

**AMERICAN SAVINGS LIFE  
INSURANCE COMPANY**

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***STATUTORY FINANCIAL STATEMENTS***

**Years Ended December 31, 2008 and 2007**



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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
American Savings Life Insurance Company

We have audited the accompanying statutory statements of admitted assets, liabilities and capital and surplus of American Savings Life Insurance Company as of December 31, 2008 and 2007 and the related statutory statements of operations and changes in capital and surplus, and cash flows, for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 2 to the financial statements, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Arizona Department of Insurance, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of American Savings Life Insurance Company as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Our audits were conducted for the purpose of forming an opinion on the basic statutory financial statements taken as a whole. Schedule 1 – Selected Financial Data on pages 16-17 is presented for purposes of additional analysis and is required by the Arizona Department of Insurance as supplementary information to the basic statutory financial statements. Such information has been subjected to the procedures applied in the audit of the basic statutory financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic statutory financial statements taken as a whole.



This report is intended solely for the information and use of the board of directors and the management of American Savings Life Insurance Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

*Walker & Armstrong LLP*

Phoenix, Arizona  
February 25, 2009





**AMERICAN SAVINGS LIFE INSURANCE COMPANY**  
**Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus**  
**December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b><u>ADMITTED ASSETS</u></b>		
<b>CASH AND INVESTMENTS</b>		
Bonds, mutual funds, long-term certificates of deposit	\$ 500,000	\$ 500,000
Preferred stock	6,911	6,911
Common stock	364,020	399,440
Mortgage loans	17,541,180	17,914,508
Properties occupied by the company	532,151	521,495
Properties held for sale	786,521	-
Cash and short-term investments	1,813,330	1,722,219
Policy contract loans	105,650	105,253
Total cash and investments	<u>21,649,763</u>	<u>21,169,826</u>
<b>INVESTMENT INCOME DUE AND ACCRUED</b>	295,583	220,163
<b>PREMIUMS DEFERRED AND UNCOLLECTED</b>	13,302	14,036
<b>OTHER ASSETS</b>	<u>21,448</u>	<u>14,225</u>
Total admitted assets	<u>\$ 21,980,096</u>	<u>\$ 21,418,250</u>
<b><u>LIABILITIES AND CAPITAL AND SURPLUS</u></b>		
<b>LIABILITIES</b>		
Reserves for life policies and contracts	\$ 5,313,113	\$ 5,177,128
Liability for deposit-type contracts	2,520,053	2,418,714
Reserves for policy and contract claims	30,295	36,437
Other policyholder funds	38,243	32,015
Interest maintenance reserve	254,817	254,358
Accounts payable, accrued expenses and other	468,846	531,381
Income tax payable	-	5,196
Asset valuation reserve	<u>1,128,425</u>	<u>1,056,438</u>
Total liabilities	9,753,792	9,511,667
<b>CAPITAL AND SURPLUS</b>		
Common stock - \$.10 par value: 10,000,000,000 shares authorized; 9,198,775 issued and 5,116,137 outstanding in 2008; 9,149,334 issued and 5,091,530 outstanding in 2007	919,877	914,933
Paid-in capital and contributed surplus	2,331,413	2,205,412
Unassigned surplus	13,845,750	13,590,948
Treasury stock	<u>(4,870,736)</u>	<u>(4,804,710)</u>
Total capital and surplus	<u>12,226,304</u>	<u>11,906,583</u>
Total liabilities and capital and surplus	<u>\$ 21,980,096</u>	<u>\$ 21,418,250</u>

The accompanying notes are an integral part of these financial statements.



**AMERICAN SAVINGS LIFE INSURANCE COMPANY**  
**Statutory Statements of Operations**  
**Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>REVENUES AND DEPOSITS</b>		
Premiums and annuity considerations	\$ 267,240	\$ 138,356
Net investment income	2,378,219	2,487,353
Amortization of interest maintenance reserve	81,828	80,806
Miscellaneous income	11,276	12,846
Total revenues	2,738,563	2,719,361
<b>EXPENSES</b>		
Death benefits	42,970	86,887
Surrender benefits	44,703	27,022
Interest on policy or contract funds	93,540	108,819
Increase in life insurance reserves	135,984	26,817
Commissions on premiums	25	-
General insurance expenses	544,921	670,361
Insurance taxes licenses and fees (excluding federal income tax)	59,282	56,373
Decrease (increase) in loading	468	(183)
Total expenses and withdrawals	921,893	976,096
Net gain from operations before dividends and federal income taxes	1,816,670	1,743,265
Dividends to policyholders	(31,477)	(25,287)
Federal income tax (excluding tax on capital gains of \$26,039 and \$56,126 in 2008 and 2007, respectively)	(241,349)	(220,980)
Net realized capital gains less capital gains tax and transfers to interest maintenance reserve	84,556	301,215
<b>NET INCOME</b>	<b>\$ 1,628,400</b>	<b>\$ 1,798,213</b>

The accompanying notes are an integral part of these financial statements.



**AMERICAN SAVINGS LIFE INSURANCE COMPANY**  
**Statutory Statements of Changes in Capital and Surplus**  
**For the Years Ended December 31, 2008 and 2007**

	Capital Stock	Capital in Excess of Par	Stockholder and Employee Receivables Not Admitted	Unrealized Net Gain on Marketable Securities	Unassigned Surplus	Treasury Stock	Total
BALANCES, December 31, 2006, as restated	\$ 914,933	\$ 2,205,412	\$ (7,466)	\$ 33,575	\$ 13,542,899	\$ (4,780,772)	\$ 11,908,581
Net income	-	-	-	-	1,798,213	-	1,798,213
Dividends declared and paid	-	-	-	-	(1,121,481)	-	(1,121,481)
Repurchase capital stock	-	-	-	-	-	(23,938)	(23,938)
Change in unrealized net gain on marketable securities	-	-	-	10,121	-	-	10,121
Change in nonadmitted assets	-	-	7,182	-	(580,115)	-	(572,933)
Change in asset valuation reserve	-	-	-	-	(91,980)	-	(91,980)
BALANCES, December 31, 2007	914,933	2,205,412	(284)	43,696	13,547,536	(4,804,710)	11,906,583
Net income	-	-	-	-	1,628,400	-	1,628,400
Dividends declared and paid	-	-	-	-	(1,230,632)	-	(1,230,632)
Issue employee compensation in stock	4,944	126,001	-	-	-	-	130,945
Repurchase capital stock	-	-	-	-	-	(66,026)	(66,026)
Change in unrealized net gain on marketable securities	-	-	-	(21,598)	-	-	(21,598)
Change in nonadmitted assets	-	-	(11,116)	-	(38,265)	-	(49,381)
Change in asset valuation reserve	-	-	-	-	(71,987)	-	(71,987)
BALANCES, December 31, 2008	<u>\$ 919,877</u>	<u>\$ 2,331,413</u>	<u>\$ (11,400)</u>	<u>\$ 22,098</u>	<u>\$ 13,835,052</u>	<u>\$ (4,870,736)</u>	<u>\$ 12,226,304</u>

The accompanying notes are an integral part of these financial statements.



**AMERICAN SAVINGS LIFE INSURANCE COMPANY**  
**Statutory Statements of Cash Flows**  
**Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES:</b>		
Premiums received	\$ 267,351	\$ 140,276
Investment and other income received (excluding net realized gains and net of investment expenses)	<u>2,275,452</u>	<u>2,537,362</u>
Total funds provided by operations	2,542,803	2,677,638
Benefit and loss related payments	(193,489)	(192,335)
Commissions, other expenses and taxes paid	(583,927)	(705,174)
Dividends paid to policyholders	(25,093)	(23,242)
Federal income taxes paid (excluding capital gains tax of \$26,039 and \$56,126 in 2008 and 2007, respectively)	<u>(267,744)</u>	<u>(220,144)</u>
Total cash used for operations	<u>(1,070,253)</u>	<u>(1,140,895)</u>
Net cash provided by operating activities	1,472,550	1,536,743
<b>INVESTING ACTIVITIES:</b>		
Proceeds from investments sold, matured or repaid:		
Class one mutual funds & long-term certificates of deposit	100,000	400,000
Stocks	13,534	-
Mortgage loans	3,620,003	4,658,563
Real estate	41,764	542,622
Other invested assets	<u>100,075</u>	<u>7,183</u>
Total investment proceeds	3,875,376	5,608,368
Cost of long-term investments acquired:		
Class one mutual funds & long-term certificates of deposit	(100,000)	(400,000)
Stocks	-	(349,880)
Mortgage loans	(3,034,351)	(5,147,471)
Real estate	(852,972)	(893,594)
Other invested assets	<u>(111,180)</u>	<u>(5)</u>
Total investments acquired	(4,098,503)	(6,790,950)
Increases in policy loans	<u>(397)</u>	<u>(7,654)</u>
Net cash used for investing activities	(223,524)	(1,190,236)
<b>FINANCING ACTIVITIES (OTHER CASH PROVIDED OR APPLIED):</b>		
Capital and paid in surplus	130,945	-
Net deposits on deposit type contract funds	7,799	429,485
Cash dividends paid	(1,230,632)	(1,121,481)
Treasury stock purchased	<u>(66,027)</u>	<u>(23,937)</u>
Net cash used for financing activities	<u>(1,157,915)</u>	<u>(715,933)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	91,111	(369,426)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,722,219</u>	<u>2,091,645</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 1,813,330</u>	<u>\$ 1,722,219</u>

The accompanying notes are an integral part of these financial statements.





**AMERICAN SAVINGS LIFE INSURANCE COMPANY  
NOTES TO STATUTORY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**Note 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 life and disability insurance business. While it is customary in the insurance industry for a significant portion of income to be derived from investments in mortgage loans, securities and bank deposits, a majority of the Company's income is derived from such sources.

***Company Reorganization***

On February 15, 2007, American Savings Life Insurance Company purchased 325,000 shares as 100% ownership of the newly formed ASL Financial Group, Inc. for \$325,000 in cash and real estate mortgage loans. ASL Financial Group then purchased 300,000 shares as 100% ownership in the newly formed American Life Financial Corporation for \$300,000 in cash and real estate mortgage loans. American Life Financial Corporation has been formed to increase the Company's mortgage investing opportunities and ASL Financial Group is a holding company, which at some future date could serve as a holding company for both American Saving Life Insurance Company as well as American Life Financial Corporation

**Note 2 -Summary of Significant Accounting Policies**

The significant accounting policies applicable to the Company's financial statements are summarized below:

***Basis of Presentation***

The accompanying statutory financial statements have been prepared in conformity with the accounting and valuation practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and/or the Arizona Department of Insurance. The principal differences between statutory basis financial statements and those prepared on a generally accepted accounting principles (GAAP) basis as they affect the Company, are that for statutory purposes:

- Investments in 100% owned subsidiary companies are reported using the equity method;
- Acquisition costs incurred in connection with acquiring new business are charged to current operations rather than being deferred and amortized over the premium paying period of the policy;



## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

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### **Note 2 -Summary of Significant Accounting Policies - Continued**

- Policy reserves are based on statutory mortality and interest requirements and without consideration of withdrawals, whereas GAAP reserves are based on Company experience for mortality, interest and withdrawals;
- The asset valuation reserve and interest maintenance reserve are reported as a liability rather than included as a portion of unassigned surplus;
- Certain assets designated as "nonadmitted assets" (principally the accepted valuation of certain property, furniture and equipment) are charged directly to unassigned surplus;
- No provision is made for deferred federal income taxes resulting in using methods of accounting for income tax purposes which differ from methods used in preparing the accompanying statutory financial statements.

### ***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 certificate of deposits with an aggregate value of \$500,000 in both 2008 and 2007 were assigned, as a security deposit, for the benefit of the Arizona State Treasurer.

### ***Investments***

Bonds, which management generally intends to hold until maturity (unless market conditions warrant the realization of capital appreciation to maximize overall yields), and preferred stock are carried at amortized cost. Common stock is generally required to be reported at the market value. Mortgage loans are carried at the aggregate unpaid balance. Real estate, which consists of land, is carried at lower of cost or market.

### ***Basis of Premium Revenue Recognition***

Premiums on life contracts are recognized as revenue when due on an annualized premium basis. Premiums on annuities are recognized as revenue when collected.



## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

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### Note 2 -Summary of Significant Accounting Policies - Continued

#### *Policy Claims Pending*

The liability for policy claims is based on estimates of the costs on individual claims reported plus estimated claims incurred but unreported prior to December 31, 2008.

#### *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 in conformity with the accounting and valuation practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and/or the Arizona Department of Insurance requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Note 3 – Cash and Investments

Cash and short-term investments consist of the following:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Money market funds	\$ 1,614,183	\$ 1,466,388
Demand deposits	199,147	255,831
Total cash and short-term investments	<u>\$ 1,813,330</u>	<u>\$ 1,722,219</u>

The Company maintains certificates of deposit at several banks with amounts not exceeding \$250,000. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The money market funds utilized by the Company invest in short-term U.S. government and commercial paper securities. Cash in demand deposits exceeding FDIC insurance amounted to \$0 and \$298 at December 31, 2008 and 2007, respectively.



## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

### Note 3 – Cash and Investments - Continued

#### *Common Stock*

The Company's investments in common stock consist of the following:

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Unaffiliated common stock	\$ 27,961	\$ 49,560
Affiliated common stock (ASL Financial Group)	336,059	349,880
Total common stock	\$ 364,020	\$ 399,440

#### *Mortgage Loans*

Mortgage loans consist of commercial and consumer loans collateralized by real estate. The Company's lending policies are to loan up to 65% of appraised values at interest rates ranging from 9.9% to 15.99% and terms ranging from 1 to 15 years with interest income recognized over the life of the loan. The Company has a concentration of mortgage loans in central Arizona.

The Company's management and board review the aging of the mortgage loan receivables on a monthly basis to determine those in which foreclosure is necessary and upon foreclosure, interest stops accruing. The Company's proceeds from the sale of foreclosed property have historically exceeded the carrying value of the loan. The following is the composition of the mortgage receivable aging at year-end:

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
In good standing with interest accruing	\$ 14,300,072	\$ 19,975,834
Over 90 days with interest accruing	2,489,063	27,270
In foreclosure, interest accruing	1,061,865	401,584
Mortgages receivable	17,851,000	20,404,688
Deferred gain on installment sales	(309,820)	(2,490,180)
Total mortgage loans	\$ 17,541,180	\$ 17,914,508

A significant portion of the decrease in mortgage receivable and deferred gain on installment sale is the result of the October 2008 foreclosure of a purchase money mortgage with a balance of \$2,137,579 and a deferred gain of \$1,902,274. During 2004, the Company sold undeveloped land for \$2,850,000 with a 10% down payment and a mortgage receivable for the balance due. Additional undeveloped land was sold in 2006. The sales are being recognized under the installment method whereby the gain is recognized as payments are received by the Company.





## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

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### Note 3 – Cash and Investments - Continued

#### *Mortgage Loans - Continued*

During 2003 the Company acquired a mortgage with a balloon payment of \$200,000 at a stated rate of zero percent. Interest income pertaining to the balloon payment is imputed annually using the effective interest method.

#### *Real Estate*

In May 2006, the Company entered into a real estate investment joint venture with Boa Sorte, LLC (The Cardon Group) for the purchase of approximately 4,700 acres near Holbrook, Arizona. The Company invested \$250,000 in 2006 and an additional \$750,000 in February 2007. This investment is a nonadmitted asset and therefore, not included with the Company's admitted assets in the accompanying financial statements.

#### *Properties*

Properties occupied by the Company consist of a portion of the building located at 935 East Main Street, Mesa, Arizona. The cost of the building and improvements is depreciated over the estimated useful life of the building (39 years). Depreciation is computed on the straight-line method for statutory purposes. In accordance with *Statements of Statutory Accounting Principles No. 40*, properties 50% occupied by the reporting entity, including common areas, will be reported as property occupied by the company. The following is a summary of properties occupied by the Company:

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Building	\$ 434,605	\$ 434,605
Improvements	126,170	104,262
	560,775	538,867
Accumulated depreciation	( 104,258)	( 93,006)
	456,517	445,861
Land	75,634	75,634
	<u>\$ 532,151</u>	<u>\$ 521,495</u>



**NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED**

**Note 3 – Cash and Investments - Continued**

The following summarizes the components of net investment income for the years ended December 31, 2008 and 2007:

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Bonds, mutual funds and long-term certificates of deposits	\$ 23,655	\$ 24,866
Common stock	1,341	1,173
Common stock of affiliates	( 13,822)	24,880
Preferred stock	1,000	1,000
Cash and short-term investments	29,779	118,265
Mortgage loans	2,623,436	2,365,114
Receivables secured by real estate	101,192	139,675
Policy loans	5,126	5,481
Gross investment income	2,771,707	2,680,454
Investment expenses	( 371,038)	( 177,311)
Investment taxes (excluding federal income tax)	( 22,450)	( 15,790)
Net investment income	\$ 2,378,219	\$ 2,487,353

**Note 4 - Reserve for Life Policies and Contracts**

The Company accrues liabilities for unpaid claims on its life insurance policies, estimated incurred but unrecorded claims and estimated cost for future claims. The reserve reflects the liability for aggregate reserve amounts which, with additions from premiums to be received and with interest compounded annually at an interest assumption between 2.75% and 5.5%, are calculated to be sufficient to meet policy obligations as they mature. In 2007, the Arizona legislature updated the actuarial opinion and memorandum requirement to require *all* life and disability insurers to perform asset adequacy analysis, as opposed to prior requirement, which only required insurers with more than \$100 million in assets to perform such an analysis. The Company's actuary has performed the analysis resulting in a \$2,700,000 increase in reserve. The effect of the restatement follows:

Unassigned surplus at December 31, 2006, as previously reported	\$ 16,242,899
Increase in asset adequacy reserve due to change in accounting principle	( 2,700,000)
Unassigned surplus at December 31, 2006, as restated	\$ 13,542,899



## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

### **Note 4 - Reserve for Life Policies and Contracts - Continued**

The following is the reserves activity during 2008 and 2007, respectively:

	<b>Life Policies and Contracts</b>	<b>Policy and Contract Claims</b>
Reserves, January 1, 2007	\$ 2,450,312	\$ 9,050
Adjustment for Asset Adequacy Reserve	2,700,000	
Reserves as restated, January 1, 2007	\$ 5,150,312	\$ 9,050
Incurred claims		86,887
Increase in life reserve	26,816	
Current year claims paid		( 59,500)
Reserves, December 31, 2007	\$ 5,177,128	36,437
Prior year claims paid in current year		( 21,082)
Incurred claims		42,970
Increase in life reserve	135,985	
Current year claims paid		( 28,030)
Reserves, December 31, 2008	\$ 5,313,113	\$ 30,295

### **Note 5 - Guaranteed Investment Contracts**

Guaranteed Investment Contracts are amounts held on behalf of outside parties. Interest is paid yearly at a rate equal to Federal Reserve 6-month CD and is updated each month with a guaranteed minimum rate of 4.00%. Guaranteed investment contracts are held primarily by stockholders of the Company and represent 84% of all contracts at December 31, 2008 and 2007.

### **Note 6 - Capital and Surplus**

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, 2008 and 2007, the Company had capital amounts of \$919,877 and \$914,933, respectively, and free surplus of \$11,242,336 and \$10,991,650, respectively. Free surplus has been reduced by \$4,870,736 and \$4,804,710 for the cost of treasury stock in 2008 and 2007, respectively. On January 8, 2008 the Board of Directors authorized the purchase of up to 1,000,000 shares of Company stock at 80% of the most recent equity value. On January 13, 2009, the board increased this offer to 90% of the most recent equity value. The equity value is prepared monthly using U.S. generally accepted accounting principles and adjusted for any accrued dividends payable. During 2008, treasury stock increased by the purchase of 24,834 shares of capital stock at prices ranging from \$2.62 to \$2.72 per share. During 2007, treasury stock increased by the purchase of 11,110 shares of capital stock at prices ranging from \$2.12 to \$2.22 per share. The equity value per share of outstanding common stock was \$2.38 per share at December 31, 2008 and \$2.88 per share at December 31, 2007.



## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

### Note 7 - Cash Flow Reconciliation

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

	December 31	
	2008	2007
Net income	\$ 1,628,400	\$ 1,798,213
Adjustments to reconcile net income to net cash provided from operations		
Amortization of mortgage interest	( 48,338)	( 94,881)
Depreciation	11,252	10,829
Amortization of interest maintenance reserve	( 81,828)	( 80,806)
Non-cash realized gain (Holbrook Legacy)	( 18,664)	18,664
(Increase) decrease in investment income due and accrued	( 75,420)	( 62,413)
(Increase) decrease in premiums deferred and uncollected	734	853
Decrease in reserves for policy and contract claims	( 6,142)	27,387
Decrease in accounts payable, accrued expenses and other	( 62,245)	80,713
Increase in policyholder funds	6,228	2,928
Increase (decrease) in income tax payable	( 26,396)	836
Increase in life insurance reserve	135,985	26,816
Increase (decrease) in deposit type accounts	101,339	538,304
(Increase) decrease in net deposits to deposit type accounts	( 7,799)	( 429,485)
Net realized capital gains	( 84,556)	( 301,215)
Net cash provided from operations	\$ 1,472,550	\$ 1,536,743

### Note 8 - 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), issue ages, policy durations and premium charges. The mortality rates correspond with rates assumed in the calculation of the premium charges. Participating business comprised approximately 22% of total life insurance in force at December 31, 2008, and 21% at December 31, 2007.

### Note 9 - Related Parties

There is a significant inter-relationship between policyholders who are also stockholders and members of Company management. Related party transactions involving this group during the years ended December 31, 2008 and 2007, have consisted only of ordinary compensation, expense reimbursement and similar items incurred in the ordinary course of business, except as follows:

- a) A management education loan described in the second paragraph of Note 10 below.
- b) Insurance premiums paid by officers and directors totaled 12.5% and 23.7% of total premiums paid and owned 9.7% and 11.6% of total policy face value in 2008 and 2007, respectively.





## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

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### **Note 9 - Related Parties - Continued**

- c) A director of American Savings Life Insurance Company is also a principal in Boa Sorte, LLC, which has entered into an investment joint venture with American Savings Life Insurance Company as detailed in Note 3 under Real Estate.

### **Note 10 - Employee Welfare 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. The plan contribution was \$54,348 and \$53,479 for 2008 and 2007, respectively.

In October 2007 the Company began an employee's compensation in stock benefit plan, available to employees and directors. The terms of the plan allow employees or directors to specify up to 50% of their total compensation to be taken as share of company stock. The allocation price of the stock is 100% of the non-audited generally accepted accounting principles book value for the month preceding enrollment. During 2008, 49,441 shares of the Company's common stock were purchased under the plan for \$130,945. The October 2008 enrollment stock price was \$3.307 and \$13,583 of employee and director compensation had been set aside for stock purchase at December 31, 2008. .

A loan for employee educational expenses of \$30,000 was authorized by the board in September 2008. \$11,180 of educational loan has been disbursed as of December 31, 2008. Under statutory accounting guidelines, loans secured by personal security are non-admitted assets and thus not included with the Company's admitted assets.

### **Note 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.



**AMERICAN SAVINGS LIFE INSURANCE COMPANY**  
**Annual Statements for the Years Ended December 31, 2008 And 2007**  
**Schedule 1 - Selected Financial Data**

	December 31	
	2008	2007
<b>INVESTMENT INCOME EARNED</b>		
Other bonds, mutual funds, long-term CDs	\$ 23,655	\$ 24,866
Preferred stocks (unaffiliated)	1,000	1,000
Common stocks (unaffiliated)	1,341	1,173
Common stocks of affiliates	(13,822)	24,880
Mortgage loans	2,623,436	2,365,114
Real estate	101,192	139,675
Premium notes, policy loans and liens	5,126	5,481
Cash on hand and on deposit	6,744	23,854
Short-term investments	23,035	94,411
Total investment income earned	<u>\$ 2,771,707</u>	<u>\$ 2,680,454</u>
<b>REAL ESTATE OWNED - BOOK VALUE</b>	<u>\$ 2,489,028</u>	<u>\$ 1,667,551</u>
<b>MORTGAGE LOANS - BOOK VALUE</b>		
Residential	\$ 4,351,747	\$ 4,470,974
Commercial	13,189,433	13,443,534
Total mortgage loans	<u>\$ 17,541,180</u>	<u>\$ 17,914,508</u>
<b>MORTGAGE LOANS BY STANDING - BOOK VALUE</b>		
Good standing	\$ 14,050,793	\$ 17,526,780
Interest overdue more than three months, no foreclosure	2,459,437	4,060
Foreclosure in process	1,030,950	383,668
Total mortgage loans	<u>\$ 17,541,180</u>	<u>\$ 17,914,508</u>
<b>BONDS AND SHORT-TERM INVESTMENTS BY CLASS AND MATURITY</b>		
<i>Bonds by maturity-statement value</i>		
One year or less	\$ -	\$ 100,000
Over one year through five years	500,000	400,000
Total by maturity	<u>\$ 500,000</u>	<u>\$ 500,000</u>
<i>Bonds by class-statement value</i>		
Class one	<u>\$ 500,000</u>	<u>\$ 500,000</u>
<i>Total bonds publicly traded</i>	<u>\$ 500,000</u>	<u>\$ 500,000</u>



**AMERICAN SAVINGS LIFE INSURANCE COMPANY**  
**Annual Statements for the Years Ended December 31, 2008 And 2007**  
**Schedule 1 - Selected Financial Data (Continued)**

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	December 31	
	2008	2007
Preferred stocks - statement value	\$ 6,911	\$ 6,911
Common stocks - market value	\$ 364,020	\$ 399,440
Short-term investments - book value	\$ 1,614,183	\$ 1,466,388
Cash on deposit	\$ 199,147	\$ 255,831
Life insurance in force - ordinary	\$ 13,603,627	\$ 13,635,972
Amount of accidental death insurance in force under ordinary policies	\$ 54,974	\$ 54,974
Life insurance policies with disability provisions:		
Ordinary policies	\$ 5,488	\$ 5,488
Deposit funds and dividend accumulations:		
Deposit funds - account balance	\$ 2,400,270	\$ 2,400,270
Dividend accumulations - account balance	\$ 18,444	\$ 18,444





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**INDEPENDENT AUDITOR'S AWARENESS LETTER**

[www.wa-cpas.com](http://www.wa-cpas.com)

To the Board of Directors  
American Savings Life Insurance Company

We have been engaged by American Savings Life Insurance Company to perform annual audits of the Company's statutory financial statements in accordance with accounting practices prescribed by the Arizona Department of Insurance. In connection therewith, we acknowledge the following:

We are aware of the provision relating to the accounting and financial reporting matters in the Insurance Code of the State of Arizona and the related rules and regulations of the Arizona Department of Insurance that are applicable to audits of statutory financial statements of insurance enterprises. Also, after completion of our audits, we expect that we will issue our report on the statutory financial statements of American Savings Life Insurance Company as to their conformity with accounting practices prescribed or permitted by the Arizona Department of Insurance.

This letter is intended solely for the information and use of the Arizona Department of Insurance and other state insurance departments and is not intended to be and should not be used by anyone other than these specified parties.

*Walker & Armstrong LLP*

Phoenix, Arizona  
February 25, 2009

