SUMMIT LIFE CORP
Form 424B3
May 21, 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 May 21, 2001

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On May 15, 2001, we filed with the Securities and Exchange Commission certain financial information as of and for the three months ended March 31, 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,		Three Months End
	1999	2000	2000
		(in thousands)	
Statement of Operations Data:			
Revenues	$ 813	$ 571	$ 163
Benefits, losses and expenses	1,704	975	261
Net Loss	(884)	(404)	(98)

Balance Sheet Data

	As of March 31, 2001		
	Actual	As Adjusted (1)	
		Minimum Offering	Maximum Offering
		(in thousands)	
Balance Sheet Data:			
Cash and cash equivalents	$1,451	$1,611	$2,174
Total assets	6,317	6,477	7,040
Total liabilities	5,452	5,452	5,275
Stockholders' equity	865	1,025	1,765

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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 March 31, 2001 Compared to Three Months ended March 31, 2000

Revenue. Total revenues decreased 65% from $162,804 to $57,322 for the three months ended March 31, 2000 and March 31, 2001, respectively. Revenues attributable to life insurance increased 9% from $29,271 to $32,018 for the three months ended March 31, 2001, compared to the same period ended March 31, 2000. The increase was due primarily to implementation of our marketing and sales programs.

Investment income decreased from $103,505 for the three months ended March 31, 2000 to $80,098 for the three months ended March 31, 2001, primarily as a result of surrenders during the prior year which decreased our asset base.

Income from the sale of investments decreased from $24,723 for the three months ended March 31, 2000 to a loss of $7,347 for the three months ended March 31, 2001. Net losses on trading securities of $56,431 were reported for March 31, 2001. We began trading securities in the fourth quarter of 2000 and are required to report such 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 increased 69% from $5,305 for the three months ended March 31, 2000 to $8,984 for the three months ended March 31, 2001, due to the recognition of additional revenues from administrative service contracts.

Costs and Expenses. Total expenses decreased 20% from $261,129 to $208,263 for the three months ended March 31, 2000 and 2001, respectively. Such decrease was primarily attributable to promotional expenses associated with a change in our investor relations firm, as well as efforts to reduce legal and professional expenses. Management continued its cost containment program in other areas as well.

Policy benefits increased slightly from $33,667 to $35,689 for the comparable periods. Policy reserves decreased $16,958 for the comparable periods. Interest expense decreased 44% from $8,570 to $4,826 for the comparable periods due to continuing reduction of debt. Depreciation and amortization increased from $18,066 to $28,957 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 decreased 32% from $136,626 to $93,100 as a result of the reduced promotional, legal and accounting expenses and due to management's cost containment programs.

Losses. We reported a net loss for the three months ended March 31, 2001 of $150,941, compared to a net loss for the three months ended March 31, 2000 of $98,325. We reported trading losses during the quarter which management believes are temporary.

We reported a net loss of $0.07 per share for the three months ended March 31, 2001, compared to a net loss of $0.05 per share for the three months ended March 31, 2000.

Liquidity and Capital Resources

Total assets were $6,317,251 at March 31, 2001, compared to $6,162,682 at December 31, 2000, an increase of 2.5%. The increase was due to the receipt of new annuity deposits during the first quarter.

Total liabilities, primarily insurance reserves for future policyholder benefits, were $5,451,871 at March 31, 2001, compared to $5,187,382 at December 31, 2000, an increase of 5%. The increase was due primarily to new annuity deposits received during the first quarter.

Total stockholders' equity was $865,380 at March 31, 2001, compared to $975,300 at December 31, 2000, a decrease of 11.3%. The decrease was attributable to the stock market volatility which impacted our first quarter results.

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 include deposits to policyholders' account balances. The line of credit extends to July 2001, with amounts borrowed thereunder bearing interest at prime plus .5%. At March 31, 2001, $150,000 was outstanding under the line of credit and, as of March 31, 2001, the Company has drawn the $50,000 remaining under the credit facility.

On January 13, 1999, we acquired 100% of the outstanding common stock of Great Midwest, 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. In addition, we have paid two of the three installments on the promissory note held by a former stockholder of Great Midwest.

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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 transactions described above, together with anticipated cash from continuing operations, should be sufficient to fund our operations and to make required payments under our credit facility, the required payments of principal and interest under the 6% promissory notes payable to a former stockholder of Great Midwest 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 notes at maturity. Our ability to fund our 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.

Financial Statements

Our unaudited consolidated financial statements as of and for the three months ended March 31, 2001 are provided on pages S-7 through S-12.

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Summit Life Corporation and Subsidiaries

Consolidated Balance Sheets

ASSETS

	March 31, 2001 (Unaudited)	December 31, 2000
INVESTMENTS		
Debt securities-held to maturity	$ 328,075	$ 328,075
Debt securities-available for sale	2,484,986	2,426,607
Equity securities-trading	250,140	113,643
Equity securities-available for sale	5,000	8,915
Equity securities-other	63,663	63,663

Mortgages	725,290	734,220
Notes receivable	204,170	207,658
Short-term investments	0	0
Policy loans	32,434	33,382
Investment in limited partnerships	58,122	57,300
	4,151,880	3,973,463
CASH AND CASH EQUIVALENTS	1,451,034	1,436,338
RECEIVABLES		
Accrued investment income	33,039	41,984
Advances to affiliates	10,000	9,928
	43,039	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	(109,560)	(102,638)
	158,444	165,366
Land	56,000	56,000
	214,444	221,366
OTHER ASSETS		
Cost in excess of net assets of businesses acquired, less accumulated amortization	38,750	40,000
Deferred policy acquisition costs	53,527	57,527
Value of purchased insurance business	304,351	321,851
Deferred income taxes	37,241	37,241
Other	22,985	22,984
	456,854	479,603
	$ 6,317,251	$ 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

	March 31, 2001	Dece
	(Unaudited)	
LIABILITIES		
Policy reserves and policyholder funds	$ 4,662,361	$
Unpaid claims	78,445	
Accounts payable	13,031	
Accrued liabilities	201,257	
Notes payable	496,777	
Other liabilities	0	
	5,451,871	
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value	22,676	
Preferred stock, series A, $.001 par value, stated at liquidation value	500,000	
Preferred stock, series B, $.001 par value, stated at liquidation value	350,000	
Preferred stock, series B subscribed	650,000	
Additional paid-in capital	2,923,596	
Common stock of parent held by subsidiary	(95,000)	
Accumulated other comprehensive income (loss)		
Unrealized appreciation (depreciation) of available for sale securities	21,139	
Accumulated deficit	(2,857,031)	
Less preferred stock subscriptions receivable	(650,000)	
	865,380	
	$ 6,317,251	$

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 March 31,	
	2001	2000
Revenues		
Insurance premiums	$ 43,815	$ 40,152
Reinsurance premium ceded	(11,797)	(10,881)

Net premium income	32,018	29,271
Investment activity		
Investment income	80,098	103,505
Net realized gains on sale of available for sale securities	(7,347)	24,723
Net losses on trading securities	(56,431)	--
Other	8,984	5,305
	57,322	162,804
Benefits, losses and expenses		
Policy benefits	35,689	33,667
Change in policy reserves	38,923	55,881
Interest expense	4,826	8,570
Taxes, licenses and fees	6,768	8,319
Depreciation and amortization	28,957	18,066
General, administrative and other operating expenses	93,100	136,626
	208,263	261,129
Earnings (Loss) before income taxes	(150,941)	(98,325)
Income tax provision	--	--
NET EARNINGS (LOSS)	$ (150,941)	$ (98,325)
Preferred Stock Dividend Requirement	12,500	12,500
NET EARNINGS (LOSS) APPLICABLE TO COMMON SHARES	$ (163,441)	$ (110,825)
Earnings (Loss) per common share Basic and diluted	$ (0.07)	$ (0.05)
Weighted average outstanding common shares, basic and diluted	2,248,605	2,248,605

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

Summit Life Corporation and Subsidiaries

Consolidated Statement of Stockholders' Equity

Three Months Ended March 31, 2001
(Unaudited)

	Total	Common Stock		Preferred Stock	
		Shares issued	Par value	Shares issued	Liqu v
Balance at January 1, 2001	$ 975,300	2,267,605	$ 22,676	5,000	$
Dividends on preferred stock	--	--	--	--	
Issuance of Series B preferred	--	--	--	--	
Comprehensive income					
Net income (loss)	(150,941)	--	--	--	
Other comprehensive inc. (loss)					
Unrealized gain on investments	41,021	--	--	--	
Comprehensive inc. (loss)	(109,920)				
Balance at March 31, 2001	$ 865,380	2,267,605	$ 22,676	5,000	$

	Additional paid-in capital	Common stock of parent held by subsidiary	Preferred stock subscribed	Accumulated other comprehensive income (loss)	Accu de
Balance at January 1, 2001	$ 2,923,596	($ 95,000)	$ 650,000	($ 19,882)	($2,
Dividends on preferred stock	--	--	--	--	
Issuance of Series B preferred	--	--	--	--	
Comprehensive income					
Net income (loss)	--	--	--	--	(
Other comprehensive inc. (loss)					
Unrealized gain on investments	--	--	--	41,021	
Comprehensive inc. (loss)					
Balance at March 31, 2001	$ 2,923,596	($ 95,000)	$ 650,000	$ 21,139	($2,

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

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Summit Life Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Increase (Decrease) in Cash and Cash Equivalents		
Net cash provided by (used in) operating activities	$ (345,268)	$ (206,069)
Net cash provided by (used in) investing activities	173,838	321,968
Net cash provided by (used in) financing activities	186,126	(105,059)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,696	10,840
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	$ 1,451,034	$ 946,586

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

Summit Life Corporation and Subsidiaries
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 period ended March 31, 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.

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