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SUMMIT LIFE CORP
Form 10QSB
May 15, 2003

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

FORM 10-QSB

(Mark One)

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

For the period ended March 31, 2003

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

For the transition period from _____ to _____.

Commission File Number 000-25253

SUMMIT LIFE CORPORATION

(Exact name of registrant as specified in its charter)

OKLAHOMA

73-1448244

(State or other jurisdiction of
incorporation or organization)

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

3021 Epperly Dr., P.O. Box 15808, Oklahoma City, Oklahoma 73155

(Address of principal executive offices)

(405) 677-0781

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 requirements for the past 90 days.

Yes X No
--- ---

The number of shares outstanding of the Issuer's Common Stock, \$.01 par value, as of May 14, 2003 was 2,691,255. Transitional Small Business Disclosure Format (check one): Yes No X

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FORM 10-QSB

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Consolidated Balance Sheets

ASSETS

	March 31, 2003	December 31, 2002
	-----	-----
	(Unaudited)	
INVESTMENTS		
Debt securities-held to maturity	\$ 423,289	\$ 423,060
Debt securities-available for sale	960,853	1,113,919
Equity securities-trading	88,942	67,655
Equity securities-available for sale	133,090	159,740
Equity securities-other	0	79,275
Mortgages	892,699	622,383
Notes receivable	485,579	426,331
Short-term investments	0	0
Policy loans	117,788	113,020
Investment in lim	32,404	32,404
	-----	-----
	3,134,644	3,037,787
CASH AND CASH EQUIVALENTS	2,954,680	2,109,388
RECEIVABLES		
Accrued investment income	57,772	41,689
Other	14,318	13,305
	-----	-----
	72,090	54,994
PROPERTY AND EQUIPMENT-AT COST		
Building and improvements	1,017,140	1,017,140
Furniture and equipment	120,848	120,848
Automobiles	22,015	22,015
	-----	-----
	1,160,003	1,160,003
Less accumulated depreciation	(167,333)	(153,738)
	-----	-----
	992,670	1,006,265
Land	321,000	321,000
	-----	-----
	1,313,670	1,327,265
OTHER ASSETS		
Cost in excess of net assets of businesses acquired, less accumulated amortization	28,750	30,000
Deferred policy acquisition costs	148,360	145,960
Value of purchased insurance business	262,066	282,006
Deferred income taxes	31,800	31,800
Other	540,458	43,750
	-----	-----
	1,011,434	533,516
	-----	-----
	\$ 8,486,518	\$ 7,062,950
	=====	=====

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

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Summit Life Corporation and Subsidiaries

Consolidated Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2003	December 31, 2002
	----- (Unaudited)	-----
LIABILITIES		
Policy reserves and policyholder funds	\$ 5,753,629	\$ 5,777,027
Unpaid claims	5,000	10,000
Accounts payable	22,887	8,910
Accrued liabilities	9,972	9,950
Notes payable	1,804,255	277,364
Other liabilities	0	0
	-----	-----
	7,595,743	6,083,251
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value	26,913	26,913
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
Additional paid-in capital	3,286,507	3,286,507
Accumulated other comprehensive income (loss)		
Unrealized appreciation (depreciation) of available for sale securities	38,194	41,729
Accumulated deficit	(3,310,839)	(3,225,448)
	-----	-----
	890,775	979,699
	-----	-----
	\$ 8,486,518	\$ 7,062,950
	=====	=====

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

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

	Three Months End March 30,	
	----- 2003 -----	-----
Revenues		
Insurance premiums	\$ 57,970	\$
Reinsurance premium ceded	(7,267)	
	-----	-----
Net premium income	50,703	
Investment activity		
Investment income	55,084	
Net realized gains on sale of available for sale securities	454	
Net gains (losses) on trading securities	(7,519)	
Other	3,127	
	-----	-----
	101,849	
Benefits, losses and expenses		
Policy benefits	27,748	
Change in policy reserves	38,901	
Interest expense	2	
Taxes, licenses and fees	7,211	
Depreciation and amortization	22,478	
General, administrative and other operating expenses	90,900	
	-----	-----
	187,240	
	-----	-----
Earnings (Loss) before income taxes	(85,391)	
Provision for income taxes	--	
	-----	-----
NET EARNINGS (LOSS)	\$ (85,391)	\$
Preferred Stock Dividend Requirement	12,500	
	-----	-----
NET EARNINGS (LOSS) APPLICABLE TO COMMON SHARES	\$ (97,891)	\$
	=====	=====
Earnings (Loss) per common share - Basic and diluted	\$ (0.04)	\$
	=====	=====
Weighted average outstanding common shares, basic and diluted	2,691,305	2,
	=====	=====

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Unrealized gain on investments	--	(3,533)	--
Comprehensive inc. (loss)	-----	-----	-----
Balance at March 31, 2003	\$ 3,286,507	\$ 38,194	\$(3,310,839)
	=====	=====	=====

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

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Summit Life Corporation and Subsidiaries
Condensed Consolidated Statement of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2003	2002
	-----	-----
Increase (Decrease) in Cash and Cash Equivalents		
Net cash provided by (used in) operating activities	\$ 26,154	\$ 46,431
Net cash provided by (used in) investing activities	(154,806)	52,415
Net cash provided by (used in) financing activities	973,944	(11,358)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	845,292	87,488
Cash and cash equivalents at the beginning of the period	2,109,388	1,661,410
	-----	-----
Cash and cash equivalents at the end of the period	\$ 2,954,680	\$ 1,748,898
	=====	=====

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

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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, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003. For further information, refer to the consolidated annual financial statements and footnotes thereto for the year ended December 31, 2002.

NOTE B - SUBSEQUENT EVENTS

The Company financed the acquisition of Security General Life Insurance Company during the first quarter of 2003, in part, with a \$1,500,000 bridge loan. The loan was to be repaid using proceeds from the liquidation of Great Midwest Life Insurance Company and in the event such proceeds were insufficient to repay the loan, the Company intended to sell shares of a series of its preferred stock to pay any remaining balance of the loan. The offering of preferred stock was deferred, and the Company repaid the loan in April 2003 with proceeds from the liquidation of Great Midwest Life Insurance Company and with funds in the amount of approximately \$440,058, which the Company borrowed from Security General Life Insurance Company. The Company advised the Oklahoma Insurance Department during the acquisition of Security General Life Insurance Company that such transactions might occur as part of the liquidation of Great Midwest Life Insurance Company and agreed to advise the Department with the appropriate filings. Such filings were made with the Department prior to the filing of this statement.

Item 2. Management's Discussion and Analysis or Plan of Operation.

This Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), 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 the Company's 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 the Company 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. 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 the Company's expectations ("cautionary statements") 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 the Company's Annual Report on Form 10-KSB for the Year Ended December 31, 2002 under "ITEM 6--MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION," as well as the risks disclosed in this Report. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. The Company assumes no duty to update or revise its 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.

General

The Company's primary focus is its life insurance operations.

Results of Operations

Three Months Ended March 31, 2003 Compared to Three Months ended March 31, 2002

Revenue. Total revenues decreased from \$173,887 to \$101,849 for the three months ended March 31, 2002 and March 31, 2003, respectively. Revenues attributable to life insurance decreased \$23,037 from \$73,740 to \$50,703 for the three months ended March 31, 2003, compared to the same period ended March 31, 2002. The decrease was due primarily to recoveries made during the first quarter of 2002 from reinsurance contracts as a result of the acquisition of Presidential Life Insurance Company ("Presidential"), which was completed in August 2001. These amounts were recovered as the Company corrected billing notices, reviewed lapsed policies and reinsurance charges and requested refunds

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of overcharges.

Investment income decreased from \$67,399 for the three months ended March 31, 2002 to \$55,084 for the three months ended March 31, 2003, primarily as a result of interest rates remaining at historic lows. The low rates of interest lowered the rate of return received on the Company's investments and accelerated principal payments on its higher-return investments.

Net losses on trading securities of \$7,519 were reported for the first quarter of 2003 and compared to net gains on trading securities of \$14,063 for March 31, 2002. The Company is 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.

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Other income decreased from \$18,685 for the three months ended March 31, 2002 to \$3,127 for the three months ended March 31, 2003, due to the discontinuation of a contract whereby the Company performed administrative services for another company.

Costs and Expenses. Total expenses increased 2% from \$183,721 to \$187,240 for the three months ended March 31, 2002 and 2003, respectively. Such increase was primarily attributable to costs associated with the acquisition of Security General Life Insurance Company ("Security General") during the first quarter of 2003. See "Liquidity and Capital Resources."

Policy benefits decreased from \$54,422 to \$27,748 for the comparable periods due in part to the Presidential acquisition which impacted expenses during 2002. Policy reserves increased \$21,031 for the comparable periods. Depreciation and amortization decreased from \$23,697 to \$22,478 for the three months ended March 31, 2002 and 2003, respectively, as the Company continued to amortize the block of business acquired with Great Midwest Life Insurance Company ("Great Midwest"). General expenses increased 11% from \$82,077 to \$90,900 as a result of costs associated with the acquisition of Security General. The acquisition of Security General, and subsequent liquidation of Great Midwest, now allows the Company to offer its products in 15 states throughout the western and southeastern United States. Great Midwest was licensed only in Texas and Oklahoma.

Losses. The Company reported a net loss for the three months ended March 31, 2003 of \$85,391, compared to a net loss for the three months ended March 31, 2002 of \$9,834. The Company expects its marketing programs will begin to build revenues and will complement any acquisitions which the Company may be able to complete.

The Company reported a net loss per share of \$0.04 per share for the three months ended March 31, 2003, compared to a net loss of \$0.01 per share for the three months ended March 31, 2002.

Liquidity and Capital Resources

Total assets were \$8,486,518 at March 31, 2003, compared to \$6,643,158 at March 31, 2002, an increase of 28%. The increase was due to the acquisition and financing of Security General during the first quarter of 2003.

Total liabilities (primarily insurance reserves for future policyholder benefits) were \$7,595,743 at March 31, 2003, compared to \$5,595,510 at March 31, 2002, an increase of 36%. The increase was due primarily to financing obtained

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to complete the acquisition of Security General.

Total stockholders' equity was \$890,775 at March 31, 2003, compared to \$1,047,648 at March 31, 2002, a decrease of 15%. The decrease was attributable to the Company's operating losses.

The principal requirements for liquidity in connection with the Company's operations are its contractual obligations to policyholders and annuitants. The Company's 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.

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The Company currently funds most of its activity directly from cash flow from operations and cash flow from financing activities, which includes deposits to policyholders' account balances.

The Company has made and intends to make substantial expenditures in connection with its subsidiary's acquisition and marketing programs. Historically, the Company has funded these expenditures from cash flow from operations.

On February 14, 2003, the Company acquired Security General, an Oklahoma-domiciled life insurance company, for a net purchase price of \$495,000. Security General is licensed to operate as a life insurance company in multiple states. The purpose of the acquisition was to acquire these licenses, which constituted substantially all of the assets of Security General on the closing date. As a result of the acquisition, Security General has become the Company's primary operating subsidiary. In connection therewith, the Company has obtained the necessary regulatory approval to transfer the entire block of insurance policies of Great Midwest to Security General and to thereafter liquidate the remaining assets of Great Midwest through a distribution to the Company as its sole shareholder. As of the date of this report, the insurance policies of Great Midwest have been transferred to Security General and the remaining assets of Great Midwest have been liquidated. Security General is now the sole insurance subsidiary of the Company and operates in approximately 15 states throughout the southeastern and western United States.

Because the acquisition of Security General was structured so that the only assets to be retained by Security General were the regulatory licenses held by it, under the terms of the acquisition agreement the Company agreed to reimburse the seller for the statutory capital and surplus required to be retained by Security General. In connection with this provision, the Company obtained a three-month bridge loan in the amount of \$1,500,000 to reimburse the seller for the approximately \$1.5 million of statutory capital and surplus in Security General. The loan was to be repaid using proceeds from the liquidation of Great Midwest and in the event such proceeds were insufficient to repay the

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loan, the Company intended to sell shares of its preferred stock to pay any remaining balance of the loan. The offering of preferred stock was deferred and the Company repaid the loan in April 2003 with proceeds from the liquidation of Great Midwest and with funds in the amount of approximately \$440,058, which the Company borrowed from Security General. The Company advised the Oklahoma Insurance Department during the acquisition of Security General that such transactions might occur as part of the liquidation of Great Midwest and agreed to advise the Department with the appropriate filings. Such filings were made with the Department prior to the filing of this report.

The Company believes that the liquidity resulting from the transactions described above, together with anticipated cash from continuing operations, should be sufficient to fund its operations and to make the annual 10% dividend on the Series A Preferred Stock, for at least the next 12 months. The Company may not, however, generate sufficient cash flow for these purposes. The Company's ability to fund its operations and to make scheduled principal and interest payments will depend on its future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control.

Item 3. Controls and Procedures.

The Company's principal executive officers and principal financial officers have concluded, based on their evaluation as of a date within 90 days of the filing of this Form 10-QSB that its disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934) are effective. There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number -----	Name of Exhibit -----
3.1	First Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Registration Statement on Form SB-2, file number 333-65097 and incorporated herein by reference).
3.2	First Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Registration Statement on Form SB-2, file number 333-65097 and incorporated herein by reference).
4.1	Specimen Certificate of the common stock (filed as Exhibit 4.1 to the Company's Registration Statement on Form SB-2, file number 333-65097 and incorporated herein by reference).
4.2	See Articles V and X of the Company's Certificate of Incorporation and Article VI of the Company's Bylaws (filed as Exhibit 4.2 to the Company's Registration Statement on Form SB-2, file number 333-65097 and incorporated herein by reference).
4.3	Specimen Certificate of the Series A Preferred Stock (filed as Exhibit

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4.1 to the Company's Quarterly Report on Form 10-QSB for the Quarter ended June 30, 1999 and incorporated herein by reference).

- 4.4 Certificate of Designation of Series A Preferred Stock (filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-QSB for the Quarter ended June 30, 1999 and incorporated herein by reference).
- 4.5 Certificate of Designation of Series B Convertible Preferred Stock (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-QSB for the Quarter ended September 30, 2000 and incorporated herein by reference).
- 99.1* Certification of Periodic Financial Report by Chief Financial Officer Pursuant to 18 U.S.C.ss. 1350.
- 99.2* Certification of Periodic Financial Report by Chief Executive Officer Pursuant to 18 U.S.C.ss. 1350.
- 99.3* Certification of Periodic Financial Report by Chief Accounting Officer Pursuant to 18 U.S.C.ss. 1350.

* Filed herewith.

(b) Reports on Form 8-K: none.

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUMMIT LIFE CORPORATION
an Oklahoma corporation

Date: May 15, 2003

/s/Charles L. Smith

Charles L. Smith
President, Chief Operating Officer
and Chief Financial Officer

Date: May 15, 2003

/s/Quinton L. Hiebert

Quinton L. Hiebert
Chief Accounting Officer

CERTIFICATIONS

I, Charles L. Smith, President, Chief Operating Officer, Chief Financial Officer and a Director of Summit Life Corporation certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Summit Life Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/Charles L. Smith

Charles L. Smith
President, Chief Operating Officer,
Chief Financial Officer, and Director

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I, Quinton L. Hiebert, Chief Accounting Officer of Summit Life Corporation certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Summit Life Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Quinton L. Hiebert

Quinton L. Hiebert
Chief Accounting Officer

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I, James L. Smith, Chief Executive Officer and a Director of Summit Life Corporation certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Summit Life Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

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(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ James L. Smith

James L. Smith
Chief Executive Officer and
Chairman of the Board of Directors

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INDEX TO EXHIBITS

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3.1	First Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Registration Statement on Form SB-2, file number 333-65097 and incorporated herein by reference).
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4.1	Specimen Certificate of the common stock (filed as Exhibit 4.1 to the Company's Registration Statement on Form SB-2, file number 333-65097 and incorporated herein by reference).

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- 4.2 See Articles V and X of the Company's Certificate of Incorporation and Article VI of the Company's Bylaws (filed as Exhibit 4.2 to the Company's Registration Statement on Form SB-2, file number 333-65097 and incorporated herein by reference).
- 4.3 Specimen Certificate of the Series A Preferred Stock (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-QSB for the Quarter ended June 30, 1999 and incorporated herein by reference).
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- 99.1* Certification of Periodic Financial Report by Chief Financial Officer Pursuant to 18 U.S.C.ss. 1350.
- 99.2* Certification of Periodic Financial Report by Chief Executive Officer Pursuant to 18 U.S.C.ss. 1350.
- 99.3* Certification of Periodic Financial Report by Chief Accounting Officer Pursuant to 18 U.S.C.ss. 1350.

* Filed herewith.