AMERICAN SAVINGS LIFE INSURANCE COMPANY

STATUTORY FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

Walker & Armstrong LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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Walker & Armstrong LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Savings Life Insurance Company

We have audited the accompanying statutory statements of admitted assets, liabilities and capital and surplus of American Savings Life Insurance Company as of December 31, 2011 and 2010 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 American Savings Life Insurance 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 auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the American Savings Life Insurance Company's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2011 and 2010, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic statutory financial statements. The information has been subjected to the procedures applied in the audit of the basic statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic statutory financial statements or to the basic statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 American Savings Life Insurance Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Walker + Armstrong LLP

Phoenix, Arizona
February 24, 2012

AMERICAN SAVINGS LIFE INSURANCE COMPANY
Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus
December 31, 2011 and 2010

	2011	2010 (as restated)
ADMITTED ASSETS		
CASH AND INVESTMENTS		
Bonds, mutual funds, long-term certificates of deposit	$ 497,000	$ 500,000
Preferred stock	6,911	6,911
Common stock	37,283	35,724
Mortgage loans, net	24,394,340	24,046,215
Properties occupied by the company	501,654	513,457
Properties held for sale	3,450,072	2,636,285
Cash and short-term investments	7,131,369	6,175,125
Policy contract loans	114,005	111,413
Total cash and investments	36,132,634	34,025,130
INVESTMENT INCOME DUE AND ACCRUED	261,194	336,488
PREMIUMS DEFERRED AND UNCOLLECTED	9,905	12,411
OTHER ASSETS	188	207
Total admitted assets	$ 36,403,921	$ 34,374,236
LIABILITIES AND CAPITAL AND SURPLUS		
LIABILITIES		
Reserves for life policies and annuity contracts	$ 15,491,686	$ 15,051,219
Liability for deposit-type contracts	5,692,752	5,177,301
Reserves for policy and contract claims	14,050	15,370
Other policyholder funds	39,371	42,116
Interest maintenance reserve	147,351	205,298
Comissions to agents due and accrued	-	963
Accounts payable, accrued expenses and other	742,955	712,120
Income tax payable	90,652	2,981
Asset valuation reserve	1,634,716	1,338,911
Total liabilities	23,853,533	22,546,279
CAPITAL AND SURPLUS		
Common stock - $.10 par value: 10,000,000,000 shares authorized; 9,232,829 issued and 4,995,265 outstanding in 2011; 9,226,069 issued and 5,056,348 outstanding in 2010	923,283	922,607
Paid-in capital and contributed surplus	2,440,882	2,419,363
Unassigned surplus	14,520,947	13,620,178
Treasury stock	(5,334,724)	(5,134,191)
Total capital and surplus	12,550,388	11,827,957
Total liabilities and capital and surplus	$ 36,403,921	$ 34,374,236

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

AMERICAN SAVINGS LIFE INSURANCE COMPANY
Statutory Statements of Operations
Years Ended December 31, 2011 and 2010

	2011	2010
REVENUES AND DEPOSITS		
Premiums and annuity considerations	$ 1,069,885	$ 8,343,442
Net investment income	2,578,773	2,171,928
Amortization of interest maintenance reserve	71,093	82,278
Miscellaneous income	14,429	10,198
Total revenues	3,734,180	10,607,846
EXPENSES		
Death benefits	47,795	40,320
Annuity benefits	310,950	79,517
Surrender benefits	189,770	75,523
Interest on policy or contract funds	752,697	640,783
Increase in life insurance and annuity reserves	(267,617)	7,985,164
Commissions on premiums	17,030	100,273
General insurance expenses	575,679	476,349
Insurance taxes licenses and fees (excluding federal income tax)	64,306	73,006
Increase in loading	(372)	(60)
Total expenses and withdrawals	1,690,238	9,470,875
Net gain from operations before dividends and federal income taxes	2,043,942	1,136,971
Dividends to policyholders	(33,270)	(36,047)
Federal income tax (excluding tax on capital gains of $25,394 and $20,169 for 2011 and 2010, respectively	(239,005)	(140,239)
Net realized capital gains less capital gains tax and transfers to interest maintenance reserve	72,809	51,328
NET INCOME	$ 1,844,476	$ 1,012,013

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, 2011 and 2010

	Capital Stock	Capital in Excess of Par	Stockholder and Employee Receivables Not Admitted	Unrealized Net Gain on Marketable Securities	Unassigned Surplus (as restated)	Treasury Stock	Total (as restated)
BALANCES, December 31, 2009	$ 921,841	$ 2,394,578	$ (14,336)	$ 26,099	$ 14,149,834	$ (5,045,611)	$ 12,432,405
Net income	-	-	-	-	1,012,013	-	1,012,013
Dividends declared and paid	-	-	-	-	(963,137)	-	(963,137)
Issue employee compensation in stock	766	24,785	-	-	-	-	25,551
Repurchase capital stock	-	-	-	-	-	(88,580)	(88,580)
Change in unrealized net gain on marketable securities	-	-	-	(441,969)	-	-	(441,969)
Change in nonadmitted asset	-	-	(12,097)	-	(16,377)	-	(28,474)
Change in asset valuation reserve	-	-	-	-	(119,852)	-	(119,852)
BALANCES, December 31, 2010	922,607	2,419,363	(26,433)	(415,870)	14,062,481	(5,134,191)	11,827,957
Net income	-	-	-	-	1,844,476	-	1,844,476
Dividends declared and paid	-	-	-	-	(855,197)	-	(855,197)
Issue employee compensation in stock	676	21,519	-	-	-	-	22,195
Repurchase capital stock	-	-	-	-	-	(200,533)	(200,533)
Change in unrealized net gain on marketable securities	-	-	-	259,542	-	-	259,542
Change in nonadmitted assets	-	-	5,309	-	(57,556)	-	(52,247)
Change in asset valuation reserve	-	-	-	-	(295,805)	-	(295,805)
BALANCES, December 31, 2011	$ 923,283	$ 2,440,882	$ (21,124)	$ (156,328)	$ 14,698,399	$ (5,334,724)	$ 12,550,388

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, 2011 and 2010

	2011	2010 (as restated)
OPERATING ACTIVITIES:		
Premiums received	$ 1,068,326	$ 8,116,149
Investment and other income received (excluding net realized gains and net of investment expenses)	3,571,478	2,552,096
Total funds provided by operations	4,639,804	10,668,245
Benefit and loss related payments	(990,262)	(756,626)
Commissions, other expenses and taxes paid	(597,938)	(367,265)
Dividends paid to policyholders	(33,270)	(36,047)
Federal income taxes paid (excluding capital gains tax of $25,394 and $20,169 in 2011 and 2010, respectively)	(151,315)	(108,627)
Total cash used for operations	(1,772,785)	(1,268,565)
Net cash provided by operating activities	2,867,019	9,399,680
INVESTING ACTIVITIES:		
Proceeds from investments sold, matured or repaid:		
Long-term certificates of deposit	500,000	-
Mortgage loans	6,817,761	4,062,783
Real estate	1,514,954	292,695
Total investment proceeds	8,832,715	4,355,478
Cost of long-term investments acquired:		
Long-term certificates of deposit	(497,000)	-
Mortgage loans	(9,345,587)	(11,677,968)
Other invested assets	(52,247)	(32,396)
Total investments acquired	(9,894,834)	(11,710,364)
(Increase) decrease in policy loans	(2,592)	4,590
Net cash used for investing activities	(1,064,711)	(7,350,296)
FINANCING ACTIVITIES (OTHER CASH PROVIDED OR APPLIED):		
Capital and paid in surplus	22,195	25,551
Net deposits on deposit type contract funds	187,471	1,201,848
Cash dividends paid	(855,197)	(963,137)
Treasury stock purchased	(200,533)	(88,580)
Net cash provided by (used for) financing activities	(846,064)	175,682
INCREASE IN CASH AND CASH EQUIVALENTS	956,244	2,225,066
CASH AND CASH EQUIVALENTS, beginning of year	6,175,125	3,950,059
CASH AND CASH EQUIVALENTS, end of year	$ 7,131,369	$ 6,175,125

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

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 the 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 not filed with the Securities Valuation Office so they are considered non-admitted and are therefore not reported on the statutory basis;

- 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;

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 income taxes in the accompanying statutory basis 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 certificates of deposit of $500,000, 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 deferred annuities are recognized as revenue when collected in accordance with *Statements of Statutory Accounting Principles No. 50 – Classifications and Definitions of Contracts in Force.*

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, 2011.

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.

Changes in Classification

During 2011, certain changes in classification of activities in relation to the statement of cash flows were made from the prior year's presentation. For comparative purposes, the 2010 balances have been reclassified to conform to the 2011 presentation. Such reclassifications had no effect on 2010 net income.

Income Taxes

The Company has an effective income tax rate substantially different from the statutory rate applied to net income for the years ended December 31, 2011 and 2010. This difference is due to the qualification of the Company under Internal Revenue Code Section 806(a) for the small life insurance company deduction on its federal income tax return; a deduction that is not recognized on the statutory basis financial statements.

Note 3 – Cash and Investments - Continued

The following is the composition of the mortgage receivable aging at year-end:

	December 31	
	2011	2010
In good standing with interest accruing	$ 21,035,571	$ 18,354,818
Over 90 days with interest accruing	2,034,017	2,650,357
In foreclosure, interest accruing	1,778,893	3,571,412
Mortgages receivable	24,848,481	24,576,587
Costs advanced on mortgages	3,268	1,813
Deferred gain on installment sales	(149,586)	(86,455)
Allowance for delinquent mortgage loans	(307,823)	(445,730)
Total mortgage loans	$ 24,394,340	$ 24,046,215

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's current cost of this investment is $986,035. In November 2007, the Company acquired 40 acres near Salome, Arizona as an investment property for a total cost of $105,282. 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 assets and therefore, not included with the Company's admitted assets in the accompanying financial statements. The Company acquired nine properties through foreclosure during 2011 for $2,255,932, which were subsequently written down to reflect current appraisals. During 2011, the Company sold four properties acquired through foreclosure, reporting a gain on the disposal of $72,809.

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 statutory accounting principles, properties 50% occupied by the reporting entity, including common areas, will be reported as property occupied by the Company.

Note 3 – Cash and Investments - Continued

The following is a summary of properties occupied by the Company:

	December 31	
	2011	2010
Building	$ 434,605	$ 434,605
Improvements	130,966	130,966
	565,571	565,571
Accumulated depreciation	(139,550)	(127,747)
	426,021	437,824
Land	75,633	75,633
	$ 501,654	$ 513,457

The following summarizes the components of net investment income for the years ended December 31, 2011 and 2010:

	December 31	
	2011	2010
Bonds, mutual funds and long-term certificates of deposits	$ 28,160	$ 25,940
Common stock	1,000	1,244
Common stock of affiliates	(32,826)	(3,209)
Preferred stock	1,376	2,147
Cash and short-term investments	46,182	52,959
Mortgage loans	2,902,966	2,427,671
Receivables secured by real estate	278,401	215,105
Policy loans	5,809	5,382
Gross investment income	3,231,068	2,727,239
Investment expenses	(550,366)	(474,503)
Investment taxes (excluding federal income tax)	(101,929)	(80,808)
Net investment income	$ 2,578,773	$ 2,171,928

Fair Value Measurement

Investments are being disclosed utilizing an established framework for measuring fair value, and an established 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, are used to measure fair value.

Note 3 – Cash and Investments - Continued

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.

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, 2011:

Investments	Balance 12/31/10	Additions	Retirements	Transfers	Balance 12/31/11
Level 1 Investments:					
Long-term certificate of deposits	$ 500,000	$ 497,000	$(500,000)	$ -	$ 497,000
Unaffiliated common stock	35,724	1,559	-	-	37,283
Short-term investments	44,786	-	(18,603)	-	26,183
Certificates of deposit	1,716,961	1,247,279	(1,717,919)	-	1,246,321
Preferred stock	6,911	-	-		6,911
Total Level 1	2,304,382	1,745,838	(2,236,522)	-	1,813,698
Level 3 Investments:					
Mortgage loans	24,046,214	9,345,587	(6,741,529)	(2,255,932)	24,394,340
Properties held for sale	2,636,285		(1,442,145)	2,255,932	3,450,072
Properties occupied by the Company	513,457		(11,803)		501,654
Policy contract loans	111,413	12,413	(9,821)		114,005
Total Level 3	27,307,369	9,358,000	(8,205,298)	-	28,460,071
Total investments	$ 29,611,751	$ 11,103,838	$ (10,441,820)	$ -	30,273,769
Money market and checking accounts					5.858.865
Total cash and investments					$ 36,132,634

Management uses a market approach to determine the fair value of mortgage loans and properties held for sale. Loans are adjusted for changes in the market value of the property collateralized based on local market indices. Property held for sale is adjusted to the most recent appraisal performed.

The cost approach is used to determine the fair value of properties occupied by the Company and the policy contract loans.

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 2011 and 2010, respectively:

	Life Policies and Contracts	Policy and Contract Claims
Reserves, January 1, 2010	$ 6,650,274	$ 24,901
Prior year claims paid in current year	-	(15,851)
Incurred claims	-	40,320
Increase in life and annuity reserve	8,400,945	-
Current year claims paid	-	(34,000)
Reserves, December 31, 2010	$ 15,051,219	$ 15,370
Prior year claims paid in current year	-	(6,320)
Incurred claims	-	47,795
Increase in life and annuity reserve	440,467	-
Current year claims paid	-	(42,795)
Reserves, December 31, 2011	$ 15,491,686	$ 14,050

Note 5 - Guaranteed Investment Contracts

Guaranteed investment contracts are amounts held on behalf of outside parties. Interest is paid yearly at the Federal Reserve 6-month CD rate and is updated each month with a guaranteed minimum rate of 4%. Guaranteed investment contracts held by stockholders of the Company represent 78% and 81% of all contracts at December 31, 2011 and 2010, respectively.

Guaranteed investment contracts are considered a level 3 financial instrument under the fair value hierarchy referred to in Note 3. Management uses a cost approach to report the fair value of these contracts and the amounts are not adjusted based on any additional criteria.

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, 2011 and 2010, the Company had capital amounts of $923,283 and $922,607, respectively, and free surplus of $11,627,105 and $10,905,350, respectively. Free surplus has been reduced by $5,334,723 and $5,134,191 for the cost of treasury stock in 2011 and 2010, respectively. On February 8, 2011, the board authorized the purchase of up to 300,000 shares annually of Company stock at 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 2011, treasury stock increased by the purchase of 67,843 shares of capital stock at prices ranging from $2.90 to $3.01 per share. During 2010, treasury stock increased by the purchase of 29,192 shares of capital stock at prices ranging from $3.02 to $3.08 per share.

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, 2011, and 24% at December 31, 2010.

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.

Note 9- Cash Flow Reconciliation

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

	December 31	
	2011	2010 (as restated)
Net income	$ 1,844,476	$ 1,012,013
Adjustments to reconcile net income to net cash provided from operations:		
Amortization of mortgage interest	-	(119)
Depreciation	11,803	11,788
Amortization of interest maintenance reserve	(71,093)	(82,278)
Unrealized gain on marketable securities	257,983	(442,521)
Bad debt expense related to mortgage loan receivables	(137,907)	445,730
(Increase) decrease in investment income due and accrued	75,294	(49,020)
(Increase) decrease in premiums deferred and uncollected	2,506	(967)
Decrease in other assets	19	28,631
Decrease in reserves for policy and contract claims	(1,320)	(9,531)
Increase in accounts payable, accrued expenses and other	43,018	170,361
Increase (decrease) in policyholder funds	(2,745)	734
Increase in income tax payable	87,671	2,981
Increase in life insurance and annuity reserve	440,467	8,400,945
Increase in deposit type accounts	515,451	1,381,638
Increase in deposits to deposit type accounts	(187,471)	(1,201,848)
(Increase) decrease in deferred gains on installment sales	61,676	(217,529)
Net realized capital gains	(72,809)	(51,328)
Net cash provided from operations	$ 2,867,019	$ 9,399,680

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, 2011 and 2010, 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 24.8% and 25.4% of total premiums paid and owned 10.9% and 10.5% of total policy face value in 2011 and 2010, 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.

Note 10 - Related Parties – Continued

The Company also entered into various transactions with its wholly owned subsidiary, American Life Financial Corporation (ALF) relating to shared administration costs. During 2011, ALF personnel provided operational support to the Company in the amount of $44,261, all of which was reimbursed as of December 31, 2011. During 2010, the Company's personnel provided operational support to ALF in the amount of $87,562, all of which was reimbursed as of December 31, 2010.

The Company pays the full amount of expenses for the rental of office space and other office support expenses. ALF reimburses the Company for a portion of those expenses. The total expenses reimbursed by ALF for office rent and other office support expenses were $11,023 for both 2011 and 2010.

Note 11 - Employee Welfare Plan

In 1993, the Company organized 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 contributions were $50,511 and $57,257 for 2011 and 2010, respectively.

In October 2007 the Company implemented an employee stock benefit compensation plan, available to employees and directors. The terms of the plan allow employees or directors to specify up to 50% of their total compensation for shares 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 2011, 6,760 shares of the Company's common stock were purchased under the plan for $22,195. The October 2010 enrollment stock price was $3.281 and $7,380 of employee and director compensation has been set aside for stock purchase at December 31, 2011.

A loan for employee educational expenses of $30,000 was authorized by the board in September 2008. $26,325 of the educational loan has been disbursed as of December 31, 2011. 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 – Restatement of Unassigned Surplus

Unassigned surplus at January 1, 2010 has been restated to reflect a non-admitted asset that was previously reported on the statutory basis financial statements. At January 1, 2010, the Company had investments in subsidiaries in the amount of $353,188, calculated using the equity method for investments. The full amount was removed from Common Stock, as previously reported, and adjusted to unassigned surplus. There was no net income effect for the years ending December 31, 2011 and 2010, resulting from this restatement.

Note 13 – Subsequent Events

Management has evaluated subsequent events through February 24, 2012, the date in which the financial statements were available to be issued. No events or transactions occurred after year-end that require additional disclosure or adjustment to the financial statements.

AMERICAN SAVINGS LIFE INSURANCE COMPANY
Annual Statements for the Years Ended December 31, 2011 and 2010
Schedule 1 - Selected Financial Data

	December 31	
	2011	**2010**
INVESTMENT INCOME EARNED		
Other bonds, mutual funds, long-term CDs	$ 28,160	$ 25,940
Preferred stocks (unaffiliated)	1,000	2,147
Common stocks (unaffiliated)	1,376	1,244
Common stocks of affiliates	(32,826)	(3,209)
Mortgage loans	2,902,966	2,427,671
Real estate	278,401	215,105
Premium notes, policy loans and liens	5,809	5,382
Cash on hand and on deposit	46,101	52,631
Short-term investments	81	327
Total investment income earned	$ 3,231,068	$ 2,727,238
REAL ESTATE OWNED - BOOK VALUE	$ 5,210,490	$ 4,508,003
MORTGAGE LOANS - BOOK VALUE		
Residential	$ 6,776,001	$ 6,557,465
Commercial	17,618,339	17,488,750
Total mortgage loans	$ 24,394,340	$ 24,046,215
MORTGAGE LOANS BY STANDING - BOOK VALUE		
Good standing	$ 20,822,796	$ 18,268,363
Interest overdue more than three months, no foreclosure	1,997,115	2,650,357
Foreclosure in process	1,574,429	3,127,495
Total mortgage loans	$ 24,394,340	$ 24,046,215
BONDS AND SHORT-TERM INVESTMENTS BY CLASS AND MATURITY		
Bonds by maturity-statement value		
Over one year through five years	$ 497,000	$ 500,000
Bonds by class-statement value		
Class one	$ 497,000	$ 500,000
Total bonds publicly traded	$ 497,000	$ 500,000

AMERICAN SAVINGS LIFE INSURANCE COMPANY
Annual Statements for the Years Ended December 31, 2011 and 2010
Schedule 1 - Selected Financial Data (Continued)

	December 31	
	2011	2010 (as restated)
Preferred stocks - statement value	$ 6,911	$ 6,911
Common stocks - market value	$ 37,283	$ 35,724
Short-term investments - book value	$ 26,183	$ 44,786
Cash on deposit	$ 7,105,186	$ 6,130,339
Life insurance in force - ordinary	$ 13,552,272	$ 13,683,286
Amount of accidental death insurance in force under ordinary policies	$ 34,974	$ 34,974
Annuities in Force		
Deferred - fully paid account balance	$ 11,818,681	$ 10,680,133
Deposit funds and dividend accumulations:		
Deposit funds - account balance	$ 5,672,349	$ 5,155,225
Dividend accumulations - account balance	$ 20,403	$ 22,076

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INDEPENDENT AUDITOR'S AWARENESS LETTER

To the Board of Directors
American Savings Life Insurance Company

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

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

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

Walker + Armstrong LLP

Phoenix, Arizona
February 24, 2012

The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud.

Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements resulting from fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by insurance commissioners.

It is the responsibility of the management of the Company to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain an internal control structure that will, among other things, provide reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Arizona Department of Insurance.

The Insurance Commissioner should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory financial position of insurers and should not rely solely upon the independent auditor's report.

d) We will retain the work papers prepared in the conduct of our audit until the Arizona Department of Insurance has filed a Report of Examination covering 2011 but not longer than seven years. After notification to the Company, we will make the work papers available for review by the Arizona Department of Insurance at the offices of the insurer, at our offices, at the Insurance Department or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Arizona Department of Insurance, photocopies of pertinent audit work papers may be made and such copies may be retained by the Arizona Department of Insurance.

e) The engagement partner has served in that capacity with respect to the Company from 2006 to 2011, is licensed by the Arizona State Board of Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

f) To the best of our knowledge and belief, we are in compliance with the requirements of section 7 of the NAIC's *Model Rule (Regulation) Requiring Annual Audited Financial Reports* regarding qualifications of independent certified public accountants.

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

Walker + Armstrong LLP

Phoenix, Arizona
February 24, 2012