SUMMIT LIFE CORP
Form 424B3
August 07, 2001

PROSPECTUS SUPPLEMENT (TO PROSPECTUS DATED MAY 14, 2001)

Filed pursuant to Rule 424(b)(3)
Registration No. 333-55722

SUMMIT LIFE CORPORATION

200,000 Minimum, 1,000,000 Maximum Shares of Common Stock

Offering Price $1.00 Per Share

This Prospectus Supplement supplements our Prospectus dated May 14, 2001. Accordingly, you should read this Prospectus Supplement in conjunction with the Prospectus. Capitalized terms used in this Prospectus Supplement have the meanings specified in the Prospectus.

(continued on following page)

Neither the Securities and Exchange Commission nor any state commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement is August 7, 2001

On August 1, 2001, we filed with the Securities and Exchange Commission certain financial information as of and for the period ended June 30, 2001, the material portions of which are set forth below.

Summary Financial Data

Operating Data

The following table sets forth selected information regarding operating results for the periods indicated.

	Year Ended December 31,		Six Months Ended June 30,	
	1999	2000	2000	2001
	(in thousands)			
Statement of Operations Data:				
Revenues	$ 813	$ 571	$ 382	$ 49
Benefits, losses and expenses	1,704	975	469	58
Net Loss	(884)	(404)	(87)	(9

Balance Sheet Data

	As of June 30, 2001		
		As Adjusted (1)	
	Actual	Minimum Offering	Maximum Offerin
	(in thousands)		
Balance Sheet Data:			
Cash and cash equivalents	$1,535	$1,695	$2,259
Total assets	6,349	6,509	7,073
Total liabilities	5,257	5,257	5,080
Stockholders' equity	1,092	1,252	1,993

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(1) Gives effect to the sale of the minimum and maximum number of shares of common stock offered hereby, and the application of the estimated proceeds therefrom. See "USE OF PROCEEDS" and "CAPITALIZATION" in our prospectus dated May 14, 2001.

Results of Operations

This prospectus supplement includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate" or "believe" or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Such statements are based upon numerous assumptions about future conditions which may ultimately prove to be inaccurate and actual events and results may materially differ from anticipated results described in such statements. Important factors that could cause actual results to differ materially from our expectations include the risks inherent generally in the insurance and financial services industries, the impact of competition and product pricing, changing market conditions, the risks disclosed in our annual report on Form 10-KSB for the year ended December 31, 2000 under "Item 6--Management's Discussion and Analysis or Plan of Operation," as well as the risks disclosed in our prospectus dated May 14, 2001, of which this prospectus supplement is a part. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements. We assume no duty to update or revise our forward-looking statements based on changes in internal estimates or expectations or otherwise. As a result, the reader is cautioned not to place reliance on these forward-looking statements.

Three Months Ended June 30, 2001 Compared to Three Months ended June 30, 2000

Revenue. Total revenues increased 100% from $219,248 to $439,046 for the three months ended June 30, 2000 and June 30, 2001, respectively. Revenues attributable to life insurance increased 422% from $32,607 to $170,247 for the three months ended June 30, 2001, compared to the same period ended June 30, 2000. The increase was due primarily to the continued sale of insurance contracts.

Investment income increased 206% from $90,083 for the three months ended June 30, 2000 to $276,191 for the three months ended June 30, 2001, primarily as a result of the sale of a communications tower lease for $186,000.

Net losses on trading securities of $17,431 were reported for June 30, 2001. We began trading securities in the fourth quarter of 2000 and are required to report unrealized gains and losses in operations. The realized gain or loss for each trading security may differ materially depending on the date of sale, the underlying performance of the represented company and other market conditions.

Other income decreased from $91,750 for the three months ended June 30, 2000 to $9,522 for the three months ended June 30, 2001. A one time gain of $67,592 from the sale of real estate was recognized in the second quarter of 2000.

Costs and Expenses. Total expenses increased 82% from $207,874 to $379,480 for the three months ended June 30, 2000 and 2001, respectively. Such increase was primarily attributable to reserve increases associated with our writing of new business.

Policy benefits decreased slightly from $26,883 to $22,211 for the comparable periods. Policy reserves increased $150,907 for the comparable periods. Depreciation and amortization increased from $12,301 to $28,528 for the three months ended March 31, 2000 and 2001, respectively, as we continued to amortize the block of business acquired with Great Midwest Life Insurance Company. General expenses increased 8% from $120,539 to $130,069 for the comparable periods.

Income/Loss. We reported net income for the three months ended June 30, 2001 of $47,066, compared to a net loss for the three months ended June 30, 2000 of $1,126. We continued to increase revenues from life insurance and held operating costs steady during the quarter.

We reported net income per share of $0.02 per share for the three months ended June 31, 2001, compared to a net loss of $0.00 per share for the three months ended June 30, 2000.

Six Months Ended June 30, 2001 Compared to Six Months ended June 30, 2000

Revenue. Total revenues increased 30% from $382,052 to $496,368 for the six months ended June 30, 2000 and June 30, 2001, respectively. Revenues attributable to life insurance increased 227% from $61,878 to $202,265 for the six months ended June 30, 2001, compared to the same period ended June 30, 2000. The increase was due primarily to the continued sale of insurance products.

Investment income increased 84% from $193,588 for the six months ended June 30, 2000 to $356,289 for the three months ended June 30, 2001, primarily as a result of the sale of a communications tower lease for $186,000.

Net losses on trading securities of $73,862 were reported for the period ended June 30, 2001. We began trading securities in the fourth quarter of 2000 and are required to report unrealized gains and losses in operations. The realized gain or loss for each trading security may differ materially depending on the date of sale, the underlying performance of the represented company and other market conditions.

Other income decreased from $97,055 for the six months ended June 30, 2000 to $18,506 for the six months ended June 30, 2001. A one time gain of $67,592 from the sale of real estate was recognized in the second quarter of 2000.

Costs and Expenses. Total expenses increased 25% from $469,003 to $587,743 for the six months ended June 30, 2000 and 2001, respectively. Such increase was primarily attributable to reserve increases associated with our writing of new business.

Policy benefits decreased from $60,550 to $57,900 for the comparable periods. Policy reserves increased $133,949 for the comparable periods. Depreciation and amortization increased from $30,367 to $57,485 for the six months ended June 30, 2000 and 2001, respectively, as we continued to amortize the block of business acquired with Great Midwest Life Insurance Company. General expenses decreased 13% from $257,165 to $223,169 for the comparable periods as a result of management cost containment programs.

Loss. We reported a net loss for the six months ended June 30, 2001 of $91,375, compared to a net loss for the six months ended June 30, 2000 of $86,951. We continued to increase revenues from life insurance and held operating costs steady during the quarter.

We reported a net loss per share of $0.05 per share for the six months ended June 31, 2001, compared to a net loss of $0.05 per share for the three months ended June 30, 2000.

Liquidity and Capital Resources

Total assets were $6,349,059 at June 30, 2001, compared to $6,162,682 at December 31, 2000, an increase of 3.0%. The increase was due to the receipt of new annuity deposits.

Total liabilities, primarily insurance reserves for future policyholder benefits, were $5,257,232 at June 30, 2001, compared to $5,187,382 at December

31, 2000, an increase of 1%. The increase was due primarily to new annuity deposits.

Total stockholders' equity was $1,091,827 at June 30, 2001, compared to $975,300 at December 31, 2001, an increase of 12%. The increase was attributable to the sale of 200,200 shares of common stock, sold pursuant to a public offering of our stock.

The principal requirements for liquidity in connection with our operations are our contractual obligations to policyholders and annuitants. Our contractual obligations include payments of surrender benefits, contract withdrawals, policy loans and claims under outstanding insurance policies and annuities. Payment of surrender benefits is a function of "persistency," which is the extent to which insurance policies are maintained by the policyholder. Policyholders sometimes do not pay premiums, thus causing their policies to lapse, or policyholders may choose to surrender their policies for their cash surrender value. If actual experience of a policy or block of policies is different from the initial or acquisition date assumptions, a gain or loss could result. Depending on the nature of the underlying policy, a lapse or surrender may result in surrender charge revenue or surrender benefit expense. Such amounts may be less than, or greater than, unamortized acquisition expenses and/or the related policy reserves; accordingly, current period earnings may either increase or decrease. Additionally, policy lapses and surrenders may result in lost future revenues and profits associated with those policies that are lapsed or surrendered.

Although we currently have a $200,000 bank line of credit, we fund most of our activity directly from cash flow from operations and cash flow from financing activities, which includes deposits to policyholders' account balances. The line of credit extends to July 2002, with amounts borrowed thereunder bearing interest at prime plus .5%. At June 30, 2001 and as of the date of this Report, $200,000 was outstanding under the line of credit.

On January 13, 1999, we acquired 100% of the outstanding common stock of Great Midwest Life Insurance Company, a Texas-chartered life insurance company. The total cost of the acquisition was approximately $939,000. Of the purchase price, cash of $607,000 was paid to seven of eight stockholders with the eighth stockholder receiving a promissory note for a principal amount of $332,000, payable in three equal annual installments at an annual interest rate of 6% on the unpaid principal balance. We partially funded the cash portion of the purchase price with a $350,000 loan from a bank. The loan accrued interest at an index rate plus .5%, payable monthly, and originally matured on July 9, 1999, at which time we paid $100,000 of the principal amount owed and renewed the balance for a six-month term maturing January 9, 2000. The balance of the loan was paid December 31, 1999 using operating cash flow and the proceeds from the sale of Benefit Capital Life Insurance Company, our wholly owned subsidiary. In addition, during the three months ended June 30, 2001, we paid the last of the three installments on the promissory note held by a former stockholder of Great Midwest.

We have made and intend to make substantial expenditures in connection with our subsidiary's acquisition and marketing programs. Historically, we have funded these expenditures from cash flow from operations.

We believe that the liquidity resulting from the sale of our common stock, together with anticipated cash from continuing operations, should be sufficient to fund our operations and to make required payments under our credit facility and the annual 10% dividend on the Series A Preferred Stock, for at least the next 12 months. We may not, however, generate sufficient cash flow for these purposes or to repay the note at maturity. Our ability to fund operations and to make scheduled principal and interest payments will depend on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Recent Events

On August 1, 2001, our wholly owned subsidiary, Great Midwest Life Insurance Company acquired through an assumption reinsurance agreement 100% of the inforce life insurance business of Presidential Life Insurance Company of Dallas, Texas, for a net cash purchase price of approximately $165,000. The acquired business consists primarily of individual life insurance business with policy reserves and annual premium of approximately $780,000 and $120,000, respectively.

Submission of Matters to Vote of Security Holders

We held our annual stockholders' meeting on May 10, 2001. Two proposals were voted on by the stockholders: 1) election of directors, and 2) ratification of the appointment of Grant Thornton LLP as independent auditors. All proposals were approved by a majority of the votes cast at the meeting as follows:

(a) Two directors were elected to serve a three-year term.

James L. Smith and M. Dean Brown were each elected as a Class 2 director for a term expiring at the 2004 annual meeting:

James L. Brown:	M. Dean Brown:
1,812,377 shares voted in favor	1,812,377 shares voted in favor
857 shares withheld	857 shares withheld

Charles L. Smith and Thomas D. Sanders, who are Class 1 directors with terms expiring at the 2002 annual meeting, and Gary L. Ellis, a Class 3 director whose term expires at the 2003 annual meeting, were not up for reelection and continued on as directors.

(b) Ratification of the appointment of Grant Thornton LLP as independent auditors:

In favor:	1,053,911
Against:	753,117
Abstain:	6,206

Financial Statements

Our unaudited consolidated financial statements as of and for the period ended June 30, 2001 are provided on pages S-7 through S-11.

Summit Life Corporation and Subsidiaries

Consolidated Balance Sheets

ASSETS

	June 30, 2001 (Unaudited)	December 31, 2000
INVESTMENTS		
Debt securities-held to maturity	$ 328,075	$ 328,075
Debt securities-available for sale	2,482,137	2,426,607
Equity securities-trading	212,424	113,643
Equity securities-available for sale	12,500	8,915
Equity securities-other	66,788	63,663
Mortgages	716,175	734,220
Notes receivable	200,624	207,658
Short-term investments	0	0
Policy loans	32,823	33,382
Investment in limited partnerships	58,122	57,300
	4,109,668	3,973,463
CASH AND CASH EQUIVALENTS	1,535,080	1,436,338
RECEIVABLES		
Accrued investment income	42,707	41,984
Advances to affiliates	10,300	9,928
	53,007	51,912
PROPERTY AND EQUIPMENT-AT COST		
Building and improvements	129,419	129,419
Furniture and equipment	116,570	116,570
Automobiles	22,015	22,015
	268,004	268,004
Less accumulated depreciation	(116,478)	(102,638)
	151,526	165,366
Land	56,000	56,000
	207,526	221,366
OTHER ASSETS		
Cost in excess of net assets of businesses acquired, less accumulated amortization	37,500	40,000
Deferred policy acquisition costs	49,527	57,527
Value of purchased insurance business	286,851	321,851
Deferred income taxes	37,241	37,241
Other	32,659	22,984
	443,778	479,603
	$ 6,349,059	$ 6,162,682

The accompanying notes are an integral part of these interim financial statements

Summit Life Corporation and Subsidiaries

Consolidated Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2001 (Unaudited)	December 31, 2000
LIABILITIES		
Policy reserves and policyholder funds	$ 4,829,773	$ 4,708,295
Unpaid claims	18,779	175,951
Accounts payable	82,066	39,458
Accrued liabilities	13,549	15,424
Notes payable	313,065	248,254
Other liabilities	0	0
	5,257,232	5,187,382
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value	24,678	22,676
Preferred stock, series A, $.001 par value, stated at liquidation value	500,000	500,000
Preferred stock, series B, $1.00 par value	350,000	350,000
Preferred stock, series B subscribed	650,000	650,000
Additional paid-in capital	3,121,794	2,923,596
Common stock of parent held by subsidiary	(95,000)	(95,000)
Accumulated other comprehensive income (loss)		
Unrealized appreciation (depreciation) of available for sale securities	12,820	(19,882)
Accumulated deficit	(2,822,465)	(2,706,090)
Less preferred stock subscriptions receivable	(650,000)	(650,000)
	1,091,827	975,300
	$ 6,349,059	$ 6,162,682

The accompanying notes are an integral part of these interim financial statements

Summit Life Corporation and Subsidiaries
Consolidated Statements of Operation
(Unaudited)

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000
Revenues		
Insurance premiums	$ 177,170	$ 43,4
Reinsurance premium ceded	(6,923)	(10,8
Net premium income	170,247	32,6
Investment activity		
Investment income	276,191	90,0
Net realized gains on sale of available for sale securities	517	4,8
Net losses on trading securities	(17,431)	--
Other	9,522	91,7
	439,046	219,2
Benefits, losses and expenses		
Policy benefits	22,211	26,8
Change in policy reserves	189,697	38,7
Interest expense	5,375	4,6
Taxes, licenses and fees	3,600	4,6
Depreciation and amortization	28,528	12,3
General, administrative and other operating expenses	130,069	120,5
	379,480	207,8
Earnings (Loss) before income taxes	59,566	11,3
Income tax provision	--	--
NET EARNINGS (LOSS)	$ 59,566	$ 11,3
Preferred Stock Dividend Requirement	12,500	12,5
NET EARNINGS (LOSS) APPLICABLE TO COMMON SHARES	$ 47,066	$ (1,1
Earnings (Loss) per common share - Basic and diluted	$ 0.02	$ 0.0
Weighted average outstanding common shares, basic and diluted	2,259,605	2,248,60

The accompanying notes are an integral part of these interim financial statements

Summit Life Corporation and Subsidiaries

Consolidated Statement of Stockholders' Equity

Six Months Ended June 30, 2001
(Unaudited)

		Common Stock		Preferred Stock "A	
	Total	Shares Issued	Par Value	Shares Out-standing	Liqui atio Valu
Balance at January 1, 2001	$ 975,300	2,267,605	$ 22,676	5,000	$ 50
Issuance of common stock	200,200	200,200	2,002	--	
Dividends on preferred stock	(25,000)	--	--	--	
Issuance of Series B preferred	--	--	--	--	
Comprehensive income					
Net income (loss)	(91,375)	--	--	--	
Other comprehensive inc (loss)					
Unrealized gain on investments	32,702	--	--	--	
Comprehensive inc (loss)	(58,673)				
Balance at June 30, 2001	$ 1,091,827	2,467,805	$ 24,678	5,000	$ 50

	Additional Paid-in Capital	Common Stock of Parent Held by Subsidiary	Accumulated Other Comprehensive Income (Loss)	Preferred stock subscribed	Prefe sto subscri receiv
Balance at January 1, 2001	$ 2,923,596	$ (95,000)	$ (19,882)	$ 650,000	($ 65
Issuance of common stock	198,198	--	--	--	
Dividends on preferred stock	--	--	--	--	
Issuance of Series B preferred	--	--	--	--	

Comprehensive income					
Net income (loss)	--	--	--	--	
Other comprehensive inc (loss)					
Unrealized gain on investments	--	--	32,702	--	
Comprehensive inc (loss)					
Balance at June 30, 2001	$ 3,121,794	$ (95,000)	$ 12,820	$ 650,000	($ 65

The accompanying notes are an integral part of these interim financial statements

Summit Life Corporation and Subsidiaries

Condensed Consolidated Statement of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2001	2000
Increase (Decrease) in Cash and Cash Equivalents		
Net cash provided by (used in) operating activities	$ (70,722)	$ (167,400)
Net cash provided by (used in) investing activities	(5,359)	1,803,225
Net cash provided by (used in) financing activities	174,823	(316,617)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,742	1,319,208
Cash and cash equivalents at the beginning of the period	1,436,338	935,746
Cash and cash equivalents at the end of the period	$ 1,535,080	$ 2,254,954

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month and six month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001. For further information, refer to the consolidated annual financial statements and footnotes thereto for the year ended December 31, 2000.

The accompanying notes are an integral part of these interim financial statements