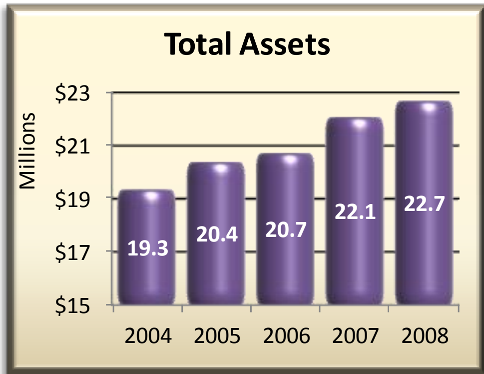
2008
ANNUAL REPORT
TO THE SHAREHOLDERS

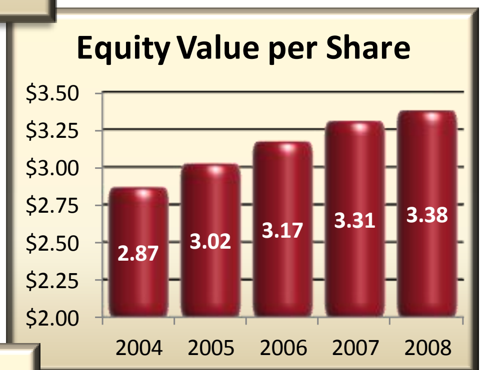
AMERICAN SAVINGS LIFE
INSURANCE COMPANY

Founded 1954

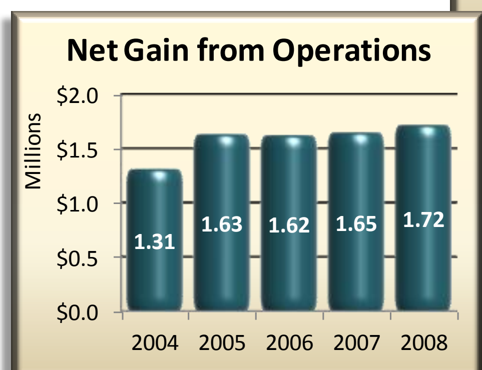
Financial Highlights



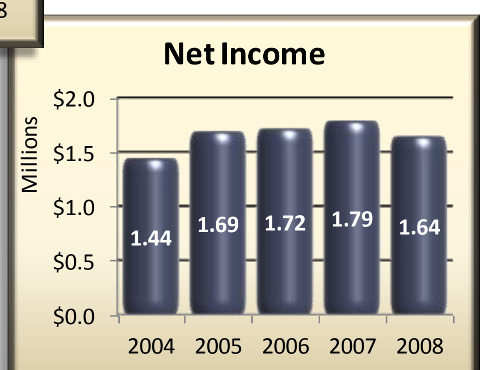
Total Assets
increased
$613,000 (2.8%)
to
$22,684,000



Equity Value per Share
increased
7.1¢ (2.2%)
to
$3.377 per share



Net Gain from Operations
increased
$70,000 (4.2%)
to
$1,716,000



Net Income
decreased
$142,000 (-8.0%)
to
$1,644,000

March 10, 2009

Fellow Shareholders,

"Only when the tide goes out do you discover who's been swimming naked." This adage from Warren Buffett has never been more "revealing" than this last year, which proved to be the year of reckoning for many financial services firms. In fact, it appears the worst may not be over and the year 2009 may reveal even more casualties; as undesirable as that may be.

Fortunately, our core business is performing quite well, with 2008 net gains from operations up 4% from 2007. Indeed, net income was only down 8% from the record 2007 level because we earned fewer real estate gains. Of course, we are not immune to the swirling economic chaos around us. We are seeing an increase in loan delinquencies and foreclosures. Nevertheless, our investment portfolio on the whole is proving the wisdom of our long-standing conservative business principles.

To mitigate our exposure to the uncertainties of the economic environment, we are adjusting some investment strategies to provide an even greater level of safety. Simultaneously, we are pursuing exciting investment opportunities that are a direct result of this same economic environment. Let's review these paradoxical strategies.

Life Insurance Business - New Deferred Annuity!

We are moving full steam ahead at developing and preparing to market a new fixed annuity, which we believe will be extremely attractive in today's low interest rate environment. In fact, at the time of printing this report we are in the process of submitting the annuity for insurance department approval and we anticipate beginning sales by May.

The annuity is called "The PREMIER SERIES Deferred Annuity" and has a 3, 5 or 7 year option. Currently, the 7-year annuity will pay **7.0% interest** the first year, with a target rate of 6.0% for each subsequent year. If we ever pay less than 6.0% the owner has a "bailout" option to cancel the annuity without any surrender charge. The owner can also withdraw 10% of the annuity each year without any penalty.

If you are a resident of Arizona or Utah and are interested in learning more about this exciting annuity, please be sure to complete the simple survey provided herewith and return it with your proxy.

So how can we pay such high interest rates when banks and other insurance companies are paying so much less? It is primarily the result of our investment performance. By investing about 75% of our assets in our niche investment of ultra secure (about 50% loan-to-value) and high yielding (average 12% interest) real estate loans, we are able to earn investment yields that make even these high interest annuities profitable.

We are confident that we will be successful in selling as much of this annuity as we can prudently invest. Consequently, we plan to limit sales during the balance of 2009 to about $3 million in annuity premiums.

Increased Cash Reserves

As a hedge against the uncertainties of future economic conditions we have increased the cash reserves we are maintaining. We will continue to grow our cash reserves as our assets grow through new annuity premiums.

Continuing Our Traditional Investments

One of the ways the current market conditions are in our favor is we are enjoying an unusual imbalance in the supply/demand curve for our primary investment of choice; non-conforming commercial real estate loans. With a double whammy of (a) the credit markets being extremely constrained, and (b) so many banks and investors having been burned by making aggressive loans in recent years, there is much less competition for our loans. This has enabled us to increase interest rates and more importantly, it allows us to be more selective in which loans we make and underwrite our loans even more carefully.

We recognize that with additional investment funds from annuity premiums it will be imperative, more than ever, to maintain our long-standing conservative investment practices.

With future property values being such an unknown, we are being even more cautious than usual as we assess a property's value for lending purposes. Historically, when we would conservatively value a property and offer to only loan 50% of our low valuation, borrowers could find other lenders or investors who would loan more than we would. In today's market this is happening much less frequently. More frequently now borrowers are accepting our lower loan amounts because there are fewer alternatives.

Additional Investment Opportunities

Today's real estate and lending markets are providing unique opportunities that we have never seen before. We are seeking to invest a modest part of our investment capital (approximately 5%) in higher-yielding investments such as discounted notes and investment real estate.

For example, last month we purchased a group of discounted notes from a bank at an 80% discount. To sweeten the deal, the borrower added additional collateral and we offered a significant discount for the borrower to pay the loan off this year. We are receiving monthly payments of 18% interest and expect to earn a substantial gain when we are paid off.

Our present challenge is to preserve capital and minimize investment risk while simultaneously taking advantage of the opportunities available to investors with cash. Our investment strategy is therefore to continue to invest the majority of our capital in our traditional real estate loans, keep higher cash reserves and modestly invest some capital in higher yielding opportunities.

Conservative Growth Amidst Uncertainty

Despite the uncertainty for what the future holds, we will continue to grow in a measured, sustainable way. We will not merely hunker down and hope for better days to come. We will continue forward with our three-pronged growth strategy (insurance, lending and real estate). Nevertheless, we are committed to constrain our growth to a rate that allows us to safely and profitably invest and manage our growth.

Our long-standing prudent investment principles are what have allowed us to thus far dodge the wrath of the present economic and real estate market conditions. And although we are beginning to see increased foreclosures, we are confident that these principles, together with our investment strategies described above, will allow us to not only survive, but thrive amidst these economic conditions.

We will more fully discuss each one of these topics at our annual shareholders meeting on April 14, 2009. It begins at 10:00 AM at our home office in Mesa, Arizona. We encourage all shareholders to attend.

Increased Stock Buy-Back Price

In January, the Board of Directors increased the Company's stock buy-back price (for up to 500,000 shares of Company stock) from 80% to **90%** of the most recent stock equity value. This increase in the Company's stock buy-back price is to reflect a closer fair market value for those shareholders who desire (or in most cases need) to sell their shares.

To be clear, it is <u>not</u> our intention to encourage you to sell your shares. On the contrary, we believe your investment in ASL stock will continue to increase in value and provide very attractive cash dividends.

2009 Dividends

While most companies are slashing or eliminating their dividends, our Board has declared the same semi-annual dividend paid in 2008. Twelve cents per share will be paid on April 10, 2009 to shareholders of record on March 31, 2009. A second semi-annual dividend will be declared by the Board this summer and paid in October.

In Conclusion

As the economic tide recedes, we, as fellow shareholders, realize more than ever what a blessing it is for us to be invested in such a strong, conservative company. We have no idea how long or how deep the current recession (depression?) will persist. Nor can we predict what affect it will have on our future earnings. Yet it is only in these tough times that one recognizes the real value of conservative business principles. Only in the gales of adversity is one's staying power truly proven.

We have no doubt that our solid foundation will see us through whatever is to come, with us emerging stronger than ever before. While most of the world looks to the future with trepidation, we see a future of opportunity and we look forward to sharing this bright future together with you.

Most sincerely,

Byron Frihoff Allen, President

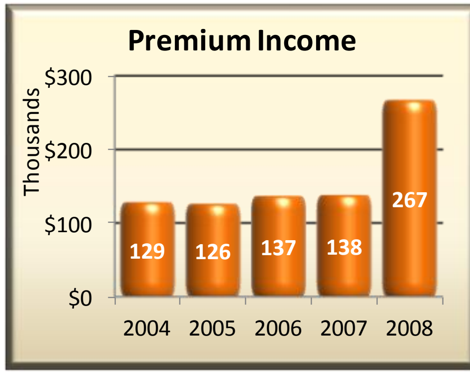
David K. Allen, Chairman

Byron Frihoff Allen and David K. Allen with portrait of Company founder, Frihoff N. Allen

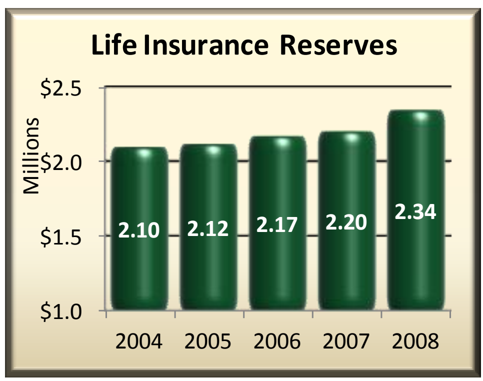
Management's Discussion and Analysis Of Operations & Financial Position

Life Insurance Operations

Life Insurance Premium Income increased by $129K. This was from the sale of a large single premium Grand Slam Endowment policy. Aside from that sale, our premium income has remained practically unchanged the last five years.

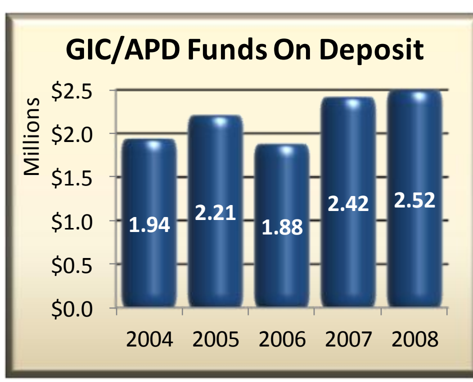


Life Insurance Reserves subsequently increased as well by $114K. The increase is due to the large single premium policy, somewhat offset by an otherwise modest decrease in total life insurance reserves.

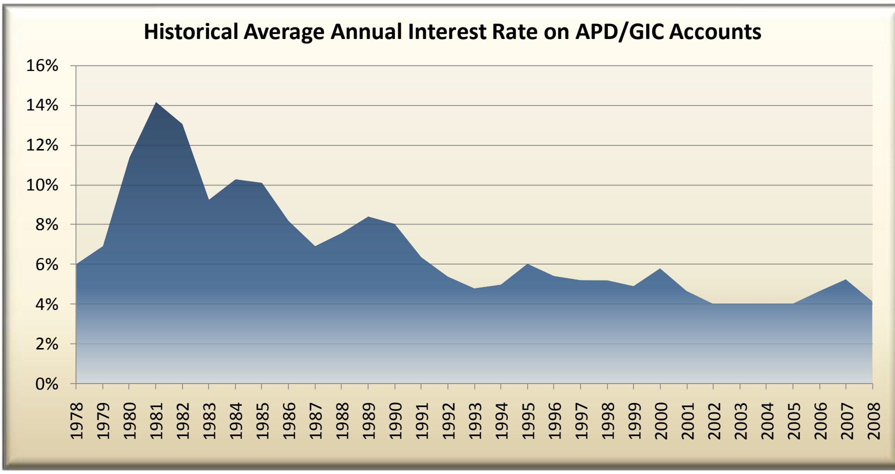


Guaranteed Interest Contracts (GIC's) continue to be a growing part of our insurance operations. In 2007 we began advertising our GIC's to our shareholders to have their dividends directly deposited and immediately begin earning at least 4.0% interest. This has proven to be a big success.

In the past two years we have had over 80 shareholders open GIC's, most of which have elected to have their dividends directly deposited. We now have over 250 GIC's with 10% of total stockholder dividends directly deposited into GIC's.



Since 1974, we have been paying a guaranteed minimum interest rate of 4.0% on our GIC and APD (Advance Premium Deposit) accounts (see graph on page 7). These accounts are currently available to AZ or UT residents (the states in which we are presently licensed).



Please indicate your interest on the enclosed stockholder survey and we will provide you with more information.

Life Insurance Operations - Growth Initiatives

We are excited with the anticipated growth in 2009 life insurance operations. First and foremost, we are proud to announce the development of a very competitive deferred annuity; "The PREMIER SERIES Deferred Annuity**.** We describe this more on pages 2-3. We expect 2009 annuity premiums of up to $3 million.

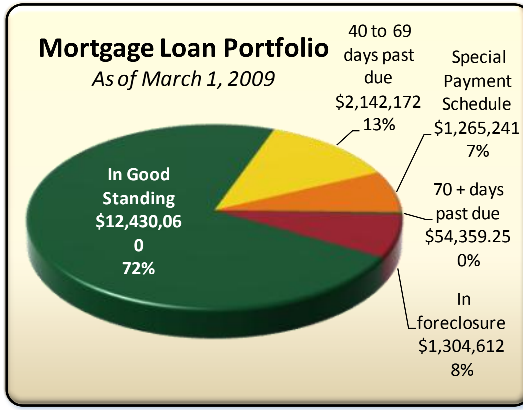
Our second insurance growth initiative is the optional increases in Youth Life insurance policies at ages 25, 28 and 31. Although we began work on this in 2006, we have deferred its completion to allow us to focus our efforts on the development of the new annuity product. Nevertheless, we still believe in the value of the Youth Life Plan additions and we look forward to rolling them out this year as well.

Although acquisitions of life insurance companies has been a desired growth strategy, we have found it difficult to find financially profitable opportunities. We hope, however, this will change in the near future as the life insurance industry suffers from asset devaluations of real estate, mortgage backed securities and bonds; the three largest asset classes of most life insurers. Even though we will continue looking for acquisition opportunities that clearly increase our company's value, we must admit we are presently more optimistic about the potential growth we expect from the sale of annuities. Accordingly, this is where our primary focus rests.

Investments

Despite our strong portfolio of very conservative real estate loans, we are not completely immune to the woes of the real estate market and economy. And with 78% of our assets currently invested in real estate mortgage loans, our potential exposure is certainly significant.

As you see in this chart, currently 8% of our loan portfolio is in foreclosure. Although another 20% of our loans are delinquent, most of these loans are still making payments. We work closely with our borrowers to help them keep their property if there is any way possible.

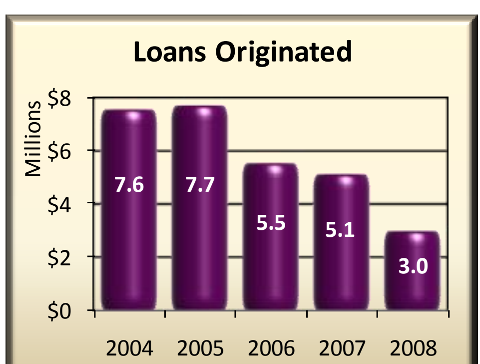


Of course, if the economy continues to worsen and the real estate market continues to weaken, we are prepared for an increasing number of loan defaults. We are in the favorable position of starting out with very strong equity positions in our loans (about 50% loan-to-value) when we make them. So unlike most banks that loan much higher percentages of a property's values, we do not usually incur a loss when we foreclose on a property. However, with real estate prices as depressed as they are, this may not be the case for some of our foreclosures. Fortunately, another advantage we have over banks is we do not have to liquidate foreclosed properties quickly as banks must; rather, we can hold a foreclosed property as REO (Real Estate Owned) until we are able to sell it at a fair price.

American Life Financial

We set a goal last year for our mortgage bank subsidiary, American Life Financial Corporation ("ALF"), to contribute 3% to our net earnings. We missed that mark by a mile. As well as originating our own loans, we count on ALF to originate loans for other lenders as well. ALF suffered from a one-two punch of (a) fewer Company loan payoffs, resulting in fewer Company loan originations (see chart); and (b) the incredibly tight commercial lending market which limited our success in closing non-Company loans. ALF actually netted a small loss of $15K for the year.

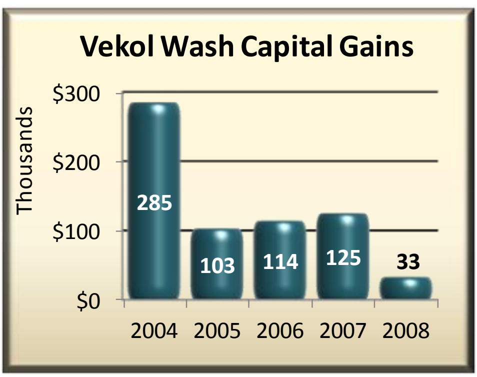
Even if the credit and real estate markets remain equally weak in 2009, we still anticipate a profitable year for ALF, considering that our anticipated annuity sales will bring in substantial new funds, from which ALF will generate additional fee income as it originates new Company loans with the bulk of these anticipated funds.



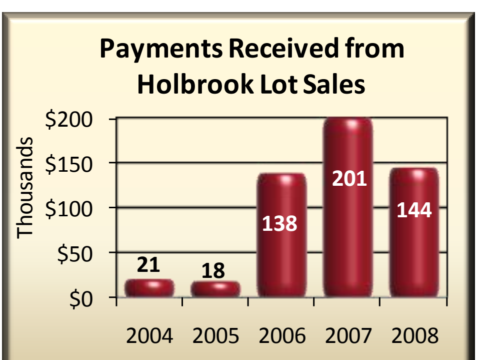
Real Estate

On December 3, 2008, we opened escrow to sell the 4,750 acre Holbrook Legacy property in Northern Arizona for $12.5 million (an 80% return on our investment made in March 2007). It is scheduled to close in June, 2009. Of course, given the current economy, no deal is a done deal until the check clears the bank! However, if the sale does close, it will mean a gain to ASL of nearly $800,000 before tax. Only Clark Allen can put together a sale like this in an economy and real estate market like the one we are experiencing!

Clark Allen retired on December 31, 2008, but fortunately not without filling his shoes with two very capable men who also happen to be his sons. Trent Allen has been working with Clark in our Real Estate Department for nearly 4 years now and Troy Allen was hired when Clark retired. Clark still comes into the office regularly and works as a consultant to Trent and Troy, passing on his nearly 20 years of real estate experience. With the combination of Trent's and Troy's endless energy and enthusiasm and the incredible work ethic they have inherited from Clark, we have a Real Estate Department capable of profitably managing the increased foreclosures looming on the horizon.



Our 2008 realized gain, from the sale of real estate were down $228,000 from 2007. This is mostly from the default of the loan for the "Vekol Wash" property sale. We subsequently foreclosed and reacquired the property in October 2008. We have received $1.5 million in capital gains and interest since we sold it in 2004. Now we get to re-sell it and make additional gains all over again!



The sale of our two residential lot subdivisions near Holbrook, AZ have also been strong contributors to our net income the past few years. Unfortunately, we have experienced high foreclosures with these sales. In 2008 we took back 25% of the total lots sold. The upside with these loans is that about 85% of the sales price is profit. We currently have $355,000 in sales contracts and notes outstanding, $85,000 of which are new sales we've made in the last year.

Consolidated Statement of Operations

(UNAUDITED)

REVENUES	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Life insurance premiums	$ 267,240	$ 138,356	$ 137,058
Interest Income			
Interest on cash & cash equivalents	54,486	144,576	149,854
Interest on policy loans	5,126	5,481	5,092
Interest on mortgage loans	2,500,776	2,258,899	2,129,525
Investment Income Net of Expenses			
Real Estate Rental Income	(44,040)	13,596	30,180
Mortgage Fees	196,828	178,686	166,783
Other investment income	13,617	15,020	23,897
TOTAL REVENUES	$ 2,994,035	$ 2,754,613	$ 2,642,389
EXPENSES			
Death benefits	42,970	86,887	26,810
Other policyholder benefits	44,703	27,022	41,369
Policyholder dividends	31,477	25,287	23,411
Incr/decr in reserves and loading	143,029	30,586	54,616
Commissions and Advertising	25	0	0
Interest on insurance	93,540	108,819	87,195
General Expenses			
Salaries and wages	620,299	565,590	526,902
Employee Medical Benefits	40,411	42,298	43,964
Profit Sharing Plan	61,803	56,598	52,703
Professional Service fees	78,687	54,891	56,532
Other expenses	53,985	51,386	46,314
Taxes Licences and Fees	67,121	59,092	62,875
TOTAL EXPENSES	1,278,049	1,108,456	1,022,691
NET GAIN FROM OPERATIONS	$ 1,715,986	$ 1,646,157	$ 1,619,698
Realized Gain on Real Estate & Securities	195,739	423,974	377,941
Federal Income Tax Paid	(267,726)	(284,110)	(281,961)
NET INCOME	$ 1,643,999	$ 1,786,020	$ 1,715,678
Total shares outstanding	5,116,137	5,091,530	5,102,640
Net Income per share	$ 0.321	$ 0.351	$ 0.336

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

Consolidated Statement of Financial Position

(UNAUDITED)

ASSETS		**Dec 31, 2008**		Dec 31, 2007
Cash and cash equivalents	$	**1,890,635**	$	1,804,554
Long term certificates of deposit		**500,000**		500,000
Common & preferred stock		**34,873**		56,471
Policy loans		**105,651**		105,253
Mortgage loans		**17,634,625**		18,027,850
Real estate investments & receivables		**1,956,876**		1,132,091
TOTAL CASH & INVESTED ASSETS		**22,122,660**		21,626,220
Accured interest & deposits		**303,880**		240,985
Land and building		**189,788**		167,880
Office equipment		**40,333**		34,602
Income tax refundable		**25,921**		0
TOTAL ASSETS	$	**22,682,582**	$	22,069,686
LIABILITIES				
Reserves for life policies		**2,343,856**		2,200,562
Insurance policy claims pending		**30,295**		36,437
Policy holder & GIC funds on deposit		**2,520,053**		2,418,714
Other policy holder liabilities		**38,243**		32,015
Taxes & expenses due & accrued		**134,413**		114,588
Unearned investment income		**3,887**		314
Amounts held by ASLIC for others		**334,684**		423,363
Income tax payable		**67**		12,200
TOTAL LIABILITIES	$	**5,405,498**	$	5,238,194
SHAREHOLDERS EQUITY				
Capital stock		**919,878**		914,933
Capital stock in excess of par		**2,331,413**		2,205,412
Stock notes & Employee receivables		**(11,401)**		(284)
Retained earnings		**18,885,831**		18,472,444
Unrealized gain on securities		**22,099**		43,697
Less treasury stock		**(4,870,737)**		(4,804,710)
TOTAL SHAREHOLDERS EQUITY	$	**17,277,083**		16,831,493
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	**22,682,582**	$	22,069,686
Shares Outstanding		**5,116,137**		5,091,530
Equity Value Per Share	$	**3.377**	$	3.306

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

Consolidated Statement of Cash Flows

(UNAUDITED)

OPERATING ACTIVITIES	Dec 31, 2008	Dec 31, 2007
Funds provided from operations		
Premiums received	$ 267,351	$ 140,276
Net investment income (excluding realized gains)	2,379,869	2,614,452
Total funds provided from operations	2,647,220	2,754,728
Funds used in operations		
Benefits and loss related payments	(193,489)	(192,335)
Commissions and other expenses and taxes paid (excluding federal income taxes)	(679,840)	(745,380)
Dividends paid to policyholders	(25,093)	(23,242)
Federal income taxes paid (excluding capital gains tax)	(267,744)	(220,144)
Total funds (used) in operations	(1,166,166)	(1,181,101)
NET CASH PROVIDED FROM OPERATIONS	$ 1,481,054	$ 1,573,627
INVESTING ACTIVITIES		
Funds provided from investments sold, matured or repaid		
Bonds	100,000	400,000
Stocks	0	0
Mortgage Loans	3,620,003	4,354,134
Real Estate	41,764	542,622
Other invested assets	100,075	7,183
Total investment proceeds before capital gains tax	3,861,842	5,303,939
Cost of investments acquired		
Class one mutual funds & long term CD's	(100,000)	(400,000)
Mortgage Loans	(3,034,351)	(5,147,471)
Real Estate	(852,972)	(893,594)
Other invested assets	(111,180)	(5)
Total cost of investments acquired	(4,098,503)	(6,441,070)
(Increase) Decrease in policy loans	(397)	(7,654)
NET CASH PROVIDED BY INVESTING ACTIVITIES	$ (237,058)	$ (1,144,785)
FINANCING ACTIVITIES		
Funds provided from (used for) financing activities		
Capital and paid in surplus	130,945	0
Net deposits on deposit-type contracts	7,799	429,485
Cash dividends paid	(1,230,632)	(1,121,481)
Treasury stock purchased	(66,027)	(23,937)
Net cash provided from (used for) financing activities	$ (1,157,915)	$ (715,933)
Increase (Decrease) in cash and short-term investments	86,081	(287,091)
Cash and short-term investments, beginning of year	$ 1,804,554	$ 2,091,645
Cash and short-term investments, end of year	1,890,635	1,804,554

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

Statement of Changes in Stockholders Equity

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND 2007
(UNAUDITED)

	Capital Stock	Capital In Excess Of Par	Unrealized Net Gain on Marketable Securities	Unassigned Surplus	Receivables From the Sale of Capital Stock	Treasury Stock	Total
BALANCES, December 31, 2006	914,933	2,205,412	33,576	17,807,904	(6,884)	(4,780,773)	16,174,169
Net Income				1,786,020			1,786,020
Dividends declared & accrued				(1,121,481)			(1,121,481)
Repurchase Capital Stock (Treasury)						(23,937)	(23,937)
Change Unrealized Gain on Securities			10,121				10,121
Change in Nonadmitted Assets					6,600		6,600
BALANCES, December 31, 2007	914,933	2,205,412	43,697	18,472,443	(284)	(4,804,710)	16,831,493
Net Income				1,643,999			1,643,999
Dividends declared & accrued				(1,230,632)			(1,230,632)
Issue employee compensation in stock	4,944	126,001					130,945
Repurchase Capital Stock (Treasury)						(66,027)	(66,027)
Change Unrealized Gain on Securities			(21,598)				(21,598)
Change in Nonadmitted Assets					(11,097)		(11,097)
BALANCES, December 31, 2008	**919,877**	**2,331,413**	**22,099**	**18,885,811**	**(11,381)**	**(4,870,737)**	**17,277,083**

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

(1) ORGANIZATION

American Savings Life Insurance Company ("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 the life and disability insurance business. It is customary in the insurance industry for a portion of income to be derived from mortgage loans; however, a majority of the Company's income is attributed to mortgage loans.

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 and American Life Financial Corporation.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments - The following Company investments are recorded in accordance with the Statement of Financial Accounting Standards No. 60, Accounting and Reporting by Insurance Enterprises:

A. Mortgage loans are reported at outstanding principal balance or amortized cost.

B. Receivables secured by real estate including property tax certificates of purchase are reported at their outstanding principal balance, less deferred gains, which are recognized under the installment method.

C. Real estate investments are reported at lower of cost or fair market value with the related charge to realized loss if applicable.

D. Common stock and mutual funds are reported at market and temporary changes in the market value of those securities are recognized as an unrealized gain (loss). Non-redeemable preferred stock is reported at cost.

E. Bonds are stated at amortized cost, since they are expected to be held until maturity.

F. Policy loans are reported at their outstanding principal balance.

G. Realized gains (losses) are determined on a specific identification basis and are credited (charged) to operations; unrealized gains (losses) are credited (charged) to the equity section.

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 certificates of deposit with an aggregate value of $500,000 at year end in 2008 and 2007 were on deposit with the Arizona State Treasurer.

Policy Claims Pending - The liability for policy claims is based on the estimated cost of individual claims reported plus estimated claims incurred but unreported prior to December 31, 2008 and December 31, 2007 respectively.

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 requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) CASH AND INVESTMENTS

Cash and short-term investments consist of the following:

December 31,	**2008**	2007
Certificates of deposit	**$0**	$0
Money market funds	**1,614,183**	1,466,387
Demand deposits	**276,452**	338,167
Total cash & short term investments	**$1,890,635**	$1,804,554

The Company has maintained various accounts 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. Cash in some bank accounts exceeded FDIC insurance limits in the amounts of $0 and $298 at December 31, 2008 and 2007, respectively. The money market funds utilized by the Company invest in short-term U.S. government and commercial paper securities.

Mortgage Loans consist of commercial, consumer and purchase money loans collateralized by real estate. The Company has a concentration of mortgage loans in central Arizona. The Company's lending policies allow for commercial and consumer loans up to 65% of appraised values at interest rates ranging from 9.9% to 15.99% and terms ranging from 1 to 15 years. Purchase money mortgages were provided to purchasers of Company owned real estate at rates from 7% to 10%. Purchase money mortgages are shown at the Company's unamortized cost of the real estate sold. The balance of the remaining installments is unamortized deferred gain, and is excluded from the mortgage loan assets. The deferred gain will be recognized as income, only as the installment payments are received.

December 31,	**2008**	2007
Commercial & consumer loans	**$17,456,034**	$17,621,695
Purchase Money Loans	**85,145**	406,155
Remaining Deferred Gain	**269,098**	2,396,379
Annual Realized Deferred Gain	**$120,843**	$258,219

A significant portion of the decrease in mortgages receivable and deferred gain on installment sales 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 2007 the company began to amortize interest on two mortgages. Previously the company had included the amortization of principal payments with realized gain but had made no provision for a $250,000 balloon payment. A provision for prior years amortization of the balloon payment included in mortgage interest in 2007 was $63,857. Additionally $48,261and $31,023 interest amortized during 2008 and 2007 respectively, for a total of $48,261 and $94,880 for 2008 and 2007 respectively.

Real Estate In March 2007 the Company purchased approx. 4,700 acres near Holbrook, Arizona in a real estate investment joint venture with Boa Sorte, LLC (The Cardon Group). The current book value of this property is $986,035. In October 2008 the company foreclosed on two properties: A commercial office building on 15th Ave. in Phoenix for a Company cost of $346,720 and a 513 acre parcel of land on I-8 and the Vekol Valley interchange for a Company cost of $439,801.

Land and Building The office occupied by the company is located at 935 E. Main Street, Mesa, AZ. The Company acquired the building through a section 1031 property exchange and is valued as shown in the following schedule:

December 31,	2008	2007
Building cost	**$434,605**	$434,605
Improvements	**126,171**	104,263
Land cost	**75,633**	75,633
	$636,409	614,501
Less deferred gain on 1031 exchange	**-446,621**	-446,621
Statement value of land and building	**$189,788**	$167,880

Since the book value of land and building does not exceed the estimate salvage value, no depreciation is taken on this property. An appraisal for this property was done in January 2007 and it was appraised at a fair market value of $1,625,000.

(4) RESERVE FOR POLICY AND CONTRACT CLAIMS

The reserve reflects the liability for aggregate reserve amounts which, with additions from premiums to be received and with interest compounded annually at a level 5% interest assumption, are calculated to be sufficient to meet policy obligations as they mature.

(5) GUARANTEED INTEREST CONTRACTS

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

(6) STOCKHOLDERS' EQUITY

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 December 31, 2007 the Company had a capital amount of $919,877 and $914,933, respectively and a free surplus of $16,357,205 and $15,916,559, respectively. Free surplus was reduced by the $4,870,737 and $4,804,710 cost of treasury stock for years 2008 and 2007 respectively.

In March 2001, the Board of Directors authorized an open-ended offer to purchase shares of Company stock for 67% of the most recent equity value. On January 8, 2008 the Board replaced this offer with an offer to purchase up to 1,000,000 share 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 GAAP standards 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 a total of 11,110 shares were purchased at prices of $2.12 to $2.22 per share. Stockholder equity per share was $3.38 at year end 2008 and $3.31 at year end 2007.

On January 13, 2009, the Board of Directors declared a cash dividend of 12¢ per share. The payment will be on April 10, 2009 to stockholders of record on March 31, 2009. A second semi-annual dividend is expected to be declared by the Board this summer and paid in October.

(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 22% of total life insurance in force at December 31, 2008 and 21% at December 31, 2007.

(8) RELATED PARTIES

There is a significant inter-relationship between policyholders who are also stockholders and members of Company management. Nevertheless, no related party transactions involving this group have occurred during the years ended December 31, 2008 and 2007, other than ordinary compensation, expense reimbursements and similar items incurred in the ordinary course of business, except as follows:

1. A management education loan described in third paragraph of note 10 below.
2. Insurance premiums paid by Company officers and directors totaled 12.5% and 23.7% of total premiums paid in 2008 and 2007, respectively. Company officers and directors also owned 9.7% and 11.6% of total policy face value in 2008 and 2007, respectively.
3. Wilford R. Cardon is a Company director and also a principal in Boa Sorte, LLC which has entered into an investment joint venture with the Company as detailed in note 3, Real Estate.

(9) CASH FLOW RECONCILIATION

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

December 31,	**2008**	2007
Net income	**$1,643,999**	$1,786,020
Adjustments to reconcile net income to net cash provided from operations		
Subsidiary company's net cash from operations	**-5,253**	30,504
Amortization of mortgage interest	**-48,338**	-94,880
Non-cash realized gain (Holbrook Legacy)	**-18,664**	18,664
(Increase) decrease in investment due & accrued	**-75,420**	-62,413
Incr. (decr.) in payables, accrued expense & other	**-58,745**	80,713
Incr. (decr.) in reserves for policy & contract claims	**-6,142**	27,387
Incr. (decr.) in other policyholder funds	**6,228**	2,928
Incr. (decr.) in income tax payable	**-38,055**	7,840
Incr. (decr.) in life insurance reserve	**143,295**	30,996
Incr. (decr.) in deposit to deposit type accts	**101,399**	538,304
Incr. (decr.) in net deposits to deposit type accts	**-7,799**	-429,485
Net realized capital gains	**-151,036**	-367,848
(Incr.) decr. In office equipment	**-6,011**	3,870
(Incr.) decr. In prepaid expenses	**1,596**	1,027
Net cash from operations	**$1,481,054**	$1,573,627

(10) EMPLOYEE BENEFITS

Profit Sharing 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 of Directors. The plan contribution was $61,803 for 2008 and $56,598 for 2007.

Stock Benefit Plan - In October 2007 the Company began an employee compensation in stock benefit plan available to full-time employees and directors. The terms of the plan allows employees or directors to specify up to 50% of the their total compensation to be taken as shares of company stock. The allocation price of the stock is 100% of the (non-audited) GAAP book value for the month preceding enrollment. During 2008, 49,441 shares of Company common stock were purchased under the plan for a total of $130,945. The October 2008 enrollment stock price was $3.307 and as of December 31, 2008 $13,583 of employee and directors compensation had been set aside for stock purchase.

Employee Education Loan - A loan for employee educational expenses of $30,000 was authorized by the Board of Directors in September 2008. $11,180 of the educational loan had been disbursed as of December 31, 2008. The balance of the loan is subject to future fringe benefit payments, and is therefore not included as an asset in this statement.

(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.

(12) SPECIAL NOTE - Statutory Financial Statements

Each year, the Company files another set of financial statements with the Arizona Department of Insurance and the National Association of Insurance Commissioners (NAIC). They are prepared according to Statutory Accounting Practices (SAP) requirements, and are used by state regulators to review our Company's strength. We refer to these as the "statutory" financial statements, and they are audited each year by a qualified Certified Public Accounting firm.

The statutory financial statements differ in several respects with the financial statements provided herein (referred to as the Stockholders Financial Statements). The differences include reserves for asset adequacy ($2.7 million), asset valuation ($1.1 million) and interest maintenance ($255,000). The stockholders financial statements, although unaudited, are prepared using Generally Accepted Accounting Principles. The following table shows a comparison of the financial highlights of the stockholders financial statements with the statutory financial statements:

	2008 *Stockholders* Financial Statements	2008 ***Statutory*** Financial Statements
Total Assets	**$22,682,582**	$21,984,320
Total Liabilities	**$5,405,498**	$9,757,997
Total Stockholders Equity	**$17,277,083**	$12,226,324
Equity per Share	**$3.38**	$2.39
Annual Net Income	**$1,643,999**	$1,628,400
Net Income per Share	**$0.32**	$0.32

The Company would be pleased to provide any shareholder with a copy of the audited statutory financial statements upon request.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report are forward-looking statements. Examples of forward-looking statements include (i) projections of revenues, income or lost earnings or loss per share and other financial items, (ii) statements of plans and objectives of the Company or its management, and (iii) statements of future economic performance. Words such as "believe", "anticipates", "expects", "intends", "may", "will" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying these statements. In addition, all statements other than statements of historical facts that address activities that the Company expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements involve risk and uncertainties, which may cause actual results to differ materially from those in such statements.

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