Sentinel Security Life Insurance Company

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2017 and the
Period from June 30, 2016 (Acquisition Date) through December 31, 2016

Larson
CERTIFIED PUBLIC ACCOUNTANTS

SENTINEL SECURITY LIFE INSURANCE COMPANY

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Larson
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Board of Directors
Sentinel Security Life Insurance Company

We have audited the accompanying financial statements of **Sentinel Security Life Insurance Company**, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income, comprehensive income, changes in stockholder's equity, and cash flows for the year ended December 31, 2017 and the period from June 30, 2016 (Acquisition Date) through December 31, 2016, 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 accounting principles generally accepted in the United States of America; this includes 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 the 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 basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Sentinel Security Life Insurance Company** as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the year ended December 31, 2017 and the period from June 30, 2016 (Acquisition Date) through December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

Larson & Company, P.C.

Salt Lake City, Utah
September 25, 2018

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SENTINEL SECURITY LIFE INSURANCE COMPANY

Balance Sheets

As of December 31, 2017 and 2016

Assets	2017	2016
Investments:		
Bonds available for sale, at estimated fair value,	$ 177,930,726	$ 184,124,309
Bonds withheld for reinsurance, at estimated fair vale	412,134,193	285,462,378
Preferred stock available for sale at estimated fair value,	5,520,837	5,390,582
Common stock, at fair market value	5,549,072	2,185,898
Common stock withheld for reinsurance , at fair market value	3,309,302	-
Mortgage loans, amortized cost	24,496,536	33,607,120
Mortgage loans withheld for reinsurance, amortized cost	40,050,652	7,176,654
Derivatives	1,146,096	-
Other invested assets, at estimated fair value	2,700,000	-
Other invested assets withheld for reinsurance, at estimated fair value	35,228,704	133,868
Policy loans	1,476,950	1,361,116
Total investments	709,543,068	519,441,925
Cash and cash equivalents, at estimated fair value	31,250,832	(4,481,256)
Cash and cash equivalents withheld for reinsurance, at estimated fair value	57,169,554	88,305,968
Accrued investment income	2,334,137	2,987,266
Accrued investment income, withheld for reinsurance	5,440,803	2,166,357
Premiums, reinsurance, and other receivables, net of uncollectable agent balances	1,526,976,097	1,303,495,941
Deferred policy acquisition costs	4,522,839	1,252,132
Current income tax recoverable	234,975	-
Property and equipment, net	6,779,134	7,612,193
Value of business acquired (VOBA)	24,672,890	32,554,649
Related party receivables	7,503,031	3,300,928
Other assets	1,023,008	686,161
Total assets	$ 2,377,450,368	$ 1,957,322,264

Liabilities and Stockholder's Equity	2017	2016
Liabilities:		
Future policy benefits	$ 985,221,993	$ 938,117,725
Policyholder account balances	725,362,720	550,215,846
Other policy-related balances	3,871,180	6,114,125
Payables and accrued liabilities	35,119,823	8,807,703
Funds held under reinsurance treaties	544,255,020	380,073,989
Deferred income tax liability	3,921,892	11,530,026
Federal income taxes payable	-	151,061
Unearned investment income	53,205	48,369
Unearned ceding commission	180,470	240,627
Derivatives	591,021	-
Capital lease obligation	340,216	955,989
Surplus notes payable	20,000,000	15,000,000
Total liabilities	2,318,917,540	1,911,255,460
Stockholder's equity:		
Common stock, $8 par value; 10,000,000, shares authorized; 605,289 issued, and 540,900 outstanding as of December 31, 2017 and 2016	4,842,265	4,842,265
Treasury stock	(1,257,735)	(1,257,735)
Additional paid-in capital	38,102,965	38,102,965
Retained earnings	11,394,900	2,687,388
Accumulated other comprehensive income (loss), net of tax	5,450,433	1,691,921
Total stockholder's equity	58,532,828	46,066,804
Total liabilities and stockholder's equity	$ 2,377,450,368	$ 1,957,322,264

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

SENTINEL SECURITY LIFE INSURANCE COMPANY

Statements of Income
For Year Ended December, 31, 2017 and the
Period from June 30, 2016 (Acquisition Date) through December 31, 2016

	2017	2016
Revenues:		
Premiums revenue	**$ 28,693,801**	$ 8,354,271
Net investment income	**9,244,620**	4,650,641
Total	**37,938,421**	13,004,912
Net investment gains:		
Realized investment gains (losses)	**6,124,121**	(155,132)
Total net investment gains (losses)	**6,124,121**	(155,132)
Other revenues	**23,846**	5,494
Total revenues	**44,086,388**	12,855,274
Expenses:		
Policyholder benefits and claims and adjustments to policyholder accounts	**28,260,896**	2,837,467
Commission expense, net of ceding allowance of **$31,866,027** and $10,622,069	**(6,124,983)**	2,181,449
Operating expenses, net of ceding allowance of **$5,005,464** and $5,374,038	**14,023,077**	2,961,131
Taxes, licenses, and fees	**1,101,072**	353,911
Total expenses	**37,260,062**	8,333,958
Other expenses:		
Interest expense	**1,061,814**	525,000
Total other expenses	**1,061,814**	525,000
Net income (loss) before provision for income taxes	**5,764,512**	3,996,316
Income tax benefit (expense)	**3,839,907**	(1,023,684)
Net income (loss)	**$ 9,604,419**	$ 2,972,632

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

SENTINEL SECURITY LIFE INSURANCE COMPANY

Statements of Comprehensive Income
For the Year Ended December 31, 2017 and the
Period from June 30, 2016 (Acquisition Date) through December 31, 2016

	2017	2016
Net income (loss)	**$ 9,604,419**	$ 2,972,632
Other comprehensive income (loss):		
Unrealized investment gains (losses) arising during period	**9,896,237**	2,408,384
Less reclassification adjustment for (gains) losses included in net income	**(6,124,121)**	155,132
Other comprehensive income (loss) before income tax	**3,772,116**	2,563,516
Income tax expense (benefit) related to items of other comprehensive income (loss)	**910,511**	871,595
Other comprehensive income (loss) net of income tax	**2,861,605**	1,691,921
Total comprehensive income (loss)	**$ 12,466,024**	$ 4,664,553

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

SENTINEL SECURITY LIFE INSURANCE COMPANY

Statements of Changes in Stockholder's Equity
For the Year Ended December 31, 2017 and the
Period from June 30, 2016 (Acquisition Date) through December 31, 2016

	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholder's Equity
Balance at June 30, 2016	$ 4,842,265	$ (1,257,735)	$ 38,102,965	$ -	$ -	$ 41,687,495
Net income	-	-	-	2,972,632	-	2,972,632
Other comprehensive gain, net of income tax	-	-	-	-	1,691,921	1,691,921
Dividends paid	-	-	-	(285,244)	-	(285,244)
Balance at December 31, 2016	**4,842,265**	**(1,257,735)**	**38,102,965**	**2,687,388**	**1,691,921**	**46,066,804**
Net income	**-**	**-**	**-**	**9,604,419**	**-**	**9,604,419**
Other comprehensive gain, net of income tax	**-**	**-**	**-**	**-**	**2,861,605**	**2,861,605**
Stranded tax effect reclass	**-**	**-**		**(896,907)**	**896,907**	**-**
Balance at December 31, 2017	**$ 4,842,265**	**$ (1,257,735)**	**$ 38,102,965**	**$ 11,394,900**	**$ 5,450,433**	**$ 58,532,828**

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

SENTINEL SECURITY LIFE INSURANCE COMPANY

Statements of Cash Flows
For the Year Ended December 31, 2017 and the
Period from June 30, 2016 (Acquisition Date) through December 31, 2016

	2017	2016
Cash from operating activities:		
Consolidated net income (loss)	**$ 9,604,419**	$ 2,972,632
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation expense	**239,883**	474,763
Amortization of VOBA	**7,881,759**	1,739,895
Impairment of property and equipment	**-**	272,274
Amortization of premiums and discounts associated with investments	**13,565**	15,285
(Gains) losses on investments	**(6,124,121)**	(393,989)
Bad-debt expense	**-**	(89,945)
Change in assets and liabilities:		
Policy loans	**(115,834)**	(47,045)
Accrued investment income	**(2,621,317)**	(259,961)
Premiums, reinsurance, and other receivables	**(223,480,156)**	948,875
Deferred acquisition costs	**(3,270,707)**	(1,252,132)
Current income tax recoverable	**(234,975)**	-
Related party receivables	**(4,202,103)**	(3,300,928)
Other assets	**(336,847)**	1,008,726
Future policy benefits and policy account balances	**222,251,142**	(13,817,584)
Other policy-related balances	**(2,242,945)**	4,977,606
Payable and accrued liabilities	**26,312,120**	(11,675,444)
Deferred income tax liability	**(9,082,295)**	803,865
Federal income taxes payable	**(151,061)**	151,061
Unearned investment income	**4,836**	17,048
Unearned ceding commissions	**(60,157)**	(30,079)
Net cash used by operating activities	**14,385,206**	(17,485,077)
Cash from investing activities:		
Sales, maturities and repayments of:		
Net cash from acquisition	**-**	76,429,123
Bonds	**259,147,183**	149,398,652
Equity securities	**29,129,419**	800,000
Mortgage loans	**22,400,003**	6,807,247
Real estate	**1,275,340**	550,765
Other invested assets	**3,471,059**	298
Derivatives	**315,549**	-
Purchases of:		
Bonds	**(364,879,167)**	(183,396,083)
Equity securities	**(34,225,046)**	(663,700)
Mortgage loans	**(46,161,516)**	(23,912,529)
Property and equipment	**(707,862)**	(1,764,112)
Other invested assets	**(39,151,198)**	-
Derivatives	**(1,334,276)**	-
Net cash provided from investing activities	**(170,720,512)**	24,249,661
Cash flow from financing and miscellaneous activities:		
Dividends paid	**-**	(285,244)
Issuance of surplus note	**5,000,000**	-
Payment for principal portion of capital lease	**(615,773)**	(278,316)
Funds held under reinsurance treaties	**156,546,753**	77,623,689
Cash paid for acquisition of common stock	**-**	(28,298,331)
Issuance of common stock	**-**	28,298,331
Net cash provided from financing activities	**160,930,980**	77,060,129
Change in cash and cash equivalents	**4,595,674**	83,824,712
Cash and cash equivalents, beginning of year	**83,824,712**	-
Cash and cash equivalents, end of year	**$ 88,420,386**	$ 83,824,712

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

1. ORGANIZATION

Sentinel Security Life Insurance Company (the Company) a Utah corporation is organized in accordance with the Utah Insurance Code. As of December 31, 2017, the Company is a wholly owned subsidiary of Advantage West LLC. The Company's original principal lines of business consist of individual ordinary whole life and term life insurance. Over the last six years the Company began selling the following products, in order of release, Medicare supplement plans (2010), fixed annuity products (2011), hospital indemnity plans (2012), and a fixed index annuity product (2013). The Company writes its insurance under a general agency plan. All general agents, associate general agents, and special agents contract directly with the Company as independent contractors.

In the fourth quarter of 2015, a Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer, of the Company, by the StageCoach LLC (StageCoach) and Advantage West LLC (Ad West) referred to collectively as "the Acquirer", was filed with the Utah Insurance Department. Upon approval from the State of Utah Insurance Department, StageCoach purchased newly issued shares of the Company and Ad West acquired all of the remaining outstanding capital stock in the Company via a merger transaction in accordance with Utah Code, such that subsequent to the aforementioned transactions, StageCoach and Ad West owned all of the outstanding shares of the Company. The acquisition by StageCoach and Ad West of the Company was effected pursuant to a two-stage process.

In Stage One, StageCoach purchased from the Company 245,760.63 newly issued shares of the Company in accordance with the terms of the Subscription Agreements. The purchase of the Stage One shares was completed in December of 2015.

In Stage Two, Ad West acquired the remaining 295,137.95 shares via a shareholder approved merger transaction in accordance with Utah Code. Under the merger agreement, the Company merged with StageCoach II, Inc., a wholly owned direct subsidiary of Ad West, with the Company surviving as the successor Company in the merger as a subsidiary of Ad West. Stage Two was approved at the Annual Stockholders' meeting on April 15, 2016 by a majority of the stockholders'. In connection with Stage Two, the Company filed amended Articles of Incorporation which were filed and approved by the Utah Insurance Department; and were subsequently filed with the Utah Division of Corporation and Commercial Code on April 25, 2016. Additionally, the Articles of Incorporation were filed with the Utah Division of Corporation and Commercial Code on April 25, 2016. The merger was completed on June 30, 2016 (Acquisition Date). Effective December 31, 2016, Ad West and Stage Coach were merged with Ad West being the surviving entity.

The acquisition of the Company was accounted for in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Concept (ASC) Topic 805, *Business Combinations*. In accordance with FASB ASC Topic 805, the Company has elected the "Pushdown Accounting" accounting treatment which allows the Company to reflect in its separate financial statements the new basis of accounting established by the acquirer for the individual assets and liabilities of the Company.

The acquisition date fair value of the total consideration transferred by the acquirer totaled $33,535,404. The amounts recognized by the Company for total assets and liabilities totaled $588,196,652 and $545,251,422, respectively, with assets exceeding liabilities by $42,945,230. As such the Company was acquired at a bargain purchase amount of $9,409,826. In connection with the pushdown accounting treatment, the acquiree has recorded this difference from the bargain purchase to additional paid-in capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The following are the Company's significant accounting policies with references to notes providing additional information on such policies and critical accounting estimates relating to such policies.

Use of Estimates

The preparation of financial statements requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's business and operations. Actual results could differ from estimates. The Company's significant estimates include:

- Unpaid losses and loss expenses;
- Policy benefits for life and annuity contracts;
- Recoverability of deferred acquisition costs;
- Recoverability of deferred tax assets;
- Valuation and intangible assets; and
- Valuation of certain assets and derivative financial instruments that are measured using significant unobservable inputs.

Future Policy Benefit Liabilities and Policyholder Account Balances

The Company establishes liabilities for amounts payable under insurance policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of future expected benefits to be paid reduced by the present value of future expected premiums. Such liabilities are established based on methods and underlying assumptions in accordance with U.S. GAAP and applicable actuarial standards.

Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, renewal, disability incidence, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type and geographical. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a block of business basis.

For long duration insurance contracts, assumptions such as mortality, morbidity and interest rates are "locked in" upon the issuance of new business. However, significant adverse changes in experience on such contracts may require the establishment of premium deficiency reserves. Such reserves are determined based on the then current assumptions and do not include a provision for adverse deviation.

Premium deficiency reserves may also be established for short duration contracts to provide for expected future losses. These reserves are based on actuarial estimates of the amount of loss inherent in that period, including losses incurred for which claims have not been reported.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Policy Benefit Liabilities and Policyholder Account Balances (Continued)

The provisions for unreported claims are calculated using studies that measure the historical length of time between the incurred date of a claim and its eventual reporting to the Company.

The Company regularly reviews its estimates of liabilities for future policy benefits and compares them with its actual experience. Differences result in changes to the liability balances with related charges or credits to benefit expenses in the period in which the changes occur. Policyholder account balances relate to contract or contract features where the Company has no significant insurance risk.

The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium beyond the death date. Surrender values are not promised in excess of the legally computed reserves. The reserve for waiver of deferred fractional premiums upon death is determined, by line of business, using total net premium and a reserve factor over the average remaining premium paying period. Since all policies are monthly pay, there is no reserve for return of premium.

As of December 31, 2017 and 2016, the Company had **60** and 62 policies, respectively, in force for which the gross premiums are less than the net premium according to the standard valuation set by the State of Utah. The gross premiums for these policies were **$10,544** and $16,518 less than net premiums for the year ended 2017 and the period from June 30, 2016 through December 31, 2016, respectively. Given the small number of policies where the net premiums exceed the gross premium the Company has not established a deficiency reserve.

Other Policy-Related Balances

Other policy-related balances include policy and contract claims, unearned revenue liabilities, premiums received in advance, policyholder dividends due and unpaid, and policyholder dividends left on deposit. The liability for policy and contract claims generally relates to incurred but not reported death or accident and health claims, as well as claims which have been reported but not yet settled. The liability for these claims is based on the Company's estimated ultimate cost of settling all claims. The Company derives estimates for the development of incurred but not reported claims principally from analyses of historical patterns of claims by business line. The methods used to determine these estimates are continually reviewed. Adjustments resulting from this continuous review process and differences between estimates and payments for claims are recognized in policyholder benefits and claims expense in the period in which the estimates are changed or payments are made.

The Company accounts for the prepayment of premiums on its individual life, and accident and health contracts as premium received in advance and applies the cash received to premiums when due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Premium Revenue and Related Expenses

Premiums related to traditional life, annuity policies, and long-duration accident and health policies are recognized as revenues when due from policyholders. Policyholder benefits and expenses are provided to recognize profits over the estimated lives of the insurance policies. When premiums are due over a significantly shorter period than the period over which benefits are provided, any excess profit is deferred and recognized into earnings in a constant relationship to insurance in-force or, for annuities, the amount of expected future policy benefit payments.

Deposits related to investment-type products are credited to PABs (policyholder account balances). Revenues from such contracts consist of fees for policy administration and surrender charges and are recorded in investment-type product policy fees in the period in which services are provided. Amounts that are charged to earnings include interest credited in excess of related PABs. Premiums, policy fees, policyholder benefits and expenses are presented net of reinsurance.

Uncollected life insurance premiums are included in the premiums, reinsurance, and other receivables account balance on the balance sheet.

Deferred life insurance premiums are against the future policy benefits and policyholder account balances on the balance sheet.

Participating Policies

For the year ended December 31, 2017 and the period from June 30, 2016 through December 31, 2016, participating policies account for less than 1% of total insurance. Total dividends for year ended December 31, 2017 and from June 30, 2016 through December 31, 2016 were **$29,874** and $7,543, respectively.

Deferred Policy Acquisition Costs and Value of Business Acquired

The Company incurs significant costs in connection with acquiring new and renewal insurance business. Costs that are related directly to the successful acquisition or renewal of insurance contracts are capitalized as deferred acquisition costs (DAC).

Such costs include: (i) incremental direct costs of contract acquisition, such as commissions; (ii) the portion of an employee’s total compensation and benefits related to time spent selling, underwriting or processing the issuance of new and renewal insurance business only with respect to actual policies acquired or renewed; (iii) other essential direct costs that would not have been incurred had a policy not been acquired or renewed; and (iv) in limited circumstances, the costs of direct-response advertising, the primary purpose of which is to elicit sales to customers who could be shown to have responded specifically to the advertising and that results in probable future benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Policy Acquisition Costs and Value of Business Acquired (Continued)

All other acquisition-related costs, including those related to general advertising and solicitation, market research, agent training, product development, unsuccessful sales and underwriting efforts, as well as all indirect costs, are expensed as incurred. DAC is amortized over the estimated lives of the related insurance contracts in proportion to the following:

- Non-participating and non-dividend-paying traditional contracts: Historic actual and expected future gross premiums.
- Non-participating whole life insurance: Historic actual and expected future gross premiums
- Participating, dividend-paying traditional contracts: Actual and expected future gross margins.
- Fixed deferred annuity contracts: Actual and expected future gross profits.
- Medicare Supplement contracts: Actual and expected future gross profits.
- Hospital indemnity contracts: Actual and expected future gross profits.

Value of business acquired is the present value of future estimated profits of the acquired business and is amortized similar to deferred acquisition costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reinsurance

For each of its reinsurance agreements, the Company determines whether the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. Cessions under reinsurance agreements do not discharge the Company's obligations as the primary insurer. The Company reviews all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims. For reinsurance of existing in-force blocks of long-duration contracts that transfer significant insurance risk, the difference, if any, between the amounts paid (received), and the liabilities ceded related to the underlying contracts is considered the net cost of reinsurance at the inception of the reinsurance agreement.

The net cost of reinsurance is recorded as an adjustment to DAC and recognized as a component of other expenses on a basis consistent with the way the acquisition costs on the underlying reinsured contracts would be recognized. Subsequent amounts paid on the reinsurance of in-force blocks, as well as amounts paid related to new business, are recorded as ceded premiums and ceded future policy benefit liabilities are established.

Amounts currently recoverable under reinsurance agreements are included in premiums, reinsurance and other receivables and amounts currently payable are included in other liabilities. Assets and liabilities relating to reinsurance agreements with the same reinsurer may be recorded net on the balance sheet, if a right of offset exists within the reinsurance agreement. The Company believes that the right to offset exists under most its current reinsurance agreements. However, as noted in the reclassification accounting policy, the Company has elected to report the reserve credits taken on future policy benefits and policyholder account balances as reinsurance recoverables on the balance sheets as assets. In the event that reinsurers do not meet their obligations to the Company under the terms of the reinsurance agreements, reinsurance recoverable balances could become uncollectible. In such instances, reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance.

If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting. Deposits received are included in other liabilities and deposits made are included within premiums, reinsurance and other receivables. As amounts are paid or received, consistent with the underlying contracts, the deposit assets or liabilities are adjusted. Interest on such deposits is recorded as other revenues or other expenses, as appropriate. Periodically, the Company evaluates the adequacy of the expected payments or recoveries and adjusts the deposit asset or liability through other revenues or other expenses, as appropriate. Currently, no reinsurance agreements are accounted for using the deposit method of accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds Held Under Reinsurance Treaties

A provision in three of the Company's reinsurance treaties require all of the premium due the reinsurer not be paid but rather withheld by the Company. This is to enable the Company to reduce the provision for unauthorized reinsurance in its statutory statement or are withheld by the cedent to reduce a potential credit risk or to retain control over the investments. The reinsurer's assets are shown as funds held under reinsurance treaties in the liabilities section of the balance sheet. Although required for its statutory financial statements, the Company accounts for these funds in a consistent manner for U.S. GAAP.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents. Therefore, cash and cash equivalents include demand deposits, money market funds, and funds withheld for ceded reinsurance. The carrying amounts of these assets are stated at cost which approximates fair value.

Premiums, Reinsurance, and Other Receivables

The Company has established an allowance for uncollectible agent balances. The allowance at December 31, 2017 and 2016 were **$269,567** and $269,567, respectively.

Investments

The Company has classified its bonds, short-term investments, equities and certain other invested assets as available for sale (excluding those that are accounted for using the cost of equity methods of accounting). All changes in the fair value are recorded in other comprehensive income in the balance sheet. The Company defines fair value as the price received to sell as asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of bonds is estimated using recently executed transactions, market price quotations from recognized data vendors, or prices provided by market makers.

Short-term investments comprise securities with a maturity greater than three months but less than one year from date of purchase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Other invested assets consist primarily of investments in non-publicly traded companies, private placement equity and fixed maturity investments, financial instruments, collateral loans and other specialty asset classes. Non-publicly traded entities in which the Company has more than a minor interest, are accounted for using either the equity method or the fair value option. The remaining other invested assets are recorded based on valuation techniques depending on the nature of the individual assets. The valuation techniques used by the Company are generally commensurate with standard valuation techniques for each asset class.

Mortgage loans are stated at the outstanding principal amount, adjusted for amortization in the premium and accrual of discount, less an allowance for potential future losses. A loan is considered impaired if it is probable that all contractual amounts due will not be collected. The allowance for potential future losses on mortgage loans maintained is adequate to absorb potential future credit losses. Management's periodic evaluation and assessment of the adequacy of the allowance is based on known and inherent risks in the portfolio, historical and industry data, current economic conditions and other relevant factors, along with specific risk related to specific loans.

Policy loans are carried at the outstanding principal amount.

Net Investment Income

Net investment income includes interest and dividend income, amortization of premium and discounts on fixed maturities, short-term and cash equivalent investments, interest on mortgage loans, real estate, contract loans and derivatives, and is net of investment expenses including depreciation on real estate and other invested assets and interest paid on a reinsurance asset transfer.

Investment income on mortgage-backed securities is initially based upon yield, cash flow, and prepayment assumptions at the date of purchase. Subsequent revisions in those assumptions are recorded using the retrospective method, except for adjustable rate residential mortgage-backed securities where the prospective method is used. Under the retrospective method, the amortized cost of the security is adjusted to the amount that would have existed had the revised assumptions been in place at the time of purchase. Under the prospective method, future cash flows are estimated and interest income is recognized going forward using the new effective yield to maturity. The adjustments to amortized cost under both methods are recorded as a charge or credit to net investment income. These results are based upon validations and comparisons to similar securities provided by third parties, such as rating agencies. Amounts due from, but not yet paid, are included on the balance sheet in accrued investment income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives

On July 12, 2017, the Utah Insurance Department approved the Derivative Use Plan ("DUP") of the Company, as required under Utah Insurance Code 31A-18-105. The Plan was filed in relation to the Company's implementation of a hedge strategy designed to control the economic risk of loss due to changes in value, yield, price, cash flow or quantity of assets and liabilities that the Company has, or may acquire, and/or to mitigate the economic impact of any potential changes in the currency exchange rates or the degree of exposure as to the assets or liabilities denominated in a foreign currency. The Company adopted a position that considers certain derivative instruments to be a prudent component of its investment and risk management activities and established a plan that all derivative transactions entered into by, or on behalf of, the Company must be in compliance with.

a. Discussion of the Market Risk, Credit Risk, and Cash Requirements of Derivatives:

The Company uses derivatives to manage risks from changes in interest rates or foreign currency values, to alter interest rate or currency exposures arising from mismatches between assets and liabilities (including duration mismatches), to hedge against changes in the value of assets it anticipates acquiring and other anticipated transactions and commitments it plans on entering into and to replicate the investment performance of otherwise permissible investments. Insurance statutes restrict the Company's use of derivatives for speculation purposes.

The Company, at inception, may designate derivatives as (1) hedge of the fair value of a recognized asset or liability or unrecognized firm commitment, (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid to a recognized asset or liability, or (3) a derivative that does not qualify for hedge accounting, including replications.

Most of the Company's derivative arrangements with counterparties require the posting of collateral upon meeting certain net exposure thresholds. For derivatives related to securitization entities, there are no arrangements that require either party to provide collateral and the recourse of the derivatives counterparty is typically limited to the assets held by the securitization entity and there is no recourse to any entity other than the securitization entity.

The Company is also exposed to credit-related losses in the event of nonperformance by counterparties to derivative instruments. The Company manages counterparty risk by transacting with high-rated counterparties and uses collateral support where possible. The Company's maximum credit exposure to derivative counterparties is limited to the sum of the net fair value of contracts with counterparties that exhibit a positive fair value of net collateral.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives (Continued)

b. Description of the Company's Objectives for Using the Derivatives:

The Company may use interest rate swaps, equity index options, equity return swaps, credit default swaps and/or financial futures for hedging. Interest rate swaps and financial futures are used to reduce market risks from changes in interest rates and to alter interest rate exposures arising from mismatches between assets and liabilities. Equity index options and equity return swaps are used to hedge the equity market risks that are part of some of the Company's annuity liabilities. Credit default swaps are used to manage the credit risk of bond investments by entering into agreements that protect against potential reductions in credit quality.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. In this documentation, the Company specifically identifies the asset, liability or forecasted transaction that has been designated as a hedged item, states how the hedging instrument is expected to hedge the risks related to the hedged item and sets for the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness. The Company generally determines hedge effectiveness based on total changes in fair value of a derivative instrument.

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivatives is no longer effective in offsetting changes in the fair value of the cash flows of a hedge item, (ii) the derivative expires or is sold, terminated or exercised, (iii) the derivative is re-designed as a hedge instrument is no longer appropriate.

The Company designates and accounts for the follow as fair value hedges when they have met the effectiveness requirements of FASB Accounting Standards Codification 815, *Derivatives and Hedging* (ASC 815): (i) various types of interest rate swaps to convert fixed rate investments to floating rate investments, and (ii) other instruments to hedge various other fair value exposures of investments.

The Company also uses certain derivatives, including equity options and financial future and certain interest rate swaps for hedging that (i) do not meet or no longer meet the criteria of an effective hedge or (ii) meet the required hedge criteria but the Company has chosen not to apply hedge accounting. These derivatives are accounted for at fair value with the changes in fair value recorded in surplus as a realized gain (loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives (Continued)

c. Description of the Accounting Policies for Recognizing and Measuring Derivatives Used:

Derivative instruments are carried at values consistent with the items being hedged. As of December 31, 2017, interest rate swaps that are qualifying for hedge accounting were carried at amortized cost while non-qualifying interest rate swaps, credit default swaps, options, equity return swaps and/or futures were carried at fair value. Realized investment gains and losses are reflected as an element of net income, net tax. Any fees associated with swaps are held in surplus and the full fee amount will be recognized in income at the time of termination.

Property and Equipment

Property and equipment is carried at cost, net of accumulated depreciation. Maintenance and repairs which do not materially extend the useful lives of furniture and equipment and minor replacements are charged to earnings as incurred.

Electronic data processing (EDP) equipment is depreciated on the straight-line basis over an estimated useful life of three to five years. Depreciation expense was **$237,742** and $120,415 for the year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016, respectively.

Furniture and fixtures are depreciated on the straight-line basis over a five to fifteen-year period. Depreciation expense for furniture and fixtures was **$1,802** and $0 for the year ended December 31, 2017 and the period from June 30, 2016 through December 31, 2016, respectively.

Buildings and improvements are depreciated on the straight-line basis between three and fifty years. Depreciation expense was **$118,413** and $55,429 for the year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016, respectively.

Capital lease assets are depreciated on the straight-line basis for the term of the lease. Depreciation expense was **$597,840** and $298,920 for the year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016, respectively.

Guarantee Assessments

The states in which the Company operates have guaranty fund laws under which insurers doing business in the state are required to fund policyholder liabilities of insolvent insurance companies. Generally, assessments are levied within the state, up to prescribed limits, on all insurers doing business in the state on the basis of the proportionate share of the premiums written by insurers doing business in that state in the lines of business in which the impaired, insolvent or failed insurer is engaged. Guarantee assessments of **$117,063** and $24,376 for the year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016, respectively, were expensed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Policy and Contract Claims

The liability for life, accident, and health policyholder claims was estimated using past experience and other actuarial methods.

Income Taxes

The Company is classified as a "C" corporation under the Internal Revenue Code and as such they are subject to income taxes. Income taxes are provided for the tax effects of transactions presented in the financial statements. Deferred income taxes are calculated using the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are provided based on the difference between the financial reporting and tax reporting bases of assets and liabilities as measured by the currently enacted tax rates in effect for the years in which these differences are expected to reverse.

Deferred income tax expense or benefit is the result of changes in deferred income tax assets and liabilities. An allowance against deferred income tax assets is recorded in whole or in part when it is more likely than not that those deferred income tax assets will not be realized.

Net cash paid for federal income taxes was **$1,420,878** and $68,758 for the year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016, respectively.

The Company accounts for uncertain tax positions in accordance with certain provisions of FASB ASC 740. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties, and interest as a result of such challenge. The Company's federal income tax returns from 2016 through 2014 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Prior to 1984, the Company was allowed certain special deductions for federal income tax reporting purposes that were required to be accumulated in a "policyholders' surplus account" (PSA). In the event that those amounts are distributed to shareholders, or the balance of the account exceeds certain limitations prescribed by the Internal Revenue code, the excess amounts would be subject to income tax at current rates. Income taxes also would be payable at current rates if the Company ceases to qualify as a life insurance company for tax reporting purposes, or if the income tax deferral status of the PSA is modified by future tax legislation. The Company has not accrued income taxes on the PSA balance of $1,220,000 at December 31, 2017 and 2016. No deferred tax liabilities are recognized related to the PSA. Under the provisions of the Tax Act, the Internal Revenue Code related to the PSA has been repealed. The Tax Act requires the Company to pay tax on its PSA over an eight-year period. Ordinary life insurance losses are not allowed to offset the PSA subject to tax. The ultimate tax that will be payable on this amount is $256,200.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of temporary cash investments, fixed maturity securities, and receivables.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense was **$155,815** and $66.067 for the year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016, respectively.

Comprehensive Income

The Company presents comprehensive income in accordance with the standards established by the Comprehensive Income topic of FASB ASC 220. Comprehensive income consists of net income and net unrealized gains or losses on securities and is presented in the statement of comprehensive income.

In February 2018, the FASB issued ASU 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220). The amendments in this Update allows for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The amendments in this Update also require certain disclosures about stranded tax effects. Business entities should apply the amendments in ASU 2018-02 for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption of the amendments in this Update is permitted, including adoption in any interim period, (1) for public business entities for reporting periods for which financial statements have not yet been issued and (2) for all other entities for reporting periods for which financial statements have not yet been made available for issuance.

The Company has elected to early implement ASU 2018-02 and reclassify the stranded income tax effects, related to unrealized gains (losses), from the Tax Cuts and Jobs Act, from accumulated other comprehensive income to retained earnings as of and for the year ended December 31, 2017. The effects of the reclass are included in the Statements of Changes in Stockholder's Equity. There were no other income tax effects that resulted in reclassification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification

Certain amounts related to 2016 balances were reclassified to conform to the 2017 presentation. The more significant reclass relates to the reclassification of the reserve credits taken on future policy benefit liabilities and policyholder account balances. Prior to 2017, assets and liabilities relating to reinsurance agreements with the same reinsurer were recorded net on the balance sheet, as a right of offset existed within the significant reinsurance agreements. However, during 2017, the Company reclassed the amounts for the reserve credits taken to reinsurance recoverables to conform to the Company's holding company's consolidated financial statements. The effects on the 2016 balances are as follows:

	Original 2016 Balance	Reclassification	Reclassified 2016 Balance
Balance sheet, assets:			
Premiums, reinsurance, and other receivables, net of uncollectible agent balances	$ 1,791,736	$ 1,301,704,205	$ 1,303,495,941
Total	$ 1,791,736	$ 1,301,704,205	$ 1,303,495,941
Balance sheet, liabilities:			
Future policy benefits	$ 128,170,878	$ (809,946,847)	$ 938,117,725
Policyholder account balances	58,458,488	(491,757,358)	550,215,846
Total	$ 186,629,366	$ (1,301,704,205)	$ 1,488,333,571

3. INVESTED ASSETS ON DEPOSIT

At December 31, 2017 and 2016, bonds with a fair market value of **$3,148,632** and $3,042,625, respectively, were on deposit with state insurance departments to satisfy regulatory requirements.

4. INVESTMENTS

The cost/amortized cost and approximate fair values of investments are as follows:

	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2017				
Bonds:				
Available-for-sale	**$ 171,834,376**	**$ 8,021,299**	**$ (1,924,949)**	**$ 177,930,726**
Withheld for reinsurance	**407,622,495**	**7,817,480**	**(3,305,782)**	**412,134,193**
Total bonds	**579,456,871**	**15,838,779**	**(5,230,731)**	**590,064,919**
Preferred stock:				
Available-for-sale	**5,732,138**	**30,970**	**(242,271)**	**5,520,837**
Withheld for reinsurance	-	-	-	-
Total preferred stocks	**5,732,138**	**30,970**	**(242,271)**	**5,520,837**
Common stock				
Available-for-sale	**5,145,927**	**412,120**	**(8,975)**	**5,549,072**
Withheld for reinsurance	**3,309,302**	-	-	**3,309,302**
Total common stocks	**8,455,229**	**412,120**	**(8,975)**	**8,858,374**
Other invested assets				
Available-for-sale	**1,388,546**	**1,311,454**	-	**2,700,000**
Withheld for reinsurance	**35,228,704**	-	-	**35,228,704**
Total other invested assets	**36,617,250**	**1,311,454**	-	**37,928,704**
Derivative assets	**817,908**	**333,962**	**(5,774)**	**1,146,096**
Derivative liabilities	**(364,585)**	**2,169**	**(228,605)**	**(591,021)**
Total	**$ 630,714,811**	**$ 17,929,454**	**$ (5,716,356)**	**$ 642,927,909**

	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2016				
Bonds:				
Available-for-sale	$ 181,288,371	$ 6,282,433	$ (3,446,495)	$ 184,124,309
Withheld for reinsurance	283,941,008	4,821,983	(3,300,613)	285,462,378
Total bonds	465,229,379	11,104,416	(6,747,108)	469,586,687
Preferred stock:				
Available-for-sale	5,733,138	-	(342,556)	5,390,582
Withheld for reinsurance	-	-	-	-
Total preferred stocks	5,733,138	-	(342,556)	5,390,582
Common stock	2,114,445	71,453	-	2,185,898
Total	$ 473,076,962	$ 11,175,869	$ (7,089,664)	$ 477,163,167

4. INVESTMENTS (Continued)

Maturities of bonds are as follows as of December 31, 2017:

	Cost Basis	Fair Value
2018	$ 20,680,825	$ 21,059,428
2019-2023	158,440,955	161,341,514
2024-2028	347,414,938	353,775,022
2029-2038	33,570,569	34,185,141
After 2038	19,349,584	19,703,814
Total by maturity	$ 579,456,871	$ 590,064,919

The expected maturities in the foregoing table may differ from the contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation approaches including a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2—Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

4. INVESTMENTS (Continued)

Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3.

The Company utilizes a third party's methodology when market prices are not available in active (Level 1) or inactive market (Level 2). For Level 3 investments methodologies employed by the third party are as follows:

Fixed Income – Brokers

Broker quotes passed through by Pricing Vendors (not used in their generic model) or received directly from other brokers are assigned a Level 3 since the broker inputs cannot be corroborated as observable.

Fixed Income – Other Sources

When a price is not available from any of our third party external vendors and sufficient valuation information is available via Bloomberg or another source, securities are priced using Yieldbook Option Adjusted Spread ("OAS") analysis. When no information is available to use Yieldbook, the security will be benchmarked using a Barclay's Index based on credit sector and/or asset class.

Fixed Income – Purchase Price

For securities purchased within the pricing month, and no pricing source is available, Levels will be assigned using the trade date. Securities purchased within five business days of the month end valuation are assigned a Level 2. Otherwise, they are assigned a Level 3.

Equities – Other Sources

Securities traded on an exchange with a recent trade greater than 5 business days but less than 30 days would be assigned a Level 2. Securities not traded on an exchange but priced using observable inputs (evaluated price) would also be assigned a Level 2. When an equity security hasn't traded for 30 days and is currently listed on an exchange (e.g., OTC, etc.) it will be considered illiquid and assigned a Level 3. Securities priced via broker quotes which are non-binding will also be assigned a Level 3.

Equities – Purchase Price

Equities purchased within five business days of the month end valuation are assigned a Level 2 otherwise, if not within five business days and there is no pricing source available the security is assigned a Level 3.

4. INVESTMENTS (Continued)

Preferred Equities – Brokers

All broker quotes are assigned a Level 3. These brokers do not provide inputs and therefore are not observable and cannot be supported. Sources include Brokers, Bloomberg, etc.

Preferred Equities – Other Sources

When a price is not available from any of our third party external vendors and sufficient valuation information is available via Bloomberg or another source, securities are priced using Yieldbook Option Adjusted Spread analysis (sinking fund preferred). When no information is available to use Yieldbook, prior price will be used.

Derivatives

For non-managed assets, Conning will obtain both the security price and FAS 157 Level for assets that are not priced by our third party external vendors either directly from the client or their respective third party asset manager.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that the Company believes market participants would use in pricing the asset or liability at the measurement date.

The Company has categorized its assets and liabilities into the three-level fair value hierarchy based upon the priority of the inputs to the respective valuation technique.

The fair value measurements in Level 3 of the fair value hierarchy are as follows:

	Investment Class					
	Common Stock	Preferred Stock	Bonds	Other Invested Assets	Derivatives (Assets)	Derivatives (Liabilities)
Beginning balance, January 1, 2017	$ 1,887,812	$ -	$ 10,741,115	$ 139,655	$ -	$ -
Transfers into Level 3	-	126,277	(16,601)	-	-	-
Transfers out of Level 3	-	-	-	-	-	-
Total gains (losses) included in net income	-	-	-	2,167,097	430,257	(288,133)
Purchases	6,658,786	-	52,799,405	39,243,011	930,219	(404,057)
Issuances	-	-	-	-	-	-
Sales	-	-	(565,965)	(3,621,059)	(214,380)	101,169
Ending balance, December 31, 2017	$ 8,546,598	$ 126,277	$ 62,957,954	$ 37,928,704	$ 1,146,096	$ (591,021)

4. INVESTMENTS (Continued)

Fair values for assets measured on a recurring basis as of December 31, 2017 and 2016 are as follows:

	Assets Measured at Fair Value			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
December 31, 2017:				
Assets				
Stocks:				
Common	**$ 8,858,374**	**$ 311,776**	**$ -**	**$ 8,546,598**
Preferred	**5,520,837**	**5,394,560**	**-**	**126,277**
Available-for-sale bonds	**590,064,919**	**-**	**527,106,965**	**62,957,954**
Other invested assets	**37,928,704**	**-**	**-**	**37,928,704**
Derivatives	**1,146,096**	**-**	**-**	**1,146,096**
Total	**$ 643,518,930**	**$ 5,706,336**	**$ 527,106,965**	**$ 110,705,629**
Liabilities:				
Securities held under reinsurance treaties	**$ 450,672,199**	**$ -**	**$ 372,369,300**	**$ 78,302,899**
Derivatives	**(591,021)**	**-**	**-**	**(591,021)**
Total	**$ 450,081,178**	**$ -**	**$ 372,369,300**	**$ 77,711,878**

	Assets Measured at Fair Value			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
December 31, 2016:				
Assets:				
Stocks:				
Common	$ 2,185,898	$ 298,086	$ -	$ 1,887,812
Preferred	5,390,582	5,390,582	-	-
Available-for-sale bonds	469,586,687	-	458,845,572	10,741,115
Total	$ 471,870,553	$ 5,688,668	$ 446,646,079	$ 19,535,806
Liabilities:				
Securities held under reinsurance treaties	$ 285,462,378	$ -	$ 285,462,378	$ -
Total	$ 285,462,378	$ -	$ 285,462,378	$ -

4. INVESTMENTS (Continued)

On a quarterly basis, the Company reviews its investment portfolio for securities in an unrealized loss position for other-than-temporary impairment. This review for potential impairment is performed on a specific identification basis and requires significant management judgment related to a number of qualitative and quantitative factors including the severity of the impairment, the duration of the impairment, recent trends and expected market performance. Management believes that the majority of the Company's unrealized losses on individual securities at December 31, 2017 and 2016 represent a temporary decline in market value.

As of December 31, 2017 and 2016, the Company did not have any securities in an unrealized loss position for which other-than-temporary declines in value have not been recognized.

The following tables summarize those investments that, as of December 31, 2017 and 2016, were in an unrealized loss position for which other-than-temporary declines in value have not been recognized:

($ In Thousands)	Less Than 12 Months			12 Months or More			
At December 31, 2017	Number Of Issues	Fair Value	Unrealized Losses	Number Of Issues	Fair Value	Unrealized Losses	Total Unrealized Losses
Bonds:							
Available-for sale	**21**	**$ 12,687**	**$ 157**	**92**	**$ 32,906**	**$ 1,768**	**$ 1,925**
Available-for sale, withheld for reinsurance	**215**	**120,959**	**1,310**	**36**	**39,512**	**1,996**	**3,306**
Total bonds	**236**	**133,646**	**1,467**	**128**	**72,418**	**3,764**	**5,231**
Equity securities:							
Common stock	**1**	**157**	**9**	**-**	**-**	**-**	**9**
Preferred stock	**-**	**-**	**-**	**18**	**4,607**	**242**	**242**
Other:							
Derivatives	**169**	**555**	**234**	**-**	**-**	**-**	**234**
Total	**406**	**$ 134,358**	**$ 1,710**	**146**	**$ 77,025**	**$ 4,006**	**$ 5,716**
Investment grade bonds	**236**	**$ 133,646**	**$ 1,467**	**$ 128**	**$ 72,418**	**$ 3,764**	**$ 5,231**
Below investment grade bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total bonds	**236**	**$ 133,646**	**$ 1,467**	**128**	**$ 72,418**	**$ 3,764**	**$ 5,231**

($ In Thousands)	Less Than 12 Months			12 Months or More			
At December 31, 2016	Number Of Issues	Fair Value	Unrealized Losses	Number Of Issues	Fair Value	Unrealized Losses	Total Unrealized Losses
Bonds:							
Available-for sale	213	$ 120,979	$ 4,143	-	$ -	$ -	$ 4,143
Available-for sale, withheld for reinsurance	93	130,721	2,604	-	-	-	2,604
Total bonds	306	251,700	6,747	-	-	-	6,747
Equity securities:							
Common stock	-	-	-	-	-	-	-
Preferred stock	23	5,391	343	-	-	-	343
Total bonds and equity securities	329	$ 257,091	$ 7,090	-	$ -	$ -	$ 7,090
Investment grade bonds	306	$ 251,700	$ 6,747	-	$ -	$ -	$ 6,747
Below investment grade bonds	-	-	-	-	-	-	-
Total bonds	306	$ 251,700	$ 6,747	-	$ -	$ -	$ 6,747

4. INVESTMENTS (Continued)

Realized capital gains (losses) for the year ended December 31, 2017 and the period from June 30, 2016 through December 31, 2016 on investments consisted of the following:

	2017	2016
Bonds:		
Gross gains	**$ 5,759,219**	$ 691,642
Gross losses	**(1,110,770)**	(266,853)
Other invested assets:		
Gross gains	**-**	-
Gross losses	**-**	(276,847)
Preferred stock:		
Gross gains	**-**	-
Gross losses	**(26,000)**	(30,800)
Common stock:		
Gross gains	**1,485,959**	-
Gross losses	**-**	-
Real estate:		
Gross gains	**-**	-
Gross losses	**(24,660)**	(272,274)
Derivatives:		
Gross gains	**115,583**	-
Gross losses	**(75,210)**	-
Net capital gains (loss)	**$ 6,124,121**	$ (155,132)

Mortgage Loans

In 2017, The Company participated in eighteen joint commercial mortgages with Asset Capital Management. The participated joint commercial mortgages had a minimum rate of 6.41% percent and a maximum rate of 15 percent. The participating mortgages had loan to-values with a minimum of 14.55% and maximum of 80.0% (participating portion versus security value).

In 2016, the Company participated in fifteen joint commercial mortgages with Asset Capital Management. The participated joint commercial mortgages had a minimum rate of 8 percent and a maximum rate of 15 percent. The participating mortgages had loan-to values with a minimum of 16.4% and maximum of 79.5% (participating portion versus security value).

Mortgage loans at December 31, 2017 and 2016 totaled **$64,547,188** and $40,783,774, respectively. As of December 31, 2017 and 2016, the Company had **$650,000** and $700,000 of mortgage loans with interest more than 180 days past due, respectively.

5. NET INVESTMENT INCOME

For the year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016 net investment income consisted of the following:

	2017	2016
Investment income:		
Bonds	**$ 9,665,038**	$ 5,376,007
Preferred stocks	**322,158**	188,416
Common stocks	**28,044**	15,118
Mortgage loans	**3,430,863**	1,021,891
Real estate	**466,434**	208,169
Policy loans	**95,705**	51,313
Cash and short-term investments	**1,395**	150
Other invested assets	**64,109**	3,208
Aggregate write-ins for investment income	**2,381**	30,431
Total	**14,076,127**	6,894,703
Less:		
Investment expenses	**(4,831,507)**	(2,244,062)
Net investment income	**$ 9,244,620**	$ 4,650,641

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31, 2017 and 2016:

	2017	2016
Cash and cash equivalents	**$ 31,250,832**	$ (4,481,256)
Cash and cash equivalents, withheld for reinsurance	**57,169,554**	88,305,968
Total cash and cash equivalents	**$ 88,420,386**	$ 83,824,712

7. CONCENTRATION OF CREDIT AND MARKET RISK

The Company maintains several bank accounts at the same institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times for the years ended December 31, 2017 and 2016, such amounts were in excess of the FDIC insurance limit of $250,000. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on this balance due to the financial integrity of this institution.

7. CONCENTRATION OF CREDIT AND MARKET RISK (Continued)

The Company invests in money market funds that are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund. As of December 31, 2017 and 2016 the Company held **$80,411,179** and $36,535,303 in money market funds, respectively.

The Company maintains accounts with brokerage firms. These accounts contain bonds, preferred stocks and common stocks. These investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

The Company's revenues and receivables are from customers located in more than 27 states. The majority of the Company's customers are located in the states of California, Colorado, Florida, North Carolina, Oklahoma, Texas, and Utah.

8. ACCRUED INVESTMENT INCOME RECEIVABLE

Accrued interest and other investment income receivable consisted of the following at December 31:

	2017	2016
Accrued investment income:		
Bonds	**$ 1,277,491**	$ 2,152,598
Preferred stock	**50,461**	50,333
Mortgage loans	**997,197**	769,595
Other invested assets	**8,988**	2,400
Policy loans	**-**	12,340
Total accrued investment income	**$ 2,334,137**	$ 2,987,266

9. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 and 2016 is summarized in the following schedules:

	2017	2016
Properties occupied by the Company:		
Land	**$ 364,100**	$ 364,100
Properties occupied by the Company	**4,913,644**	4,658,020
Accumulated depreciation	**(173,842)**	(55,429)
Net properties occupied by the Company	**5,103,902**	4,966,691
Properties held for the production of income:		
Buildings	**885,523**	1,300,000
Net properties held for the production of income	**885,523**	1,300,000
Other property and equipment:		
Data processing equipment	**393,584**	315,275
Software	**432,465**	250,987
Furniture and fixtures	**24,698**	2,894
Accumulated depreciation	**(359,958)**	(120,415)
Net other property and equipment	**490,789**	448,741
Capital lease:		
Furniture, fixtures, and nonoperating software	**1,195,681**	1,195,681
Accumulated depreciation	**(896,761)**	(298,920)
Net capital lease	**298,920**	896,761
Net property and equipment	**$ 6,779,134**	$ 7,612,193

10. REINSURANCE

Certain premiums and benefits are ceded to other insurance companies under various reinsurance agreements. The ceded reinsurance agreements provide the Company with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. The Company remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations. Amounts payable or recoverable for reinsurance on policy and contract liabilities are not subject to periodic or maximum limits.

For the year ended December 31, 2017 and for the period June 30, 2016 through December 31, 2016 reinsurance ceded has reduced premiums by the following amounts:

	2017	2016
Premiums:		
Direct and assumed	**$ 232,409,417**	$ 107,524,401
Ceded	**(203,715,616)**	(99,170,130)
Net premiums	**$ 28,693,801**	$ 8,354,271

The Company actively sells individual whole life insurance. The Company also maintains other blocks of insurance business; annuities, accidental death, Medicare supplements, and hospital indemnity. The accident and health insurance contracts are reinsured by Mutual of Omaha. Life insurance, annuities, deposit funds and other related benefits were reinsured by Optimum Re Insurance Company, Athene Life Re Ltd., Guggenheim Life and Annuity Company, Ability Insurance Company (a related party), Haymarket Insurance Company (a related party) and Knighthead Annuity & Life Insurance Company. Policyholder reserves and claims liabilities are stated gross of the deduction for reserves and claims applicable to reinsurance ceded to other companies. However, the Company is contingently liable for these amounts in the event such companies are unable to pay their portion of the claims.

For the period June 30, 2016 through December 31, 2017, the Company did not write off to operations any reinsurance balances.

11. INCOME TAXES

Income taxes for the year ended December 31, 2017 and the period from June 30, 2016 through December 31, 2016 consisted of the following:

	2017	2016
Current:		
Federal	**$ (5,217,841)**	$ (219,819)
Total current income taxes	**(5,217,841)**	(219,819)
Deferred:		
Federal	**9,057,748**	(803,865)
Total deferred income taxes	**9,057,748**	(803,865)
Total tax benefit (expense)	**$ 3,839,907**	$ (1,023,684)

A reconciliation of income tax expense at the federal statutory rate to the Company's effective rate is as follows:

	2017	Percentage	2016	Percentage
Computed income tax (benefit) expense at the statutory rate of 34%	**$ 1,722,200**	**34.0%**	$ 1,358,747	34.0%
Meals and entertainment	**1,678**	**0.0%**	9,902	0.2%
Dividends received deduction	**(47,961)**	**-0.9%**	(8,418)	-0.2%
Tax exempt interest	**(167,429)**	**-3.3%**	(56,102)	-1.4%
Policyholder's share of tax-exempt interest	**71,050**	**1.4%**	21,555	0.5%
Purchase accounting adjustments	**17,731**	**0.4%**	-	0.0%
Prior period true-ups	**-**	**0.0%**	(302,000)	-7.6%
Change in tax rate	**(5,331,309)**	**-105.3%**	-	0.0%
Change in valuation allowance	**(105,867)**	**-2.1%**	-	0.0%
Total tax provision	**$ (3,839,907)**	**-75.8%**	$ 1,023,684	25.6%

11. INCOME TAXES (Continued)

The temporary differences and carryforwards which give rise to the deferred tax assets (liabilities) as of December 31, 2017 and 2016 consist of the following:

	2017	2016
Deferred tax assets:		
Allowance for doubtful accounts	**$ 56,609**	$ 91,653
Advanced premium	**21,144**	35,676
Interest income	**732,789**	267,112
Reserves and policyholder account balances	**1,195,729**	1,718,570
Deferred acquisition costs	**171,422**	1,133,284
Accrued vacation	**27,300**	53,470
NOL carryforward	**290,638**	687,041
AMT credit carryforward	**1,347,946**	1,347,946
Capital loss carryforward	**-**	109,449
Other than temporary impairment	**21,474**	34,768
Reinsurance treaty	**37,899**	102,266
Other	**125,744**	7,796
Total deferred tax assets	**4,028,694**	5,589,031
Valuation allowance	**(21,474)**	(34,768)
Total adjusted deferred tax assets	**4,007,220**	5,554,263
Deferred tax liabilities:		
Uncollected premiums	**5,702**	8,116
Value of business acquired (VOBA)	**5,034,471**	15,340,373
Unrealized capital gains (losses)	**1,448,849**	896,143
Dividend income	**37,343**	60,416
Capital gains (losses)	**766,763**	56,705
Fixed assets	**56,671**	234,070
Ceding commission allowance	**576,481**	488,466
Other	**2,832**	-
Total deferred tax liabilities	**7,929,112**	17,084,289
Net deferred tax assets (liabilities)	**$ (3,921,892)**	$ (11,530,026)

At December 31, 2017 and 2016, the Company has federal alternative minimum tax (AMT) credit carryforwards of **$1,347,946** and $1,347,946, respectively, which have no expiration date.

At December 31, 2017 and 2016, the Company has a net operating loss carryforward (NOL) of **$1,383,991** and $2,020,710, respectively, which is set to expire beginning in 2029.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("Tax Act") was signed into law. The new law includes, among other items, a permanent reduction to the U.S. corporate income tax rate from 34 percent to 21 percent effective January 1, 2018. As a result, at December 31, 2017, we recognized an additional increase of $5,331,309 to net income from revaluing the U.S. net deferred tax assets.

12. EMPLOYEE BENEFITS

Defined Contribution Plans

For the year ended December 31, 2016, the Company had a noncontributory master profit sharing and trust plan that qualifies under Section 401(a) of the Internal Revenue Code and is therefore exempt from income taxes. All eligible Company employees could participate in the plan after completing three months of service. The Company's annual contribution for the for period June 30, 2016 through December 31, 2016 was 6% of the eligible participants' compensation as defined, but only to the extent net profits exceed $50,000 in the taxable year of contribution. Contributions were made to participants in the same percentage that the individual participant's compensation bears to the total compensation of all participants for the plan year. All contributions to the plan are made to an independent trustee for investment and administration. The contributions become partially vested after two years and fully vested after six years of service. The Company's cost of the plan was $155,986 for the period June 30, 2016 through December 31, 2016. As of December 31, 2016, the fair value of the plan assets was $3,213,145.

For the year ended December 31, 2017, the Company's employees are covered by a qualified defined contribution plan sponsored by the Company. The plan is a Safe Harbor Plan whereby the Company matches employees' contributions on a dollar-for-dollar basis on the initial 3% that the employee contributes and 50% on the next 2% that the employee contributes. The plan covers affiliates within the holding company structure. Total contributions for all members of the participating group was $240,526 of employee compensation in 2017. As of December 31, 2017, the fair value of the plan assets for the group was $5,443,434.

The Company's health, long-term disability, dental, and group life plans cover substantially all of its employees and qualified employee dependents. The Company makes contributions to these plans sufficient to provide for benefit payments required under the plans.

Postemployment benefits and compensated absences have been accrued in accordance with FASB ASC Topic 715. As of December 31, 2017 and 2016, the Company estimated the obligation for compensated absences to be **$928,810** and $662,847, respectively.

13. CONTINGENCIES

The Company is subject to assessments for its proportionate share of liabilities of insolvent insurers in the states where the Company operates which have guaranty company statutes. A provision for future assessments has not been recorded in the accompanying financial statements because they cannot be estimated

The Company is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated claims liabilities. No contingent liabilities have been established by the Company. There is no pending litigation as of December 31, 2017 and 2016.

14. CAPITAL REQUIREMENTS

The State of Utah has adopted the National Company of Insurance Commissioners' (NAIC) risk-based capital (RBC) calculation to evaluate the minimum capital requirements for an insurance Company to support its overall business operations in consideration of its size and risk profile. The Company's risk-based capital is calculated by applying factors to various asset, premium, and reserve items.

The RBC requirements provide for four different levels of regulatory attention depending on the ratio of the Company's total adjusted capital (TAC) to its authorized control level (ACL). The four regulatory attention levels (and the associated percentage of TAC to ACL) are defined as follows: (1) Company Action (200%), (2) Regulatory Action (150%), (3) Authorized Control (100%), and (4) Mandatory Control Levels (70%). As of December 31, 2017 and 2016, the Company maintained TAC in excess of 200% of ACL.

The payment of dividends by the Company to shareholders is limited and can only be made from earned profits unless prior approval is received from the Utah Insurance Commissioner. The maximum amount of dividends that may be paid by life insurance companies without prior approval of the Utah Insurance Commissioner is also subject to restrictions relating to statutory surplus and net income. The Company did not pay an ordinary dividend in 2017 and 2016.

15. UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES – ACCIDENT & HEALTH CONTRACTS

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years has (decreased) increased by approximately **$(62,898)** and $(87,359) for the year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016, respectively.

	2017	2016
Balance at January 1	**$ 496,428**	$ 445,293
Incurred, related to:		
Current year	**3,981,459**	3,211,377
Prior years	**(62,898)**	(87,359)
Total incurred	**3,918,561**	3,124,018
Paid, related to:		
Current year	**3,326,769**	2,716,158
Prior years	**432,808**	356,725
Total paid	**3,759,577**	3,072,883
Balance at December 31	**$ 655,412**	$ 496,428

Management believes that the liability for unpaid claims is adequate to cover the ultimate development of claims. The liability is continually reviewed and revised to reflect current conditions and claim trends and any resulting adjustments are reflected in operating results in the year made.

16. DIRECT PREMIUM WRITTEN/PRODUCED BY THIRD PARTY ADMINISTRATOR

The aggregate amount of direct premiums written through managing general agents or third party administrators for the year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016 was:

Name and Address Managing General Agent Or Third Part Administrator	FEIN#	Exclusive Contract	Type of Business Written	Type of Activity Granted	Total Direct Prem Written/ Produced By
For the year ended December 31, 2017:					
Secure Administrative Solutions, LLC 1405 West 2200 South Salt Lake City, Utah 84119	46-4813559	No	Medicare Supplement	C,CA,P,U	**$ 40,837,915**
			Traditional Life Insurance		**$ 10,246,864**
			Multi-year guarantee Annuities		**$ 83,591,516**
			Deposit-Type Annuities		**$ 176,846,578**
			Fixed Income Annuities		**$ 97,376,028**
For the six month period ended December 31, 2016:					
Secure Administrative Solutions, LLC 1405 West 2200 South Salt Lake City, Utah 84119	46-4813559	No	Medicare Supplement	C,CA,P,U	$ 19,191,194
			Traditional Life Insurance		$ 5,074,322
			Multi-year guarantee Annuities		$ 46,929,403
			Deposit-Type Annuities		$ 130,868,900
			Fixed Income Annuities		$ 36,262,301

17. VALUE OF BUSINESS ACQUIRED

The net amortization charged to income for year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016, for the value of business acquired was **$4,428,005** and $1,739,901, respectively. The value of business acquired amortization is included in the general and administrative expenses on the income statement.

18. STATUTORY ACCOUNTING PRINCIPLES

The Company, which is domiciled in State of Utah, prepares its statutory financial statements in accordance with accounting principles and practices prescribed or permitted by the Utah Insurance Department, which Utah recognizes for determining solvency under the Utah Insurance Law.

The following schedules reconcile the Company's statutory net income and statutory surplus and capital stock determined in accordance with accounting practices prescribed or permitted by the Utah Insurance Department with net earnings (loss) and equity on a U.S. GAAP basis as of and for the year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016.

	2017	**2016**
Statutory net income (loss) per the annual statement	**$ 3,474,985**	$ (2,474,228)
Adjustments:		
Future policy benefits and policyholder's account balances	**(667,575)**	1,437,136
Deferred policy acquisition costs	**3,270,707**	1,252,132
Deferred income taxes	**9,057,748**	(803,865)
Interest maintenance reserve	**129,515**	(355,611)
Allowance for bad-debts	**-**	89,945
Net income (loss) prior to acquisition	**-**	(139,725)
Realized gains (loss)	**3,484,476**	4,945,067
Bond amortization (accretion)	**(2,703,848)**	(614,656)
Ceding commission allowance	**1,308,480**	1,436,664
Capital lease obligation	**17,932**	(114,007)
Income tax expense	**(3,339,996)**	53,681
Valuation of business acquired amortization	**(4,428,005)**	(1,739,901)
GAAP net income (loss)	**$ 9,604,419**	$ 2,972,632

18. STATUTORY ACCOUNTING PRINCIPLES (Continued)

	2017	2016
Statutory capital and surplus as of December 31, prior year	**$ 40,152,682**	$ 38,694,947
Adjustments:		
GAAP net (loss) income	**9,604,419**	2,972,632
Surplus note	**(15,000,000)**	(15,000,000)
Other comprehensive income	**5,450,433**	1,691,921
Stranded tax effect	**(896,907)**	-
Asset valuation reserve	**4,208,271**	3,248,939
Nonadmitted assets	**1,380,264**	3,358,728
Interest maintenance reserve	**607,480**	963,091
Deferred acquisition costs	**1,252,132**	-
Future policy benefits and policyholder's account balances	**(4,540,675)**	(5,977,811)
Dividends	**-**	(285,244)
Capital lease obligation	**(59,228)**	54,779
Allowance for doubtful accounts	**(269,567)**	(359,512)
Tax provision	**(2,744,953)**	(2,136,904)
Acquisition allocation of capital and surplus	**21,197,566**	21,337,286
Investments	**261,445**	(2,195,281)
Ceding commission allowance reclass	**(240,627)**	(300,767)
VOBA	**(1,829,907)**	-
GAAP capital and surplus as of December 31, current year	**$ 58,532,828**	$ 46,066,804

19. SURPLUS NOTES PAYABLE

During 2014, the Utah Insurance Department approved a contribution (surplus) note between the Company (issuer) and Ability Insurance Company (lender) in the amount of $15,000,000. The scheduled maturity date of the loan is December 1, 2025. Subject to the approval of the Insurance Commissioner of the State of Utah the Company will pay interest thereon, quarterly, in arrears on March 1, June 1, September 1, and December 1 each year commencing March 1, 2014 at the rate of 7% annum. This note was paid in full on March 27, 2017.

On March 27, 2017, the Utah Insurance Department approved a contribution (surplus) note between the Company (issuer) and Bankers Life Insurance Company (lender) in the amount of $15,000,000. The scheduled maturity date of the loan is December 31, 2031. Subject to the approval of the Insurance Commissioner of the State of Utah, the Company will pay interest thereon, quarterly, in arrears on March 1, June 1, September 1, and December 1 each year commending June 1, 2017 at the rate of 6.5% per annum. The proceeds for this surplus note were used to satisfy the obligation of the surplus note between Company and Ability Insurance Company.

On September 25, 2017, the Utah Insurance Department approved a contribution (surplus) note between the Company (issuer) and Knighthead Annuity & Life Insurance Company (lender) in the amount of $5,000,000. The scheduled maturity date of the loan is July 31, 2032. Subject to the approval of the Insurance Commissioner of the State of Utah, the Company will pay interest thereon, quarterly, in arrears on March 1, June 1, September 1, and December 1 each year commending June 1, 2017 at the rate of 6.75% per annum.

Interest payments on the surplus notes through December 31, 2017 were as follows:

Date Issued	Interest Rate	Par Value	Carrying Value of Note	Interest and/or Principal Paid During Current Year	Total Interest and/or Principal Paid	Unapproved Interest and/or Principal	Date of Maturity
3/14/2014	7%	$ -	$ -	$ 340,171	$ 865,171	$ -	3/28/2017
3/28/2017	6.5%	$ 15,000,000	$ 15,000,000	$ 662,465	$ 662,465	$ -	12/31/2031
9/25/2017	6.75%	$ 5,000,000	$ 5,000,000	$ 59,178	$ 59,178	$ -	7/25/2032
Totals		$ 20,000,000	$ 20,000,000	$ 1,061,814	$ 1,586,814	$ -	

20. LEASES

The Company leases four automobiles with minimum lease terms of 6 months each. The lease expense for the automobiles for the year ended December 31, 2017 and the period June 30, 2016 through December 31, 2016 was **$33,707** and $16,549, respectively.

The Company entered into a sales leaseback transaction on December 31, 2016. The sales price of the leaseback transaction was $1,500,000. The lease has a 30-month term with a monthly payment of $58,950. This lease was reported as a capital lease at December 31, 2017 and 2016, and is included in property and equipment on the balance sheet.

The following is a schedule of future minimum lease payments and the present value of the net minimum lease payments as of December 31, 2017.

Total minimum lease payments	$	353,700
Less amount representing interest		(13,484)
Present value of net minimum lease payments		340,216
Less current portion		(340,216)
Total	$	-

Future maturities of capital lease obligations are as follows:

Year ending December 31:		
2018	$	340,216
	$	340,216

21. RELATED PARTIES

The Company owned a 75% interest in Secure Marketing Partners, LLC (SMP) and a 100% interest in Secure Administrative Solutions, LLC (SAS). Prior to the disposal of SAS and SMP in the form of a dividend, as described below, SAS and SMP were consolidated with the Company for financial reporting purposes. The Company had a shared services agreement with its affiliates where SMP and SAS reimbursed the Company on a monthly basis for rent, services, and salaries.

As of December 31, 2017 and 2016, SMP owed the Company **$864,551** and $719,375, respectively for the shared services.

During 2016, the Company contributed to SAS amounts totaling $1,450,000. Included in this was a noncash contribution of payables due to the Company being converted to contributed capital in the amounts of $1,450,000.

Beginning January 5, 2015, SAS began providing third party administrative (TPA) services to the Company in the form of new business processing, underwriting, billing and collection of premiums, commission payments to agents, and claims processing.

21. RELATED PARTIES (Continued)

As of December 31, 2017 and 2016, SAS owed the Company **$5,461,444** and $992,346, respectively, for the shared serves. As of December 31, 2017 and 2016, the Company owed SAS **$355,728** and $358,099, respectively, for the TPA services performed during the year.

On December 28, 2016 the Utah Department of Insurance Commissioner approved a two hundred eight five thousand two hundred and forty for dollar ($285,244) extra ordinary dividend by the Company to its shareholder and parent company, Advantage West, LLC. This extraordinary payment was made by transferring two subsidiaries, Secure Administrative Solutions, LLC and Secure Marketing Partners, LLC at equity value. This transaction was effective as of September 30, 2016.

On April 3, 2017, the Utah Insurance Department – Captive Division approved the formation of Jazz Re, a wholly owned pure captive insurance company. In April of 2017, the company funded the captive with minimal capital requirements as required by the State of Utah. Jazz Re will reinsure selected blocks of annuities issued by the Company. For the year ended December 31, 2017, the Company had not ceded any annuity blocks to Jazz Re.

As of December 31, 2017, Jazz Re owed the Company $19,843 for administration services.

The Company has a management and consulting services agreement with Advantage West LLC (“Ad West”), its parent, whereby Ad West provides the Company various services related to operations, compliance, financial, legal, investment, reinsurance, corporate office and capital management services. The Company has an asset management services agreement with Advantage Capital Management, LLC (“ACM”), an affiliate, whereby ACM provides the Company various investment management and advisory services.

As of December 31, 2017 and 2016, the Company owed **$1,327,504** and $97,785, respectively for services provided under the management and consulting agreements.

The Company has a master contribution agreement with Secure Financial Services, LLC (“SFS”), an affiliate, whereby SFS is authorized to act as a commission factoring intermediary and collect assigned commission receivables on behalf of the Company. As of December 31, 2017 and 2016, SFS owed the Company **$170,312** and $0, respectively.

22. SUBSEQUENT EVENTS

On February 1, 2018, the Company requested approval from the Utah Insurance Department for a $5 million surplus note to be placed with Knighthead Annuity & Life Assurance Company (“KHA”), as agreed to according to the terms of the Purchase Agreement dated September 25, 2017 between the Company and KHA. The surplus note will carry a 6.75% per annum interest rate and mature in June of 2032.

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through September 25, 2018, the date the financial statements were available to be issued.