

FIRST FINANCIAL CORP /TX/
Form 10KSB/A
April 30, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A
Amendment No. 1

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-5559

FIRST FINANCIAL CORPORATION
(Name of small business issuer as specified in its charter)

Texas

(State or other jurisdiction of
incorporation or organization)

74-1502313

(I.R.S. Employer
Identification No.)

800 Washington Avenue, Waco, Texas

(Address of principal executive offices)

76701

(Zip Code)

Issuer's telephone number: (254) 757-2424

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

None

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

Common Stock (no par value per share)

Check whether the Issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

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 Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark 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 Issuer'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.

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Indicate by check mark whether the Issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Issuer's revenues for the fiscal year ended December 31, 2006, were \$1,973,161.

There is no established trading market for the Issuer's class of voting stock, therefore, the Issuer cannot determine the aggregate value of voting stock held by non-affiliates.

Number of shares of the Issuer's Common Stock outstanding on March 31, 2007, was 402,058.

S-1

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Issuer's Information Statement to be furnished to its shareholders in connection with the 2007 annual meeting of shareholders are incorporated by reference in Part III of this Report.

Transitional Small Business Disclosure Format (check one): Yes No

Explanatory Note

First Financial Corporation is filing this Amendment No. 1 (this Amendment) to its Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006 (the Original Report) as filed with the Securities and Exchange Commission (SEC) on April 16, 2007 for the purpose of (i) amending and restating Items 3 and 5 of the Original Report in their entirety, (ii) including the information that was to be incorporated by reference to the information statement relating to its 2007 annual meeting of shareholders, and (iii) filing Exhibit 10.19, which was inadvertently omitted from the Original Report. There are no other changes to the Original Report. As a result of this Amendment, we are also including as exhibits the certifications required under Section 302 of the Sarbanes-Oxley Act of 2002. Because no financial statements are contained within this Amendment, we are not including certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Except as otherwise expressly stated herein, this Amendment does not reflect events occurring after the date of the Original Report nor does it modify or update the disclosure contained in the Original Report in any way other than as required to reflect the amendments discussed above and reflected below. Accordingly, this Amendment should be read in conjunction with our Original Report.

Part I

Item 3. Legal Proceedings

On August 28, 2006, CitiMortgage, Inc. ("CMI") filed suit in the United States District Court for the Eastern District of Missouri against FPMC, David W. Mann, and Citizens Mortgage Corporation ("CMC"). CMC is a subsidiary of Citizen's State Bank, the president and chief executive officer of which is Mr. Mann and the parent company of which is majority-owned by Mr. Mann and his affiliates. In this litigation CMI makes claims against FPMC based on allegations of default in the repayment to CMI of amounts payable by FPMC under its July 20, 2006 Workout and Forbearance Agreement with CMI and under the underlying loan agreements, as described under "Results of Operations" in Item 6 of Part II of this report. Amounts claimed by CMI to be payable under these agreements total approximately \$3,500,000. CMI also makes claims in this litigation against FPMC, Mr. Mann, and CMC based on allegations that FPMC made transfers to CMC of assets related to its mortgage operations without receiving reasonably equivalent value in exchange. The amount of these claims is not quantified. FPMC has filed an answer in this suit, contesting many of the allegations and claims of CMI. CMC has moved to dismiss the suit for lack of personal jurisdiction and improper venue and Mr. Mann has moved to dismiss the suit for lack of personal jurisdiction. The parties to this suit are now engaged in jurisdictional discovery and the court has not yet ruled on whether the court has personal jurisdiction over CMC and Mr. Mann.

In addition to the foregoing, the Company is involved in routine litigation incidental to its business, both as a plaintiff and a defendant. Management of the Company, after consulting with legal counsel, believes that liability resulting from such litigation, if any, will not have a material effect on the financial position of the Company.

Part II

Item 5. Market for Common Equity and Related Stockholder Matters

There is no established public trading market for the Company's no par value common stock. On March 31, 2007, the Company had approximately 465 holders of record of its common stock.

The Company did not pay any cash dividends during the last three fiscal years. Except in limited circumstances, the Texas Business Corporation Act would prohibit the Company from paying a dividend if, after giving effect to the dividend, the Company would be insolvent or if the dividend exceeds the Company's surplus.

Part III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

Information About Directors and Executive Officer

The table below provides certain information as of April 20, 2007, with respect to each director and our executive officer. Unless otherwise indicated, each person has been engaged in the principal occupation shown for the past five years.

| Name and Principal Occupation for the Last Five Years | Age | Director Since | Positions With Company |
|---|-----------|----------------|---|
| <p>David W. Mann President, First Financial Corporation since May 21, 1992; Chairman of the Board, First Financial Corporation since May 15, 2001, Director since 1991; President, First Preference Mortgage Corp. from February 7, 1993 to September 30, 2004, from October 8, 2004 to September 30, 2005, and since April 1, 2006; Chairman of the Board, First Preference Mortgage Corp. since February 5, 2002; President, Chief Executive Officer, Citizens State Bank, Woodville, Texas since March 25, 1997, Vice Chairman of the Board, Citizens State Bank, Woodville, Texas since June 28, 1994 until April 25, 2006, Chairman of the Board, Citizens State Bank, Woodville, Texas since April 25, 2006; Mr. Mann is also an officer and director of certain insurance agencies and companies and holds positions with several other family-owned entities.</p> | <p>51</p> | <p>5-21-91</p> | <p>President, Chief Executive Officer, Chief Financial Officer, and Chairman of the Board</p> |

| Name and Principal Occupation for the Last Five Years | Age | Director Since | Positions With Company |
|--|-----|----------------|---------------------------|
| James Lee Motheral Since January 1, 1996, Mr. Motheral has been employed in the field of print management as President of Motheral Printing Company. | 52 | 2-6-01 | Director |
| Dr. Raymond A. Parker Dr. Parker is a retired minister. | 77 | 11-15-01 | Director |
| Joseph Edward Walker Since January 1, 1996, Mr. Walker was employed by Video Productions and Impact Productions. Mr. Walker retired in 2005. | 75 | 2-06-01 | Director |

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers, controller, and beneficial owners of more than 10% of the Company's common stock to file certain beneficial ownership reports with the Securities and Exchange Commission. The Company is not aware of the failure by any of such persons to file timely any such report during 2006 or with respect to transactions occurring during 2006.

Code of Ethics

The Company has adopted a Code of Ethics applicable to its Chief Executive Officer and senior financial officers, which was filed as Exhibit 14.1 to the 10-KSB for the year ended December 31, 2003, filed with the Securities and Exchange Commission on April 14, 2004.

Audit Committee

The Board of Directors has no audit committee, or any other committee performing similar functions. The Board as a whole performs the functions that would otherwise be performed by the audit committee.

In connection with performing its functions as an audit committee, the full Board has determined that David W. Mann qualifies as an "audit committee financial expert," as that term is defined in Item 401(e) of the Securities and Exchange Commission's Regulation S-B. Mr. Mann, because he is an officer and principal owner of the Company, would not be considered "independent" within the meaning of the independence requirements of any national securities exchange or national securities association. It should be noted, however, that, because the Company's securities are not listed on any such exchange or traded on a trading system maintained by any national securities association, no financial expert is required to be on the Company's Board of Directors or to be independent.

Item 10. Executive Compensation**Executive Compensation**

The following table sets forth information regarding the compensation paid to or for the Company's chief executive officer.

Summary Compensation Table

| Name and Principal Position | Year | Salary | Bonus | All Other Compensation⁽¹⁾ | Total |
|---|-------------|---------------|--------------|---|--------------|
| David W. Mann President, Chief Executive Officer and Chief Financial Officer | 2006 | \$152,000 | -- | -- | \$152,000 |
| | 2005 | 205,938 | -- | 6,325 | 212,263 |

(1) All amounts reported in this column consist of contributions made by the Company to the 401(k) retirement plans of the identified executive officer.

There were no outstanding equity awards as of December 31, 2006.

Director Compensation

During 2006, each non-employee director of the Company (all directors other than David W. Mann) was paid a fee of \$1,000 for each regular meeting of the Board of Directors that such director attended. The Company does not have any standard arrangements or other arrangements pursuant to which any director of the Company was compensated during the last completed fiscal year for any service as a director, including committee participation and special assignments.

| Name of Director | Fees Earned or Paid in Cash | All Other Compensation | Total |
|----------------------|-----------------------------|------------------------|----------|
| James Lee Motheral | \$5,000 | -- | \$ 5,000 |
| Raymond A. Parker | \$5,000 | -- | \$ 5,000 |
| Walter J. Rusek* | \$4,000 | \$10,000 | \$14,000 |
| Joseph Edward Walker | \$5,000 | -- | \$ 5,000 |

* Mr. Rusek served as a director of the Company from 1970 until his death on April 18, 2007. Other compensation paid to Mr. Rusek during 2006 consisted of a fee for his assistance in negotiating an oil and gas lease on property owned by the Company.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table presents certain information, to the extent known to the Company, regarding the number and percentage of shares of common stock beneficially owned by each person who beneficially owns more than 5% of the Company's common stock, by each director, our executive officer, and all directors and our executive officer as a group, as of April 20, 2007. Except as otherwise indicated, the parties named below have sole voting and investment power with respect to the shares beneficially owned by them.

| Name and Address of Beneficial Owner | Number of Shares Beneficially Owned | Percentage of All Outstanding Shares |
|---|-------------------------------------|--------------------------------------|
| First Financial Holdings, Ltd.(1) 800 Washington Ave. Waco, Texas 76701 | 102,898 | 25.6% |
| Harold E. Allison, III(2) 102 West Bluff Street Woodville, Texas 75979 | 102,898 | 25.6% |

S-7

| Name and Address of Beneficial Owner | Number of Shares Beneficially Owned | Percentage of All Outstanding Shares |
|---|--|---|
| JRPM Investments, Ltd.(3) 800 Washington Ave. Waco, Texas 76701 | 228,530 | 56.8% |
| David W. Mann 800 Washington Ave. Waco, Texas 76701 | 331,428(4) | 82.4% |
| James Lee Motheral 4416 Overton Crest Ft. Worth, Texas 76109 | -0- | -0- |
| Dr. Raymond A. Parker Hwy., 256N-509 CR 2080 Woodville, Texas 75979 | -0- | -0- |
| Joseph Edward Walker 12566 Chapel Road Lorena, Texas 75566 | -0- | -0- |
| All directors and executive officers as a group | 331,428 | 82.4% |

(1) First Financial Holdings, Ltd. ("Holdings") is a Texas limited partnership the general partners of which are David W. Mann and FFC Holdings, Inc., a Texas corporation ("FFCH"). Mr. Mann is president and sole director of FFCH. The sole shareholder of FFCH is the David W. Mann 1990 Trust (the "1990 Trust"). Mr. Mann, his spouse and his descendants are the sole current beneficiaries of the 1990 Trust.

(2) Mr. Allison is the sole trustee of the 1990 Trust. He is an executive officer of Citizens State Bank, Woodville, of which David W. Mann is president, chief executive officer and a director. All of the shares shown as beneficially owned by Mr. Allison consist of the 102,898 held directly by Holdings (see footnote 1 above).

(3) JRPM Investments, Ltd. ("JRPM") is a Texas limited partnership the general partners of which are David W. Mann and RAM Investors, Inc., a Texas corporation ("RAMII"). Mr. Mann is president and sole director of RAMII. The sole shareholder of RAMII is the David W. Mann.

(4) Consists of (i) the 102,898 shares owned directly by Holdings (see footnote 1 above), and (ii) the 228,530 shares owned directly by JRPM (see footnote 3 above).

Equity Compensation Plan Information

The Company does not maintain any compensation plans pursuant to which equity securities of the Company are authorized for issuance.

Item 12. Certain Relationships and Related Transactions, and Director Independence

See the Original Report for information regarding certain relationships and related transactions.

Director Independence

The Company has not determined whether each member of its Board of Directors will be considered "independent" as that term is defined in the rules of any national securities exchange or securities association that apply to listed companies because, even if the Company were a listed company, many of the rules defining independence would not apply to the Company because the Company's voting securities are controlled by a majority shareholder.

Item 13. Exhibits

Reference is made to the Exhibit Index beginning on page E-1 hereof.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 30, 2007.

First Financial Corporation

By: _____ /s/ David W. Mann

David W. Mann
President, Chief Executive Officer
and Chief Financial Officer

S-10

EXHIBIT INDEX

- 3.1 Restated Articles of Incorporation of First Financial Corporation (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2002).
- 3.2 Amended and Restated Bylaws of First Financial Corporation (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2002).
- 10.1 Limited Partnership Agreement between the Company and Key Group, Ltd dated September 30, 1991 (incorporated by reference to the Company's Form 8-K dated September 30, 1991).
- 10.2 Mortgage Warehouse Line of Credit in the amount of \$25 million dated December 12, 2000, between First Preference Mortgage Corp. and Colonial Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2000).
- 10.3 Second Amendment to Mortgage Warehouse Loan and Security Agreement dated April 10, 2001, between First Preference Mortgage Corp. and Colonial Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2001).
- 10.4 Third Amendment to Mortgage Warehouse Loan and Security Agreement dated August 29, 2001, between First Preference Mortgage Corp. and Colonial Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2001).
- 10.5 Fourth Amendment to Mortgage Warehouse Loan and Security Agreement dated October 31, 2002, between First Preference Mortgage Corp. and Colonial Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2002).
- 10.6 Loan Participation Agreement dated August 16, 2002, between First Preference Mortgage Corp. and Citizens State Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2002).
- 10.7 Triparty Agreement dated August 16, 2002, among First Preference Mortgage Corp. and Citizens State Bank and Colonial Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2002).
- 10.8 Fifth Amendment to Mortgage Warehouse Loan and Security Agreement dated April 30, 2003, between First Preference Mortgage Corp. and Colonial Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2003).

E-1

- 10.9 Sixth Amendment to Mortgage Warehouse Loan and Security Agreement dated August 29, 2003, between First Preference Mortgage Corp. and Colonial Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2003).
- 10.10 Seventh Amendment to Mortgage Warehouse Loan and Security Agreement dated December 29, 2003, between First Preference Mortgage Corp. and Colonial Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2003).
- 10.11 Eight Amendment to Mortgage Warehouse Loan and Security Agreement dated December 31, 2004, between First Preference Mortgage Corp. and Colonial Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2004).
- 10.12 Stock Purchase Agreement by and between Security Bancshares and Apex Lloyds Insurance Company and First Preference Mortgage Corp. dated December 29, 2004 and effective as of October 31, 2004 (incorporated by reference to the Company's current report on Form 8-K dated April 6, 2005).
- 10.13 Stock Purchase Agreement by and between Security Bancshares and First Financial Corporation dated March 31, 2005 (incorporated by reference to the Company's current report on Form 8-k dated April 6, 2005).
- 10.14 Ninth Amendment to Mortgage Warehouse Loan and Security Agreement dated March 31, 2005, between First Preference Mortgage Corp. and Colonial Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2005).
- 10.15 Tenth Amendment to Mortgage Warehouse Loan and Security Agreement dated September 28, 2005, between First Preference Mortgage Corp. and Colonial Bank (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2005).
- 10.16 Eleventh Amendment to Mortgage Warehouse Loan and Security Agreement dated December 13, 2005, between First Preference Mortgage Corp. and Colonial Bank (incorporated by reference to the Company's current report on Form 8-K dated December 13, 2005).
- 10.17 Workout and Forebearance Agreement between First Preference Mortgage Corp. and CitiMortgage, Inc. dated August 9, 2005 (incorporated by reference to the Company's current report on Form 8-K dated August 9, 2005).
- 10.18 Note Purchase Agreement between Bluebonnet Investments, Ltd., JPRM Investments, Ltd. And First Financial Corporation dated December 13, 2005 (incorporated by reference to the Company's current report on Form 8-K dated December 13, 2005).

- 10.19 Memorandum of Asset Purchase between First Preference Mortgage Corp. and Citizens Mortgage Corp. dated December 1, 2006 (filed with this Form 10-KSB/A).
- 14.1 Code of Ethics (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2003).
- 21.1 Subsidiaries of the Registrant (incorporated by reference to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2006).
- 31.1 Rule 13a-14(a)/15d-14(a) Certification (filed with this Form 10-KSB/A).

E-3
