

March 10, 2009

Fellow Shareholders,

“Only when the tide goes out do you discover who's been swimming naked.” This adage from Warren Buffett has never been more “revealing” than this last year, which proved to be the year of reckoning for many financial services firms. In fact, it appears the worst may not be over and the year 2009 may reveal even more casualties; as undesirable as that may be.

Fortunately, our core business is performing quite well, with 2008 net gains from operations up 4% from 2007. Indeed, net income was only down 8% from the record 2007 level because we earned fewer real estate gains. Of course, we are not immune to the swirling economic chaos around us. We are seeing an increase in loan delinquencies and foreclosures. Nevertheless, our investment portfolio on the whole is proving the wisdom of our long-standing conservative business principles.

To mitigate our exposure to the uncertainties of the economic environment, we are adjusting some investment strategies to provide an even greater level of safety. Simultaneously, we are pursuing exciting investment opportunities that are a direct result of this same economic environment. Let's review these paradoxical strategies.

Life Insurance Business - New Deferred Annuity!

We are moving full steam ahead at developing and preparing to market a new fixed annuity, which we believe will be extremely attractive in today's low interest rate environment. In fact, at the time of printing this report we are in the process of submitting the annuity for insurance department approval and we anticipate beginning sales by May.

The annuity is called “The PREMIER SERIES Deferred Annuity” and has a 3, 5 or 7 year option. Currently, the 7-year annuity will pay **7.0% interest** the first year, with a target rate of 6.0% for each subsequent year. If we ever pay less than 6.0% the owner has a “bailout” option to cancel the annuity without any surrender charge. The owner can also withdraw 10% of the annuity each year without any penalty.

If you are a resident of Arizona or Utah and are interested in learning more about this exciting annuity, please be sure to complete the simple survey provided herewith and return it with your proxy.

So how can we pay such high interest rates when banks and other insurance companies are paying so much less? It is primarily the result of our investment performance. By investing about 75% of our assets in our niche in-

vestment of ultra secure (about 50% loan-to-value) and high yielding (average 12% interest) real estate loans, we are able to earn investment yields that make even these high interest annuities profitable.

We are confident that we will be successful in selling as much of this annuity as we can prudently invest. Consequently, we plan to limit sales during the balance of 2009 to about \$3 million in annuity premiums.

 **Increased Cash Reserves** 

As a hedge against the uncertainties of future economic conditions we have increased the cash reserves we are maintaining. We will continue to grow our cash reserves as our assets grow through new annuity premiums.

 **Continuing Our Traditional Investments** 

One of the ways the current market conditions are in our favor is we are enjoying an unusual imbalance in the supply/demand curve for our primary investment of choice; non-conforming commercial real estate loans. With a double whammy of (a) the credit markets being extremely constrained, and (b) so many banks and investors having been burned by making aggressive loans in recent years, there is much less competition for our loans. This has enabled us to increase interest rates and more importantly, it allows us to be more selective in which loans we make and underwrite our loans even more carefully.

We recognize that with additional investment funds from annuity premiums it will be imperative, more than ever, to maintain our long-standing conservative investment practices.

With future property values being such an unknown, we are being even more cautious than usual as we assess a property's value for lending purposes. Historically, when we would conservatively value a property and offer to only loan 50% of our low valuation, borrowers could find other lenders or investors who would loan more than we would. In today's market this is happening much less frequently. More frequently now borrowers are accepting our lower loan amounts because there are fewer alternatives.

 **Additional Investment Opportunities** 

Today's real estate and lending markets are providing unique opportunities that we have never seen before. We are seeking to invest a modest part of our investment capital (approximately 5%) in higher-yielding investments such as discounted notes and investment real estate.

For example, last month we purchased a group of discounted notes from a bank at an 80% discount. To sweeten the deal, the borrower added additional collateral and we offered a significant discount for the borrower to pay the loan off this year. We are receiving monthly payments of 18% interest and expect to earn a substantial gain when we are paid off.

Our present challenge is to preserve capital and minimize investment risk while simultaneously taking advantage of the opportunities available to investors with cash. Our investment strategy is therefore to continue to invest the majority of our capital in our traditional real estate loans, keep higher cash reserves and modestly invest some capital in higher yielding opportunities.

 **Conservative Growth Amidst Uncertainty** 

Despite the uncertainty for what the future holds, we will continue to grow in a measured, sustainable way. We will not merely hunker down and hope for better days to come. We will continue forward with our three-pronged growth strategy (insurance, lending and real estate). Nevertheless, we are committed to constrain our growth to a rate that allows us to safely and profitably invest and manage our growth.

Our long-standing prudent investment principles are what have allowed us to thus far dodge the wrath of the present economic and real estate market conditions. And although we are beginning to see increased foreclosures, we are confident that these principles, together with our investment strategies described above, will allow us to not only survive, but thrive amidst these economic conditions.

We will more fully discuss each one of these topics at our annual shareholders meeting on April 14, 2009. It begins at 10:00 AM at our home office in Mesa, Arizona. We encourage all shareholders to attend.

 **Increased Stock Buy-Back Price** 

In January, the Board of Directors increased the Company's stock buy-back price (for up to 500,000 shares of Company stock) from 80% to **90%** of the most recent stock equity value. This increase in the Company's stock buy-back price is to reflect a closer fair market value for those shareholders who desire (or in most cases need) to sell their shares.

To be clear, it is not our intention to encourage you to sell your shares. On the contrary, we believe your investment in ASL stock will continue to increase in value and provide very attractive cash dividends.

∞ 2009 Dividends ∞

While most companies are slashing or eliminating their dividends, our Board has declared the same semi-annual dividend paid in 2008. Twelve cents per share will be paid on April 10, 2009 to shareholders of record on March 31, 2009. A second semi-annual dividend will be declared by the Board this summer and paid in October.

∞ In Conclusion ∞

As the economic tide recedes, we, as fellow shareholders, realize more than ever what a blessing it is for us to be invested in such a strong, conservative company. We have no idea how long or how deep the current recession (depression?) will persist. Nor can we predict what affect it will have on our future earnings. Yet it is only in these tough times that one recognizes the real value of conservative business principles. Only in the gales of adversity is one's staying power truly proven.

We have no doubt that our solid foundation will see us through whatever is to come, with us emerging stronger than ever before. While most of the world looks to the future with trepidation, we see a future of opportunity and we look forward to sharing this bright future together with you.

Most sincerely,



Byron Frihoff Allen, President



David K. Allen, Chairman



Byron Frihoff Allen and David K. Allen with portrait of Company founder, Frihoff N. Allen