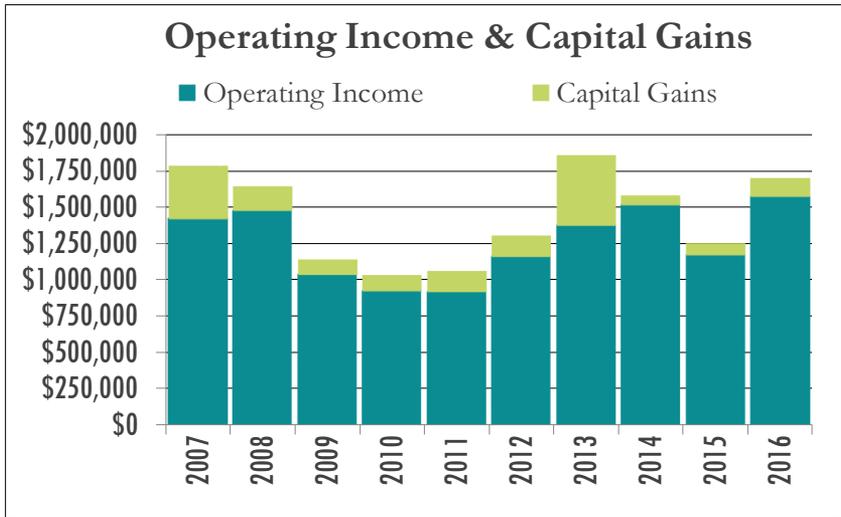


DEAR FELLOW SHAREHOLDERS,

Dear fellow shareholders,

I am pleased to report that we passed some exciting milestones in 2016!

- Total Assets exceeded **\$60,000,000**. This is a 274% increase over the last 10 years.
- Total Shareholders Equity (Book Value) surpassed **\$18,000,000**. This is an increase of \$2.2 million over the past decade. Furthermore, this increase is after paying out \$10.7 million in cash dividends during this time.
- Record-breaking Net Operating Income of **\$1,573,000**. This is our core after-tax recurring earnings measurement, which does not include non-recurring capital gains.



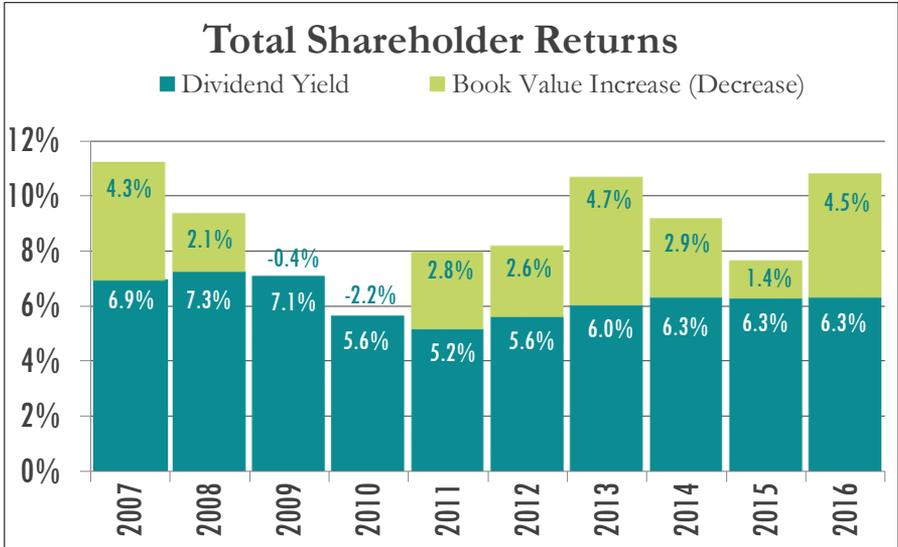
Your Stock's Performance

We believe the best way to measure your stock's performance is a calculation called **Total Shareholder Return**. This shows what percentage return the dividends plus increased book value yielded on your stock's book value at the beginning of the year.

Letter from the President

2016 provided our shareholders with a Total Shareholder Return of **10.8%**, exceeding the last ten years average return of 8.5%.

Over the last decade, our shareholders have earned **\$12.9 million** in combined dividends and increased shareholders equity (book value).



Focus on Our Core Business

"He who would be great anywhere must first be great in his own Philadelphia." (Russell H. Conwell, author of *Acres of Diamonds*).

As you know, growth usually comes with its struggles. We have struggled for the last two years to timely invest our available capital in our *Not-So-Hard Money*TM mortgage loans. Therefore, we have made it our top priority to grow our core business of timely investing our available assets in our niche real estate lending program.

As a result of our increased focus on this priority, we have been making great progress by:

- (a) Increasing our lending personnel to handle higher loan volumes;
- (b) Increasing marketing throughout our six-state lending area; and

-
- (c) Developing a first-class loan management system (computer program) to improve our efficiencies and ability to process higher volumes.

Once we have developed our lending business to the degree that we are consistently able to timely invest our desired capital in our mortgage loans, we will then resume our efforts to further diversify our business through life insurance sales.

Success in Diversifying

Last year's report emphasized our efforts to diversify our business for the purpose of improving the Company's long-term stability as we continue to grow. I am pleased to report that we are succeeding in diversifying where we invest in mortgage loans. Just 3 years ago, only 4% of all our loans were secured by real estate outside of Arizona. As of year-end 2016, 42% of our loans are now in states other than Arizona (see the chart on page 14).

First 2017 Semi-Annual Dividend Declared

The Board of Directors has declared a **12¢ per share** semi-annual dividend to be paid on April 7, 2017 to shareholders of record as of March 31, 2017. This is equivalent to an annualized **dividend yield of 6.3%**. The Board intends to declare the second semi-annual dividend in August, to be paid in October. This is the 35th consecutive year that we have paid cash dividends.

Opportunities in Overalls

Thomas A. Edison once said, *"Opportunity is missed by most people because it is dressed in overalls and looks like work."*

We have a wonderful opportunity to continue to grow our business and further our success. The most immediate opportunities we are working on this year are:

- 1) Growing loan originations: Our goal for 2017 is to originate at least \$20 million in new loans (a 33% increase over 2016).
- 2) Growing loan participations with other life insurance companies

Letter from the President

who have an interest in co-investing in our *Not-So-Hard Money* loans. This should allow us to make more loans than we could make with just our own capital.

We are blessed to have a dedicated staff that works hard every day to develop these growth opportunities while providing superior service to our customers and agents, which results in attractive returns to our shareholders.

On behalf of the Board of Directors and the Management Team, I extend my warmest and most sincere “thank you!” to all of our devoted employees and agents, our loyal customers and our supportive shareholders.



Byron Frihoff Allen, President

Executive Management Team



Back row: (L-to-R): Gove L. Allen, *Legal Counsel*; Brandi Murobayashi, *Controller*; Anthony Turdó, *Mortgage Operations Managing Executive*
Front row: Byron F. Allen, *President*; Robert E. Allen, *Vice-President*