2009

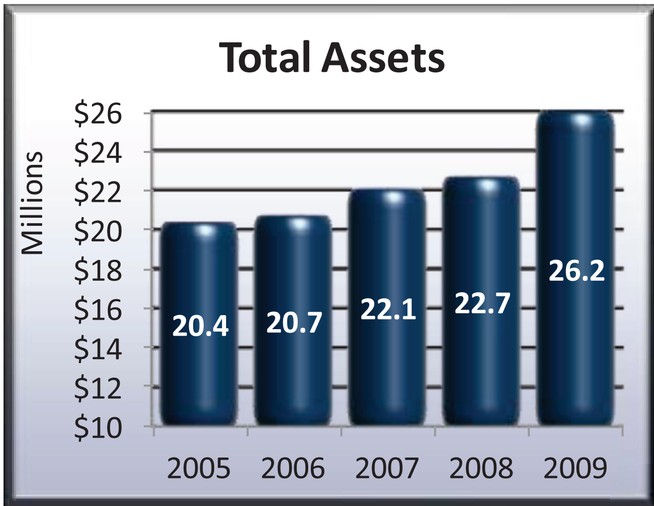
ANNUAL REPORT
To the Shareholders

55
Years
1954 - 2009

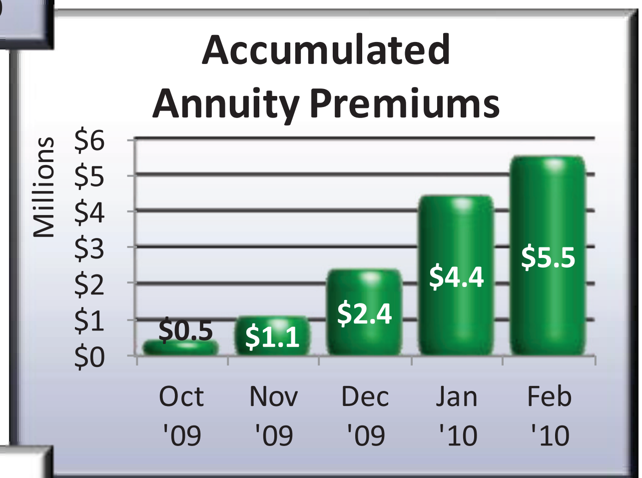
AMERICAN SAVINGS LIFE
INSURANCE COMPANY

Founded 1954

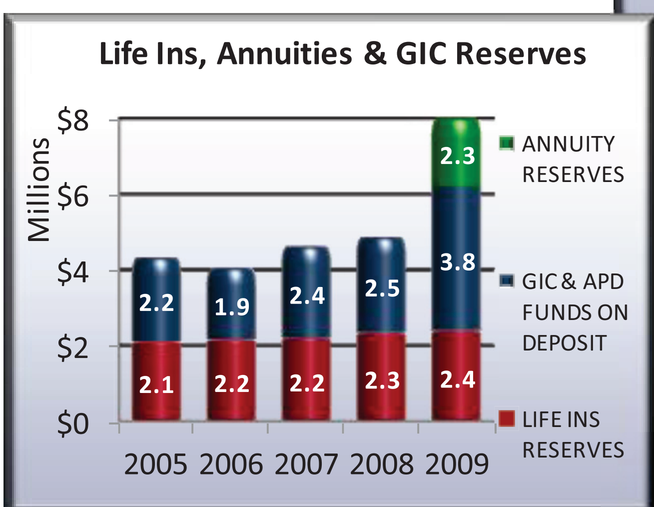
Financial Highlights



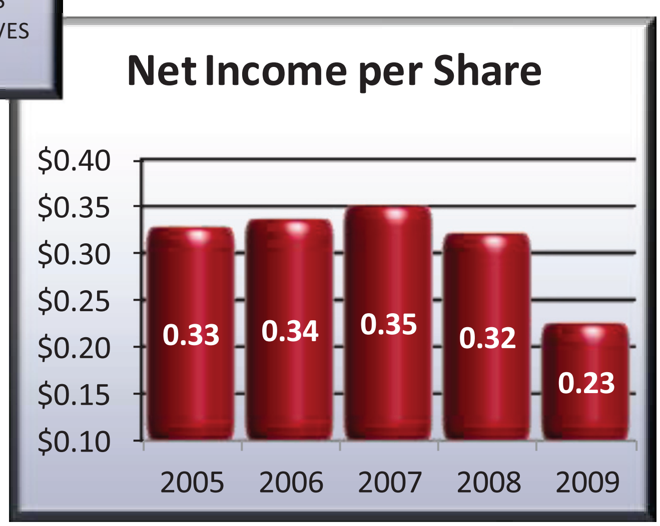
Total Assets
increased
$3,500,000 (15.4%)
to
$26,184,000



Accumulated Annuity Premiums
First 7 months
$5,500,000



Total Reserves
increased
$3,724,000 (77%)
to
$8,588,000



Net Income
decreased
$500,000 (-30%)
to
$1,144,000

March 5, 2010

Dear Fellow Shareholders,

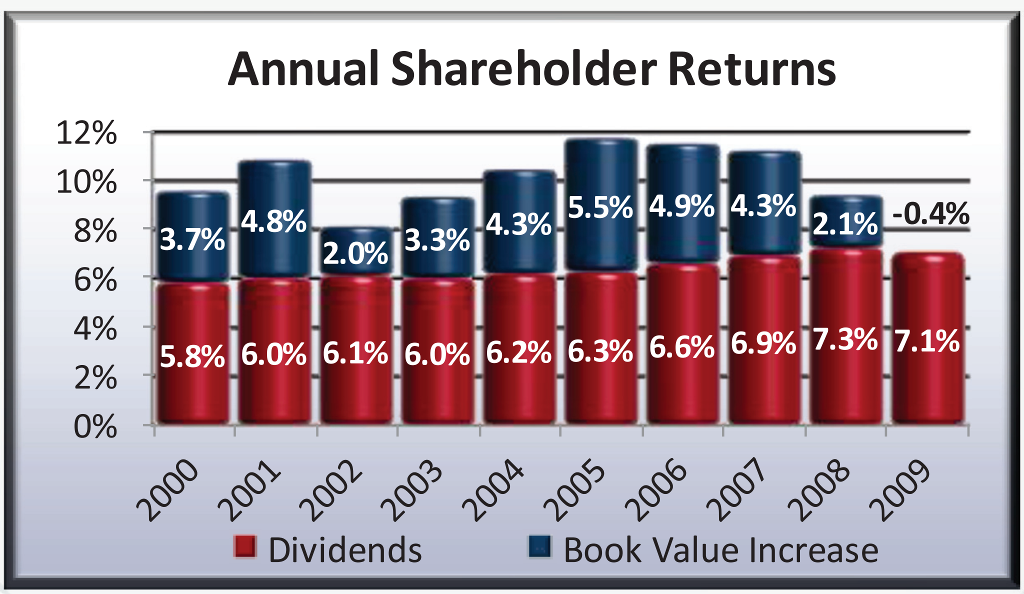
I recently read a version of a popular axiom that is particularly fitting: *"**When life gives you a lemon, don't complain, but instead make lemonade to sell to those who are thirsty from complaining.**"* This is a fair description of our business model in this current economy of low interest rates and investors' desire for safe, guaranteed returns. In this letter and to an even greater extent in the "Management's Discussion & Analysis" we explain how we are successfully making and selling lemonade in today's challenging economy.

2009 Financial Performance

You will notice our net income for 2009 was down 30% from the prior year. Even this decreased income equals a **6.75% return to our shareholders**; still quite an attractive return in today's economy. From the chart below you will also note that the shareholders annual total returns (dividends plus increased shareholders equity) averaged 10% annually over the past 10 years.

Annuity Sales

In our 2008 Letter to Shareholders we stated our goal for 2009 annuity sales was $3 million. Since the product development and state approval process took longer than anticipated (mostly on account of this being our first annuity), we were not able to begin marketing the



annuity until August. Nevertheless, by year end we sold $2.4 million and one week later we hit our $3 million goal. In fact, as of the date of this letter we have sold nearly $6 million in annuities.

Our business model is simple

We sell annuities that guarantee our annuity customers attractive fixed interest rates, we hold some of those funds in liquid assets to maintain adequate liquidity, and invest most of the annuity premiums in our conservative *Not So Hard Money*™ loans. We provide an attractive return to our annuity customers, a valuable loan product to our loan customers, and our shareholders benefit from the difference (interest spread) between the rate we earn and the rate we pay out.

Risks of growth

We are very aware that with growth comes risk. One of the biggest risks to which many companies fall victim is growing too fast. We are committed to prudently manage our annuity sales to not exceed our ability to invest our assets in the same uncompromising quality of conservative loans we have maintained for decades.

We have taken steps to control the volume of annuity premiums we receive while increasing our capacity to handle a higher volume of loans. As a result of these steps, February, 2010 annuity sales were $1 million, and our Loans funded were $1.2 million, which are at levels we believe we can continue to maintain. We are also improving our computer systems and employee training to grow our capabilities to handle even larger volumes as we continue to increase our annuity sales and loan originations.

"Carpe diem"

With interest rates at historic lows, we have an opportunity to "seize the day" and benefit from very attractive yield spreads between the interest rate we pay on our annuities and the interest rate we earn on our investments. This is possible because the interest rates we earn on our primary investment, our trademarked *Not So Hard Money*™ loans, are not correlated with the general interest rate market. We have consistently earned at least 10% interest on these investments for the last 40 years.

The sale of annuities is a natural evolution for our Company. It is a perfect fit with our investment model, where we can provide an excellent value to our annuity customers by paying above-market interest rates while continuing to earn a profit from our investments. Additionally, our *Not So Hard Money*™ loans provide needed financing to businesses at a time when it is difficult for businesses and investors to get bank financing.

We are thrilled to be able to make a real contribution to the improvement of our economy by (1) providing guaranteed annuity investments that pay attractive interest rates to investors, (2) providing prudent lending to business owners and investors that can't get bank financing, and (3) providing an attractive return to our shareholders.

2010 Growth Strategy

Our strategy for 2010 is to continue our measured, sustainable growth through the sale of above-market interest annuities and efficiently invest the majority of these funds in our conservative *Not So Hard Money*™ loans. Our goal is to originate at least $10 million in safe real estate loans this year, which is over twice 2009's volume. We also have a goal to sell at least $8 million in new annuities.

2010 Dividends

We are pleased to announce that our Board of Directors has declared a ten cent per share semi-annual dividend to be paid on April 10, 2010 to shareholders of record on March 31, 2010. A second semi-annual dividend will be declared in August and paid in October.

In Conclusion

On this, our Company's 55th anniversary, we are pleased to have the opportunity to make sweet lemonade out of this lemon of an economy in which we find ourselves. We believe our lemonade is truly a win for our annuity customers, a win for our loan customers and a win for our shareholders.

We thank each of our exceptional employees for their commitment and hard work that makes our Company's success possible. We are grateful for the privilege of working for this great Company and we thank you, our shareholders, for entrusting us with it. We look forward with enthusiasm and confidence to sharing the next 55 years of success with you and your loved ones.

Most sincerely,

Byron Frihoff Allen, President

David K. Allen, Chairman

Executive Management Committee

David K. Allen, Chairman — Byron F. Allen, President — Robert E. Allen, V.P., Operations — Clark E. Allen, Director

2009 Financial Performance

Although 2009 was a profitable year, our net income was down 30% from 2008. This was primarily caused by two factors: holding higher levels of cash and a decrease in investment income due to foreclosures. Even though we believe our conservative, high liquidity position of 2009 was prudent given the economic uncertainties that existed for much of 2009, the low interest rates hurt our bottom line. The other significant cause of our decreased net income was an increase in assets not producing interest income and capital gains, which were the result of the increased foreclosures that invariably occur in this current cycle of the economy.

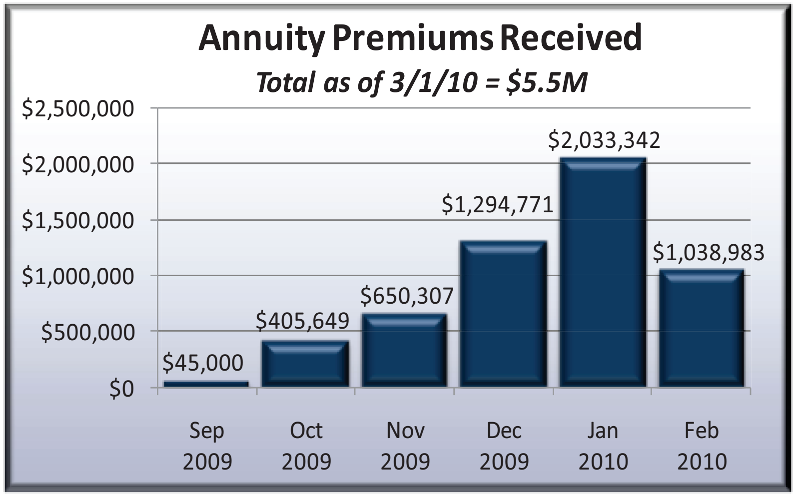
One particular foreclosure from 2008 played a significant part in our reduced earnings this year. It was **the October 2008 foreclosure of the 500+ acre Vekol Wash property off I-8**. Our 2008 net income included $245,000 of interest income and capital gains from the 2004 sale of that property. As you may recall, we sold this property for $2.85 million in 2004. During those four years we received $1.5 million in both capital gains and interest income. Even though we now own this property again, and will hold it until the market for development properties returns and we can sell it once again for a substantial gain, it added no interest income or capital gains to our net income during 2009. Its unique characteristics make it an inherently more valuable asset than the $440,000 book value that is reflected in our financial statements.

We also had several foreclosures and loans that became non-performing. Our practice is to stop accruing interest income on loans when we declare the loan to be in default (usually when the loan is about two months late), unless the property value is clearly greater than the loan balance plus accrued interest. We were fortunate that our loan-to-values were low enough that more delinquent loans were paid off or reinstated, than were foreclosed. In all, **we foreclosed on only five percent of our total loan portfolio**, which is very low compared to our industry's performance.

Even more significant than 2009's low foreclosure rate, however, is that **we did not have to write down any material amount of our loan values**. After each foreclosure the property is appraised, and only one property was appraised for less than its loan balance, a deficiency of $18,000. All other properties appraised for more than our book value (loan amount plus accrued interest). Therefore, we did not have to incur large loan write-downs like so many banks and lenders do.

Life Insurance & Annuity Operations

Our new fixed annuity sales really took off at the end of 2009 and continue going strong. In last year's report we set a goal of $3 million in annuity sales for 2009. We sold $2.4 million by year end, and we crossed the $3 million mark just



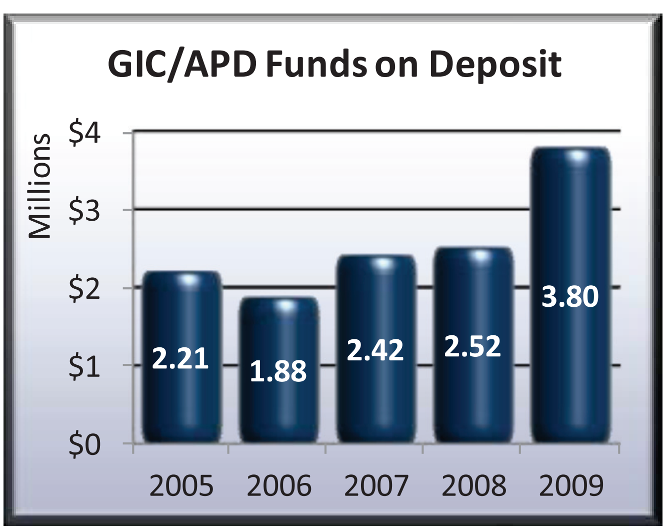
one week later. As of March 1, 2010, we have sold over $5.5 million in all. By reducing the annuity interest rates and agent commissions, we lowered the annuity premiums from January's level of $2 million to a more manageable $1 million in February. As long as we can timely get our assets invested in safe, conservative investments, we anticipate continuing at about $1 million per month of annuity premiums.

Annuity marketing: Our initial marketing was done exclusively to our shareholders and policyholders. Our I.T. Department upgraded our website and added dozens of informative pages about our annuity. They also successfully optimized our website to achieve high search result rankings from search engines like Google.

We designed our annuity to be as attractive as possible by paying "above market interest" and providing strong guarantees. We pay a very modest "below market" sales commission and seek out sales professionals that recognize the value of our annuity and are willing to sell it for a low commission.

With the combination of a very competitive product and a well designed website, we received many calls from independent financial advisors that found us online and wanted to sell our annuity. Then, when some of these agents placed advertisements in their local newspapers, many more financial professionals learned about us and requested to sell our annuity for us. The majority of our annuity sales have been through independent financial advisors.

Life Insurance Sales remain consistent with prior year levels. We recognize the sale of life insurance is an ideal hedge against inflation and a very complementary line of business to our annuity sales. Therefore, we will make selling life insurance a high priority in coming years; not instead of, but in addition to annuity sales.

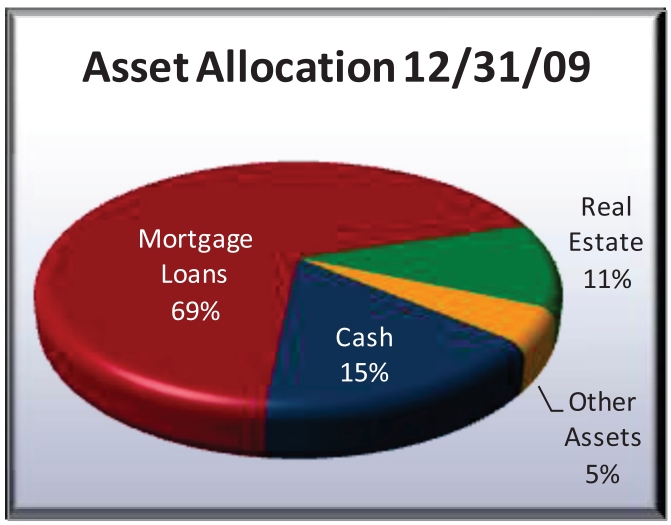


Guaranteed Interest Contracts (GIC's) grew by 50% from $2.5 million to $3.8 million. Certainly the driving force behind this growth is the current low interest rate environment. Since 1974, we have been paying a **guaranteed minimum interest rate of 4.0%** on our GIC and APD (Advance Premium Deposit) accounts. 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 gladly provide you with more information.

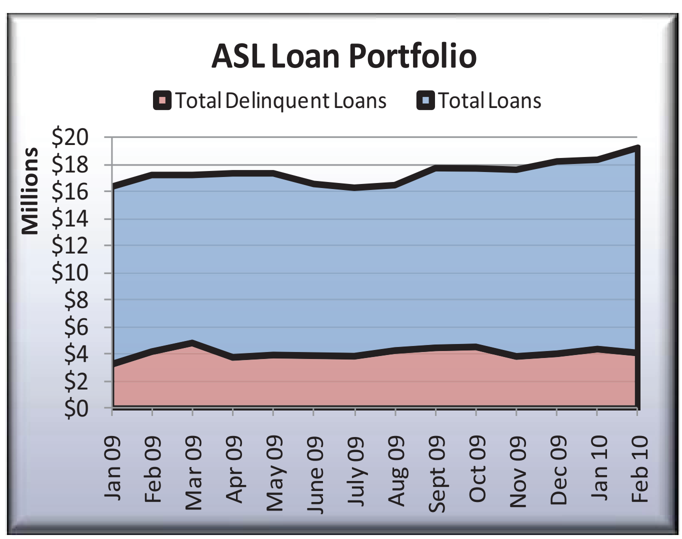
Although **acquisitions of life insurance companies** has been an anticipated growth strategy, we believe focusing on "organic growth" through the sale of our fixed annuities will be a much more profitable means of growth. Furthermore, we believe we will be able to grow as fast as is prudent through the sale of annuities, so we do not see a compelling reason to seek out acquisitions at this time. There are advantages that acquisitions can provide that organic sales may not, such as new products, distribution channels/relationships, key person competencies, new state licensing, etc. For this reason, we still foresee acquisitions being part of our long-term growth, but probably not in the near-term.

INVESTMENTS

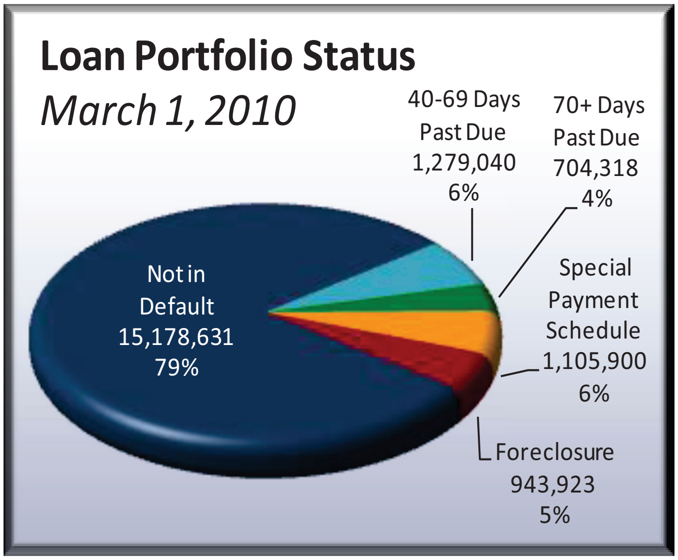
We started 2009 with 78% of our assets invested in our *Not So Hard Money* ™ real estate loans and ended the year with only 69% of total asset being real estate loans. The decrease is the result of two primary factors. First, the sale of $2.4 million of annuities, almost all of which were made in November and December, therefore those premiums were mostly still in cash at year-end. Second, our real estate assets increased $1 million (from 9% to 11% of total assets) as the result of foreclosures.



Better than bonds: Our *Not So Hard Money* ™ real estate loans have proven to be a safe, profitable asset class for several decades, even in recessions and real estate market corrections like the one we presently find ourselves in. In fact, we believe since we only loan about 50% of a property's conservative value, we purport these investments to be as safe as investment grade



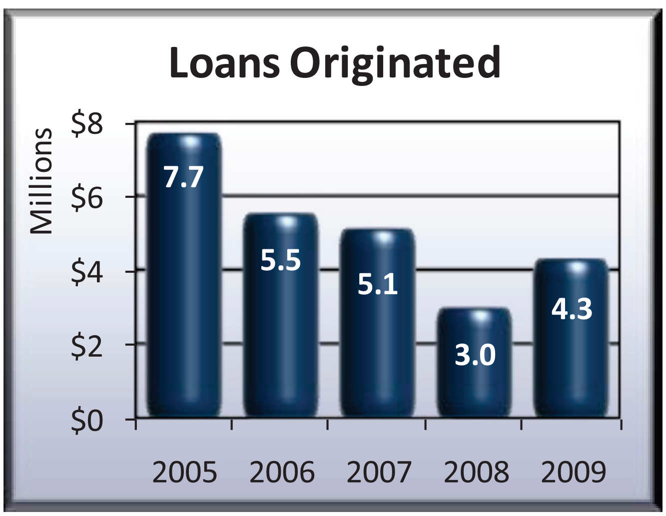
bonds, which are the traditional investments of most insurance companies. Furthermore, our average interest rate on these loans is between 10% and 12%, which we have maintained for several decades, even in low interest rate environments such as today. This rate is far more attractive than the yields earned on investment grade bonds. For these reasons, we strive to invest as much of our assets as possible in this asset class.



Presently we have 5% of our loan portfolio ($1 million) in the foreclosure process and another 16% ($3.2 million) 40 days or more past due. These are very similar levels to what we maintained throughout 2009.

American Life Financial

Our mortgage bank subsidiary, American Life Financial Corporation ("ALF"), was profitable in 2009 due to the increased loan originations we had in 2009.

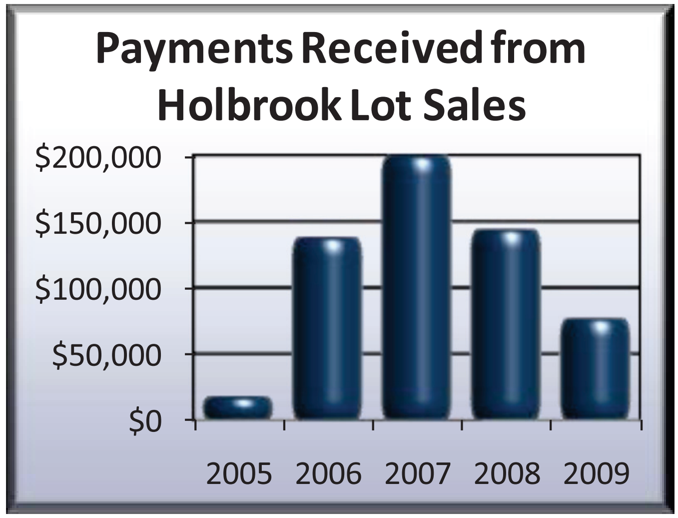


To facilitate the substantial increase in loan volume we anticipate in 2010 as a result of our annuity sales, we have assigned three employees from other areas of the Company to ALF. We expect ALF to originate more than $10 million in new loans this year. Although this is a momentous increase in loan originations, it is an achievable goal.

Real Estate

The pending sale of the 4,750 acre Holbrook Legacy property in Northern Arizona, which we discussed in last year's annual report did not close. Certainly this investment has been adversely affected by the current real estate market. We are still optimistic with the future potential profits we will gain from this property.

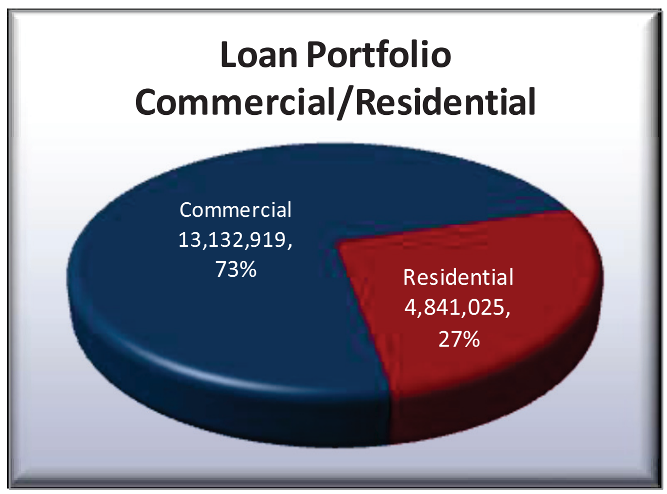
The sale of our two residential lot subdivisions near Holbrook, AZ have also been strong contributors to our net income in previous years. In 2008 and 2009 we have experienced high defaults with these sales. We currently have $150,000 in sales contracts and notes outstanding and Holbrook Lot sales still contributed $66,000 to this year's taxable net income. As with our Vekol Wash property, since our Holbrook Lot property's cost basis is so low, we have the opportunity to make substantial gains when the market returns and we sell them once again.



Looking Ahead

Commercial Real Estate: The Next Shoe to Drop?

We have a combined 80% of our assets invested in our niche *Not So Hard Money*™ loans and Real Estate Owned (REO). Furthermore, 73% of our loan portfolio is secured by commercial real estate. With this level of exposure to commercial real estate, it is only prudent for us to review what we are doing to hedge against increased foreclosures on our commercial real estate loans.



First, we have anticipated a decline in commercial real estate values for the last two years. Therefore we have been valuing commercial real estate very conservatively and only loaning about 50% of these lower values. We also require a greater demonstration of a borrower's ability to make the loan payments.

Anticipated Foreclosures

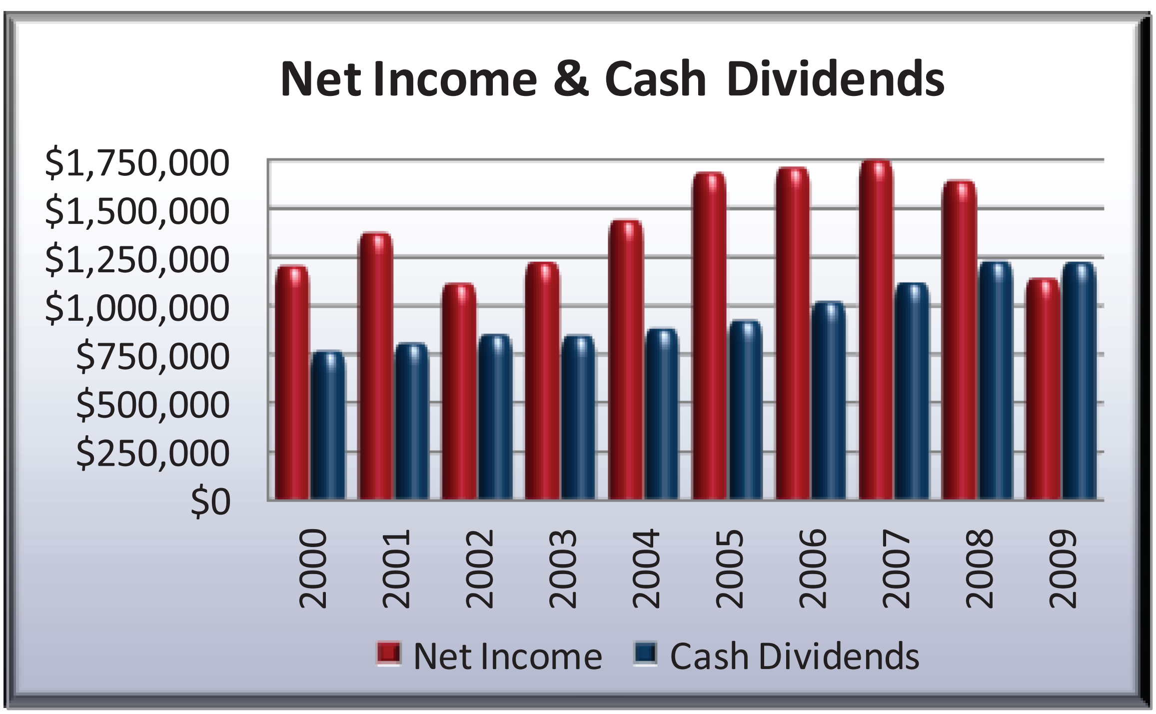
During the first two months of 2010 we have foreclosed on three properties with a combined book value of $897,000. We anticipate an increase of foreclosures in 2010 of perhaps more than twice the 2009 level. It is also reasonable to expect we will incur some loan write-downs given the anticipated continuation of the declining commercial real estate market. We remain confident, however, that any such write-downs will be a small percentage of our total portfolio.

Impact on Profitability

Despite our expectation of increased foreclosures and some loan write-downs, we expect our overall net investment yield to still outperform the industry average and we will continue to be profitable. Additionally, the sale of our annuities will likely offset the impact of higher foreclosures. This infusion of investment capital provides us with the opportunity to make very safe loans at 50% of the lower property values we are currently using. The interest spread we will earn on these assets should be a significant counter balance to the expected foreclosures.

We periodically evaluate our foreclosed properties to assess the most profitable exit strategy for them. If we believe it is in the Company's best long-term interest to hold a property until the market returns and we can sell it for an attractive gain, we will do that. In fact, we have realized many sizable gains in the past from this strategy. We believe this flexibility, properly used, provides greater long-term profitability than the more typical "sell at whatever cost" model of most banks/lenders.

We are blessed to be able to look forward from a very strong financial position. We have a profitable business model and a strong book of high quality assets. Prior generations of Company management have set this Company on a strong financial footing. We pledge to continue the conservative investment principles that have served our Company so well for our first 55 years while growing at a measured, sustainable rate.



Selected Financial Data—Five Year Comparison

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, 2007, 2006, & 2005
(UNAUDITED)

	2009	2008	2007	2006	2005
Statement of Operations Data					
Revenues					
Life Ins. & Annuity Premiums	**$ 2,534,682**	$ 267,240	$ 138,356	$ 137,058	$ 126,282
Interest & Other Investment Income	**2,282,160**	2,726,795	2,616,257	2,505,331	2,386,139
Total Revenues	**4,816,842**	2,994,035	2,754,613	2,642,389	2,512,421
Expenses					
Total Insurance Benefits/Expenses	**2,632,752**	355,743	278,601	233,401	199,359
Total General Expenses	**977,094**	922,306	829,855	789,290	683,199
Total Expenses	**3,609,845**	1,278,049	1,108,456	1,022,691	882,558
Net Gain From Operations	**1,206,997**	1,715,986	1,646,157	1,619,698	1,629,863
Net Income	$ 1,144,004	$ 1,643,999	$ 1,786,020	$ 1,715,678	$ 1,688,532
Statement of Financial Position Data					
Total Assets	**$ 26,184,273**	$ 22,682,582	$ 22,069,686	$ 20,717,374	$ 20,382,695
Total Liabilities	**9,097,468**	5,405,498	5,238,194	4,542,515	4,821,068
Total Shareholders Equity	**17,086,805**	17,277,083	16,831,483	16,174,859	15,561,627
Per Share Data					
Total shares outstanding	**5,077,881**	5,116,137	5,091,530	5,102,640	5,148,760
Net Income per share	**$ 0.225**	$ 0.321	$ 0.351	$ 0.336	$ 0.328
Dividends per share	**$ 0.240**	$ 0.240	$ 0.220	$ 0.200	$ 0.180
Shareholder Equity per share	**$ 3.365**	$ 3.377	$ 3.306	$ 3.170	$ 3.022

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

Consolidated Statement of Operations

REVENUES	2009	2008	2007
Life insurance premiums	$ 138,955	$ 267,240	$ 138,356
Annuity premiums	2,395,728	0	0
Interest Income			
Interest on cash & cash equivalents	64,339	54,486	144,576
Interest on policy loans	5,876	5,126	5,481
Interest on mortgage loans	1,963,744	2,500,776	2,258,899
Investment Income Net of Expenses			
Net Income on Real Estate Owned	(69,583)	(44,040)	13,596
Mortgage Fees	295,674	196,828	178,686
Other investment income	22,111	13,617	15,020
TOTAL REVENUES	$ 4,816,842	$ 2,994,035	$ 2,754,613
EXPENSES			
Death benefits	46,605	42,970	86,887
Other policyholder benefits	37,058	44,703	27,022
Policyholder dividends	34,322	31,477	25,287
Incr/decr in life reserves and loading	51,006	143,029	30,586
Incr/decr in annuity reserves	2,293,971	0	0
Commissions and Advertising	30,482	25	0
Interest on insurance	139,308	93,540	108,819
General Expenses			
Salaries and wages	647,106	620,299	565,590
Welfare Plan	47,786	40,411	42,298
Profit Sharing Plan	64,906	61,803	56,598
Professional Service fees	75,563	78,687	54,891
Other expenses	76,131	53,985	51,386
Taxes Licences and Fees	65,601	67,121	59,092
TOTAL EXPENSES	$ 3,609,845	1,278,049	1,108,456
NET GAIN FROM OPERATIONS	$ 1,206,997	$ 1,715,986	$ 1,646,157
Realized Gain on Real Estate & Securities	118,801	195,739	423,974
Federal Income Tax Paid	(181,794)	(267,726)	(284,110)
NET INCOME	$ 1,144,004	$ 1,643,999	$ 1,786,020
Total shares outstanding	5,077,881	5,116,137	5,091,530
Net Income per share	$ 0.225	$ 0.321	$ 0.351

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

Consolidated Statement of Financial Position

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 & 2007

ASSETS	2009	2008	2007
Cash and cash equivalents	$ 4,065,369	$ 1,890,635	$ 1,804,554
Long term certificates of deposit	500,000	500,000	500,000
Common & preferred stock	38,874	34,873	56,471
Policy loans	116,003	105,651	105,253
Mortgage loans	17,952,892	17,634,625	18,027,850
Real estate investments & receivables	2,958,586	1,956,876	1,132,091
TOTAL CASH & INVESTED ASSETS	25,631,725	22,122,660	21,626,220
Accured interest & deposits	295,106	303,880	240,985
Land and building	193,870	189,788	167,880
Office equipment	34,917	40,333	34,602
Income tax refundable	28,655	25,921	0
TOTAL ASSETS	$ 26,184,273	$ 22,682,582	$ 22,069,686
LIABILITIES			
Reserves for life policies	2,396,887	2,343,856	2,200,562
Reserves for annuities	2,293,971	0	0
Insurance policy claims pending	24,901	30,295	36,437
Policy holder & GIC funds on deposit	3,795,663	2,520,053	2,418,714
Other policy holder liabilities	41,382	38,243	32,015
Taxes & expenses due & accrued	138,216	134,413	114,588
Unearned investment income	85,256	3,887	314
Amounts held by ASLIC for others	320,891	334,684	423,363
Income tax payable	301	67	12,200
TOTAL LIABILITIES	$ 9,097,468	$ 5,405,498	$ 5,238,194
SHAREHOLDERS EQUITY			
Capital stock	921,841	919,878	914,933
Capital stock in excess of par	2,394,578	2,331,413	2,205,412
Stock notes & Employee receivables	(14,336)	(11,401)	(284)
Retained earnings	18,804,234	18,885,831	18,472,444
Unrealized gain on securities	26,100	22,099	43,697
Less treasury stock	(5,045,612)	(4,870,737)	(4,804,710)
TOTAL SHAREHOLDERS EQUITY	$ 17,086,805	$ 17,277,083	16,831,493
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 26,184,273	$ 22,682,582	$ 22,069,686
Shares Outstanding	5,077,881	5,116,137	5,091,530
Equity Value Per Share	$ 3.365	$ 3.377	$ 3.306

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

Consolidated Statement of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 & 2007
(UNAUDITED)

OPERATING ACTIVITIES	2009	2008	2007
Funds provided from operations			
Premiums received	$ 2,537,362	$ 267,351	$ 140,276
Net investment income (excluding realized gains)	2,096,384	2,379,869	2,614,452
Total funds provided from operations	4,633,746	2,647,220	2,754,728
Funds used in operations			
Benefits and loss related payments	(226,633)	(193,489)	(192,335)
Commissions and other expenses and taxes paid (excluding federal income taxes)	(611,955)	(679,840)	(745,380)
Dividends paid to policyholders	(31,838)	(25,093)	(23,242)
Federal income taxes paid (excluding capital gains tax)	(181,772)	(267,744)	(220,144)
Total funds (used) in operations	(1,052,198)	(1,166,166)	(1,181,101)
NET CASH PROVIDED FROM OPERATIONS	$ 3,581,549	$ 1,481,054	$ 1,573,627
INVESTING ACTIVITIES			
Funds provided from investments sold, matured or repaid			
Bonds	0	100,000	400,000
Stocks	0	0	0
Mortgage Loans	4,156,649	3,620,003	4,354,134
Real Estate	30,085	41,764	542,622
Other invested assets	128	100,075	7,183
Total investment proceeds before capital gains tax	4,186,862	3,861,842	5,303,939
Cost of investments acquired			
Class one mutual funds & long term CD's		(100,000)	(400,000)
Mortgage Loans	(4,331,057)	(3,034,351)	(5,147,471)
Real Estate	(1,034,477)	(852,972)	(893,594)
Other invested assets	(21,499)	(111,180)	(5)
Total cost of investments acquired	(5,387,032)	(4,098,503)	(6,441,070)
(Increase) Decrease in policy loans	(10,353)	(397)	(7,654)
NET CASH PROVIDED BY INVESTING ACTIVITIES	$ (1,210,523)	$ (237,058)	$ (1,144,785)
FINANCING ACTIVITIES			
Funds provided from (used for) financing activities			
Capital and paid in surplus	65,129	130,945	0
Net deposits on deposit-type contracts	1,139,037	7,799	429,485
Cash dividends paid	(1,225,581)	(1,230,632)	(1,121,481)
Treasury stock purchased	(174,875)	(66,027)	(23,937)
Net cash provided from (used for) financing activities	$ (196,291)	$ (1,157,915)	$ (715,933)
Increase (Decrease) in cash and short-term investments	$ 2,174,734	$ 86,081	$ (287,091)
Cash and short-term investments, beginning of year	1,890,635	1,804,554	2,091,645
Cash and short-term investments, end of year	4,065,369	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, 2009 AND 2008
(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, 2008	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, 2009	919,877	2,331,413	22,099	18,885,811	(11,381)	(4,870,737)	17,277,083
Net Income				1,144,004			1,144,004
Dividends declared & accrued				(1,225,581)			(1,225,581)
Issue employee compensation in stock	1,964	63,165					65,129
Repurchase Capital Stock (Treasury)						(174,875)	(174,875)
Change Unrealized Gain on Securities			4,001				4,001
Change in Nonadmitted Assets					(2,956)		(2,956)
BALANCES, December 31, 2009	**921,841**	**2,394,578**	**26,101**	**18,804,233**	**(14,336)**	**(5,045,612)**	**17,086,805**

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

Notes to the Consolidated 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 2009 and 2008 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, 2009 and December 31, 2008 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,	2009	2008
Money market funds	**27,960**	1,614,183
Demand deposits	**4,037,409**	276,452
Total cash & short term investments	**$4,065,369**	$1,890,635

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 $1,053,102 and $298 at December 31, 2009 and 2008, 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,	2009	2008
Commercial & consumer loans	**$17,890,766**	$17,549,480
Purchase Money Loans	**62,126**	85,145
Remaining Deferred Gain	**142,964**	269,098
Annual Realized Deferred Gain	**$109,795**	$120,843

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. During 2009 the Company purchased two condos in Phoenix and one in Mesa as investments for a total Company cost of $69,865. The company foreclosed on five properties in 2009: A commercial office building on Arizona Ave. in Coolidge for a Company cost of $85,210, a single family residence in Arizona City for a Company cost of $60,731, 1.3 acres of residential land in north east Mesa for a Company cost of $182,157, 1.98 acres of commercial land in Cave Creek for a company cost of $484,667 and a residential rental property in Glendale for a Company cost of $98,847.

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,	2009	2008
Building cost	**$434,605**	$434,605
Improvements	**130,435**	126,171
Land cost	**75,450**	75,633
	$640,490	636,409
Less deferred gain on 1031 exchange	**-446,621**	-446,621
Statement value of land and building	**$193,869**	$189,788

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. During second half of 2009 began to offer fixed rate annuities, at December 31, 2009 the Company had $2,395,728 in annuity contracts with a reserve of $2,293,970.

(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 85% and 84% of all contracts at December 31, 2009 and 2008 respectively.

(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, 2009 and December 31, 2008 the Company had a capital amount of $921,841 and $919,877, respectively and a free surplus of $16,164,964 and $16,357,205, respectively. Free surplus was reduced by the $5,045,612 and $4,870,737 cost of treasury stock for years 2009 and 2008 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 2009, treasury stock increased by the purchase of 57,891 shares of capital stock at prices ranging from $2.98 to $3.08 per share. During 2008 a total of 24,834 shares were purchased at prices of $2.62 to $2.72 per share. Stockholder equity per share was $3.37 at year end 2009 and $3.38 at year end 2008.

On January 12, 2010, the Board of Directors declared a cash dividend of 10¢ per share. The payment will be on April 10, 2010 to stockholders of record on March 31, 2010. 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 23% of total life insurance in force at December 31, 2009 and 22% at December 31, 2008.

(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, 2009 and 2008, 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 24.89% and 12.5% of total premiums paid in 2009 and 2008, respectively. Company officers and directors also owned 10.5% and 9.7% of total policy face value in 2009 and 2008, 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,	**2009**	2008
Net income	**$1,144,004**	$1,643,999
Adjustments to reconcile net income to net cash provided from operations		
Subsidiary company's net cash from operations	**14,710**	-5,253
Amortization of mortgage interest	**-39,843**	-48,338
Non-cash realized gain (Holbrook Legacy)	**0**	-18,664
(Increase) decrease in investment due & accrued	**8,115**	-75,420
Incr. (decr.) in payables, accrued expense & other	**73,726**	-58,745
Incr. (decr.) in reserves for policy & contract claims	**-5,394**	-6,142
Incr. (decr.) in other policyholder funds	**3,139**	6,228
Incr. (decr.) in income tax payable	**-2,500**	-38,055
Incr. (decr.) in life insurance & annuity reserve	**2,347,001**	143,295
Incr. (decr.) in deposit to deposit type accts	**1,275,610**	101,399
Incr. (decr.) in net deposits to deposit type accts	**-1,139,037**	-7,799
Net realized capital gains	**-102,763**	-151,036
(Incr.) decr. In office equipment	**5,416**	-6,011
(Incr.) decr. In prepaid expenses	**-635**	1,596
Net cash from operations	**$3,581,549**	$1,481,054

(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. Plan contribution was $64,906 for 2009 and $61,803 for 2008.

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 2009, 19,635 shares of Company common stock were purchased under the plan for a total of $65,129. The October 2009 enrollment stock price was $3.309 and as of December 31, 2009, $8,766 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. $14,178 of the educational loan had been disbursed as of December 31, 2009. 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 which decreased from $2.7 to $1.6 million resulting in a $1.1 million increase in statutory income, asset valuation ($1.2 million) and interest maintenance ($210,000). 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:

	2009 *Stockholders* Financial Statements	2009 ***Statutory*** Financial Statements
Total Assets	**$26,184,273**	$25,269,386
Total Liabilities	**$9,907,468**	$12,483,793
Total Stockholders Equity	**$17,086,805**	$12,785,593
Equity per Share	**$3.37**	$2.52
Annual Net Income	**$1,144,004**	$2,166,551
Net Income per Share	**$0.23**	$0.43

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

(13) UNCERTAIN TAX POSITIONS

During 2009, the Company adopted the provisions of FASB Interpretation No. 48, as codified by the Financial Accounting Standards Board. This Interpretation requires entities, including nonprofit organizations, 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 positions related to unrelated business income, and if applicable adjusts its income tax provision accordingly. As of December 31, 2009, no uncertain tax positions have been identified and accordingly, no provision has been made.

(14) SUBSEQUENT EVENTS

Management evaluated subsequent events through March 9, 2010 the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2009 but prior to March 9, 2010, that provided additional evidence about conditions that existed at December 31, 2009, have been recognized in the financial statements for the year ended December 31, 2009. Events or transactions that provided evidence about conditions that did not exist at December 31, 2009, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2009.

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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