

March 5, 2010

Dear Fellow Shareholders,

I recently read a version of a popular axiom that is particularly fitting: *“When life gives you a lemon, don’t complain, but instead make lemonade to sell to those who are thirsty from complaining.”* This is a fair description of our business model in this current economy of low interest rates and investors’ desire for safe, guaranteed returns. In this letter and to an even greater extent in the “Management’s Discussion & Analysis” we explain how we are successfully making and selling lemonade in today’s challenging economy.



2009 Financial Performance



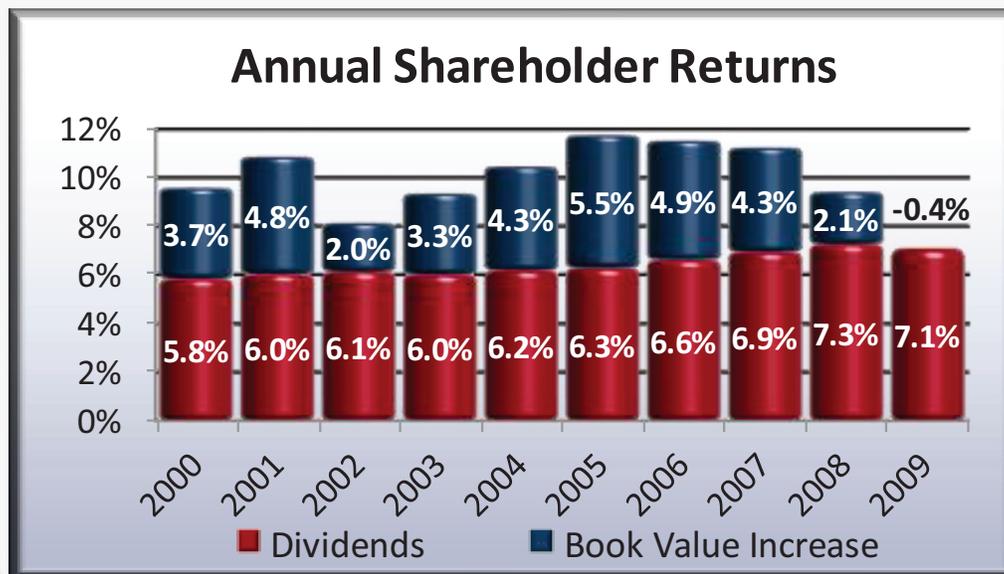
You will notice our net income for 2009 was down 30% from the prior year. Even this decreased income equals a **6.75% return to our shareholders**; still quite an attractive return in today’s economy. From the chart below you will also note that the shareholders annual total returns (dividends plus increased shareholders equity) averaged 10% annually over the past 10 years.



Annuity Sales



In our 2008 Letter to Shareholders we stated our goal for 2009 annuity sales was \$3 million. Since the product development and state approval process took longer than anticipated (mostly on account of this being our first annuity), we were not able to begin marketing the



annuity until August. Nevertheless, by year end we sold \$2.4 million and one week later we hit our \$3 million goal. In fact, as of the date of this letter we have sold nearly \$6 million in annuities.



Our business model is simple



We sell annuities that guarantee our annuity customers attractive fixed interest rates, we hold some of those funds in liquid assets to maintain adequate liquidity, and invest most of the annuity premiums in our conservative *Not So Hard Money*[™] loans. We provide an attractive return to our annuity customers, a valuable loan product to our loan customers, and our shareholders benefit from the difference (interest spread) between the rate we earn and the rate we pay out.



Risks of growth



We are very aware that with growth comes risk. One of the biggest risks to which many companies fall victim is growing too fast. We are committed to prudently manage our annuity sales to not exceed our ability to invest our assets in the same uncompromising quality of conservative loans we have maintained for decades.

We have taken steps to control the volume of annuity premiums we receive while increasing our capacity to handle a higher volume of loans. As a result of these steps, February, 2010 annuity sales were \$1 million, and our Loans funded were \$1.2 million, which are at levels we believe we can continue to maintain. We are also improving our computer systems and employee training to grow our capabilities to handle even larger volumes as we continue to increase our annuity sales and loan originations.



“Carpe diem”



With interest rates at historic lows, we have an opportunity to “seize the day” and benefit from very attractive yield spreads between the interest rate we pay on our annuities and the interest rate we earn on our investments. This is possible because the interest rates we earn on our primary investment, our trademarked *Not So Hard Money*[™] loans, are not correlated with the general interest rate market. We have consistently earned at least 10% interest on these investments for

the last 40 years.

The sale of annuities is a natural evolution for our Company. It is a perfect fit with our investment model, where we can provide an excellent value to our annuity customers by paying above-market interest rates while continuing to earn a profit from our investments. Additionally, our *Not So Hard Money*[™] loans provide needed financing to businesses at a time when it is difficult for businesses and investors to get bank financing.

We are thrilled to be able to make a real contribution to the improvement of our economy by (1) providing guaranteed annuity investments that pay attractive interest rates to investors, (2) providing prudent lending to business owners and investors that can't get bank financing, and (3) providing an attractive return to our shareholders.

 **2010 Growth Strategy** 

Our strategy for 2010 is to continue our measured, sustainable growth through the sale of above-market interest annuities and efficiently invest the majority of these funds in our conservative *Not So Hard Money*[™] loans. Our goal is to originate at least \$10 million in safe real estate loans this year, which is over twice 2009's volume. We also have a goal to sell at least \$8 million in new annuities.

 **2010 Dividends** 

We are pleased to announce that our Board of Directors has declared a ten cent per share semi-annual dividend to be paid on April 10, 2010 to shareholders of record on March 31, 2010. A second semi-annual dividend will be declared in August and paid in October.

 **In Conclusion** 

On this, our Company's 55th anniversary, we are pleased to have the opportunity to make sweet lemonade out of this lemon of an economy in which we find ourselves. We believe our lemonade is truly a win for our annuity customers, a win for our loan customers and a win for our shareholders.

We thank each of our exceptional employees for their commitment and hard work that makes our Company's success possible. We are

grateful for the privilege of working for this great Company and we thank you, our shareholders, for entrusting us with it. We look forward with enthusiasm and confidence to sharing the next 55 years of success with you and your loved ones.

Most sincerely,



Byron Frihoff Allen, President



David K. Allen, Chairman

Executive Management Committee



David K. Allen
Chairman

Byron F. Allen
President

Robert E. Allen
V.P., Operations

Clark E. Allen
Director