

DEAR FELLOW SHAREHOLDERS,



Steven L. Stapley, one of our long-time employees, officers, and directors, was fond of saying:

*“Keep your nose to the grindstone,
Your ear to the ground, and
Your shoulder to the wheel.
It’s a heck of a position to work in, but...”*

Steve’s wisdom is a fitting introduction to this year’s letter because it describes the efforts our team continually puts into everything we do (that, and I just happen to really like the quote).

Like every year ends up being, 2017 was a combination of successes and setbacks. It was also a year of sadness as we lost an irreplaceable contributor to American Savings Life Insurance Company.

The Passing of a Dear Friend

Wilford R. “Wil” Cardon, who had served as a Company Director since 2000, passed away on August 26, 2017 at the age of 46. Wil was a true friend to the Company as an invaluable source of business expertise and leadership for over 17 years. To me personally, Wil was an inspiring mentor and friend.

On multiple occasions I heard Wil share the following quotes, which are glimpses of the wisdom Wil frequently shared in company board meetings.

*“What we say about others
says more about us
than it does about them.”*

*“A good life means you plant trees,
the shade of which you will never
live to see.”*

Thank you, Wil, for the trees you planted for all of us. We will miss your contagious laugh and the love you shared with each of us. We love and miss you.



Successes and Setbacks

As mentioned, this year had its own share of setbacks and successes. Some of the setbacks that affected profitability this year include:

- Decline in our mortgage loan portfolio’s average interest rates,
- Disappointing performance of some partnership investments,
- A net operating loss from our subsidiary mortgage company.

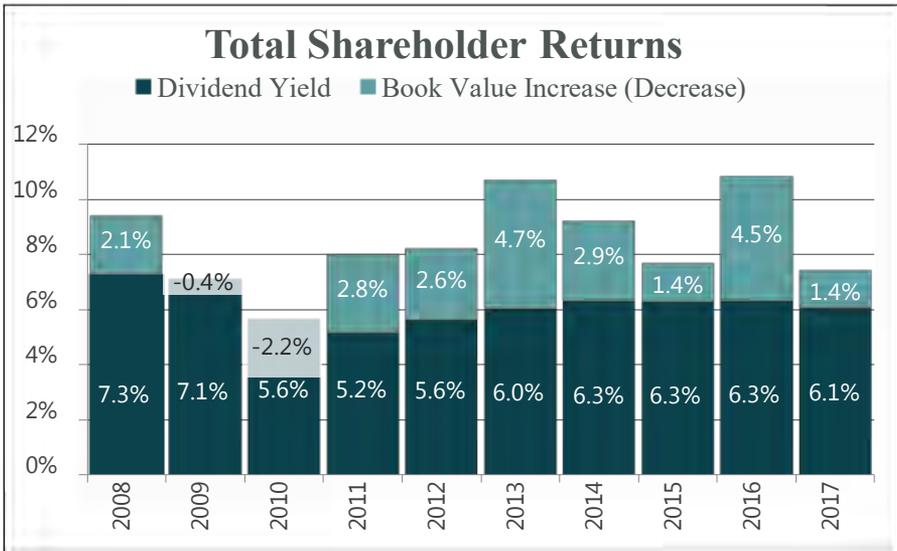
On the other hand, we are proud of the following successes:

- Record loans originated and growth of our loan portfolio to \$40 million,
- Record amount of loan participations sold while keeping our investment capital optimally invested nearly all year,
- Increased diversification of liquid investments into bonds and common stocks and their performance.

We will discuss these setbacks and successes in greater detail in the following section “A Closer Look Under the Hood.”

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 stock value (its book value) yielded on your stock’s book value at the beginning of the year.



2017 provided you, our shareholders, with a Dividend Yield of 6.06% plus an additional 1.36% increase in your stock's book value for a **Total Shareholder Return of 7.42%**.

Over the last decade (which includes the Great Recession of 2008), the Company's Total Shareholder Return has been consistently positive with an average return of 8.16% for our shareholders.

First 2018 Semi-Annual Dividend Declared

The Board of Directors has declared a **12¢ per share** semi-annual dividend to be paid on April 6, 2018 to shareholders of record as of March 31, 2018. This is equivalent to an annualized **dividend yield of 6.1%**. The Board intends to declare the second semi-annual dividend in August, to be paid in October. This is the 36th consecutive year that we have paid cash dividends.

Goals for 2018

We have ambitious goals for 2018. They are (a) originating over \$24,000,000 in new loans, (b) growing our net income to exceed \$1,800,000, (c) deploying two new variations of our annuities, and (d) developing a life insurance sales plan and products.

Good, Better, Best

On behalf of our dedicated staff, the Management Team, and the Board of Directors, I pledge our best efforts to continue to make our good better and our better best.

*"Good, better, best.
Never let it rest;
'Til your good is better
And your better is best."
- St. Jerome*



It is truly a privilege to be part of this amazing company and work with such a terrific team. As we continue to keep our nose to the grindstone, our ear to the ground and our shoulder to the wheel, we are together creating an even greater future!

A handwritten signature in blue ink that reads "Byron Frihoff Allen".

Byron Frihoff Allen, President