

**AMERICAN SAVINGS LIFE  
INSURANCE COMPANY**

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***STATUTORY FINANCIAL STATEMENTS***

**Years Ended December 31, 2013 and 2012**

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## **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 financial statements of American Savings Life Insurance Company, which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2013 and 2012, and the related statutory statements of operations and changes in capital and surplus and cash flows for the years 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 the accounting practices prescribed or permitted by the Insurance Department of the State of Arizona. 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 American Savings Life Insurance Company prepared these financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of Arizona, which is a basis of accounting other than U.S. generally accepted accounting principles.

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 of 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, 2013 and 2012, or the results of operations, changes in capital and surplus or cash flows for the years then ended.

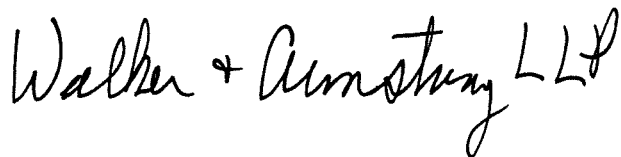
### **Opinion on Statutory Basis of Accounting**

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, 2013 and 2012, and the results of its operations, changes in capital and surplus and its cash flows for the years then ended, on the basis of accounting described in Note 2.

### **Report on Other Legal and Statutory Requirements**

Our audits were 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.



Phoenix, Arizona  
February 25, 2014

**AMERICAN SAVINGS LIFE INSURANCE COMPANY**  
**Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus**  
**December 31, 2013 and 2012**

|   | <b>2013</b>          | <b>2012</b>          |
|---|----------------------|----------------------|
| <b><u>ADMITTED ASSETS</u></b>   |                      |                      |
| <b>CASH AND INVESTMENTS</b>   |                      |                      |
| Bonds, mutual funds, long-term certificates of deposit  | \$ 3,031,799         | \$ 2,181,706         |
| Common stock  | 545,810              | 43,721               |
| Mortgage loans, net   | 32,335,274           | 28,452,964           |
| Properties occupied by the company  | 478,050              | 489,852              |
| Properties held for sale  | 3,995,136            | 3,243,262            |
| Cash and short-term investments   | 5,340,854            | 5,424,695            |
| Policy contract loans   | 81,873               | 102,989              |
| Other invested assets   | 1,261,522            | 589,617              |
| Total cash and investments  | 47,070,318           | 40,528,806           |
| <b>INVESTMENT INCOME DUE AND ACCRUED</b>  | 381,162              | 311,513              |
| <b>PREMIUMS DEFERRED AND UNCOLLECTED</b>  | 12,008               | 11,569               |
| <b>OTHER ASSETS</b>   | 1,997                | 171                  |
| Total admitted assets   | <b>\$ 47,465,485</b> | <b>\$ 40,852,059</b> |
| <b><u>LIABILITIES AND CAPITAL AND SURPLUS</u></b>   |                      |                      |
| <b>LIABILITIES</b>  |                      |                      |
| Reserves for life policies and annuity contracts  | \$ 23,677,003        | \$ 19,239,693        |
| Liability for deposit-type contracts  | 6,357,586            | 6,420,326            |
| Reserves for policy and contract claims   | 24,106               | 9,050                |
| Other policyholder funds  | 42,428               | 42,975               |
| Interest maintenance reserve  | 107,186              | 113,486              |
| Comissions to agents due and accrued  | 650                  | 18,000               |
| Accounts payable, accrued expenses and other  | 1,125,939            | 796,561              |
| Income tax payable  | 245,100              | 103,800              |
| Asset valuation reserve   | 1,182,745            | 1,889,247            |
| Total liabilities   | 32,762,743           | 28,633,138           |
| <b>CAPITAL AND SURPLUS</b>  |                      |                      |
| Common stock - \$.10 par value: 10,000,000,000<br>shares authorized; 9,246,404 issued and<br>4,813,012 outstanding in 2013; 9,238,229<br>issued and 4,861,228 outstanding in 2012 | 924,657              | 923,839              |
| Paid-in capital and contributed surplus   | 2,486,066            | 2,458,823            |
| Unassigned surplus  | 17,291,971           | 14,657,335           |
| Treasury stock  | (5,999,952)          | (5,821,076)          |
| Total capital and surplus   | 14,702,742           | 12,218,921           |
| Total liabilities and capital and surplus   | <b>\$ 47,465,485</b> | <b>\$ 40,852,059</b> |

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

**AMERICAN SAVINGS LIFE INSURANCE COMPANY**

**Statutory Statements of Operations**

**Years Ended December 31, 2013 and 2012**

|  | <u>2013</u>         | <u>2012</u>         |
|--|---------------------|---------------------|
| <b>REVENUES AND DEPOSITS</b>   |                     |                     |
| Premiums and annuity considerations  | \$ 6,743,320        | \$ 3,804,090        |
| Net investment income  | 3,481,395           | 2,953,161           |
| Amortization of interest maintenance reserve   | 44,836              | 53,148              |
| Miscellaneous income   | <u>14,759</u>       | <u>14,627</u>       |
| Total revenues   | 10,284,310          | 6,825,026           |
| <b>EXPENSES</b>  |                     |                     |
| Death benefits   | 70,194              | 49,356              |
| Annuity benefits   | 1,872,335           | 540,925             |
| Surrender benefits   | 147,415             | 37,417              |
| Interest on policy or contract funds   | 1,003,074           | 826,646             |
| Increase in life insurance and annuity reserves  | 3,706,931           | 3,149,596           |
| Commissions on premiums  | 120,537             | 64,888              |
| General insurance expenses   | 622,601             | 550,797             |
| Insurance taxes licenses and fees (excluding federal income tax)   | 66,772              | 62,224              |
| Increase in loading  | <u>127</u>          | <u>385</u>          |
| Total expenses and withdrawals   | <u>7,609,986</u>    | <u>5,282,234</u>    |
| Net gain from operations before dividends<br>and federal income taxes  | 2,674,324           | 1,542,792           |
| Dividends to policyholders   | (36,980)            | (37,109)            |
| Federal income tax (excluding tax on capital gains<br>of \$112,852 and \$29,725 for 2013 and 2012, respectively) | (294,448)           | (290,708)           |
| Net realized capital gains less capital gains tax<br>and transfers to interest maintenance reserve               | <u>451,408</u>      | <u>118,899</u>      |
| <b>NET INCOME</b>  | <u>\$ 2,794,304</u> | <u>\$ 1,333,874</u> |

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, 2013 and 2012**

|   | <u>Capital<br/>Stock</u> | <u>Capital<br/>in Excess<br/>of Par</u> | <u>Stockholder<br/>and Employee<br/>Receivables<br/>Not<br/>Admitted</u> | <u>Unrealized<br/>Net Gain on<br/>Marketable<br/>Securities</u> | <u>Unassigned<br/>Surplus</u> | <u>Treasury<br/>Stock</u> | <u>Total</u>         |
|---|--------------------------|---|--|---|-------------------------------|---------------------------|----------------------|
| <b>BALANCES, December 31, 2011</b>                        | \$ 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<br>on marketable securities | -                        | -                                       | -  | 33,669  | -                             | -                         | 33,669               |
| Change in nonadmitted asset                               | -                        | -                                       | 9,527  | -   | (44,942)                      | -                         | (35,415)             |
| Change in asset valuation reserve                         | -                        | -                                       | -  | -   | (254,531)                     | -                         | (254,531)            |
| <b>BALANCES, December 31, 2012</b>                        | 923,839                  | 2,458,823                               | (11,597)   | (122,659)   | 14,791,591                    | (5,821,076)               | 12,218,921           |
| Net income  | -                        | -                                       | -  | -   | 2,794,304                     | -                         | 2,794,304            |
| Dividends declared and paid                               | -                        | -                                       | -  | -   | (1,012,506)                   | -                         | (1,012,506)          |
| Issue employee compensation in stock                      | 818                      | 27,243                                  | -  | -   | -                             | -                         | 28,061               |
| Repurchase capital stock                                  | -                        | -                                       | -  | -   | -                             | (178,876)                 | (178,876)            |
| Change in unrealized net<br>gain on marketable securities | -                        | -                                       | -  | 176,207   | -                             | -                         | 176,207              |
| Change in nonadmitted assets                              | -                        | -                                       | 1,017  | -   | (30,888)                      | -                         | (29,871)             |
| Change in asset valuation reserve                         | -                        | -                                       | -  | -   | 706,502                       | -                         | 706,502              |
| <b>BALANCES, December 31, 2013</b>                        | <u>\$ 924,657</u>        | <u>\$ 2,486,066</u>                     | <u>\$ (10,580)</u>   | <u>\$ 53,548</u>  | <u>\$ 17,249,003</u>          | <u>\$ (5,999,952)</u>     | <u>\$ 14,702,742</u> |

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

**AMERICAN SAVINGS LIFE INSURANCE COMPANY**  
**Statutory Statements of Cash Flows**  
**Years Ended December 31, 2013 and 2012**

|   | 2013         | 2012         |
|---|--------------|--------------|
| <b>OPERATING ACTIVITIES:</b>  |              |              |
| Premiums received   | \$ 6,742,881 | \$ 3,801,030 |
| Investment and other income received (excluding net realized gains and net of investment expenses)            | 3,492,387    | 3,423,474    |
| Total funds provided by operations  | 10,235,268   | 7,224,504    |
| Benefit and loss related payments   | (2,089,944)  | (913,419)    |
| Commissions, other expenses and taxes paid  | (722,192)    | (529,998)    |
| Dividends paid to policyholders   | (36,980)     | (37,109)     |
| Federal income tax (excluding tax on capital gains of \$112,852 and \$29,725 for 2013 and 2012, respectively) | (153,148)    | (277,543)    |
| Total cash used for operations  | (3,002,264)  | (1,758,069)  |
| Net cash provided by operating activities   | 7,233,004    | 5,466,435    |
| <b>INVESTING ACTIVITIES:</b>  |              |              |
| Proceeds from investments sold, matured or repaid:  |              |              |
| Bonds   | 249,000      | 500,848      |
| Stocks  | 1,381,996    | 6,911        |
| Mortgage loans  | 8,291,100    | 4,012,115    |
| Real estate   | 766,682      | 441,784      |
| Other invested assets   | 208,095      | 830,383      |
| Total investment proceeds   | 10,896,873   | 5,792,041    |
| Cost of long-term investments acquired:   |              |              |
| Bonds   | (2,489,813)  | (803,558)    |
| Stocks  | (502,089)    | (1,381,996)  |
| Mortgage loans  | (13,107,000) | (8,038,367)  |
| Other invested assets   | (910,888)    | (1,464,942)  |
| Total investments acquired  | (17,009,790) | (11,688,863) |
| Decrease in policy loans  | 21,116       | 11,016       |
| Net cash used for investing activities  | (6,091,801)  | (5,885,806)  |
| <b>FINANCING ACTIVITIES (OTHER CASH PROVIDED OR APPLIED):</b>   |              |              |
| Capital and paid in surplus   | 28,061       | 18,497       |
| Proceeds on stockholder receivables   | 1,017        | -            |
| Net deposits on deposit type contract funds   | (62,740)     | 121,761      |
| Cash dividends paid   | (1,012,506)  | (941,209)    |
| Treasury stock purchased  | (178,876)    | (486,352)    |
| Net cash used for financing activities  | (1,225,044)  | (1,287,303)  |
| DECREASE IN CASH AND CASH EQUIVALENTS   | (83,841)     | (1,706,674)  |
| CASH AND CASH EQUIVALENTS, beginning of year  | 5,424,695    | 7,131,369    |
| CASH AND CASH EQUIVALENTS, end of year  | \$ 5,340,854 | \$ 5,424,695 |

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



**AMERICAN SAVINGS LIFE INSURANCE COMPANY  
NOTES TO STATUTORY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**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;

## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

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### **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 current maturity of one year or less to be cash equivalents.

### ***Restricted Securities***

In accordance with the State of Arizona Insurance Regulations, long-term bonds with an aggregate value of \$557,677 and \$550,710 in 2013 and 2012, respectively, 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) are carried at amortized cost. Common stock and mutual funds are 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. Investments in partnership interests are carried at cost less distributions received.

### ***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*.

## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

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### **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, 2013.

#### ***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, 2013 and 2012. 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.

## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

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### **Note 3 – Cash and Investments**

Cash and short-term investments consist of the following:

|                                       | <b>December 31</b>  |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | <b>2013</b>         | <b>2012</b>         |
| Money market mutual funds             | \$ 27,181           | \$ 1,211,237        |
| Certificates of deposit               | 1,244,543           | 743,733             |
| Demand deposits                       | 4,069,130           | 3,469,725           |
| Total cash and short-term investments | <u>\$ 5,340,854</u> | <u>\$ 5,424,695</u> |

The Company maintains certificates of deposit at several banks with amounts not exceeding \$250,000. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The money market funds utilized by the Company invest in short-term U.S. government and commercial paper securities. Cash in demand deposits and certificates of deposit exceeding FDIC insurance amounted to \$229,556 and \$43,503 at December 31, 2013 and 2012, respectively.

### ***Common Stock***

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

|                           | <b>December 31</b> |             |
|---------------------------|--------------------|-------------|
|                           | <b>2013</b>        | <b>2012</b> |
| Unaffiliated common stock | \$ 545,810         | \$ 43,721   |

### ***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 all amounts due will be uncollectible. This allowance is comprised of the recorded value of the loan less the fair value of the collateral and consideration of high risk loans.

## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

### Note 3 – Cash and Investments - Continued

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

|   | December 31   |               |
|---|---------------|---------------|
|   | 2013          | 2012          |
| In good standing with interest accruing | \$ 30,300,112 | \$ 25,616,951 |
| Over 90 days with interest accruing     | 1,338,884     | 1,367,368     |
| In foreclosure, interest accruing       | 874,446       | 1,774,339     |
| Mortgages receivable                    | 32,513,442    | 28,758,658    |
| Costs advanced on mortgages             | 1,179         | 7,211         |
| Deferred gain on installment sales      | (179,347)     | (152,388)     |
| Allowance for delinquent mortgage loans | -             | (160,517)     |
| Total mortgage loans                    | \$ 32,335,274 | \$ 28,452,964 |

### *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. During 2013, one of the condos in Phoenix with a book value of \$20,454 was sold. These investments are non-admitted assets and therefore, not included with the Company's admitted assets in the accompanying financial statements. The Company acquired three properties through foreclosure during 2013 for \$1,067,148. During 2013, the Company sold two properties acquired through foreclosure, reporting a gain of \$53,124 on the disposal.

### *Properties*

Properties occupied by the Company consist of a portion of the building located at 935 East Main Street, Mesa, Arizona. The cost of the building and improvements is depreciated over the estimated useful life of the building (39 years). Depreciation is computed on the straight-line method for statutory purposes. In accordance with *Statements of Statutory Accounting Principles No. 40*, properties 50% occupied by the reporting entity, including common areas, will be reported as property occupied by the Company.

## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

### **Note 3 – Cash and Investments - Continued**

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

|                          | <b>December 31</b> |             |
|--------------------------|--------------------|-------------|
|                          | <b>2013</b>        | <b>2012</b> |
| Building                 | \$ 434,605         | \$ 434,605  |
| Improvements             | 130,966            | 130,966     |
|                          | 565,571            | 565,571     |
| Accumulated depreciation | ( 163,154)         | ( 151,352)  |
|                          | 402,417            | 414,219     |
| Land                     | 75,633             | 75,633      |
|                          | \$ 478,050         | \$ 489,852  |

The following summarizes the components of net investment income for the years ended December 31, 2013 and 2012:

|   | <b>December 31</b> |              |
|---|--------------------|--------------|
|   | <b>2013</b>        | <b>2012</b>  |
| Bonds, mutual funds and long-term certificates<br>of deposits | \$ 8,018           | \$ 46,617    |
| Common stock  | 122,513            | 1,000        |
| Common stock of affiliates                                    | 33,485             | 16,562       |
| Preferred stock   | -                  | 997          |
| Cash and short-term investments                               | 35,306             | 28,951       |
| Mortgage loans  | 3,523,436          | 3,192,162    |
| Receivables secured by real estate                            | 289,583            | 261,616      |
| Other invested assets   | 67,102             | 27,903       |
| Policy loans  | 3,417              | 5,170        |
| Gross investment income                                       | 4,082,860          | 3,580,978    |
| Investment expenses   | ( 513,252)         | ( 549,074)   |
| Investment taxes (excluding federal income tax)               | ( 88,213)          | ( 78,743)    |
| Net investment income   | \$ 3,481,395       | \$ 2,953,161 |

### ***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.

## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

### 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, 2013:

| <u>Investments</u>                 | <u>Balance<br/>12/31/12</u> | <u>Additions</u>     | <u>Retirements</u>     | <u>Transfers</u> | <u>Balance<br/>12/31/13</u> |
|------------------------------------|-----------------------------|----------------------|------------------------|------------------|-----------------------------|
| <b>Level 1 Investments:</b>        |                             |                      |                        |                  |                             |
| Long-term certificate of deposits  | \$ 249,000                  | \$ 498,000           | \$ -                   | \$ ( 249,000)    | \$ 498,000                  |
| Unaffiliated common stock          | 43,721                      | 502,089              | -                      | -                | 545,810                     |
| Certificates of deposit            | 743,733                     | 995,543              | ( 743,733)             | 249,000          | 1,244,543                   |
| Preferred stock                    | -                           | -                    | -                      | -                | -                           |
| <i>Total Level 1</i>               | <u>1,036,454</u>            | <u>1,995,632</u>     | <u>( 743,733)</u>      | <u>-</u>         | <u>2,288,353</u>            |
| <b>Level 3 Investments:</b>        |                             |                      |                        |                  |                             |
| Mortgage loans                     | 28,452,964                  | 13,107,000           | ( 8,157,542)           | ( 1,067,148)     | 32,335,274                  |
| Properties held for sale           | 3,243,262                   | -                    | ( 315,274)             | 1,067,148        | 3,995,136                   |
| Properties occupied by the Company | 489,852                     | -                    | ( 11,802)              | -                | 478,050                     |
| Policy contract loans              | 102,989                     | -                    | ( 21,117)              | -                | 81,872                      |
| <i>Total Level 3</i>               | <u>32,289,067</u>           | <u>13,107,000</u>    | <u>( 8,505,735)</u>    | <u>-</u>         | <u>36,890,332</u>           |
| Total investments                  | <u>\$ 33,325,521</u>        | <u>\$ 15,102,632</u> | <u>\$ ( 9,249,468)</u> | <u>\$ -</u>      | <u>39,178,685</u>           |
| <b>Investments at cost:</b>        |                             |                      |                        |                  |                             |
| Corporate bonds, at amortized cost |                             |                      |                        |                  | 2,533,800                   |
| Partnership interests              |                             |                      |                        |                  | 1,261,522                   |
| <b>Cash:</b>                       |                             |                      |                        |                  |                             |
| Demand deposits                    |                             |                      |                        |                  | 4,069,130                   |
| Money markets                      |                             |                      |                        |                  | <u>27,181</u>               |
| Total cash and investments         |                             |                      |                        |                  | <u>\$ 47,070,318</u>        |

## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

### **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 2013 and 2012, respectively:

|  | <b>Life Policies<br/>and Contracts</b> | <b>Policy and<br/>Contract Claims</b> |
|--|--|---------------------------------------|
| <b>Reserves, January 1, 2012</b>       | \$ 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)                             |
|  | \$ 19,239,693                          | \$ 9,050                              |
| <b>Reserves, December 31, 2012</b>     |  |                                       |
| Incurred claims                        | -                                      | 70,194                                |
| Increase in life and annuity reserve   | 4,437,310                              | -                                     |
| Current year claims paid               | -                                      | ( 55,138)                             |
|  | \$ 23,677,003                          | \$ 24,106                             |
| <b>Reserves, December 31, 2013</b>     |  |                                       |

### **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 82% and 67% of all contracts at December 31, 2013 and 2012, 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.



## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

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### **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, 2013 and 2012, the Company had capital amounts of \$924,657 and \$923,839, respectively, and free surplus of \$13,778,089 and \$11,295,082, respectively. Free surplus has been reduced by \$5,999,952 and \$5,821,076 for the cost of treasury stock in 2013 and 2012, 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 2013, treasury stock increased by the purchase of 56,391 shares of capital stock at prices ranging from \$3.09 to \$3.26 per share. 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.

### **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 25% of total life insurance in force at December 31, 2013, and 24% at December 31, 2012.

### **Note 8 - Claims and Contingencies**

The Company has various legal proceedings and claims pending that are common to its operations. While it is not possible to determine the ultimate outcome of these matters, it is the opinion of management that they will not result in monetary damages that in the aggregate would be material to the business or operations of the Company.

## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

### **Note 9- Cash Flow Reconciliation**

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

|   | December 31  |              |
|---|--------------|--------------|
|   | 2013         | 2012         |
| Net income  | \$ 2,794,304 | \$ 1,333,874 |
| Adjustments to reconcile net income to net cash provided from operations: |              |              |
| Depreciation  | 11,802       | 11,802       |
| Amortization of interest maintenance reserve                              | ( 44,836)    | ( 53,148)    |
| Amortization of bond premiums   | 8,723        | -            |
| Unrealized gain on marketable securities                                  | 176,207      | 33,669       |
| Bad debt expense related to mortgage loan receivables                     | ( 160,517)   | ( 147,306)   |
| Increase in investment income due and accrued                             | ( 69,649)    | ( 50,319)    |
| Increase in premiums deferred and uncollected                             | ( 439)       | ( 1,664)     |
| (Decrease) increase in other assets                                       | ( 1,826)     | 17           |
| Increase (decrease) in reserves for policy and contract claims            | 15,056       | ( 5,000)     |
| Decrease in commissions to agents due and accrued                         | ( 17,350)    | -            |
| Increase in accounts payable, accrued expenses and other                  | 329,379      | 53,606       |
| Increase (decrease) in policyholder funds                                 | ( 547)       | 3,604        |
| Increase in income tax payable  | 141,300      | 13,148       |
| Increase in life insurance and annuity reserve                            | 4,437,310    | 3,748,007    |
| Increase in deposit type accounts   | -            | 727,574      |
| (Decrease) increase in deposits to deposit type accounts                  | 38,536       | ( 85,332)    |
| Increase in deferred gains on installment sales                           | 26,959       | 2,802        |
| Net realized capital gains  | ( 451,408)   | ( 118,899)   |
| Net cash provided from operations   | \$ 7,233,004 | \$ 5,466,435 |

### **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, 2013 and 2012, 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 15.1% and 20.9% of total premiums paid and owned 8.1% and 11.9% of total policy face value in 2013 and 2012, respectively.

## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

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### **Note 10 - Related Parties – Continued**

- 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 2013, the company invested \$880,000 in Window Rock Residential Recovery Fund, L.P., and the Company received distributions of \$38,478 from the Sugarloaf VII, LLC. During 2012, 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.

The Company also entered into various transactions with its wholly owned subsidiary, American Life Financial Corporation (ALF) relating to shared administration costs. During 2013 and 2012, ALF personnel provided operational support to the Company in the amount of \$26,808 and \$24,865, respectively, all of which was reimbursed as of December 31, 2013.

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 \$14,460 and \$14,176 for 2013 and 2012, 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 \$55,265 and \$50,249 for 2013 and 2012, 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 2013, 8,175 shares of the Company's common stock were purchased under the plan for \$28,060. The October 2013 enrollment stock price was \$3.469 and \$19,266 of employee and director compensation has been set aside for stock purchase at December 31, 2013.

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, 2013. 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 \$10,580 is payable if employment is terminated.

## NOTES TO STATUTORY FINANCIAL STATEMENTS - CONTINUED

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### **Note 12 – Subsequent Events**

Management has evaluated subsequent events through February 25, 2014, 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, 2013 and 2012**  
**Schedule 1 - Selected Financial Data**

|   | December 31          |                      |
|---|----------------------|----------------------|
|   | 2013                 | 2012                 |
| <b>INVESTMENT INCOME EARNED</b>                               |                      |                      |
| Other bonds   | \$ 8,018             | \$ 46,617            |
| Preferred stocks (unaffiliated)                               | -                    | 1,000                |
| Common stocks (unaffiliated)                                  | 122,513              | 997                  |
| Common stocks of affiliates                                   | 33,485               | 16,562               |
| Mortgage loans  | 3,523,436            | 3,192,162            |
| Real estate   | 289,583              | 261,616              |
| Other invested assets   | 67,102               | 27,903               |
| Premium notes, policy loans and liens                         | 3,417                | 5,170                |
| Cash on hand and short-term investments                       | 35,306               | 28,951               |
| Total investment income earned                                | <u>\$ 4,082,860</u>  | <u>\$ 3,580,978</u>  |
| <b>REAL ESTATE OWNED - BOOK VALUE</b>                         | <u>\$ 5,680,149</u>  | <u>\$ 4,960,531</u>  |
| <b>MORTGAGE LOANS - BOOK VALUE</b>                            |                      |                      |
| Residential   | \$ 8,321,464         | \$ 8,482,123         |
| Commercial  | 24,013,810           | 19,970,841           |
| Total mortgage loans  | <u>\$ 32,335,274</u> | <u>\$ 28,452,964</u> |
| <b>MORTGAGE LOANS BY STANDING - BOOK VALUE</b>                |                      |                      |
| Good standing   | \$ 30,120,765        | \$ 25,372,388        |
| Interest overdue more than three months, no foreclosure       | 1,338,884            | 1,374,561            |
| Foreclosure in process  | 875,625              | 1,706,015            |
| Total mortgage loans  | <u>\$ 32,335,274</u> | <u>\$ 28,452,964</u> |
| <b>BONDS AND SHORT-TERM INVESTMENTS BY CLASS AND MATURITY</b> |                      |                      |
| <i>Bonds by maturity-statement value</i>                      |                      |                      |
| Over one year through five years                              | \$ 1,142,443         | \$ 2,181,706         |
| Over Five years through ten years                             | 1,889,356            | -                    |
| Total by maturity   | <u>\$ 3,031,799</u>  | <u>\$ 2,181,706</u>  |
| <i>Bonds by class-statement value</i>                         |                      |                      |
| NAIC 1  | \$ 1,055,677         | \$ 2,181,706         |
| NAIC 2  | 1,976,122            | -                    |
| Total by class  | <u>\$ 3,031,799</u>  | <u>\$ 2,181,706</u>  |
| <i>Total bonds publicly traded</i>                            | <u>\$ 3,031,799</u>  | <u>\$ 2,181,706</u>  |

**AMERICAN SAVINGS LIFE INSURANCE COMPANY**  
**Annual Statements for the Years Ended December 31, 2013 and 2012**  
**Schedule 1 - Selected Financial Data (Continued)**

|   | <b>December 31</b>   |                      |
|---|----------------------|----------------------|
|   | <b>2013</b>          | <b>2012</b>          |
| Preferred stocks - statement value                                    | <u>\$ -</u>          | <u>\$ -</u>          |
| Common stocks - market value  | <u>\$ 545,810</u>    | <u>\$ 43,721</u>     |
| Short-term investments - book value                                   | <u>\$ 27,181</u>     | <u>\$ 1,211,236</u>  |
| Cash on deposit   | <u>\$ 5,313,673</u>  | <u>\$ 4,213,459</u>  |
| Life insurance in force - ordinary                                    | <u>\$ 14,492,788</u> | <u>\$ 13,440,085</u> |
| Amount of accidental death insurance in force under ordinary policies | <u>\$ 34,974</u>     | <u>\$ 34,974</u>     |
| Annuities in Force  |                      |                      |
| Immediate pay - amount of income payable                              | <u>\$ 1,573,568</u>  | <u>\$ -</u>          |
| Deferred - fully paid account balance                                 | <u>\$ 19,294,640</u> | <u>\$ 15,414,050</u> |
| Deposit funds and dividend accumulations:                             |                      |                      |
| Deposit funds - account balance                                       | <u>\$ 6,334,784</u>  | <u>\$ 6,398,606</u>  |
| Dividend accumulations - account balance                              | <u>\$ 22,802</u>     | <u>\$ 21,720</u>     |

**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.



Phoenix, Arizona  
February 25, 2014

**INDEPENDENT AUDITOR'S QUALIFICATION LETTER**

To the Board of Directors  
American Savings Life Insurance Company

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory financial statements of American Savings Life Insurance Company (the Company) for the years ended December 31, 2013 and 2012, and have issued our report thereon dated February 25, 2014. In connection therewith, we advise you as follows:

- a) We are independent certified public accountants with respect to the Company and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the Arizona State Board of Accountancy.
- b) The engagement partner and technical review partner, who are certified public accountants, have 25 years and 35 years, respectively, of experience in public accounting. Members of the engagement team were assigned to perform tasks commensurate with their training and experience.
- c) We understand that the Company intends to file its audited statutory financial statements and our report thereon with the Arizona Department of Insurance and other state insurance departments in states in which the Company is licensed and that the insurance commissioners of those states will be relying on that information in monitoring and regulating the statutory financial condition of the Company.

While we understand that an objective of issuing a report on the statutory financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Company and insurance commissioners should understand that the objective of an audit of statutory financial statements in accordance with U.S. generally accepted auditing standards is to form an opinion and issue a report on whether the statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus, results of operations and cash flow in conformity with accounting practices prescribed or permitted by the Arizona Department of Insurance. Consequently, under U.S. generally accepted auditing standards, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit.



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 2013 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 2012, 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 25, 2014



**Communication on Internal Control**

To Board of Directors  
American Savings Life Insurance Company  
Mesa, Arizona

In planning and performing our audit of the financial statements of American Savings Life Insurance Company (the Company) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, board of directors, the Arizona Department of Insurance, and others within the Company, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Walker & Armstrong LLP*

Phoenix, Arizona  
February 25, 2014