

**AMERICAN SAVINGS LIFE
INSURANCE COMPANY**

STATUTORY FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

TABLE OF CONTENTS

Independent Auditor's Report.....	1-2
Statutory Statements of Admitted Assets, Liabilities, and Capital and Surplus	3
Statutory Statements of Operations.....	4
Statutory Statements of Changes in Capital and Surplus.....	5
Statutory Statements of Cash Flows	6
Notes to Statutory Financial Statements	7-16
Schedule 1 – Selected Financial Data.....	17-18
Independent Auditor's Awareness Letter.....	19
Independent Auditor's Qualification Letter	20-22



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, 2009 and 2008 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, 2009 and 2008, 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 17-18 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
April 9, 2010

AMERICAN SAVINGS LIFE INSURANCE COMPANY
Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus
December 31, 2009 and 2008

	2009	2008
<u>ADMITTED ASSETS</u>		
CASH AND INVESTMENTS		
Bonds, mutual funds, long-term certificates of deposit	\$ 500,000	\$ 500,000
Preferred stock	6,911	6,911
Common stock	385,151	364,020
Mortgage loans	17,853,115	17,541,180
Properties occupied by the company	524,532	532,151
Properties held for sale	1,605,865	786,521
Cash and short-term investments	3,950,059	1,813,330
Policy contract loans	116,003	105,650
Total cash and investments	24,941,636	21,649,763
INVESTMENT INCOME DUE AND ACCRUED	287,468	295,583
PREMIUMS DEFERRED AND UNCOLLECTED	11,444	13,302
OTHER ASSETS	28,838	21,448
Total admitted assets	\$ 25,269,386	\$ 21,980,096
<u>LIABILITIES AND CAPITAL AND SURPLUS</u>		
LIABILITIES		
Reserves for life policies and contracts	\$ 6,650,274	\$ 5,313,113
Liability for deposit-type contracts	3,795,663	2,520,053
Reserves for policy and contract claims	24,901	30,295
Other policyholder funds	41,382	38,243
Interest maintenance reserve	209,673	254,817
Commissions to agents due and accrued	16,778	-
Accounts payable, accrued expenses and other	526,063	468,846
Asset valuation reserve	1,219,059	1,128,425
Total liabilities	12,483,793	9,753,792
CAPITAL AND SURPLUS		
Common stock - \$.10 par value: 10,000,000,000 shares authorized; 9,218,410 issued and 5,077,881 outstanding in 2009; 9,198,775 issued and 5,116,137 outstanding in 2008	921,841	919,877
Paid-in capital and contributed surplus	2,394,578	2,331,413
Unassigned surplus	14,514,785	13,845,750
Treasury stock	(5,045,611)	(4,870,736)
Total capital and surplus	12,785,593	12,226,304
Total liabilities and capital and surplus	\$ 25,269,386	\$ 21,980,096

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

AMERICAN SAVINGS LIFE INSURANCE COMPANY
Statutory Statements of Operations
Years Ended December 31, 2009 and 2008

	2009	2008
REVENUES AND DEPOSITS		
Premiums and annuity considerations	\$ 2,534,682	\$ 267,240
Net investment income	1,878,669	2,378,219
Amortization of interest maintenance reserve	84,018	81,828
Miscellaneous income	17,662	11,276
Total revenues	4,515,031	2,738,563
EXPENSES		
Death benefits	46,605	42,970
Surrender benefits	37,058	44,703
Interest on policy or contract funds	139,308	93,540
Increase in life insurance reserves	1,337,162	135,984
Commissions on premiums	30,482	25
General insurance expenses	539,139	544,921
Insurance taxes licenses and fees (excluding federal income tax)	58,184	59,282
Decrease (increase) in loading	(166)	468
Total expenses and withdrawals	2,187,772	921,893
Net gain from operations before dividends and federal income taxes	2,327,259	1,816,670
Dividends to policyholders	(34,322)	(31,477)
Federal income tax (excluding tax on capital gains of \$12,674 and \$26,039 in 2009 and 2008, respectively)	(168,713)	(241,349)
Net realized capital gains less capital gains tax and transfers to interest maintenance reserve	42,327	84,556
NET INCOME	\$ 2,166,551	\$ 1,628,400

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, 2009 and 2008

	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, 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	-	-	-	-	-	(66,025)	(66,025)
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	919,877	2,331,413	(11,400)	22,098	13,835,052	(4,870,736)	12,226,304
Net income	-	-	-	-	2,166,551	-	2,166,551
Dividends declared and paid	-	-	-	-	(1,225,581)	-	(1,225,581)
Issue employee compensation in stock	1,964	63,165	-	-	-	-	65,129
Repurchase capital stock	-	-	-	-	-	(174,875)	(174,875)
Change in unrealized net gain on marketable securities	-	-	-	4,001	-	-	4,001
Change in nonadmitted assets	-	-	(2,936)	-	(182,366)	-	(185,302)
Change in asset valuation reserve	-	-	-	-	(90,634)	-	(90,634)
BALANCES, December 31, 2009	<u>\$ 921,841</u>	<u>\$ 2,394,578</u>	<u>\$ (14,336)</u>	<u>\$ 26,099</u>	<u>\$ 14,503,022</u>	<u>\$ (5,045,611)</u>	<u>\$ 12,785,593</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES:		
Premiums received	\$ 2,537,362	\$ 267,351
Investment and other income received (excluding net realized gains and net of investment expenses)	<u>2,093,817</u>	<u>2,275,452</u>
Total funds provided by operations	4,631,179	2,542,803
Benefit and loss related payments	(226,633)	(193,489)
Commissions, other expenses and taxes paid	(611,955)	(583,927)
Dividends paid to policyholders	(31,838)	(25,093)
Federal income taxes paid (excluding capital gains tax of \$7,070 and \$20,039 in 2009 and 2008 respectively)	<u>(181,772)</u>	<u>(267,744)</u>
Total cash used for operations	<u>(1,052,198)</u>	<u>(1,070,253)</u>
Net cash provided by operating activities	3,578,981	1,472,550
INVESTING ACTIVITIES:		
Proceeds from investments sold, matured or repaid:		
Class one mutual funds & long-term certificates of deposit	-	100,000
Stocks	-	13,534
Mortgage loans	4,138,053	3,620,003
Real estate	30,085	41,764
Other invested assets	<u>128</u>	<u>100,075</u>
Total investment proceeds	4,168,266	3,875,376
Cost of long-term investments acquired:		
Class one mutual funds & long-term certificates of deposit	-	(100,000)
Stocks	(16,842)	-
Mortgage loans	(4,331,057)	(3,034,351)
Real estate	(1,034,477)	(852,972)
Other invested assets	<u>(21,499)</u>	<u>(111,180)</u>
Total investments acquired	(5,403,875)	(4,098,503)
Increases in policy loans	<u>(10,353)</u>	<u>(397)</u>
Net cash used for investing activities	(1,245,962)	(223,524)
FINANCING ACTIVITIES (OTHER CASH PROVIDED OR APPLIED):		
Capital and paid in surplus	65,129	130,945
Net deposits on deposit type contract funds	1,139,037	7,799
Cash dividends paid	(1,225,581)	(1,230,632)
Treasury stock purchased	<u>(174,875)</u>	<u>(66,027)</u>
Net cash used for financing activities	<u>(196,290)</u>	<u>(1,157,915)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	2,136,729	91,111
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,813,330</u>	<u>1,722,219</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,950,059</u>	<u>\$ 1,813,330</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, 2009 AND 2008**

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

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 2009 and 2008 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

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, 2009.

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:

	December 31	
	2009	2008
Short-term investments	\$ 27,959	\$ 1,614,183
Demand deposits	3,922,100	199,147
Total cash and short-term investments	<u>\$ 3,950,059</u>	<u>\$ 1,813,330</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 \$1,248,320 and \$0 at December 31, 2009 and 2008, 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:

	December 31	
	2009	2008
Unaffiliated common stock	\$ 31,963	\$ 27,961
Affiliated common stock (ASL Financial Group)	353,188	336,059
Total common stock	<u>\$ 358,151</u>	<u>\$ 364,020</u>

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:

	December 31	
	2009	2008
In good standing with interest accruing	\$ 14,359,976	\$ 14,300,072
Over 90 days with interest accruing	2,073,213	2,489,063
In foreclosure, interest accruing	1,722,097	1,061,865
Mortgages receivable	18,155,286	17,851,000
Deferred gain on installment sales	(302,171)	(309,820)
Total mortgage loans	<u>\$ 17,853,115</u>	<u>\$ 17,541,180</u>

NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

Note 3 – Cash and Investments - Continued

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 current cost of this investment is \$986,035. During 2009, the Company purchased two condos in Phoenix and one in Mesa as investments for a total cost of \$69,868. These investments are non-admitted asset and therefore, not included with the Company's admitted assets in the accompanying financial statements. The Company acquired five properties through foreclosure during 2009 for a total value of \$911,612 of which \$98,847 was non-admitted.

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:

	December 31	
	2009	2008
Building	\$ 434,605	\$ 434,605
Improvements	130,251	126,170
	565,856	560,775
Accumulated depreciation	(115,958)	(104,258)
	448,898	456,517
Land	75,634	75,634
	<u>\$ 524,532</u>	<u>\$ 532,151</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, 2009 and 2008:

	December 31	
	2009	2008
Bonds, mutual funds and long-term certificates of deposits	\$ 25,940	\$ 23,655
Common stock	1,244	1,341
Common stock of affiliates	17,130	(13,822)
Preferred stock	1,000	1,000
Cash and short-term investments	37,370	29,779
Mortgage loans	2,143,798	2,623,436
Receivables secured by real estate	119,351	101,192
Policy loans	5,876	5,126
Gross investment income	<u>2,351,709</u>	<u>2,771,707</u>
Investment expenses	(434,844)	(371,038)
Investment taxes (excluding federal income tax)	<u>(38,196)</u>	<u>(22,450)</u>
Net investment income	<u>\$ 1,878,669</u>	<u>\$ 2,378,219</u>

Fair Value Measurement

Generally accepted accounting principles established a framework for measuring fair value, and established a fair value hierarchy which prioritizes valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by generally accepted accounting principles, are used to measure fair value.

The fair value hierarchy prioritizes valuation techniques used to measure fair value into three broad levels:

- ***Level 1 investments*** use quoted prices in active markets for identical assets the entity has the ability to access.
- ***Level 2 investments*** use inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The Company has no such investments in this level.
- ***Level 3 investments*** have no observable value for the assets and rely on management's own assumptions that market participants would use in pricing the asset.

NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

Note 3 – Cash and Investments - Continued

The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2009:

Investments	Level 1	Level 3	Total
Long-term certificate of deposits	\$ 500,000	-	\$ 500,000
Unaffiliated common stock	31,963	-	31,963
Short-term investments	27,959	-	27,959
Preferred stock	6,911	-	6,911
Mortgage loans	-	17,853,115	17,853,115
Properties held for sale	-	1,605,865	1,605,865
Properties occupied by the Company	-	524,532	524,532
Affiliated common stock	-	353,188	353,188
Policy contract loans	-	116,003	116,003
Total investments	<u>\$ 566,833</u>	<u>\$ 20,452,703</u>	21,019,536
Money market and checking accounts			<u>3,922,100</u>
Total cash and investments			<u>\$ 24,491,636</u>

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. During the second half of 2009, the Company began to offer fixed rate annuities. The following is the reserves activity during 2009 and 2008, respectively:

	Life Policies and Contracts	Policy and Contract Claims
Reserves, January 1, 2008	\$ 5,177,128	\$ 36,437
Prior year claims paid in current year	-	(21,082)
Incurred claims	-	42,970
Increase in life and annuity reserve	135,985	-
Current year claims paid	-	(28,030)
Reserves, December 31, 2008	<u>\$ 5,313,113</u>	<u>\$ 30,295</u>
Prior year claims paid in current year	-	(6,305)
Incurred claims	-	46,605
Increase in life and annuity reserve	1,337,161	-
Current year claims paid	-	(45,694)
Reserves, December 31, 2009	<u>\$ 6,650,274</u>	<u>\$ 24,901</u>

NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

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%. Guaranteed investment contracts held by stockholders of the Company represent 85% and 84% of all contracts at December 31, 2009 and 2008, respectively.

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, 2009 and 2008, the Company had capital amounts of \$921,841 and \$919,877, respectively, and free surplus of \$11,863,752 and \$11,306,427, respectively. Free surplus has been reduced by \$5,045,611 and \$4,870,736 for the cost of treasury stock in 2009 and 2008, 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 2009, treasury stock increased by the purchase of 57,981 shares of capital stock at prices ranging from \$2.98 to \$3.08 per share. 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. The equity value per share of outstanding common stock was \$2.52 per share at December 31, 2009 and \$2.38 per share at December 31, 2008.

Note 7 - 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 23% of total life insurance in force at December 31, 2009, and 22% at December 31, 2008.

Note 8 - 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.

NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

Note 9- Cash Flow Reconciliation

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

	December 31	
	2009	2008
Net income	\$ 2,166,551	\$ 1,628,400
Adjustments to reconcile net income to net cash provided from operations		
Amortization of mortgage interest	(15,027)	(48,338)
Depreciation	11,700	11,252
Amortization of interest maintenance reserve	(84,018)	(81,828)
Non-cash realized gain (Holbrook Legacy)	-	(18,664)
(Increase) decrease in investment income due and accrued	8,115	(75,420)
Decrease in premiums deferred and uncollected	1,859	734
Decrease in reserves for policy and contract claims	(5,394)	(6,142)
Increase (decrease) in accounts payable, accrued expenses and other	68,104	(62,245)
Increase in policyholder funds	3,139	6,228
Decrease in income tax payable	(7,455)	(26,396)
Increase in life insurance and annuity reserve	1,337,162	135,985
Increase in deposit type accounts	1,275,610	101,339
Increase in net deposits to deposit type accounts	(1,139,037)	(7,799)
Net realized capital gains	(42,327)	(84,556)
Net cash provided from operations	\$ 3,578,982	\$ 1,472,550

Note 10 - 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, 2009 and 2008, 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 third paragraph of Note 11 below.
- b) Insurance premiums paid by officers and directors totaled 24.9% and 12.5% of total premiums paid and owned 10.5% and 9.7% of total policy face value in 2009 and 2008, respectively.
- 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.

NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

Note 11 - 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 \$57,257 and \$54,348 for 2009 and 2008, 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 2009, 19,635 shares of the Company's common stock were purchased under the plan for \$65,141. The October 2009 enrollment stock price was \$3.309 and \$8,766 of employee and director compensation had been set aside for stock purchase at December 31, 2009.

A loan for employee educational expenses of \$30,000 was authorized by the board in September 2008. \$14,178 of educational loan has been disbursed as of December 31, 2009. Under statutory accounting guidelines, loans secured by personal security are non-admitted assets and thus not included with the Company's admitted assets.

Note 12 – Uncertain Tax Positions

During 2009, the Company adopted the provisions of generally accepted accounting principles that require entities to evaluate uncertain tax provisions and record a liability for those positions in which it is more-likely-than-not that the position would result in an additional tax liability pursuant to an examination by the Internal Revenue service. Management evaluates annually its tax position in related to uncertain tax position and adjusts its income tax provision accordingly. As of December 31, 2009, no uncertain tax positions have been identified and accordingly, no provisions have been made.

Note 13 – Subsequent Events

Management evaluated subsequent events through April 9, 2010, the date the financial statements were available to be issued. No events or transactions occurred after December 31, 2009, but prior to April 9, 2010, that provided additional evidence about conditions that existed at December 31, 2009.

AMERICAN SAVINGS LIFE INSURANCE COMPANY
Annual Statements for the Years Ended December 31, 2009 and 2008
Schedule 1 - Selected Financial Data

	December 31	
	2009	2008
INVESTMENT INCOME EARNED		
Other bonds, mutual funds, long-term CDs	\$ 25,940	\$ 23,655
Preferred stocks (unaffiliated)	1,000	1,000
Common stocks (unaffiliated)	1,244	1,341
Common stocks of affiliates	17,130	(13,822)
Mortgage loans	2,143,798	2,623,436
Real estate	119,351	101,192
Premium notes, policy loans and liens	5,876	5,126
Cash on hand and on deposit	30,709	6,744
Short-term investments	6,661	23,035
Total investment income earned	<u>\$ 2,351,709</u>	<u>\$ 2,771,707</u>
REAL ESTATE OWNED - BOOK VALUE	<u>\$ 3,483,119</u>	<u>\$ 2,489,028</u>
MORTGAGE LOANS - BOOK VALUE		
Residential	\$ 4,921,007	\$ 4,351,748
Commercial	12,932,108	13,189,432
Total mortgage loans	<u>\$ 17,853,115</u>	<u>\$ 17,541,180</u>
MORTGAGE LOANS BY STANDING - BOOK VALUE		
Good standing	\$ 14,078,029	\$ 14,050,793
Interest overdue more than three months, no foreclosure	2,068,319	2,459,437
Foreclosure in process	1,706,767	1,030,950
Total mortgage loans	<u>\$ 17,853,115</u>	<u>\$ 17,541,180</u>
BONDS AND SHORT-TERM INVESTMENTS BY CLASS AND MATURITY		
<i>Bonds by maturity-statement value</i>		
Over one year through five years	<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, 2009 and 2008
Schedule 1 - Selected Financial Data (Continued)

	December 31	
	2009	2008
Preferred stocks - statement value	\$ 6,911	\$ 6,911
Common stocks - market value	\$ 385,151	\$ 364,020
Short-term investments - book value	\$ 29,959	\$ 1,614,183
Cash on deposit	\$ 3,922,100	\$ 199,147
Life insurance in force - ordinary	\$ 13,769,078	\$ 13,603,627
Amount of accidental death insurance in force under ordinary policies	\$ 34,974	\$ 54,974
Annuities in Force		
Deferred - fully paid account balance	\$ 2,935,556	\$ -
Deposit funds and dividend accumulations:		
Deposit funds - account balance	\$ 3,774,522	\$ 2,500,064
Dividend accumulations - account balance	\$ 21,141	\$ 19,989

