

FIRST FINANCIAL CORP /TX/
Form 10QSB
August 18, 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 June 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 July 31, 2006 was 173,528.

Transitional Small Business Disclosure Format (check one) Yes No

FORM 10-QSB

FIRST FINANCIAL CORPORATION
June 30, 2006

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

Assets		

Cash and cash equivalents	\$	248,780
Restricted cash		-
Accounts receivable, net of allowance for doubtful accounts of \$148,848		19,985
Marketable investment securities		385,564
Restricted marketable investment securities		-
Real estate held for investment, at cost		-
Mortgage loans		108,004
Property and equipment		138,714
Other assets		205,914
Total Assets	\$	1,106,961
Liabilities and Stockholders' Deficit		

Notes on line of credit	\$	0
Note payable		3,426,931
Accounts payable		349,982
Estimated reserve for indemnifications and early payment default losses		2,595,377
Estimated reserve for losses under servicing agreements		-
Estimated reserve for losses under insurance policies		-
Other liabilities		215,462
Total Liabilities		6,587,752
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		(6,162,732)
Accumulated other comprehensive income:		
Unrealized gain (loss) on marketable securities, net of tax		197,548
		(5,445,482)
Less: Treasury stock - at cost		(35,309)
Total Stockholders' Deficit		(5,480,791)
Total Liabilities and Stockholders' Deficit	\$	1,106,961
See accompanying notes to consolidated financial statements.		

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues:				
Loan administration	\$326,087	\$1,228,980	\$1,101,461	\$2,313,504
Interest income	1,115	304,079	5,764	651,037
Other income	1,061,931	216,866	1,316,332	548,604
Total Revenues	1,389,133	1,749,925	2,423,557	3,513,145
Expenses:				
Salaries and related expenses	354,151	1,190,021	1,329,218	2,329,344
Interest expense	38,577	276,689	114,328	592,167
Provision for Loan Losses	1,704,067	639,432	1,712,845	655,008
Impairment of Assets	807,237	-	807,237	-
Other operating expenses	1,074,983	858,015	1,803,543	1,646,280
Total Expenses	3,979,015	2,964,157	5,767,171	5,222,799
Income (loss) before income taxes,	(2,589,882)	(1,214,232)	(3,343,614)	(1,709,654)
Federal income taxes	64	-	64	-
Net income (loss)	(2,589,946)	(1,214,232)	(3,343,678)	(1,709,654)
Other comprehensive				

income:				
Unrealized holding gains (losses)	183,301	(6,068)	196,169	(20,395)
Comprehensive income (loss)	\$(2,406,645)	\$(1,220,300)	\$(3,147,509)	\$(1,730,049)
Income Per Common Share	(\$13.87)	(\$7.05)	(\$18.14)	(\$9.97)

See accompanying notes to consolidated financial statements.

First Financial Corporation
Consolidated Statement of Cash Flows
(Unaudited)

	2006	Six Months Ended 2005
Cash flows from operating activities:		
Net income (loss)	(\$3,343,678)	(\$1,709,654)
Adjustments to reconcile net income(loss) to net cash used by operating activities:		
Depreciation	1,285,455	195,431
Provision for loan losses	1,340,045	655,008
Loan and insurance losses paid	(1,188,551)	(360,479)
Realized (gains) losses on marketable investment securities	(11,669)	(7,272)
Gain on sale of real estate held for investment	(696,164)	-
Net (increase) decrease in accounts receivable	152,011	(9,636)
Net (increase) decrease in other assets	317,318	42,700
Net increase (decrease) in accounts payable	(47,547)	21,600
Net increase (decrease) in reserve for losses under insurance policies	-	(308,696)
Net increase (decrease) in other liabilities	(278,789)	(191,310)
(Increase) decrease in restricted cash used in operating activities - net	-	479,495
Mortgage loans funded	(70,392,273)	(164,464,166)
Mortgage loans sold	86,221,199	173,217,243
Increase (decrease) in mortgage loans participations sold	(15,670,637)	(1,850,227)
Other	6,073	3,822
Net cash provided (used) for operating activities	(2,307,206)	5,713,859
Cash flows from investing activities:		
Proceeds from sale of marketable investment securities	61,669	1,943,694
Purchases of marketable investment securities	(136,669)	(904,648)
Unrealized holding (gain) loss	(102,435)	(20,395)
Proceeds from sale of real estate held for investment	1,250,000	-
Purchase of property and equipment	(78,258)	(108,245)
Principal collections on mortgage loans	14,727	7,253
(Increase) decrease in deferred gain on sale of property & equipment	-	87,559
Net cash provided (used) for investing activities	1,009,034	1,005,218
Cash flows from financing activities:		
Net change in short term borrowings		(6,712,993)
Proceeds from notes payable	1,138,343	-
Payments on notes payable	(1,145,878)	-