

AMERICAN SAVINGS LIFE  
INSURANCE COMPANY



# 2004 Annual Report

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1954  
2004

*THE FIRST 50 YEARS*

*Some may think we've come a long way...*

*We think we've only just begun!*

## PRESIDENT'S LETTER TO THE SHAREHOLDERS

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February 1, 2005

Dear Shareholders,

What an exciting year! We completed our 50<sup>th</sup> year in business as a stronger and more profitable company than at any prior time in our history. In addition, the Board of Directors has declared an increased cash dividend for 2005 of 18¢ per share, payable semiannually; 9¢ in April and 9¢ cents again in October.

In past years, we have identified Company owned real estate that is shown on our statement at a value significantly less than current market value, due to generally accepted accounting practices. The November 2004 sale of the Company's 513 acre property on the I-8 freeway illustrates how that difference is eventually recognized.

The property sold for \$2.5 million more than the \$350,000 cost it was carried at on the Company's books. Ten percent of this \$2.5 million gain was recognized as income in our 2004 statement, due to the receipt of a 10% down payment. Under the remaining terms, approximately \$350,000 will be received as income in each of the next six years, and in the seventh year, when the note balance is required to be paid in full, \$1.6 million in income will be received. The total of this potential income over seven years is \$3.7 million. This gains significance when recognizing that this income will all be in addition to the Company's normal operating income.

The past 50 years have been a wonderful and profitable adventure for American Savings Life stockholders, and we have many reasons to look forward to even greater success over the next 50 years. We are dedicated to continue the principles Safety and Integrity that have made our Company strong and successful, into the next generation. It is our goal at American Savings Life to be worthy of your continued confidence and support. We hope you and your family will stay with us to enjoy the ride!

A handwritten signature in blue ink that reads "David K. Allen".

David K. Allen, President

# THE FIRST 50 YEARS



**Upper Left:** Frihoff N. Allen, founder of American Savings Life Insurance Company. The Company home office was his home, 373 E. Palm Lane, Phoenix, AZ from 1954 to 1957.

**Above:** 3336 N. 7th Street, Phoenix, AZ. The home office from 1957 to 1972.



**Left:** 4750 E. Broadway Rd., Phoenix, AZ. The home office from 1972 to 1998.

**Right:** Office staff in 1980. Joe Allen, Steve Stapley, Mickey Spanpinato, Grant Allen, Gerald Allen, Connie Allen, David Allen & David Hallsted.



**Left:** Company Officers in 2000. Grant Allen, David Allen, Steve Stapley & Clark Allen

**Right:** 935 E. Main St., Mesa, AZ. Home office since 1999.



# MANAGEMENT'S DISCUSSION AND ANALYSIS OF 2004 OPERATIONS

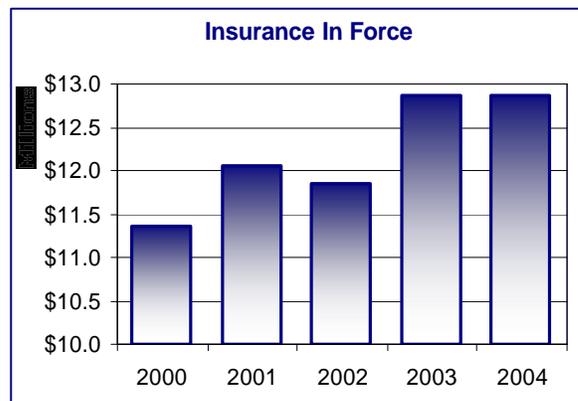
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2004, our 50th year in business, turned out to be an exciting year for American Savings Life (the Company). We continued our Company Mission of providing our stockholders the highest possible return on their investment while keeping the Company's insurance policyholders safe through secure investments.

## LIFE INSURANCE BUSINESS

During the year 2004, our insurance sales approximated our policy terminations, leaving our total insurance in force at \$12.9 million.

All insurance policies sold during 2004 were Youth Life Plan policies. Our Grand Slam Endowment at Age 70 Plan is being converted to an endowment at age 95 plan. This new plan will provide our policyholders with increased tax benefits. As this conversion is completed we will notify all of our policyholders and provide the current Grand Slam policyholders the opportunity to convert their policies.



Our Grand Slam policyholders enjoyed another year of policy dividends at the full projected rate of 4%. This is in addition to the guaranteed policy interest rate of 4% for a total credit of 8% on the policy reserves.

## COMPANY STOCK BUY-BACK (TENDER)

Since 1989 the Company has provided liquidity to its shareholders by buying back (also called tendering) shares. Beginning in 2001, the Company's tender price has been set at 67% of the most recent book value. At December 31, 2004 the tender price was \$1.91 per share. Typically, only a small percentage of our shareholders elect to sell their shares. During 2004, the Company purchased about 42,000 shares of stock from shareholders. This is equal to less than 1% of the total outstanding shares.

Management does not encourage shareholders to sell their shares because we believe the Company provides an excellent return with very little risk. We do recognize, however, that there are times when liquidity of investments is necessary. For this reason, we are pleased to provide a ready market for any stockholders needing to sell their shares.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF 2004 OPERATIONS

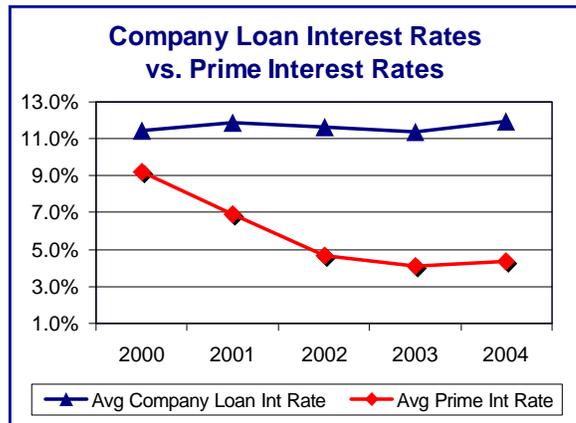
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## INVESTMENTS

During 2004, the Company continued its long standing investment objective of maintaining a majority of our assets in high yielding but secure mortgage loans. At year end 2004, we had 72% of our total assets invested in mortgage loans. Our mortgage loans are exceptionally secure since we loan only 50-65% of the value of the property securing the loan. Our loans provide an important niche between conforming bank loans and high interest private sector loans.

The accompanying chart shows that while the average national prime lending rate has dropped from 9.2% in 2000 to only 4.35% in 2004, we have been able to maintain a consistent return on our mortgage loans above 11%. We are

pleased to have earned these higher yields while still maintaining our investments in low risk loans, with relatively low loan-to-value ratios.



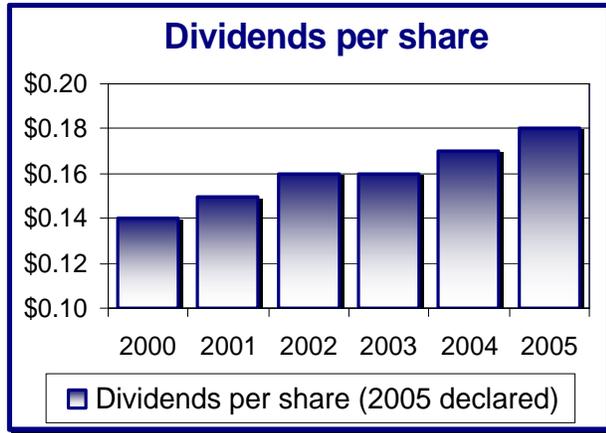
## REAL ESTATE OWNED

The Company sold its largest piece of real estate, 513 acres of I-8 frontage land at Vekol Wash between Casa Grande and Gila Bend, for \$2.85 Million. This constitutes a capital gain of \$2.49 Million—approximately two year's normal earnings. The sale required 10% down, with the remaining to be paid over a 7 year period. Therefore, only 10% of the gain earned on this sale is reflected in these financial statements. One half of the remaining gain is scheduled to be recognized as quarterly payments are received over the next seven years, and the other half with the balloon payment of \$1.5 Million due in 7 years.

The realization of these future gains is subject to receipt of payments on the \$2.5 million note. Since gains are recognized when payments are received, an early payoff of this note would accelerate the recognition of these gains. In the meantime, we are earning 10% interest on the unpaid balance of the note.

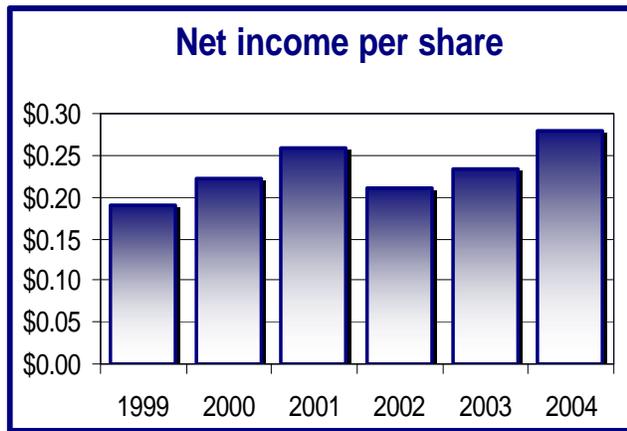
During 2004, the Company acquired one property through foreclosure; a 20-space RV and mobile home park in Tonopah, AZ. We are currently managing the park and preparing it for sale. This one foreclosure represents less than 1% of our total number of loans in our portfolio.

## 2004 FINANCIAL HIGHLIGHTS



Dividends per share have increased from 14¢ per share in 2000 to the 2005 declared rate of 18¢. This 29% increase equals an average annual dividend increase of 5.7%.

In addition to having earned 78¢ in cash dividends since 2000, the liquidation value of shares has also increased by 36¢. That's a combined return of \$1.14 per share, an average annual return of 14.8%.



The year 2004 saw net income per share grow to a record 28¢. Over the past 5 years net income per share has grown 46%, yielding an average annual increase of 9.3%.

# STATEMENT OF OPERATIONS

(UNAUDITED)

	<b>Dec 31, 2004</b>	<b>Dec 31, 2003</b>
<b>REVENUES</b>		
Life insurance premiums	128,569	241,158
Investment Income		
Interest on cash & cash equivalents	54,374	48,413
Interest on Mutual Funds	27,474	27,369
Interest on policy loans	6,698	7,761
Interest on mortgage loans	1,774,309	1,768,346
Rental income	96,366	118,808
Other investment income	251,115	180,587
<b>TOTAL REVENUES</b>	<b>2,338,905</b>	<b>2,392,442</b>
<b>EXPENSES</b>		
Death benefits	139,801	67,905
Other policyholder benefits	56,655	95,098
Policyholder dividends	20,443	18,840
Incr/decr in reserves and loading	-11,483	78,004
Commissions and Advertising	351	13,471
Interest on insurance	65,830	59,661
General Expenses		
Salaries and wages	439,531	409,510
Welfare Plan	35,761	29,284
Profit Sharing Plan	43,930	40,956
Actuarial and accounting	27,730	23,325
Attorney and Directors fees	12,152	15,238
Office rent & utilities	70,477	66,331
Telephone, postage, printing	15,996	26,891
Other expenses	58,953	22,131
Taxes Licences and Fees		
Real estate taxes	16,634	17,324
Fica and futa tax on salaries	31,790	30,048
Other taxes and fees	5,546	14,760
<b>TOTAL EXPENSES</b>	<b>1,030,097</b>	<b>1,028,778</b>
<b>Net Gain From Operations</b>	<b>1,308,808</b>	<b>1,363,664</b>
Realized Gain on Real Estate & Securities	357,160	63,090
Federal Income Tax Paid	-223,859	-201,500
<b>NET INCOME</b>	<b>1,442,109</b>	<b>1,225,254</b>

See accompanying notes to the financial statements

# STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

<b>ASSETS</b>	<b>Dec 31, 2004</b>	<b>Dec 31, 2003</b>
Cash and cash equivalents	3,039,323	1,106,868
Long term certificates of deposit	500,000	500,000
Mutual Funds owned	851,669	287,198
Common & preferred stock	38,899	34,419
Policy loans	118,893	150,726
Mortgage loans	13,922,113	15,966,317
Employee notes	1,792	2,331
Real estate investments & receivables	396,777	296,096
Property tax CP's	66,635	64,571
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>18,936,101</b>	<b>18,408,526</b>
Accrued interest & deposits	232,913	154,789
Land and building	164,362	162,085
Office equipment	17,063	15,620
<b>TOTAL ASSETS</b>	<b>19,350,439</b>	<b>18,741,020</b>
<b>LIABILITIES</b>		
Reserves for life policies	2,096,013	2,107,139
Insurance policy claims pending	19,050	19,050
Policy holder & GIC funds on deposit	1,940,833	1,582,247
Other policy holder liabilities	27,051	25,371
Taxes & expenses due & accrued	72,524	79,341
Unearned investment income	6,069	153,878
Amounts held by ASLIC for others	319,346	388,489
Income tax payable	22,750	20,909
<b>TOTAL LIABILITIES</b>	<b>4,503,636</b>	<b>4,376,424</b>
<b>SHAREHOLDERS EQUITY</b>		
Capital stock	914,933	914,933
Capital stock in excess of par	2,205,412	2,205,412
Stock notes & Employee receivables	-21,698	-31,240
Retained earnings	16,356,734	15,799,138
Unrealized gain on securities	13,936	20,347
Less treasury stock	-4,622,514	-4,543,995
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>14,846,803</b>	<b>14,364,596</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>19,350,439</b>	<b>18,741,020</b>

See accompanying notes to the financial statements

# STATEMENT OF CASH FLOWS

(UNAUDITED)

<b>OPERATING ACTIVITIES</b>	<b>Dec 31, 2004</b>	<b>Dec 31, 2003</b>
<i>Funds provided from operations</i>		
Premiums received	129,080	243,566
Net investment income (excluding realized gains)	1,844,843	2,270,400
<b>Total funds provided from operations</b>	<b>1,973,923</b>	2,513,966
<i>Funds used in operations</i>		
Benefits and loss related payments	-260,480	-238,363
Commissions and other expenses and taxes paid (excluding federal income taxes)	-629,131	-606,062
Dividends paid to policyholders	-18,918	-13,465
Federal income taxes paid (excluding capital gains tax)	-175,335	-145,729
<b>Total funds (used) in operations</b>	<b>-1,083,864</b>	-1,003,619
<b>NET CASH PROVIDED FROM OPERATIONS</b>	<b>890,059</b>	1,510,347
 <b>INVESTING ACTIVITIES</b>		
<i>Funds provided from investments sold, matured or repaid</i>		
Bonds	200,296	3,075,000
Mortgage Loans	7,616,969	6,146,610
Real Estate	183,374	18,147
Other invested assets	36,383	120,112
<b>Total investment proceeds before capital gains tax</b>	<b>8,037,022</b>	9,359,869
<i>Cost of investments acquired</i>		
Class one mutual funds & long term CD's	-777,474	-2,474,344
Mortgage Loans	-5,260,472	-8,544,665
Real Estate	-286,332	-116,939
Other invested assets	-31,904	-66,769
<b>Total cost of investments acquired</b>	<b>-6,356,182</b>	-11,202,717
(Increase) Decrease in policy loans	31,833	29,150
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>1,712,673</b>	-1,813,698
 <b>FINANCING ACTIVITIES</b>		
<i>Funds provided from (used for) financing activities</i>		
Net deposits on deposit-type contracts	292,755	266,489
Cash dividends paid	-884,514	-847,719
Treasury stock purchased	-78,518	-171,726
<b>Net cash provided from (used for) financing activities</b>	<b>-670,277</b>	-752,956
Increase (Decrease) in cash and short-term investments	<b>1,932,455</b>	-1,056,307
Cash and short-term investments, beginning of year	<b>1,106,868</b>	2,163,175
Cash and short-term investments, end of year	<b>3,039,323</b>	1,106,868

See accompanying notes to the financial statements

# STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND 2003  
(UNAUDITED)

	Capital Stock	Capital Excess of Par	Unrealized Net Gain on Marketable Securities	Unassigned Surplus	Receivables from the Sale of Capital Stock	Treasury Stock	Total
<b>BALANCES, December 31, 2002</b>	914,933	2,205,412	15,277	15,421,604	-39,232	4,372,270	14,145,724
Net Income				1,225,253			1,225,253
Dividends declared & accrued				-847,719			-847,719
Repurchase Capital Stock (Treasury)						-171,726	-171,726
Change Unrealized Gain on Securities			5,071				5,071
Change in Nonadmitted Assets					7,993		7,993
<b>BALANCES, December 31, 2003</b>	914,933	2,205,412	20,348	15,799,138	-31,239	4,543,996	14,364,596
Net Income				1,442,109			1,442,109
Dividends declared & accrued				-884,514			-884,514
Repurchase Capital Stock (Treasury)						-78,518	-78,518
Change Unrealized Gain on Securities			-6,411				-6,411
Change in Nonadmitted Assets					9,541		9,541
<b>BALANCES, December 31, 2004</b>	914,933	2,205,412	13,937	16,356,733	-21,698	4,622,514	14,846,803

See accompanying notes to the financial statements

## NOTES TO THE FINANCIAL STATEMENTS

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### (1) ORGANIZATION:

American Savings Life Insurance Company (the Company) is a registered capital stock life, health and accident insurance company authorized to conduct business in the states of Arizona and Utah. The Company is currently engaged in the life and disability insurance business. It is customary in the insurance industry for a portion of income to be derived from mortgage loans; however, a majority of the Company's income is attributed to mortgage loans.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Investments - The following Company investments are recorded in accordance with the Statement of Financial Accounting Standards No. 60, Accounting and Reporting by Insurance Enterprises:

- A. Mortgage loans are reported at outstanding principal balance or amortized cost.
- B. Receivables secured by real estate including property tax certificates of purchase are reported at their outstanding principal balance, less deferred gains, which are recognized under the installment method.
- C. Real estate investments are reported at lower of cost or fair market value with the related charge to realized loss if applicable.
- D. Common stock and mutual funds are reported at market and temporary changes in the market value of those securities are recognized as an unrealized gain (loss). Non-redeemable preferred stock is reported at cost.
- E. Bonds are stated at amortized cost, since they are expected to be held until maturity.
- F. Policy loans are reported at their outstanding principal balance.
- G. Realized gains (losses) are determined on a specific identification basis and are credited (charged) to operations; unrealized gains (losses) are credited (charged) to the equity section.

Cash and cash equivalents - The company considers all highly liquid investments with a maturity of one year or less at the time of purchase to be cash equivalents.

Restricted Securities - In accordance with the State of Arizona Insurance Regulations, long term certificates of deposit with an aggregate value of \$500,000 at year end in 2004 and 2003 were on deposit with the Arizona State Treasurer.

Policy Claims Pending - The liability for policy claims is based on the estimated cost of individual claims reported plus estimated claims incurred but unreported prior to December 31, 2004 and December 31, 2003 respectively.

Reinsurance - The Company had no agreements with nonaffiliated reinsurers or reinsured policies during the period covered by this report.

Estimates - The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabili-

ties, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) CASH AND INVESTMENTS:

**Cash and short-term investments** consist of the following:

	December 31	<u>2004</u>	<u>2003</u>
Certificates of deposit		\$1,198,389	\$297,010
Money market funds		744,819	493,243
Demand deposits		<u>1,096,115</u>	<u>316,615</u>
Total cash & short term investments		<b>\$3,039,323</b>	<b>\$1,106,868</b>

The Company maintains certificates of deposit at several banks with amounts not exceeding \$605,000. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Cash in some bank demand deposits exceeded FDIC insurance limits in the amounts of \$915,656 and \$131,339 at December 31, 2004 and 2003, respectively. The money market funds utilized by the Company invest in short-term U.S. government and commercial paper securities.

**Mortgage Loans** consist of commercial, consumer and purchase money loans collateralized by real estate. The Company's lending policies allow for commercial and consumer loans up to 65% of appraised values at interest rates ranging from 10.9% to 13.5% and terms ranging from 1 to 15 years. Purchase money mortgages were provided to purchasers of Company owned real estate at rates from 7% to 10%. Purchase money mortgages are shown at the Company's unamortized cost of the real estate sold. The balance of the remaining installments is unamortized deferred gain, and is excluded from the mortgage loan assets. The deferred gain will be recognized as income, only as the installment payments are received.

	December 31	<u>2004</u>	<u>2003</u>
Commercial & consumer loans	\$	13,441,232	\$ 15,797,022
Purchase Money Loans	\$	480,879	\$ 169,295
Remaining Deferred Gain	\$	2,366,018	\$ 129,085
Annual Realized Deferred Gain	\$	261,630	\$ 17,173

The Company has a concentration of mortgage loans in central Arizona.

**Land and Building.** The office occupied by the company is located at 935 E. Main Street, Mesa, AZ. The Company acquired the building through a section 1031 property exchange and is valued as shown in the following schedule:

	December 31	<u>2004</u>	<u>2003</u>
Building cost		\$434,605	\$434,605
Improvements		100,745	98,468
Land cost		<u>75,633</u>	<u>75,633</u>
		<b>610,983</b>	<b>608,706</b>
Less deferred gain on 1031 exchange		<u>-446,621</u>	<u>-446,621</u>
Statement value of land and building		<b>164,362</b>	<b>162,085</b>

Since the book value of land and building does not exceed the estimate salvage value, no depreciation is taken on this property. Management estimates the fair market value of this property to be \$800,000.

**(4) RESERVE FOR POLICY AND CONTRACT CLAIMS:**

The reserve reflects the liability for aggregate reserve amounts which, with additions from premiums to be received and with interest compounded annually at a level 5% interest assumption, are calculated to be sufficient to meet policy obligations as they mature.

**(5) GUARANTEED INVESTMENT CONTRACTS :**

Guaranteed investment contracts are amounts held on behalf of outside parties. Interest is paid yearly at a rate equal to 90% of the rate earned by the Company on certificates of deposit and is recalculated each month with a guaranteed minimum rate of 4.00%. Guaranteed investment contracts are held primarily by stockholders of the Company. Contracts owned by stockholders represent 80% and 86% of all contracts at December 31, 2004 and 2003 respectively.

**(6) STOCKHOLDERS' EQUITY:**

State of Arizona insurance regulations require the Company to keep a minimum capital of \$400,000 and a minimum free surplus of \$100,000. At December 31, 2004 and December 31, 2003 the Company had a capital amount of \$914,933 and a free surplus of \$13,932,657 and \$13,449,662, respectively. Free surplus was reduced by the \$4,622,514 and \$4,543,995 cost of treasury stock for years 2004 and 2003 respectively.

In March 2001, the Board of Directors authorized an open-ended offer to purchase shares of American Savings Life Insurance stock for 67% of the most recent equity value. The equity value is prepared monthly using GAAP standards and adjusted for any accrued dividends payable. During 2004, treasury stock increased by the purchase of 42,277 shares of capital stock at prices ranging from \$1.83 to \$1.90 per share. During 2003 a total of 95,110 shares were purchased at prices of \$1.77 to \$1.83 per share.

On January 11, 2005, the Board of Directors declared a cash dividend of 18¢ per share payable in two payments of 9¢ per share. The first payment will be on April 11, 2005 to stockholders of record on March 31, 2005, and the second on October 10, 2005 to stockholders of record on September 30, 2005.

**(7) PARTICIPATING INSURANCE POLICIES:**

The allocation of dividends to participating policy owners is based on actuarial mortality rates with consideration for investment yields (which are subject to periodic review), issues ages, policy durations and premium charges. The mortality rates correspond with rates assumed in the calculation of the premium charges. Participating business comprised approximately 19% of total life insurance in force at December 31, 2004 and at December 31, 2003.

**(8) RELATED PARTIES:**

Although there is a significant inter-relationship between policyholders who are

also stockholders and members of Company management, no related party transactions involving this group have occurred during the years ended December 31, 2004 and 2003, other than ordinary compensation, expense reimbursements and similar items incurred in the ordinary course of business, except as follows:

1. A loan for employee educational expenses of \$29,132 was authorized by the board in 2001. Educational fringe benefit amounts of \$5,244 during 2004 and \$5,244 during 2003 have been applied as payments on this loan. The loan balance at December 31, 2004 is \$17,916. Ninety percent of this balance is subject to future fringe benefit payments, and is therefore not included as an asset in this statement.
2. Insurance premiums paid by Company officers and directors totaled 16.2% and 35.3% of total premiums paid in 2004 and 2003, respectively. Company officers and directors also owned 7.5% and 7.8% of total policy face value in 2004 and 2003, respectively.

#### (9) CASH FLOW RECONCILIATION:

A reconciliation of net income to cash flows from operating activities is as follows:

	December 31,	2004	2003
Net income		\$1,442,109	\$1,225,253
Adjustments to reconcile net income to net cash provided from operations			
(Increase) decrease in investment due & accrued		-74,227	10,262
(Incr.) decr. In income tax refundable		0	34,862
Incr. (decr.) in payables, accrued expense & other		-222,775	158,486
Incr. (decr.) in reserves for policy & contract claims		0	-15,543
Incr. (decr.) in other policyholder funds		1,680	6,527
Incr. (decr.) in income tax payable		1,841	20,909
Incr. (decr.) in life insurance reserve		-11,126	79,260
Incr. (decr.) in deposit to deposit type accts		358,585	326,150
Incr. (decr.) in net deposits to deposit type accts		-292,755	-266,490
Net realized capital gains		-310,477	-47,652
Capital gains tax included in income tax		0	-15,438
(Incr.) decr. In office equipment		-1,443	-5,385
(Incr.) decr. In prepaid expenses		-353	-854
Net cash from operations		890,059	1,510,347

#### (10) EMPLOYEE PROFIT SHARING PLAN:

In 1993, the Company began to sponsor a qualified profit sharing plan available to full-time employees who meet the plan's eligibility requirements. The terms of the plan call for annual discretionary contributions by the Company as determined by the Board of Directors. The plan contribution was \$43,930 for 2004 and \$40,956 for 2003.

#### (11) CLAIMS AND CONTINGENCIES:

The Company has various legal proceedings and claims pending that are common to its operations. While it is not possible to determine the ultimate outcome of

these matters, it is the opinion of management that they will not result in monetary damages that in the aggregate would be material to the business or operations of the Company.

(12) SPECIAL NOTE - Statutory Financial Statements:

Each year, the Company files another set of financial statements with the Arizona and Utah Departments of Insurance and the National Association of Insurance Commissioners (NAIC). They are prepared according to statutory (state law) requirements, and are used by state regulators to review our Company's strength. We refer to these as the "statutory" financial statements, and they are audited each year by a qualified Certified Public Accounting firm.

The statutory financial statements differ in several respects with your stockholders financial statements. The stockholders financial statements, although unaudited, are prepared using generally accepted accounting principles. The following table shows a comparison of the financial highlights of your stockholders financial statements with the statutory financial statements:

	<u>2004 Stockholders Financial Statements</u>	<u>2004 Statutory Financial Statements</u>
Total Assets	\$19,350,439	\$19,714,412
Total Liabilities	4,503,636	5,951,607
Total Stockholders Equity	14,846,803	13,762,806
# Shares Outstanding	5,181,298	5,181,298
Equity per Share	\$ 2.86	\$ 2.66
Annual Net Income	1,442,109	1,496,065
Net Income per Share	\$ 0.28	\$ 0.29

The Company would be pleased to provide you with a copy of the audited statutory financial statements upon your request.

(13) FORWARD-LOOKING STATEMENTS:

Certain statements contained in this Annual Report are forward-looking statements. Examples of forward-looking statements include (i) projections of revenues, income or lost earnings or loss per share and other financial items, (ii) statements of plans and objectives of the Company or its management, and (iii) statements of future economic performance. Words such as "believe", "anticipates", "expects", "intends", "may", "will" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying these statements. In addition, all statements other than statements of historical facts that address activities that the Company expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements involve risk and uncertainties, which may cause actual results to differ materially from those in such statements.



1954 to 2004

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INSURANCE COMPANY**

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