AMERICAN SAVINGS LIFE INSURANCE COMPANY

STATUTORY FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

TABLE OF CONTENTS

Walker & Armstrong LLP
CERTIFIED PUBLIC ACCOUNTANTS

3838 North Central Avenue
Suite 1700
Phoenix, Arizona 85012
602.230.1040
602.230.1065 (Fax)

www.wa-cpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Savings Life Insurance Company

Report on the Financial Statements

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, 2012 and the related statutory statements of operations and changes in capital and surplus, and cash flows, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. statements on statutory accounting principles. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared on the statutory basis of financial reporting in conformity with the accounting practices prescribed or permitted by the Arizona Department of Insurance, which is a basis of accounting other than U.S. generally accepted accounting principles, to meet the requirements of the Arizona Department of Insurance.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because the significance of the matter discussed in the preceding section, the financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of American Savings Life Insurance Company as of December 31, 2012 or the results of operations, changes in capital and surplus or cash flows for the year then ended.

Opinion on Statutory Basis of Accounting

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, 2012, and the results of its operations, changes in capital and surplus and its cash flows for the year then ended in conformity with the accounting practices prescribed or permitted by the Arizona Department of Insurance as described in Note 2.

Report on Other Legal and Statutory Requirements

Our audit was conducted for the purpose of forming an opinion on the statutory financial statements taken as a whole. The Schedule 1 – Selected Financial Data, on pages 18-19, is required by the Arizona Department of Insurance and presented for purposes of additional analysis and is not a required part of the statutory financial statements.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 statutory financial statements or to the 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 statutory financial statements taken as a whole.

Walker & Armstrong LLP

Phoenix, Arizona
March 29, 2013

AMERICAN SAVINGS LIFE INSURANCE COMPANY
Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus
December 31, 2012 and 2011

	2012	2011
ADMITTED ASSETS		
CASH AND INVESTMENTS		
Bonds, mutual funds, long-term certificates of deposit	$ 2,181,706	$ 497,000
Preferred stock	-	6,911
Common stock	43,721	37,283
Mortgage loans, net	28,452,964	24,394,340
Properties occupied by the company	489,852	501,654
Properties held for sale	3,243,262	3,450,072
Cash and short-term investments	5,424,695	7,131,369
Policy contract loans	102,989	114,005
Other invested assets	589,617	-
Total cash and investments	40,528,806	36,132,634
INVESTMENT INCOME DUE AND ACCRUED	311,513	261,194
PREMIUMS DEFERRED AND UNCOLLECTED	11,569	9,905
OTHER ASSETS	171	188
Total admitted assets	$ 40,852,059	$ 36,403,921
LIABILITIES AND CAPITAL AND SURPLUS		
LIABILITIES		
Reserves for life policies and annuity contracts	$ 19,239,693	$ 15,491,686
Liability for deposit-type contracts	6,420,326	5,692,752
Reserves for policy and contract claims	9,050	14,050
Other policyholder funds	42,975	39,371
Interest maintenance reserve	113,486	147,351
Comissions to agents due and accrued	18,000	-
Accounts payable, accrued expenses and other	796,561	742,955
Income tax payable	103,800	90,652
Asset valuation reserve	1,889,247	1,634,716
Total liabilities	28,633,138	23,853,533
CAPITAL AND SURPLUS		
Common stock - $.10 par value: 10,000,000,000 shares authorized; 9,238,229 issued and 4,861,228 outstanding in 2012; 9,232,829 issued and 4,995,265 outstanding in 2011	923,839	923,283
Paid-in capital and contributed surplus	2,458,823	2,440,882
Unassigned surplus	14,657,335	14,520,947
Treasury stock	(5,821,076)	(5,334,724)
Total capital and surplus	12,218,921	12,550,388
Total liabilities and capital and surplus	$ 40,852,059	$ 36,403,921

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

AMERICAN SAVINGS LIFE INSURANCE COMPANY
Statutory Statements of Operations
Years Ended December 31, 2012 and 2011

	2012	2011
REVENUES AND DEPOSITS		
Premiums and annuity considerations	$ 3,804,090	$ 1,069,885
Net investment income	2,953,161	2,578,773
Amortization of interest maintenance reserve	53,148	71,093
Miscellaneous income	14,627	14,429
Total revenues	6,825,026	3,734,180
EXPENSES		
Death benefits	49,356	47,795
Annuity benefits	540,925	310,950
Surrender benefits	37,417	189,770
Interest on policy or contract funds	826,646	752,697
Increase in life insurance and annuity reserves	3,149,596	(267,617)
Commissions on premiums	64,888	17,030
General insurance expenses	550,797	575,679
Insurance taxes licenses and fees (excluding federal income tax)	62,224	64,306
Increase in loading	385	(372)
Total expenses and withdrawals	5,282,234	1,690,238
Net gain from operations before dividends and federal income taxes	1,542,792	2,043,942
Dividends to policyholders	(37,109)	(33,270)
Federal income tax (excluding tax on capital gains of $29,725 and $25,394 for 2012 and 2011, respectively	(290,708)	(239,005)
Net realized capital gains less capital gains tax and transfers to interest maintenance reserve	118,899	72,809
NET INCOME	$ 1,333,874	$ 1,844,476

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, 2012 and 2011

	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, 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 asset	-	-	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
Net income	-	-	-	-	1,333,874	-	1,333,874
Dividends declared and paid	-	-	-	-	(941,209)	-	(941,209)
Issue employee compensation in stock	556	17,941	-	-	-	-	18,497
Repurchase capital stock	-	-	-	-	-	(486,352)	(486,352)
Change in unrealized net gain on marketable securities	-	-	-	33,669	-	-	33,669
Change in nonadmitted assets	-	-	9,527	-	(44,942)	-	(35,415)
Change in asset valuation reserve	-	-	-	-	(254,531)	-	(254,531)
BALANCES, December 31, 2012	$ 923,839	$ 2,458,823	$ (11,597)	$ (122,659)	$ 14,791,591	$ (5,821,076)	$ 12,218,921

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, 2012 and 2011

	2012	2011
OPERATING ACTIVITIES:		
Premiums received	$ 3,801,030	$ 1,068,326
Investment and other income received (excluding net realized gains and net of investment expenses)	3,423,474	3,571,478
Total funds provided by operations	7,224,504	4,639,804
Benefit and loss related payments	(913,419)	(990,262)
Commissions, other expenses and taxes paid	(529,998)	(597,938)
Dividends paid to policyholders	(37,109)	(33,270)
Federal income taxes paid (excluding capital gains tax of $29,725 and $25,394 in 2012 and 2011, respectively)	(277,543)	(151,315)
Total cash used for operations	(1,758,069)	(1,772,785)
Net cash provided by operating activities	5,466,435	2,867,019
INVESTING ACTIVITIES:		
Proceeds from investments sold, matured or repaid:		
Long-term certificates of deposit	497,000	500,000
Stocks	6,911	-
Bonds	3,848	-
Mortgage loans	4,012,115	6,817,761
Partnership interests	830,383	-
Real estate	441,784	1,514,954
Total investment proceeds	5,792,041	8,832,715
Cost of long-term investments acquired:		
Long-term certificates of deposit	(249,000)	(497,000)
Bonds	(554,558)	-
Mutual funds	(1,381,996)	-
Mortgage loans	(8,038,367)	(9,345,587)
Partnership interests	(1,420,000)	-
Other invested assets	(44,942)	(52,247)
Total investments acquired	(11,688,863)	(9,894,834)
(Increase) decrease in policy loans	11,016	(2,592)
Net cash used for investing activities	(5,885,806)	(1,064,711)
FINANCING ACTIVITIES (OTHER CASH PROVIDED OR APPLIED):		
Capital and paid in surplus	18,497	22,195
Net deposits on deposit type contract funds	121,761	187,471
Cash dividends paid	(941,209)	(855,197)
Treasury stock purchased	(486,352)	(200,533)
Net cash used for financing activities	(1,287,303)	(846,064)
INCREASE IN CASH AND CASH EQUIVALENTS	(1,706,674)	956,244
CASH AND CASH EQUIVALENTS, beginning of year	7,131,369	6,175,125
CASH AND CASH EQUIVALENTS, end of year	$ 5,424,695	$ 7,131,369

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 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, 2012.

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.

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, 2012 and 2011. 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

Cash and short-term investments consist of the following:

	December 31	
	2012	2011
Money market mutual funds	$ 1,211,237	$ 26,183
Certificates of deposit	743,733	1,246,321
Demand deposits	3,469,725	5,858,865
Total cash and short-term investments	$ 5,424, 695	$ 7,131,369

The Company maintains certificates of deposit at several banks with amounts not exceeding $250,000. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The money market funds utilized by the Company invest in short-term U.S. government and commercial paper securities. Cash in demand deposits exceeding FDIC insurance amounted to $43,503 and $3,094 at December 31, 2012 and 2011, respectively.

Common Stock

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

	December 31	
	2012	2011
Unaffiliated common stock	$ 43,721	$ 37,283

Mortgage Loans

Mortgage loans consist of commercial and consumer loans collateralized by real estate. The Company's lending policies are to loan up to 75% of appraised values at interest rates ranging from 8.99% to 10.99% and terms ranging from 1 to 15 years with interest income recognized over the life of the loan. The Company has a concentration of mortgage loans in central Arizona.

The Company has a valuation allowance for loans where it is probable that not all amounts due will be collectible. This allowance is comprised of the recorded value of the loan minus the fair market value of the collateral and consideration of high risk loans.

Note 3 – Cash and Investments - Continued

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

	December 31	
	2012	**2011**
In good standing with interest accruing	$ 25,616,951	$ 21,035,571
Over 90 days with interest accruing	1,367,368	2,034,017
In foreclosure, interest accruing	1,774,339	1,778,893
Mortgages receivable	28,758,658	24,848,481
Costs advanced on mortgages	7,211	3,268
Deferred gain on installment sales	(152,388)	(149,586)
Allowance for delinquent mortgage loans	(160,517)	(307,823)
Total mortgage loans	$ 28,452,964	$ 24,394,340

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 $105,285. During 2009, the Company purchased two condos in Phoenix and one in Mesa as investments for a total cost of $38,519. These investments are non-admitted assets and therefore, not included with the Company's admitted assets in the accompanying financial statements. The Company acquired one property through foreclosure during 2012 for $116,075. During 2012, the Company sold three properties acquired through foreclosure, reporting a gain on the disposal of $118,358.

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	
	2012	2011
Building	$ 434,605	$ 434,605
Improvements	130,966	130,966
	565,571	565,571
Accumulated depreciation	(151,352)	(139,550)
	414,219	426,021
Land	75,633	75,633
	$ 489,852	$ 501,654

The following summarizes the components of net investment income for the years ended December 31, 2012 and 2011:

	December 31	
	2012	2011
Bonds, mutual funds and long-term certificates of deposits	$ 46,617	$ 28,160
Common stock	1,000	1,000
Common stock of affiliates	16,562	(32,826)
Preferred stock	997	1,376
Cash and short-term investments	28,951	46,182
Mortgage loans	3,192,162	2,902,966
Receivables secured by real estate	261,616	278,401
Partnership interests	27,903	-
Policy loans	5,170	5,809
Gross investment income	3,580,978	3,231,068
Investment expenses	(549,074)	(550,366)
Investment taxes (excluding federal income tax)	(78,643)	(101,929)
Net investment income	$ 2,953,261	$ 2,578,773

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, 2012:

Investments	Balance 12/31/11	Additions	Retirements	Transfers	Balance 12/31/12
Level 1 Investments:					
Long-term certificate of deposits	$ 497,000	$ 249,000	$(497,000)	$ -	$ 249,000
Unaffiliated common stock	37,283	6,438	-	-	43,721
Money markets	26,183	1,185,054	-	-	1,211,237
Certificates of deposit	1,246,321	744,691	(1,247,279)	-	743,733
Preferred stock	6,911	-	(6,911)	-	-
Total Level 1	1,813,698	2,185,183	(1,751,190)	-	2,247,691
Level 3 Investments:					
Mortgage loans	24,394,340	8,038,367	(3,863,668)	(116,075)	28,452,964
Properties held for sale	3,450,072	-	(322,885)	116,075	3,243,262
Properties occupied by the Company	501,654	-	(11,802)	-	489,852
Policy contract loans	114,005	325	(11,341)	-	102,989
Total Level 3	28,460,071	8,038,692	(4,209,696)	-	32,289,067
Total investments	$ 30,273,769	$ 10,223,875	$ (5,960,886)	$ -	34,536,758
Demand deposits					3,469,725
Municipal bonds, at amortized cost					550,710
Bond mutual funds, at cost					1,381,996
Partnership interests, at cost					589,617
Total cash and investments					$ 40,528,806

Note 3 – Cash and Investments - Continued

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 2012 and 2011, respectively:

	Life Policies and Contracts	Policy and Contract Claims
Reserves, January 1, 2011	$ 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
Prior year claims paid in current year	-	(5,000)
Incurred claims	-	49,356
Increase in life and annuity reserve	3,748,007	-
Current year claims paid	-	(49,356)
Reserves, December 31, 2012	$ 19,239,693	$ 9,050

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 67% and 78% of all contracts at December 31, 2012 and 2011, 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, 2012 and 2011, the Company had capital amounts of $923,839 and $923,283, respectively, and free surplus of $11,295,082 and $11,627,105, respectively. Free surplus has been reduced by $5,821,076 and $5,334,723 for the cost of treasury stock in 2012 and 2011, 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 calculated monthly at the book value per share in accordance with U.S. generally accepted accounting principles.

During 2012, treasury stock increased by the purchase of 139,437 shares of capital stock at prices ranging from $2.92 to $3.01 per share. 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.

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 24% of total life insurance in force at December 31, 2012, and 23% at December 31, 2011.

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	
	2012	2011
Net income	$ 1,333,874	$ 1,844,476
Adjustments to reconcile net income to net cash provided from operations:		
Depreciation	11,802	11,803
Amortization of interest maintenance reserve	(53,148)	(71,093)
Unrealized gain on marketable securities	33,669	257,983
Bad debt expense related to mortgage loan receivables	(147,306)	(137,907)
(Increase) decrease in investment income due and accrued	(50,319)	75,294
(Increase) decrease in premiums deferred and uncollected	(1,664)	2,506
Decrease in other assets	17	19
Decrease in reserves for policy and contract claims	(5,000)	(1,320)
Increase in accounts payable, accrued expenses and other	53,606	43,018
Increase (decrease) in policyholder funds	3,604	(2,745)
Increase in income tax payable	13,148	87,671
Increase in life insurance and annuity reserve	3,748,007	440,467
Increase in deposit type accounts	727,574	515,451
Increase in deposits to deposit type accounts	(85,332)	(187,471)
Decrease in deferred gains on installment sales	2,802	61,676
Net realized capital gains	(118,899)	(72,809)
Net cash provided from operations	$ 5,466,435	$ 2,867,019

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, 2012 and 2011, 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 20.9% and 24.8% of total premiums paid and owned 11.9% and 10.9% of total policy face value in 2012 and 2011, respectively.

c) A director of American Savings Life Insurance Company is also a principal in an investment company in which the Company has entered into investment joint ventures. During the year, the Company invested $420,000 in Sugarloaf VII, LLC and $1,000,000, less distributions of $830,383 in Superstition Office, LLC. In addition, the Company had investment activity in Boa Sorte, LLC as described in more detail 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 2012, ALF personnel provided operational support to the Company in the amount of $24,865, all of which was reimbursed as of December 31, 2012. During 2011, the Company's personnel provided operational support to ALF in the amount of $44,261, all of which was reimbursed as of December 31, 2011.

The Company pays the full amount of expenses for 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 space and other office support expenses were $14,176 and $11,023 for 2012 and 2011, respectively.

Note 11 - Employee Benefit Plans

The Company has 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 $50,249 and $50,511 for 2012 and 2011, respectively.

The Company has 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 2012, 5,400 shares of the Company's common stock were purchased under the plan for $17,751. The October 2012 enrollment stock price was $3.396 and $10,190 of employee and director compensation has been set aside for stock purchase at December 31, 2012.

A loan for employee educational expenses of $30,000 was authorized by the board in September 2008. The full amount of the educational loan has been disbursed as of December 31, 2012. Under statutory accounting guidelines, loans secured by personal security are non-admitted assets and thus not included with the Company's admitted assets. The loan is forgiven over 5 years as long as the employee remains with the Company. The remaining balance of $15,795 is payable if employment is terminated.

Note 12 – Subsequent Events

Management has evaluated subsequent events through March 29, 2013, 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.