounts reported in the consolidated balance sheet for cash and cash equivalents, accounts receivable, marketable securities, short-term debt, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported for long-term debt approximates fair value because substantially all of the underlying instruments have variable interest rates which reprice frequently or the interest rates approximate current market rates.

Stock Options

The Company's employee stock option plan is accounted for under APB Opinion 25, "Accounting for Stock Issued to Employees", and related interpretations.

Use of 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 reporting period. Actual results could differ from those estimates.

Comprehensive Income

The Company adopted SFAS No. 130, "Reporting Comprehensive Income," as of January 1, 1998. Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

NOTE B - INVENTORIES

A summary of inventories at December 31, 1998 is as follows:

Jewelry	$1,162,076
Scrap gold	129,160
Bullion	21,034
Other	42,416
	$1,354,686

NOTE C - INVESTMENTS IN MARKETABLE SECURITIES

Marketable securities have been classified in the consolidated balance sheet according to management's intent. The carrying amount of available-for-sale securities and their fair values at December 31, 1998 follows:

Gross Gross

	Cost	unrealized gains	unrealized losses	Fair value
Equity securities	$25,500	$ -	$7,500	$18,000

NOTE D - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 1998 is as follows:

Land	$ 551,300
Buildings and improvements	560,818
Machinery and equipment	674,282
Furniture and fixtures	90,205
	1,876,605
Less accumulated depreciation and amortization	(772,514)
	$1,104,091

<TABLE>

<CAPTION>

Dallas Gold and Silver Exchange, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 1998 and 1997

NOTE E - NOTES PAYABLE, LONG-TERM DEBT AND CAPITAL LEASES

A summary of notes payable and long-term debt and capital leases at December 31, 1998 follows:

Notes payable

<S>	<C>
Various demand notes to individuals with interest rates from 8% to 14%	$ 350,713

Long-term debt and capital leases

Mortgage payable, due in monthly installments of $6,452, including interest based on 30 year US Treasury notes plus 2-1/2% (rate at December 31, 1998 was 7.8%; balance due and payable in January 2014	$ 637,923
Convertible note, due December 1, 2001. Interest is payable quarterly at a rate of 9%	137,500
Convertible note, due December 31, 2001. Interest is payable quarterly at a rate of 8%	875,000
Capital lease obligations (property and equipment includes machinery and equipment of $53,605, net of accumulated amortization of $89,972 at December 31, 1998)	58,251
	1,708,674
Less current maturities	148,072
	$1,560,602

</TABLE>

Convertible Notes

In December 1995, the Company issued a long-term convertible note in the amount of $150,000 to a supplier. The note bore interest at 8% payable quarterly and matured in December 1998. At any time prior to full payment of the note, the lender may exercise its right to convert the outstanding indebtedness into shares of common stock at a conversion rate of $.50 per share. During 1998, $12,500 of the note was converted into common stock at $.50 per share. In addition, the due date was extended to December, 2001 with interest at 9% and the conversion rate was changed to $.75 per share.

In December 1996, the Company issued a long-term convertible note in the amount of $875,000 to an individual. The note bears interest at 8% payable quarterly. The principal matures in installments of $100,000 at December 31, 1999, $100,000 at December 31, 2000, and $675,000 at December 31, 2001. At any time prior to full payment of the note, the holder may convert $100,000 of this note into common stock at a conversion rate of $1.00 per share.

<TABLE>

<CAPTION>

Dallas Gold and Silver Exchange, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 1998 and 1997

NOTE E - NOTES PAYABLE, LONG-TERM DEBT AND CAPITAL LEASES - Continued

The following table summarizes the aggregate maturities of long-term debt and payments on the capital lease obligations:

<S>	Long-term debt <C>	Obligations under capital leases <C>	Total <C>
1999	$ 121,622	$ 32,732	$ 154,354
2000	123,544	29,700	153,244
2001	838,159	2,475	840,634
2002	27,952	-	27,952
2003	30,450	-	30,450
Thereafter	508,696	-	508,696
Total	1,650,423	64,907	1,715,330
Amounts representing interest (interest rates ranging from 10.8% to 23.3%)	-	(6,656)	(6,656)
	1,650,423	58,251	1,708,674
Less current portion	(121,622)	(26,450)	(148,072)
	$1,528,801	$ 31,801	$1,560,602

</TABLE>

<TABLE>

<CAPTION>

Dallas Gold and Silver Exchange, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 1998 and 1997

NOTE F - EARNINGS PER SHARE

A reconciliation of the income and shares of the basic earnings per common share and diluted earnings per common share for the years ended December 31, 1998 and 1997 is as follows:

<S>	1998 Income	1998 Shares	1998 Per-share amount <C>
Basic earnings per common share			
Income from continuing operations	$ 418,133	4,156,705	$ .10
Effect of dilutive securities			
Stock options	--	33,396	
Convertible debt	14,000	379,087	
Diluted earnings per common share			
Income available to common stockholders plus assumed conversions	$ 432,133	4,569,188	$ .09

	1997 Income	1997 Shares	1997 Per-share amount
Basic earnings per common share			
Income from continuing operations allocable to common stockholders	$1,210,437	4,397,266	$ .27
Effect of dilutive securities			
Stock options	--	12,378	
Convertible debt	14,200	400,000	
Diluted earnings per common share			
Income from continuing operations available to common stockholders plus assumed conversions	$1,224,637	4,809,644	$ .25

</TABLE>

Dallas Gold and Silver Exchange, Inc. and Subsidiaries

NOTE G - STOCK OPTIONS

The Company has granted stock options to key employees to purchase shares of the Company's common stock. Each option issued vests according to schedules then designated by the Board of Directors, not to exceed three years. The exercise price is based upon the estimated fair market value of the Company's common stock at the date of grant, and is payable when the option is exercised.

The Company has adopted only the disclosure provisions of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" (FAS 123). It applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for its plans and does not recognize compensation expense for its stock-based compensation.

The following table summarizes the activity in common shares subject to options for the two years ended December 31, 1998:
<TABLE>

<S>	Shares <C>	Range of Exercise Price <C>	Weighted Average Exercise Price <C>
January 1, 1997	380,000	$1.63 - $2.25	$2.12
Forfeited	40,000	2.125 - 2.25	2.19
December 31, 1997	340,000	1.63 - 2.25	2.12
Granted	--	--	--
December 31, 1998	340,000	$1.63 - $2.25	$2.12

</TABLE>

As of December 31, 1998 and 1997, all options were exercisable and expire six months after termination of employment.

<TABLE>

<CAPTION>

NOTE H - OTHER COMPREHENSIVE INCOME

Other comprehensive income at December 31, 1998 and 1997 is as follows:

	Before-Tax	Tax (Expense)	Net-of-Tax

	Amount	or Benefit	Amount
<S>	<C>	<C>	<C>
Unrealized holding gains arising during 1997	$ 674,123	$(229,200)	$ 444,923
Unrealized holding gains arising during 1998	347,137	(118,027)	229,110
Less reclassification adjustment for gains realized in net income	(1,028,760)	349,777	(678,983)
Net unrealized gains	(681,623)	231,750	(449,873)
Other comprehensive income at December 31, 1998	$ (7,500)	$ 2,550	$ (4,950)

NOTE I - INCOME TAXES

The income tax provision reconciled to the tax computed at the statutory Federal rate follows:

	1998	1997
Tax expense at statutory rate	$ 214,540	$ 568,119
Change in valuation allowance	-	(99,266)
Nondeductible expenses and other	(1,573)	(8,353)
Tax expense	$ 212,967	$ 460,500
Current	$ 33,015	$ -
Deferred	179,952	460,500
	$ 212,967	$ 460,500

</TABLE>

NOTE I - INCOME TAXES - Continued

The change in the valuation allowance resulted from use of net operating loss carryforwards.

Deferred income taxes are comprised of the following at December 31, 1998:

Deferred tax assets:	
Unrealized loss on available for sale securities	$ 2,550
Deferred tax liabilities:	
Unrealized gain on trading securities	(591,452)

Net deferred tax liability	$(588,902)

NOTE J - OPERATING LEASE

The Company leases certain of its facilities under operating leases. The minimum rental commitments under noncancellable operating leases are as follows:

Year ending December 31,	
1999	$121,734
2000	122,749
2001	123,810
2002	117,571
2003	108,000
Thereafter	54,000

	$647,864
	========

Rent expense for the years ended December 31, 1998 and 1997 was approximately $117,000 and $122,000, respectively, and was offset by sublease income of approximately $17,000 and $108,000, respectively.

<TABLE>

<CAPTION>

Dallas Gold and Silver Exchange, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 1998 and 1997

NOTE K - DISCONTINUED OPERATIONS

During 1997, the Company discontinued the operations of Dallas Global Travel, Inc. and Eye Media, Inc. Dallas Global Travel, Inc. operated a travel agency while Eye Media, Inc. developed internet web sites. The assets of both companies at December 31, 1997 were not significant. Summary operating results of the discontinued operations for the years ended December 31, 1997 were as follows:

<S>	<C>	<C>
Revenues		$110,700
Costs and expenses		254,710

Net loss before income tax benefit		144,010
Income tax benefit		(49,000)

Net loss		$ 95,010
		=======

NOTE L - BUSINESS SEGMENT INFORMATION

The Company's operations from continuing operations by business segment were as follows:

	Jewelry	Consulting Services	Corporate & other	Consolidated

Revenues				
1997	$12,567,145	$1,741,695	$ 4,200	$14,313,040
1998	15,817,775	600,522	54,620	16,472,917
Operating income (loss)				
1997	$ 123,561	$1,086,876	$ -	$ 1,210,437
1998	249,256	169,077	-	418,133
Identifiable assets				
1997	$ 2,982,744	$3,785,298	$ 6,857	$ 6,774,899
1998	3,559,273	3,106,879	88,917	6,755,069
Capital expenditures				
1997	$ 58,149	$ 22,570	$ -	$ 80,719
1998	66,997	25,836	-	92,833
Depreciation				
1997	$ 80,212	$ 12,040	$ -	$ 92,252
1998	83,425	17,731	-	101,156

</TABLE>

RENEWAL OF
SHOPPING CENTER LEASE

WHEREAS Belt Line - Denton Road Associates Joint Venture, a Texas joint venture ("Landlord") and Kenneth A. and Euel Baldock ("Tenant") heretofore entered into that certain lease dated May 27, 1992, (the lease covering approximately square feet of space located at Belt Line Denton Shopping Center, Carrollton, Texas and

WHEREAS the parties hereto are desirous of extending the lease term for an additional period of sixty (60) months upon the terms and conditions set forth here and below.

1. The Lease is hereby renewed for an additional period of sixty (60) months beginning August 1, 1997, and ending July 31, 2002 (the "Renewal Term").

2. The minimum guaranteed rental for the Renewal Term shall be as follows, payable in advance in equal monthly installments as described below on the first day of each month of the Renewal Term without demand:

   Months 01-12 $5.00 x 2,051 SF/12 = $854.58 per month
   Months 13-24 $5.00 x 2,051 SF/12 = $940.04 per month
   Months 25-36 $6.00 x 2.051 SF/12 = $1020.50 per month
   Months 37-48 $6.50 x 2,051 SF/12 = $1110.96 per month
   Months 49-60 $7.00 x 2,051 SF/12 = $1196.42 per month

3. In addition to the minimum guaranteed rental described above, Tenant shall also pay during the Renewal Term all other charges described in the Lease, including the cost of operation and maintenance of the common area, taxes and other real estate charges and insurance expenses.

4. Landlord and Tenant hereby acknowledge that Tenant has no further option(s) to renew this Lease after the expiration of this Renewal Term.

5. Landlord and Tenant hereby acknowledge that Tenant has previously deposited with Landlord a sum in the amount of $571.53 to be held as a Security Deposit under the terms and conditions described in the Lease.

6. Except as herein modified all terms and provisions of the Lease shall remain in full force and effect.

EXECUTED as of the latest date accompanying a signature by Landlord and Tenant below

TENANT: Kenneth A. and Euel Baldock

By: /s/ Kenneth A. Baldock

Tax ID#/SS#: omitted

Date of Signature:

TENANT'S NOTICE ADDRESS:

Ken Baldock
Beltine Pawn Shop
1001 Denton Drive
Carrollton, Texas 75080

LANDLORD: Belt Line - Denton Road Associates, a Texas joint venture
----
by its agent Cancor Realty Services, Inc.

By:

Greg Marks
Landlord Representative

Date of Signature:

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