

FIRST FINANCIAL CORP /TX/  
Form 10QSB  
November 20, 2006

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

FORM 10-QSB

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

For the quarterly period ended September 30, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(D) ON THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-5559

**FIRST FINANCIAL CORPORATION**

(Exact 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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

Number of shares of the Issuer's Common Stock outstanding on October 31, 2006 was 173,528.

Transitional Small Business Disclosure Format (check one) Yes  No



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FIRST FINANCIAL CORPORATION  
September 30, 2006

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Item 1. Financial Statements

First Financial Corporation  
 Consolidated Balance Sheet  
 September 30, 2006  
 (Unaudited)

Assets	
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Cash and cash equivalents	\$ 171,624
Restricted cash	-
Accounts receivable	87,103
Marketable investment securities	290,360
Restricted marketable investment securities	-
Real estate held for investment, at cost	-
Mortgage loans	72,533
Property and equipment	79,144
Other assets	197,913
Total Assets	\$898,677
Liabilities and Stockholders' Deficit	
-----	
Notes on line of credit	\$ 0
Notes payable	2,746,569
Accounts payable	246,843
Estimated reserve for indemnifications and early payment default losses	2,595,394
Estimated reserve for losses under servicing agreements	-
Estimated reserve for losses under insurance policies	-
Other liabilities	113,574
Total Liabilities	5,702,380
Stockholders' deficit:	
Common stock - no par value; authorized 500,000 shares; issued 183,750 shares, of which 10,222 shares are held in treasury shares	1,000
Additional paid-in capital	518,702
Retained earnings	(5,406,809)
Accumulated other comprehensive income:	
Unrealized gain (loss) on marketable securities, net of tax	118,713
	(4,768,394)
Less: Treasury stock - at cost	(35,309)
Total Stockholders' Deficit	(4,803,703)
Total Liabilities and Stockholders' Deficit	\$ 898,677
See accompanying notes to consolidated financial statements.	

First Financial Corporation  
Consolidated Statements of Income  
Three months and Six months ended September 30, 2006 and 2005  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Loan administration	\$ -	\$ 1,279,236	\$ 1,086,807	\$ 3,592,740
Interest income	-	226,533	5,764	877,570
Oil and gas royalties	271,243	11,301	290,460	40,128
Other income	7,399	139,060	1,304,514	658,837
Total Revenues	278,642	1,656,130	2,687,545	5,169,275
Expenses:				
Salaries and related expenses	46,637	1,197,713	1,375,855	3,527,057
Interest expense	45,003	230,623	159,331	822,790
Provision for loan losses	-	1,913,002	1,936,667	2,568,010
Impairment of assets	43,940	-	851,177	-
Other operating expenses	7,140	864,841	1,572,207	2,511,121
Total Expenses	142,720	4,206,179	5,895,237	9,428,978
Income (loss) before income other income, and provision for income tax expense	135,922	(2,550,049)	(3,207,692)	(4,259,703)
Other non-operating income				
Net gain from settlement of note payable	620,000	-	620,000	-
Total Other Income	620,000	-	620,000	-
Income (loss) before provision for income tax	755,922	(2,550,049)	(2,587,692)	(4,259,703)
Federal income taxes	-	-	64	-
Net income (loss)	755,922	(2,550,049)	(2,587,756)	(4,259,703)
Other comprehensive income:				
Unrealized holding gains (losses)	(78,835)	3,440	117,334	(16,955)
Comprehensive income (loss)	\$ 677,087	\$ (2,546,609)	\$ (2,470,422)	\$ (4,276,658)
Income Per Common Share	\$ 3.90	\$ (14.68)	\$ (14.24)	\$ (24.65)

See accompanying notes to consolidated financial statements.

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First Financial Corporation  
Consolidated Statement of Cash Flows  
(Unaudited)

	Nine Months Ended	
	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net income (loss)	\$ (2,587,756)	\$ (4,259,704)
Adjustments to reconcile net income(loss) to net cash used by operating activities:		
Depreciation	1,345,026	245,101
Provision for loan losses	1,936,667	2,568,010
Loan and insurance losses paid	(1,785,156)	(2,409,143)
Realized (gains) losses on marketable investment securities	(11,669)	(1,214)
Gain on sale of real estate held for investment	(696,164)	
Net (increase) decrease in accounts receivable	84,893	384,322
Net (increase) decrease in other assets	325,319	88,518
Net increase (decrease) in accounts payable	(150,686)	(69,569)
Net increase (decrease) in reserve for losses under insurance policies	-	(308,696)
Net increase (decrease) in other liabilities	(380,676)	(252,082)
(Increase) decrease in restricted cash used in operating activities - net	-	479,495
Mortgage loans funded	(70,392,273)	(236,054,333)
Mortgage loans sold	86,221,199	247,140,071
Increase (decrease) in mortgage loans participations sold	(15,669,454)	(1,850,227)
Other	1,381	2,137
Net cash provided (used) for operating activities	(1,759,349)	5,702,687
Cash flows from investing activities:		
Proceeds from sale of marketable investment securities	61,669	2,224,741
Purchases of marketable investment securities	(160,912)	(904,648)
Unrealized holding (gain) loss	(61,823)	(16,955)
Proceeds from sale of real estate held for investment	1,250,000	
Purchase of property and equipment	(78,258)	(71,530)
Principal collections on mortgage loans	53,708	9,453
(Increase) decrease in deferred gain on sale of property & equipment	-	102,152
Net cash provided (used) for investing activities	1,064,383	