

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

SUMMIT SECURITIES INC /ID/

CIK: **868016** | IRS No.: **820438135** | State of Incorporation: **ID** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **033-36775** | Film No.: **95535901**
SIC: **6159** Miscellaneous business credit institution

Mailing Address
929 W SPRAGUE AVENUE
SPOKANE WA 99204

Business Address
929 W SPRAGUE AVENUE
P O BOX 2162 STE 106
SPOKANE WA 99204
5098383111

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1995

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

Commission file number 033-36775

SUMMIT SECURITIES, INC.
(Exact name of registrant as specified in its charter)

IDAHO 82-0438135
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

W. 929 Sprague Avenue, Spokane, WA 99204
(Address of principal executive offices) (Zip Code)

(509)838-3111
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal
year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange
Act of 1934 during the preceding 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 / /

Applicable only to issuers involved in bankruptcy proceedings during
the preceding five years: (Not Applicable)

Indicate by check mark whether the registrant has filed all documents
and reports required to be filed by Sections 12, 13 or 15(d) of the
Securities Exchange Act of 1934 subsequent to the distribution of
securities under a plan confirmed by a court.
Yes / / No / /

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's
classes of common stock, as of the latest practicable date.

10,000 SHARES - Common at April 30, 1995.

SUMMIT SECURITIES, INC.

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PART I - FINANCIAL INFORMATION

SUMMIT SECURITIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
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	March 31, 1995 (Unaudited)	September 30, 1994
<S>	<C>	<C>
ASSETS		
Cash and Cash Equivalents	\$ 1,075,468	\$ 3,608,764
Investments in Affiliated Company	3,022,425	3,022,425
Real Estate Contracts and Mortgage Notes, Net of Unrealized Discounts and Allowance For Losses	33,188,824	27,282,991
Real Estate Held For Sale	400,050	452,700
Deferred Costs	800,212	705,994
Other Assets	12,104	29,114
	-----	-----
TOTAL ASSETS	\$ 38,499,083	\$ 35,101,988
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Investment Certificates and Accrued Interest	\$ 33,898,903	\$ 31,092,830
Debt Payable	51,168	119,888

Accounts Payable and Accrued Expenses	647,983	416,262
Accrued Income Taxes Due Parent	259,548	151,778
	-----	-----
TOTAL LIABILITIES	34,857,602	31,780,758
	-----	-----
STOCKHOLDERS' EQUITY:		
Common Stock, \$10 Par Value:		
2,000,000 Shares Authorized:		
10,000 Shares Issued and Outstanding	100,000	100,000
Preferred Stock, \$10 Par Value:		
10,000,000 Shares Authorized:		
34,536 and 31,719 Shares Issued and Outstanding		
(Liquidation Preference \$3,453,630 and \$3,171,940, respectively)		
	345,363	317,194
Additional Paid-In Capital	1,694,036	1,454,063
Retained Earnings	1,502,082	1,449,973
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	3,641,481	3,321,230
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 38,499,083	\$ 35,101,988
	=====	=====

</TABLE>

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

SUMMIT SECURITIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>

<CAPTION>

	Three Months Ended March 31,		Six Months Ended March 31,	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
REVENUES:				
Interest and Earned Discounts	\$ 904,022	\$ 728,502	\$1,813,581	1,414,253
Realized Net Gains on Sales of Investment Securities	-	-	-	4,252
Realized Net Gains on Sales of Receivables	-	36,494	49,103	36,494
Real Estate Sales	342,500	35,000	511,500	74,000
Dividend Income	93,208	-	152,078	-
Fees, Commissions, Service and Other Income	814,768	15,667	843,427	29,820
	-----	-----	-----	-----
TOTAL REVENUES	2,154,498	815,663	3,369,689	1,558,819
	-----	-----	-----	-----
EXPENSES:				
Interest	777,923	602,250	1,536,182	1,175,271
Cost of Real Estate Sold	334,223	34,861	503,258	62,743
Provision for Losses on Real Estate Contracts and Real Estate Held	78,092	38,104	167,821	49,731
Salaries and Employee Benefits	228,772	-	228,772	-
Commissions to Agents	399,236	-	399,236	-

Operating Expenses	151,467	68,546	216,443	134,571
	-----	-----	-----	-----
TOTAL EXPENSES	1,969,713	743,761	3,051,712	1,422,316
	-----	-----	-----	-----
Income Before Income Taxes	184,785	71,902	317,977	136,503
Provision for Income Taxes	(77,126)	(24,993)	(108,877)	(47,210)
	-----	-----	-----	-----
NET INCOME	107,659	46,909	209,100	89,293
Preferred Stock Dividends	(80,648)	-	(156,991)	-
	-----	-----	-----	-----
Income Applicable to Common Shareholder	\$ 27,011	\$ 46,909	\$ 52,109	\$ 89,293
	=====	=====	=====	=====

</TABLE>

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

SUMMIT SECURITIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>

<CAPTION>

	Six Months Ended March 31,	
	1995	1994 Restated
	<C>	<C>
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,546,061	\$ 988,270
	-----	-----
INVESTING ACTIVITIES:		
Proceeds from Advances from Parent and Affiliate Companies	-	1,710,743
Principal Payments on Real Estate Contracts and Mortgage Notes	3,051,587	1,943,974
Purchase of Real Estate Contacts And Mortgage Notes	(14,206,670)	(12,190,354)
Proceeds From Real Estate Sales	136,050	37,000
Additions to Real Estate Held	(54,650)	(81,222)
Proceeds from Sale of Receivables	5,305,602	4,453,031
	-----	-----
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(5,768,081)	(4,126,828)
	-----	-----
FINANCING ACTIVITIES:		
Proceeds From Sale of Investment Certificates	3,341,937	4,234,607
Repayment of Investment Certificates	(1,334,906)	(1,319,143)
Repayment to Banks and Others	(188,625)	(42,497)
Borrowings From Parent	-	1,196,716
Debt Issuance Costs	(240,833)	(199,515)
Issuance of Preferred Stock	268,142	-
Cash Dividends	(156,991)	-
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,688,724	3,870,168
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,533,296)	731,610
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,608,764	3,594,472

CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,075,468	\$ 4,326,082
	=====	=====
NON CASH INVESTING AND FINANCING ACTIVITIES OF THE COMPANY:		
Assumption of Other Debt Payable in Conjunction With Purchase of Real Estate Contracts and Mortgage Notes	\$ 120,230	\$ 40,119
Real Estate Held for Sale and Development Acquired Through Foreclosure	\$ 518,629	\$ 247,331
Loans to Facilitate the Sale of Real Estate	\$ 375,450	\$ 37,000
Assumption of Other Debt Payable in Conjunction with Acquisition of Real Estate Held for Sale	-	\$ 63,650

</TABLE>

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

SUMMIT SECURITIES, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position as of March 31, 1995 and the results of operations and change in cash flow for the three and six months ended March 31, 1995 and 1994. The results of operations for the three and six month period ended March 31, 1995 and 1994 are not necessarily indicative of the results to be expected for the full year.
2. The principal amount of receivables as to which payments were in arrears more than three months was \$1,255,000 at March 31, 1995 and \$1,085,000 at September 30, 1994.
3. Summit Securities, Inc. is a wholly-owned subsidiary of National Summit Corp. The Company files consolidated federal income tax returns with its parent. The Company is allocated a current and deferred tax provision from National Summit Corp. as if the Company filed a separate tax return.
4. Summit Securities, Inc. had no outstanding material legal proceedings other than normal proceedings associated with receivable foreclosures.
5. Certain amounts in the prior years' condensed financial statements have been reclassified to conform with the current years' presentation. The prior years' condensed statement of cash flows has been restated to include purchases and sales of available-for-sale securities in operating activities. In the prior year these transactions were reported as investing activities. The effect of this restatement was an increase of \$4,293 in cash provided by operating activities and a similar reduction in net cash provided

by investing activities for the six months ended March 31, 1995.

6. On January 31, 1995 the Company concluded an agreement with Metropolitan Mortgage & Securities Co., Inc. (Metro), the Company's former parent company, whereby it acquired Metropolitan Investment Securities, Inc. (MIS) effective January 31, 1995, at a purchase price of \$288,950, which approximated the current book value of MIS at date of purchase. Additionally, the Company is negotiating the purchase of Old Standard Life Insurance Company (OSL) from Metro. MIS was and OSL is currently wholly-owned subsidiaries of Metro.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Completed Transactions:

On January 31, 1995, Summit Securities, Inc. (Summit or the Company) and Metropolitan Mortgage & Securities Co., Inc. (Metro) completed a purchase/sale transaction whereby the 100% owned interest in Metropolitan Investment Securities, Inc. (MIS) was sold to Summit. The cash purchase/sale price was \$288,950, the approximate net book value of MIS at closing. MIS is a limited-purpose broker dealer and the exclusive broker/dealer for the securities sold by Summit and Metro. It is anticipated that this sale will not materially affect the future business operations of MIS. Additionally, by agreement, effective January 31, 1995, Metro discontinued its property development division, which consisted of a group of employees experienced in real estate development. On the same date, Summit commenced the operation of a property development subsidiary employing those same individuals who had previously been employed by Metro. Summit Property Development Corporation, a 100% owned subsidiary of Summit, has negotiated an agreement with Metro to provide future property development services.

Pending Transaction:

Summit is currently negotiating the acquisition of Old Standard Life Insurance Company (OSL) from Metro. OSL is a wholly-owned subsidiary of Metro, engaged in the business of acquiring receivables using funds derived from the sale of annuities and funds derived from receivable cash flows. It is currently anticipated that this sale will occur during the second quarter of calendar 1995. The purchase price is currently estimated at \$2.7 million, the approximate net book value of OSL, with future contingency payments based on the earnings of OSL. The final purchase price will be established based upon the actuarial valuation of OSL. The source of funds will be cash or cash equivalents transferred from Summit to Metro in exchange for all the common stock of OSL.

Financial Condition and Liquidity:

As of March 31, 1995, the Company had cash or cash equivalents of approximately \$1.1 million as compared to \$1.2 million at December 31, 1994 and \$3.6 million at September 30, 1994. Management believes that cash, cash equivalents and liquidity provided by other investments are adequate to meet planned asset additions, debt retirements or other business requirements during the next twelve months. At March 31, 1995, the real estate receivable portfolio totaled approximately \$33.2

million as compared to \$31.7 million at December 31, 1994 and \$27.3 million at September 30, 1994. Real estate held for sale, acquired through receivable foreclosures, totalled \$400,050 at March 31, 1995 as compared to \$509,700 at December 31, 1994 and \$452,700 at September 30, 1994.

Sales of Investment Certificates and Preferred Stock generated approximately \$2.3 million net cash flow during the six months ended March 31, 1995, while sales of receivables and principal payments on receivables added additional cash flow of approximately \$8.4 million during the six month period. The cash flows from these sources, along with cash provided by operating activities and cash from the beginning of the period were used to invest approximately \$14.2 million in real estate receivables during the six months ended March 31, 1995.

Results of Operations:

Net income was \$209,000 on revenues of approximately \$3.4 million for the six months ended March 31, 1995. For the similar period in the prior year, the Company reported net income of \$89,000 on revenues of approximately \$1.6 million. The increase in net income resulted primarily from: (1) a \$38,000 increase in the spread between interest income and interest expense, due principally to the increase investment in real estate contract receivables; (2) dividend income of \$152,000 from investments in affiliated companies; (3) and increase in earnings of approximately \$103,000 generated from fees, commissions, service and other income less the related operating expenses; all of which were partially offset by; (4) an increase in the charge for provision for loss on real estate assets of \$118,000; and (5) a resulting increase in the provision for income taxes.

For the six months ended March 31, 1995, the interest spread was \$277,000, while in the prior year's period the spread was \$239,000. This increase is the result of additional investment in real estate receivables coupled with a slight decrease in the weighted average interest rate on the outstanding Investment Certificates issued by the Company.

In the current period, the Company received approximately \$152,000 in dividends from its preferred and common stock investment in Metro. The Company acquired this investment in September 1994 through the exchange of its own preferred stock for a similar preferred and common stock investment in Metro. While this transaction has increased net income to the Company, the resulting benefit to common shareholders is not significant as a similar preferred stock dividend is now paid by the Company to its preferred shareholders.

Commencing January 31, 1995, with the purchase of MIS and the creation of a property development subsidiary, the Company has begun to generate significant fee revenues along with increased operating expenses associated with these revenues. During the six months ended March 31, 1995 the Company generated \$843,000 of fee revenues offset by \$844,000 of total operating expenses. In the prior year the Company realized \$30,000 of fee revenues offset by \$135,000 of total operating expenses. To date, the purchase of MIS and the creation of the property development subsidiary has had a positive affect on the consolidated operating profits of the Company.

During the six months ended March 31, 1995, the Company realized gains on the sale of receivables of \$49,000 compared to a gain from sale of receivables and investment securities of \$41,000 in the prior

year. The gain in the current year resulted from the sale of approximately \$5.3 million in receivables to Western United Life Assurance Company, an affiliated company to Summit. The sale of financial instruments was priced at current market value at date of sale. In the current period, sales of foreclosed real estate were at a profit of \$8,000 compared to \$11,000 in gains in the prior year. In conjunction with the increased investments in the real estate receivable portfolio, along with the valuation of foreclosed real estate, the Company provided a provision for loss on real estate assets of approximately \$168,000 in the current year's period compared to approximately \$50,000 in the prior year's period.

PART II - OTHER INFORMATION

SIGNATURES

Pursuant to the requirements 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.

SUMMIT SECURITIES, INC.
(Registrant)

/S/ JOHN TRIMBLE

Date 5/4/95

John Trimble, President

/S/ ERNEST JURDANA

Date 5/4/95

Ernest Jurdana
Chief Financial Officer

/S/ STEVEN CROOKS

Date 5/4/95

Steven Crooks, Controller
(Principal Accounting Officer)

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