POST-EFFECTIVE AMENDMENT NO. 3

to Registration Statement

February 24, 2018

US ALLIANCE CORPORATION
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Shares of Common Stock at a Purchase Price of $7.00 per share

Minimum Offering Amount - None
Maximum Offering of Additional Shares of Common Stock – 1,500,000 Shares ($10,500,000)

US Alliance Corporation, a Kansas corporation ("USAC" or the "Company"), is filing this Post-Effective Amendment No. 3 (this "Amendment") to our Registration Statement, effective as of February 24, 2015, extended by the Office of the Kansas Securities Commission for an additional effective period expiring on February 24, 2017 (the "Registration Statement"), and as further extended by this Post-Effective Amendment No. 2 for an additional period expiring on February 24, 2018, and as further extended by this Post-Effective Amendment No. 3 for an additional period expiring on February 24, 2019.

Positive response to the 2015 Offering from holders of warrants issued in a previous offering (the "2010 Offering") to exercise such warrants for the purchase of shares ("Warrant Shares") of our Common Stock, as well as inquiry from friends, neighbors, business partners and business acquaintances, contracted licensed producers, licensed insurance agents, and other bona fide residents of Kansas, indicated a demand for our Common Stock. Accordingly, we filed with the Kansas Securities Commission a Supplement to the Prospectus, dated January 19, 2016, to increase the amount of the 2015 Offering to offer an additional 1,500,000 shares of Common Stock at a purchase price of $7.00 per Additional Share. On February 24, 2016, we filed a Supplement to the Prospectus extending the offering period to February 24, 2017. During the warrant exercise period, which ended April 1, 2016, we accepted gross offering proceeds of $7,901,088 related to the sale of 1,316,848 Warrant Shares. As of December 31, 2017, there were a total of 7,310,939 Shares of Common Stock issued and outstanding, representing the Shares sold in the 2015 Offering as well as those sold in the 2010 Offering and two private offerings. As extended, the 2015 Offering will terminate on the earlier of the sale of all Shares or February 24, 2019, unless sooner terminated or further extended by the Company. Subscriptions for the purchase of Shares by investors will be made by executing a Subscription Agreement in the form attached as Exhibit A to this Post-Effective Amendment.

The Shares and the 2015 Offering have been registered with the Office of the Kansas Securities Commission as of the date of this Post-Effective Amendment. **Accordingly, these Shares will only be offered and sold to Subscribers who are bona fide residents of the State of Kansas.** There is currently no existing public or other market for the Shares and no such market will develop as a result of this 2015 Offering. On May 2, 2016, we filed a Form 10 Registration Statement (the "Registration Statement") with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"), to register the Shares in accordance with Section 12(g) of the Exchange Act. We are subject to the reporting requirement of the Exchange Act and are obligated to file annual reports, quarterly and current reports with the SEC, as well as comply with the SEC's proxy solicitation rules, and management and significant stockholder ownership reporting requirements. However, our Shares will not be listed on any national exchange or over-the-counter market, and will continue to be deemed "restricted" securities which may not be resold except in compliance with the rules of the SEC and Office of the Kansas Securities Commissioner. The Shares are also subject to restrictions on transfer, as described in more detail in this Post-Effective Amendment. Consequently, Subscribers for the Shares offered hereby may not be able to sell such Shares for an extended period of time, if ever. In addition to the other restrictions on transfer described herein, the Shares will not be transferable outside the state of Kansas for a period of nine (9) months following the termination of this 2015 Offering in accordance with Rule 147 of the Securities Act.

YOU SHOULD MAKE YOUR OWN DECISION WHETHER THIS 2015 OFFERING MEETS YOUR INVESTMENT OBJECTIVES AND RISK TOLERANCE LEVEL BASED UPON INFORMATION IN THIS POST-EFFECTIVE AMENDMENT AND YOUR OWN EXAMINATION OF THE COMPANY AND TERMS OF THE 2015 OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

NEITHER THE OFFICE OF THE KANSAS SECURITIES COMMISSIONER, THE SEC NOR ANY OTHER SECURITIES REGULATOR HAS APPROVED, DISAPPROVED, ENDORSED, OR RECOMMENDED THIS 2015 OFFERING. NO INDEPENDENT PERSON HAS CONFIRMED THE ACCURACY OR TRUTHFULNESS OF THIS POST-EFFECTIVE AMENDMENT, NOR WHETHER IT IS COMPLETE. ANY CONTRARY REPRESENTATION IS ILLEGAL.

THE SHARES ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK AND IMMEDIATE DILUTION. PROSPECTIVE PURCHASERS SHOULD BE PREPARED TO SUSTAIN A LOSS OF THEIR ENTIRE INVESTMENT.

NO DEALER, SALESMAN OR OTHER PERSON IS AUTHORIZED TO MAKE ANY REPRESENTATION ON BEHALF OF THE COMPANY OTHER THAN THOSE CONTAINED IN THIS POST-EFFECTIVE AMENDMENT AND, IF GIVEN OR MADE, ANY SUCH REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

THIS POST-EFFECTIVE AMENDMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANYONE IN ANY STATE OR JURISDICTION OTHER THAN THE STATE OF KANSAS.

	Price to Purchasers of Additional Shares	Selling Commissions (not to exceed)	Proceeds to Company from Additional Shares
Per Share	$7.00	$0.70	$6.30
Minimum Offering	None	-0-	-0-
Completed/Maximum Offering	$10,500,000	$1,050,000	$9,450,000

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POST-EFFECTIVE AMENDMENT
SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements included as Appendix I to this Post-Effective Amendment and provided on our website at www.usalliancecorporation.com.

THE COMPANY

US Alliance Corporation ("USAC" or the "Company") was formed as a Kansas corporation on April 24, 2009 to raise capital to form a new Kansas-based life insurance company. Our offices are located at 4123 SW Gage Center Drive, Suite 240, Topeka, Kansas 66604. Our telephone number is 785-228-0200 and our website address is www.usalliancecorporation.com.

Our four wholly-owned operating subsidiaries are: US Alliance Life and Security Company ("USALSC") formed June 9, 2011, to serve as our life insurance company; US Alliance Marketing Corporation ("USAMC") formed April 23, 2012, to serve as a marketing resource; US Alliance Investment Corporation ("USAIC") formed April 23, 2012 to serve as investment manager for USAC; and Dakota Capital Life Insurance Company ("DCLIC"), which was acquired by the Company on August 1, 2017 in connection with USAC's merger with Northern Plains Capital Corporation ("NPCC"). Unless the context otherwise indicates, references in this registration statement to "we", "us", "our", or the "Company" refer collectively to USAC and its subsidiaries.

We capitalized our subsidiaries with proceeds from intrastate public offering(s) registered by qualification with the office of Kansas Securities Commissioner.

The Offering

Additional Shares offered by the Company to residents of Kansas…………………………….	A maximum of 1,500,000 Additional Shares at a purchase price of $7.00 per Additional Share
Common Stock outstanding before Offering ……………………………………	4,232,400 Shares
Common Stock issued with our Merger with NPCC………………………………………..	1,644,458 Shares
Common Stock outstanding after 2015 Offering and maximum offering amount of Additional Shares…………………………………….	8,693,706 Shares
Plan of Distribution………………………………..	Shares will be sold to Subscribers who are residents of the state of Kansas through registered agents of the Company on a "best efforts" basis. The agents will receive a direct commission based upon such sales not to exceed 10%.
Term of 2015 Offering…………………………….	The 2015 Offering will continue until the earlier of the sale of all of the Shares or February 24, 2019, subject to the right of the Company to terminate or extend the 2015 Offering.
Use of Proceeds…………………………………	To finance the growth of USALSC and provide working capital for USAC.

RISK FACTORS

The purchase of the Shares offered hereby entails a degree of risk. In analyzing this offer, Subscribers should carefully consider, among other things, including the information contained elsewhere in this Post-Effective Amendment, the following:

Risks Associated with an Investment in USAC Stock

We face many significant risks in the operating of our business and may face significant unforeseen risks as well. Our significant material risks are set forth below:

SHARE OWNERSHIP RISK - An investment in our voting common stock ("USAC Common Stock") is speculative. Shares of USAC Common Stock constitute a high-risk investment in a developing business that has incurred losses to date and expects to continue to incur losses for several years. No assurance or guaranty can be given that any of the potential benefits envisioned by our business plan will prove to be available to our stockholders, nor can any assurance or guaranty be given as to the actual amount of financial return, if any, which may result from ownership of USAC Common Stock. **The entire value of the shares of USAC Common Stock may be lost.**

OPERATING RISK - We have a limited operating history. We face all of the risks inherent in establishing a new business, including limited capital, uncertain product markets, lack of significant revenues, as well as competition from better capitalized and more seasoned companies. We have no control over general economic conditions, competitors' products or their pricing, customer demand and costs of marketing or advertising. There can be no assurance that our life insurance operations will be successful or result in any significant revenues. The likelihood of any success must be considered in light of our limited history of operations and operating losses incurred to date. These risks and the lack of seasoned operating history make it difficult to predict our future revenues or results of operations. As a result, our financial results may fluctuate and fall below expectations.

LIQUIDITY RISK - Although USAC is a public company, there is no established public market for USAC Common Stock, and there is no assurance that one will develop or be sustained, or that the USAC Common Stock will ever become publicly traded. It may be difficult to sell your shares of USAC Common Stock. Our securities are not listed for trading on any national securities exchange nor are bid or asked quotations reported in any over-the-counter quotation service and we do not intend to seek any such listing in the foreseeable future.

PROFITABILITY - As is common among young life insurance companies, we have and will incur significant losses for a number of years. The costs of administration and the substantial nonrecurring costs of writing new life insurance (which are deferred and amortized in accordance with our deferred acquisition policy) include first year commissions payable to insurance agents, medical and investigation expenses, and other expenses incidental to the issuance of new policies, which, together with the initial reserves required to be established for each policy, may exceed the first year premium. As of December 31, 2017 we had a consolidated accumulated deficit of $8.5 million. These losses were attributable primarily to our organization, creation of products, distribution channels and capital raising efforts and to our entry into the life insurance business.

DIVIDENDS - We have not paid a cash dividend on USAC Common Stock and we do not anticipate paying a cash dividend in the foreseeable future. We intend to retain available funds to be used in the expansion of operations. USAC is a holding company without independent operations and on a standalone basis has limited revenues. Because we do not expect to pay any cash dividends for the foreseeable future, the success of any investment in USAC Common Stock will depend upon any future appreciation in its value. We cannot guarantee that USAC Common Stock will appreciate in value or achieve or maintain a value equal to the price at which shares were purchased. Further, a market may never develop to sell shares of USAC Common Stock.

CAPITAL RISK - We are required by law to have adequate capital and surplus calculated in accordance with statutory accounting principles prescribed by state insurance regulatory authorities to meet regulatory requirements in the states in which we operate. The amount of capital and surplus ultimately required will be based on certain “risk-based capital” standards established by statute and regulation and administered by other regulators. The “risk-based capital” system establishes a framework for evaluating the adequacy of the minimum amount of capital and surplus, calculated in accordance with statutory accounting principles, necessary for an insurance company to support its overall business operations. If we fail to maintain required capital levels, our ability to conduct business would be compromised absent a prompt infusion of capital.

DILUTION RISK - We intend to conduct additional offerings of our securities to raise additional capital to fund our growth. In February, 2010, we filed a Prospectus with the Kansas Securities Commission to register shares of USAC Common Stock and warrants to purchase USAC Common Stock. In February 2015, we filed a Prospectus with the Kansas Securities Commission to register the USAC Common Stock to be issued upon the exercise of the warrants, and in January, 2016, filed a Supplement to the Prospectus to register an additional 1,500,000 shares of USAC Common Stock. We also commenced a private placement of USAC Common Stock in North Dakota in 2017. Any additional offerings of USAC equity or convertible securities that we may conduct in the future will reduce the ownership interests and be accretive to existing stockholder book value.

KEY EXECUTIVE RISK - Our ability to operate is dependent primarily upon the efforts of our Chairman and Chief Executive Officer, Jack H. Brier, and Chief Operating Officer of USALSC, Jeff Brown. The loss of the services of these officers could have a material adverse effect on our ability to execute our business plan. We do not have employment agreements with either Mr. Brier or Mr. Brown.

SEC REGISTRATION - USAC is a public company. As a public company, we incur significant legal, accounting and other expenses under the Exchange Act and the Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC. These rules impose various requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and appropriate corporate governance practices. Our management and other personnel are required to devote a substantial amount of time to these compliance requirements. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly.

EMERGING GROWTH COMPANY - We are an “emerging growth company,” as defined in the JOBS Act. We will remain an “emerging growth company” for up to five years. However, if our non-convertible debt issued within a three-year period exceeds $1 billion, or revenues exceeds $1.07 billion, or the market value of our ordinary shares that are held by non-affiliates exceeds $700 million on the last day of the second fiscal quarter of any given fiscal year, we would cease to be an emerging growth company as of the following fiscal year. As an emerging growth company, we are not being required to comply with the auditor attestation requirements of section 404 of the Sarbanes-Oxley Act, we have reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and we are exempt from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, will not adopt the new or revised standard until the time private companies are required to adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

POTENTIAL ACQUISITION RISK - In addition to our organic growth plans, an additional component of our business plan is to pursue strategic acquisitions of insurance related companies that meet our acquisition criteria. However, suitable acquisition candidates may not be available on terms and conditions that are economic to us. In pursuing acquisitions, we compete with other companies, who may have greater financial and other resources than us. Further, if we succeed in consummating acquisitions, our business, financial condition and results of operations may be negatively affected.

- An acquired business may not achieve anticipated revenues, earnings or cash flows;
- We may assume liabilities that were not disclosed or exceed estimates;
- We may be unable to integrate acquired businesses successfully and realize anticipated economic, operational and other benefits in a timely manner;
- Acquisitions could disrupt our on-going business, distract our management and divert our financial and human resources;
- We may experience difficulties operating in markets in which we have no or only limited direct experience; and
- There is the potential for loss of customers and key employees of any acquired company.

MARKETING STRATEGY RISK - We market our products through several different distribution channels which require licensed insurance agents. These distribution channels include funeral directors, bankers, brokerages, accountants, and independent agents. While some of these producers have little or no experience in selling life insurance products, others have extensive experience mitigating some of the risk of agents with little or no experience. We believe the premium volume written will depend primarily on our products, product pricing and ability to choose and timely and adequately train and motivate agents to sell our products.

Independent agents are not required to sell the Company's products and are free to sell products from other licensed companies. We are committed to working to educate and incentivize independent agents to sell our products. Failure to build a network of independent agents selling our products could impact our ability to generate future premiums and profits.

THE COMPANY'S INVESTMENTS ARE SUBJECT TO MARKET AND CREDIT RISKS - Our invested assets, primarily including fixed maturity securities, are subject to customary risks of credit defaults and changes in fair value. Factors that may affect the overall default rate on and fair value of the Company's invested assets include interest rate levels and changes, availability and cost of liquidity, financial market performance, and general economic conditions.

RATINGS RISK - Insurance ratings reflect the rating agencies' opinion of an insurance company's history, financial strength, operating performance and ability to meet its obligations to policyholders. There can be no assurance that USALSC or DCLIC will be rated by a rating agency or that any rating, if and when received, will be favorable.

We do not anticipate that USALSC or DCLIC will be rated by rating agencies for several years. This may have a negative impact on its ability to complete with rated insurance companies.

Risks Associated with Companies in the Life Insurance Industry, including USAC and its subsidiaries

GENERAL REGULATORY RISK - All insurance operations are subject to government regulation in each of the states in which they conduct business. Such regulatory authority is vested in state agencies having broad administrative power dealing with all aspects of the insurance business, including premium rates, policy forms, and capital adequacy, and is concerned with the protection of policyholders rather than stockholders. Among other things, the regulations require prior approval of acquisitions of insurance companies, certain solvency standards, licensing of insurers and their agents, investment restrictions, deposits of securities for the benefit of policyholders, approval of policy forms and premium rates, periodic examinations, and reserves for unearned premiums, losses and other matters.

Compliance with insurance regulation is costly and time consuming, requiring the filing of detailed annual reports, and the business and accounts are subject to examination by the applicable state insurance regulator, which may include inquiries and follow-up, including investigations.

In addition, increased scrutiny has been placed upon the insurance regulatory framework during the past several years, and certain state legislatures have considered or enacted laws that alter, and in many cases increase, state authority to regulate insurance companies and insurance holding company systems. The National Association of Insurance Commissioners ("NAIC") and state insurance regulators reexamine existing laws and regulations on an ongoing basis, and focus on insurance company investments and solvency issues, risk-based capital guidelines, interpretations of existing laws, the development of new laws, the implementation of non-statutory guidelines and the circumstances under which dividends may be paid. Future NAIC initiatives, and other regulatory changes, could have a material adverse impact on the insurance industry. There is no assurance the regulatory requirements of the departments of insurance of their respective state of domicile or a similar department in any other state in which they may wish to transact business can be satisfied.

Individual state guaranty associations assess insurance companies to pay benefits to policyholders of insolvent or failed insurance companies. The amount of any future assessments to be made from known insolvencies cannot be predicted.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Reform Act") reshapes financial regulations in the United States by creating new regulators, regulating new markets and firms, and providing new enforcement powers to regulators. Virtually all major areas of the Reform Act continue to be subject to regulatory interpretation and implementation rules requiring rulemaking that may take several years to complete. The ultimate outcome of the regulatory rulemaking proceedings cannot be predicted with certainty. The regulations promulgated could have a material impact on consolidated financial results or financial condition.

COMPETITION RISK - The operating results of life insurance companies are subject to significant fluctuations due to competition, economic conditions, interest rates, investment performance, maintenance of insurance ratings from rating agencies such as A.M. Best, the ability to choose and timely and adequately train agents, and other factors. Each company encounters significant competition from other insurance companies, as well as competition from other available investment alternatives.

Large life insurance companies who have greater financial resources, longer business histories, and who may have more products present significant competition to smaller insurance companies, such as USALSC and DCLIC. These larger companies also generally have large distribution opportunities.

The ability to compete is dependent upon, among other things, the ability to develop competitive and profitable products, market the insurance products, and achieve efficient costs of placing policies.

ASSUMPTION RISK - In the life insurance business, assumptions as to expected mortality, lapse rates and other factors in developing the pricing and other terms of life insurance products are made. These assumptions are based on industry experience and are reviewed and revised regularly by an outside actuary to reflect actual experience on a current basis. However, variation of actual experience from that assumed in developing such terms may affect a product's profitability or sales volume and in turn adversely impact our revenues.

LIABILITY RISK - Underestimating future policy benefits results in the incurrence of additional expenses at the time a company becomes aware of the inadequacy. As a result, the ability to achieve profits would suffer as a result of such underestimates.

INTEREST RATE RISK - Interest rate fluctuations could impair an insurance company's ability to pay policyholder benefits with operating and investment cash flows, cash on hand and other cash sources. Annuity products expose the risk that changes in interest rates will reduce any spread, or the difference between the amounts that the insurance company is required to pay under the contracts and the amounts the insurance company is able to earn on its investments intended to support its obligations under the contracts. Spread is a key component of revenues.

To the extent that interest rates credited are less than those generally available in the marketplace, policyholder lapses, policy loans and surrenders, and withdrawals of life insurance policies and annuity contracts may increase as contract holders seek to purchase products with perceived higher returns. This process may result in cash outflows requiring that an insurance subsidiary sell investments as a time when the prices of those investments are adversely affected by the increase in market interest rates, which may result in realized investment losses.

Increases in market interest rates may also negatively affect profitability in periods of increasing interest rates. The ability to replace invested assets with higher yielding assets needed to fund the higher crediting rates that may be necessary to keep interest sensitive products competitive.

LAPSE AND WITHDRAWAL RISK - Policy lapses in excess of those actuarially anticipated would have a negative impact on financial performance. Profitability could be reduced if lapse and surrender rates exceed the assumptions upon which the insurance policies were priced. Policy sales costs are deferred and recognized over the life of a policy. Excess policy lapses, however, cause the immediate expensing or amortizing of deferred policy sales costs. In addition, some of our policies allow holders to withdraw all or some of the policy's value, and withdrawals beyond those anticipated could impact our business.

OPERATIONAL RISK - In the insurance industry, successful incorporation and functionality of the internal audit function, the evolution of financial and administrative internal controls to safeguard human, facility and financial assets electronically, including anti-fraud initiatives and compliance with anti-money laundering requirements, as well as an effective disaster recovery program and effective business continuity programs, are necessary.

TAX LAW RISK - Congress from time to time considers possible legislation that would eliminate the deferral of taxation on the accretion of value within certain annuities and life insurance products. This and similar legislation, including a simplified "flat tax" income tax structure with an exemption from taxation for investment income, could adversely affect the sale of life insurance compared with other financial products if such legislation were to be enacted. There can be no assurance as to whether such legislation will be enacted or, if enacted, whether such legislation would contain provisions with possible adverse effects on any annuity and life insurance products that we and our operating subsidiaries develop.

Under the Internal Revenue Code, income taxes payable by policyholders on investment earnings is deferred during the accumulation period of certain life insurance and annuity products. This favorable tax treatment may give certain insurance products a competitive advantage over other non-insurance products. To the extent that the Internal Revenue Code may be revised to reduce the tax-deferred status of life insurance and annuity products, or to increase the tax-deferred status of competing products, insurance companies would be adversely affected with respect to their ability to sell products. Also, depending on grandfathering provisions, the surrenders of existing annuity contracts and life insurance policies might increase. In addition, life insurance products are often used to fund estate tax obligations. We cannot predict what future tax initiatives may be proposed with respect to the estate tax or other taxes which may adversely affect us.

REINSURANCE RISK - In order to manage the risk of financial exposure to adverse underwriting results, USALSC and DCLIC reinsure a portion of their risk with other insurance companies. However, USALSC and DCLIC remain liable with respect to ceded insurance should any reinsurer fail to meet the obligations assumed by the reinsurer. The Company evaluates the financial condition of its reinsurers to minimize its exposure to losses from reinsurer insolvencies. Management believes that any liabilities arising from this contingency would not be material to the Company's financial position.

DILUTION - ACCRETION

As of December 31, 2017, the Company had an aggregate of 7,310,939 Shares of Common Stock outstanding and a net book value, as reflected on its balance sheet, of $13,935,702 or approximately 1.91 per Share. "Net book value per share" represents the Company's total assets less its liabilities, divided by the number of Shares of Common Stock outstanding.

After giving pro forma effect to the remaining 2015 Offering, and assuming all Additional Shares are purchased, for a total issuance of 1,382,767 Additional Shares, resulting in additional net proceeds of $8,227,464, the Company will have 8,693,706 Shares of Common Stock outstanding, and a net book value of $2.55 per Share. The Shares offered in the 2015 Offering to additional stockholders will experience an immediate dilution in net book value per Share of $4.45. Such dilution represents the difference between the (i) 2015 Offering Additional Share price per Share and (ii) the net book value per Share immediately after completion of the 2015 Offering (assuming fully subscribed). The increase in book value per Share of Common Stock held by the stockholders as of December 31, 2017 (the "Existing Stockholders") would be solely attributable to the cash paid by purchasers of the Additional Shares.

However, to the extent Subscribers for Additional Shares are Existing Stockholders, such Subscribers will, following the completion of the 2015 Offering, experience an immediate accretion in their Shares.

The following table, which incorporates the preceding assumptions, illustrates such dilution or accretion per Share in net book value upon completion of the 2015 Offering (assuming fully subscribed):

	If completed/maximum offering amount are sold
Price per share of Shares to Purchasers of Additional Shares	$7.00
Net book value per share as of December 31, 2017	$1.91
Increase attributable to additional sale of Shares	$0.64
Pro forma net book value after 2015 Offering	$2.55
Dilution to Additional Share Purchaser	$4.45

PURPOSE OF THE OFFERING AND USE OF PROCEEDS

The following table summarizes the anticipated use of the gross proceeds from the sale of the Additional Shares, excluding the actual amount of warrants exercised, and assuming that all Additional Shares offered in the 2015 Offering are sold. It should be noted, however, that these figures are only estimates and are subject to change, particularly if less than all of the Shares being offered are sold. There can be no assurance that actual experience will approach this anticipated use of proceeds.

	Maximum Offering Amount	(%) of Proceeds
Gross Offering Proceeds (excludes effect of oversale)	$10,500,000	100%
Less Offering Expenses:		
Selling Commissions [1]	$1,050,000	10%
Other Offering Expenses [2]	$500,000	4.8%
Net Offering Proceeds [3]	$8,950,000	85.2%
Use of Net Offering Proceeds		
(1) Reserve for Capital Contributions to USALSC	$7,500,000	83.8%
OR		
(a) acquire existing life insurance company; and (b) acquire block of existing business		
(2) Working Capital	$1,450,000	16.2%
Total Uses	$8,950,000	

[1] The table assumes that total commissions will be 10%.

[2] Includes legal, accounting, registration fees, printing and mailing costs in connection with the 2015 Offering. Also includes agent recruiting, training and registration expenses, as well as amounts paid for prizes and bonuses to sales personnel in connection with their sales efforts.

[3] Net proceeds pending use will be invested in accordance with the Company's investment policy. The Company's investments are managed by NEAM, a wholly-owned subsidiary of Berkshire Hathaway.

THE COMPANY

Material Agreements and Partners - Effective January 1, 2013, USALSC entered into a reinsurance agreement with Unified Life Insurance Company ("ULIC") to assume 20% of a certain block of health insurance policies. This agreement renews annually unless either party provides written notice of its intent not to renew at least 120 days prior to the expiration of the then-current term. The agreement provides for monthly settlement. For the year ended December 31, 2017, USALSC assumed premiums of $3,643,783.

On September 1, 2015, USALSC entered into an agreement to provide certain insurance administrative functions, data processing systems, daily operational services, management consulting, and marketing development to Dakota Capital Life Insurance Company. This agreement has an initial term of 60 months (beginning on September 1, 2015), and requires 90-day advance written notice to terminate. In addition, the agreement requires that certain products will be exclusively administered by USALSC and administrative services with respect to such products may not be transferred without our consent. The agreement provides for monthly settlement. On August 1, 2017, DCLIC became a wholly-owned subsidiary of USALSC as described below.

On August 1, 2017, the Company acquired NPCC pursuant to a Plan and Agreement of Merger dated May 23, 2017, pursuant to which Alliance Merger Sub, Inc. ("Acquisition"), a wholly-owned subsidiary of the Company, merged with and into NPCC ("Merger") with Acquisition being the surviving company. Pursuant to the agreement, the Company exchanged .5841 shares of the Company's common stock ("USAC Common Stock") for each share of NPCC common stock, or 1,644,458 shares. Subsequent to the Merger, Acquisition was merged into the Company and DCLIC was contributed to USALSC.

On September 30, 2017, USALSC entered into a coinsurance agreement with American Life and Security Corporation ("ALSC") to assume 100% of a certain block of life insurance policies. USALSC is also the servicer of this block of policies. USALSC deferred costs of $2,861,450 related to this reinsurance transaction and received $6,895,145 from ALSC. The agreement will remain in effect until all liabilities associated with this block of policies have been satisfied.

USAC uses the actuarial firm of Miller & Newberg to provide valuation, pricing and illustration actuarial services for USALSC and DCLIC.

Investments - USALSC, through USAIC, and USAC contracted in 2013 with New England Asset Management (NEAM), a Berkshire Hathaway subsidiary, to manage the investments of USALSC and a portion of the investments of USAC. DCLIC, through USAIC, was added to this contract upon acquisition. The investment parameters are determined by Kansas law, the Kansas Insurance Department (KID), and the North Dakota Insurance Department, as well as the internal investment policies of USALSC, DCLIC and USAC.

USAC internally manages a portfolio of equities within its investment policy guidelines (as modified from time to time, "Investment Policy"), which consider type of investments and investment instruments, and establishes diversification benchmarks to help manage investment risk. USAC's investment in its subsidiaries is managed outside of its Investment Policy.

The USAC Investment Policy may be modified by USAC's Board of Directors (the "Board" or "Board of Directors") in compliance with applicable law.

The following summarizes USAC's Investment Policy, effective December 5, 2016:

► *Approved Investment Instruments.* We may invest in the following approved investment classes in accordance with the restrictions and subject to the benchmark ranges set forth in our Investment Policy and described below:

- ♦ United States Government Securities — bonds or other evidences of indebtedness that are fully guaranteed or insured by the U.S. Government or any agency or instrumentality thereof.
- ♦ Securities of the District of Columbia, State, Insular or Territorial Possession Government of the United States —bonds or other evidences of indebtedness, without limitation, of the District of Columbia, State, or any political subdivision of such, or Insular or Territorial Possession of the United States.
- ♦ Canadian Government, Provincial and Municipal Obligations —bonds or other evidences of indebtedness issued by the Dominion of Canada, or by any Province thereof, or by any municipality, agency or instrumentality thereof.
- ♦ Fixed Income Obligations — bonds or other evidence of indebtedness issued, assumed or guaranteed by a corporation.
- ♦ Equity Interests - preferred stocks, common stocks, mutual funds, exchange traded funds, master limited partnerships and other securities representing equity ownership interests in a corporation, provided that we may not own more than 2% of any corporation, mutual fund, exchange traded fund, master limited partnership or other equity security.
- ♦ Real Estate - real estate for use in the operations of the Company, which we refer to as "Home Office Real Estate," or for the production of income. We may also invest in shares of beneficial interest in or obligations issued by a Real Estate Investment Trust qualified under pertinent sections of the United States Internal Revenue Code.
- ♦ Mortgage Loans - first-lien mortgage loans on commercial or residential property with loan to value of no greater than 80% at the time of purchase.
- ♦ Mortgage - Backed Securities - mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), or a private entity. Any such securities must be rated investment grade by Moody's, S&P or Fitch.
- ♦ Asset-Backed Securities - asset-backed securities designated as investment grade by Moody's, S&P or Fitch or the equivalent rating by another nationally recognized statistical rating organization.
- ♦ Certificates of Deposit, Time Deposits, Overnight Bank Deposits, Banker's Acceptances and Repurchase Agreements - certificates of deposit, time deposits, overnight bank deposits, banker's acceptances issued by federally insured banks with maturities of 270 days or less from the date of acquisition, repurchase agreements with acceptable collateral and maturities of 270 days or less from date of acquisition.
- ♦ Commercial Paper - commercial paper of US corporations that are rated at least "A-2" by S&P or "P-2" by Moody's or the equivalent rating of another nationally recognized statistical rating organization if S&P or Moody's cease publishing ratings of these securities, and have maturities of 270 days or less from the date of acquisition.

- ♦ Money Market Accounts or Funds - money market accounts or funds that meet the following criteria:
  - ■ A substantial portion of the assets of the money market account or fund must be comprised of certain qualifying investments instruments;
  - ■ Issuers of the fund or account's investments must have a combined capital and surplus in excess of $500,000,000;
  - ■ Maturities of 270 days or less from the date of acquisition;
  - ■ Have net assets of not less than $500,000,000; and
  - ■ Have the highest rating available of S&P, Moody's, or Fitch, or carry an equivalent rating by a nationally recognized statistical rating organization if the named rating agencies cease publishing ratings of investments.

► *Diversification.* Our portfolio is constructed to diversify risk with respect to asset class, geographical location, quality, maturity, business sector and individual issuer and issue concentrations.

► *Benchmarks.* We benchmark the allocation of our investments based on the criteria set forth in the table below to help assure our investments are appropriately diversified. The benchmarks may change to respond to market conditions. Based on market conditions and other considerations, investments in the approved investment instruments described are maintained in the following ranges:

% of Portfolio Cost Value

Asset Class	**Minimum**	**Maximum**
Cash/Short Term	0%	100%
Investment Grade Fixed Income	20%	100%
High Yield Fixed Income	0%	15%
Equity	0%	50%
Mortgage and Mortgage related	0%	50%
Real Estate (including REITs)	0%	20%

The Executive Committee of our Board of Directors may modify the above benchmark ranges at any time deemed appropriate based on current conditions. Any such modifications will be subject to approval by the full Board of Directors at its next regularly scheduled meeting. USALSC's investment policy, as a regulated insurance entity, contains additional investment limitations as required by law.

► *Reporting.* The President, CEO, or their respective designees provide monthly reports to the Executive Committee and quarterly reports to the Board of Directors reflecting the securities purchased and sold during the quarter, securities held at the end of the quarter, current benchmarks and an overall evaluation of the portfolio's investment performance.

Marketing and Distribution - USALSC uses independent consultants, the USAC stockholder base, and stockholder-based referrals to market its products and build distribution channels among funeral homes, banks, accountants, independent insurance agencies, agents, insurance brokerage firms, Kansas companies and other distribution channels as opportunities arise. USALSC works with other insurance companies who have captive or non-captive agents to broaden their product offerings.

Employees - As of December 31, 2017, USAC and its subsidiaries had thirteen full-time employees and six part-time employees.

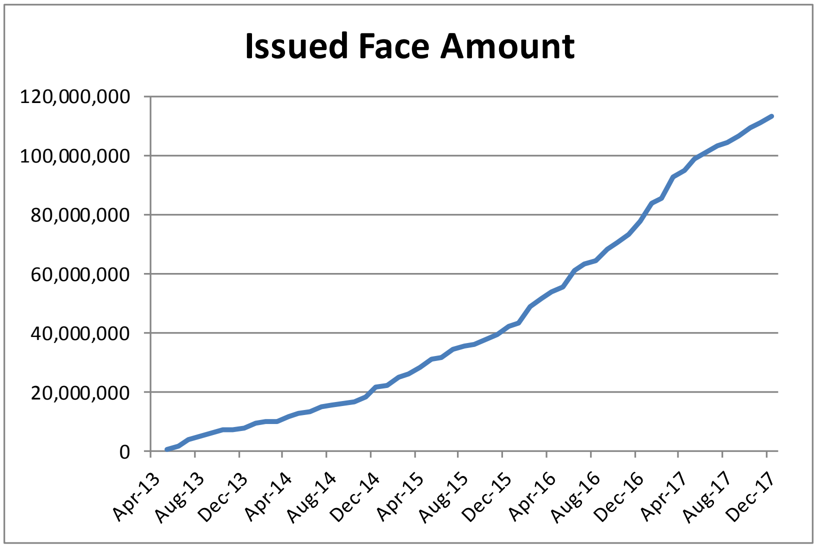
Reports to Security Holders - We provide the information in this annual report to our stockholders, along with our audited year-end financial statements. In addition, all periodic reports and other information we file with the U.S. Securities and Exchange Commission (the "SEC") are available for inspection and copying at the public reference facilities of the Securities and Exchange Commission located at 100 F Street N E, Washington, D. C. 20549.

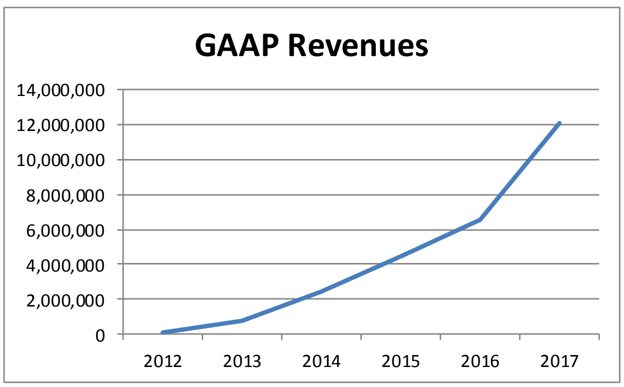
Copies of such material may be obtained by mail from the Public Reference Section of the Securities and Exchange Commission, 100 F Street N E, Washington, D.C. 20549, at prescribed rates.

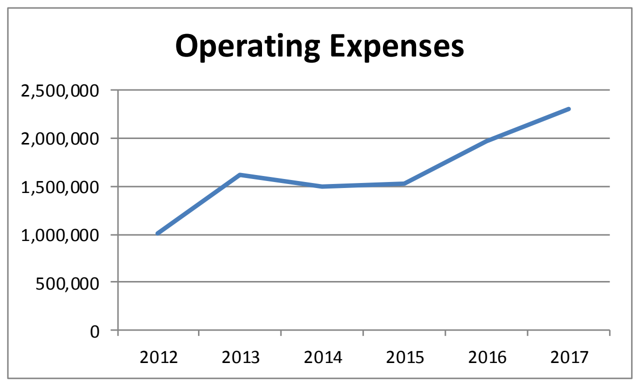
Information on the operation of the Public Reference Room may be obtained by calling the SEC at l-800-SEC-0330. In addition, the Commission maintains a World Wide Website on the Internet at: http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. You may also find this information on our website (http://www.usalliancecorporation.com).

Legal Proceedings. The Company is not involved in any pending material legal proceedings.

PRODUCTS, THE BUSINESS and MARKETING PLAN







USALSC received a Certificate of Authority from the Kansas Insurance Department ("KID") effective January 2, 2012, and sold its first insurance product on May 1, 2013. USALSC currently offers the following eight product categories:

- Solid Solutions Term Life Series®, Registered Trademark No. 4,740,828. This simplified issue term life insurance product is designed to provide coverage with a face value of $250,000 or less. This product features limited underwriting and is offered with 10, 20, 25, and 30 year terms.

- Sound Solutions Term Life Series®, Registered Trademark No. 4,740,827. This is a fully underwritten term life insurance product designed to provide coverage for higher face amounts. This product features multiple risk classifications and is offered with 15, 20, 25 and 30 year terms.

- Pioneer Whole Life. This is a traditional whole life insurance product designed to provide permanent coverage with a limited premium paying period. This product is sold with death benefits typically ranging from $25,000 to $100,000.

- Legacy Juvenile Series®, Registered Trademark No. 4,577,835. This product is term life insurance to age 25 available for purchase on children up to the age of 16 in an amount of $10,000 or $20,000 with a one-time premium payment.

- American Annuity Series®, Registered Trademark No. 4,582,074. This product is a flexible premium deferred annuity with initial rates guaranteed for five years by company practice.

- Thoughtful Pre-Need Series®, Registered Trademark No. 4,620,073. This series of products includes a single or multiple pay premium pre-need whole life insurance policy sold by funeral directors who are licensed by the KID in conjunction with a preplanned funeral. This product is typically sold with smaller death benefits than our traditional Pioneer Whole Life.

- Group Products. This is a series of group non-medical insurance products developed for the small group marketplace. These products are sold to employers and provide benefits for their employees. Our group suite of products includes group term life insurance, group long term disability, and group short term disability.

- Critical Illness. This individual policy provides cash benefits to the insured should certain defined illnesses or injuries occur.

Our single pay life products (which include our Legacy Juvenile and Thoughtful Pre-Need products) accounted for 73% of 2017 direct premium revenue. Our individual life (which include our Sound and Solid Term Life and Pioneer Whole Life products) and Critical Illness products accounted for 18% of 2017 direct premium revenue. Our group products accounted for 9% of 2017 direct written premiums.

USALSC seeks opportunities to develop and market additional products.

Our business model also anticipates the acquisition by USAC and/or USALSC of other insurance and insurance related companies, including third-party administrators, marketing organizations, and rights to other blocks of insurance business through reinsurance or other transactions.

Currently, USALSC has the following strategic alliances:

1. NEAM, a wholly-owned subsidiary of Berkshire Hathaway, serves as the investment manager for USALSC, DCLIC, and USAC and the proceeds of this public offering;

2. Optimum Re, an A- rated company, provides reinsurance for USALSC and DCLIC on Solid Solutions Term and Pioneer Whole Life products;

3. Gen Re Life Corporation, wholly-owned subsidiary of Berkshire Hathaway, an A++ rated company, provides reinsurance for USALSC and DCLIC on the Sound Solutions Term and Group Life products;

4. Custom Disability Solutions (CDS), a division of Reliance Standard Life Insurance Company, an A- rated insurance company, provides reinsurance for USALSC and DCLIC on our short term and long term group disability products;

5. Unified Life Insurance Company, a B++ rated life insurance company from whom we assume business under a coinsurance treaty. This transaction provides an additional revenue opportunity for the Company;

6. Kerber, Eck & Braeckel LLP provides audit services for USAC and its subsidiaries;

7. Strohm Ballweg, LLP, provides statutory accounting functions for USALSC and DCLIC;

8. United Systems and Software Inc. (USSI) provides USALSC a fully integrated insurance administrative system of policy administration, agency administration, imaging, customer and agent portals, integrated ledger, unique customer ID and in 2015, an online application system;

9. USALSC provides certain insurance administrative functions, data processing systems, daily operation services, management consulting, and marketing development services for Dakota Capital Life Insurance Company. As of December 31, 2016, we are providing administrative services on over 600 policies;

10. Miller & Newberg, Inc. provides actuarial services for USALSC; and

11. Dynamic Computer Solutions provides IT solutions for USAC and its subsidiaries.

We are authorized in Kansas, North Dakota, Missouri, Nebraska, and Oklahoma. We expect to expand our distribution channel base from 459 producers to over 800 in five states in which we have operating authority.

We continue to develop our fully integrated online systems for applications and enrollments.

We intend to aggressively pursue distribution reinsurance agreements with other small life insurance companies. Currently we have those relationships with Unified Life Insurance Company (Texas) and Dakota Capital Life Insurance Company (North Dakota).

We intend to continue our relationship with the Kansas Funeral Directors Trust and look for expansion opportunities therein.

Goals outlined in our business plan in 2016 and 2017 included:

1. Fully integrated online system for applications; (Completed October 2017)

2. Finalize a distribution reinsurance agreement and Third-Party Administrator agreement with a small life insurance company outside of Kansas, subject to further due diligence; (Completed September 2016)

3. Create and develop an opportunity to assist producers with the administrative aspects of a sale; (ongoing)

4. Develop relationships with associations whose members could utilize our suite of products; (ongoing)

5. Establish relationships with fee-based financial managers as an additional product distribution channel; (ongoing)

6. Identify additional distribution channel opportunities career based or based on other characteristics; (ongoing)

7. We continue to evaluate the scalability of our products and distribution channels with a goal of expanding to other states; (ongoing)

8. Become a member in the Federal Home Loan Bank as an important component of our financing strategy; (Application submitted February 2018)

9. Actively search for and acquire blocks of business which enhance profitability and can be administered with our existing administrative team; (ongoing)

10. Actively search for and acquire additional life insurance companies; and (ongoing)

11. Seek authority for DCLIC in South Dakota. (ongoing)

Our producers are divided into the following categories: funeral directors, independent insurance agents, tax preparers, accountants, bankers, and group insurance brokers.

There is no assurance USAC will successfully and timely implement these strategies and if other opportunities arise, management may elect to alter this strategy. Proceeds realized from this offering increase the probability USAC can execute, and/or alter its business plan, successfully.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our condensed consolidated financial statements and notes thereto (from our Form 10-K on file with the Securities and Exchange Commission). In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements.

Overview

USAC was formed as a Kansas corporation on April 24, 2009 for the purpose of raising capital to form a new Kansas-based life insurance company. We presently conduct our business through our four wholly-owned subsidiaries: USALSC, a life insurance corporation; DCLIC, a life insurance corporation; USAMC, an insurance marketing corporation; and USAIC, an investment management corporation.

On January 2, 2012, USALSC was issued a Certificate of Authority to conduct life insurance business in the State of Kansas. We began third-party administrative services in 2015.

On August 1, 2017, the Company merged with NPCC, with the Company being the ultimate surviving entity. As a result of this merger, the Company acquired DCLIC, which became a wholly-owned subsidiary of USALSC.

Critical Accounting Policies and Estimates

Our accounting and reporting policies are in accordance with GAAP. Preparation of the consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The following is an explanation of our accounting policies and the estimates considered most significant by management. These accounting policies inherently require significant judgment and assumptions and actual operating results could differ significantly from management's estimates determined using these policies. We believe the following accounting policies, judgments and estimates are the most critical to the understanding of our results of operations and financial position. A detailed discussion of significant accounting policies is provided in this report in the Notes to Consolidated Financial Statements included with this annual report.

Valuation of Investments

The Company's principal investments are in fixed maturity and equity securities. Fixed maturity and equity securities, classified as available for sale, are carried at their fair value in the consolidated balance sheets, with unrealized gains or losses recorded in comprehensive income (loss). Our fixed income investment manager utilizes external independent third-party pricing services to determine the fair values of investment securities available for sale.

We have a policy and process in place to identify securities that could potentially have an impairment that is other-than-temporary. The assessment of whether impairments have occurred is based on a case-by-case evaluation of underlying reasons for the decline in fair value. We consider severity of impairment, duration of impairment, forecasted recovery period, industry outlook, financial condition of the issuer, issuer credit ratings and whether we intend to sell a security, or it is more likely than not that we would be required to sell a security, prior to the recovery of the amortized cost.

The recognition of other-than-temporary impairment losses on debt securities is dependent on the facts and circumstances related to the specific security. If we intend to sell a security or it is more likely than not that we would be required to sell a security prior to recovery of the amortized cost, the difference between amortized cost and fair value is recognized in the income statement as an other-than-temporary impairment. As it relates to debt securities, if we do not expect to recover the amortized basis, do not plan to sell the security and if it is not more likely than not that we would be required to sell a security before the recovery of its amortized cost, the other-than-temporary impairment would be recognized. We would recognize the credit loss portion through earnings in the income statement and the noncredit loss portion in accumulated other comprehensive loss.

Deferred Acquisition Costs

Incremental direct costs, net of amounts ceded to reinsurers, that result directly from and are essential to a product sale and would not have been incurred by us had the sale not occurred, are capitalized, to the extent recoverable, and amortized over the life of the premiums produced. Recoverability of deferred acquisition costs is evaluated periodically by comparing the current estimate of the present value of expected pretax future profits to the unamortized asset balance. If this current estimate is less than the existing balance, the difference is charged to expense.

Value of Business Acquired

Value of business acquired (VOBA) represents the estimated value assigned to purchased companies or insurance in-force of the assumed policy obligations at the date of acquisition of a block of policies. At least annually, a review is performed of the models and the assumptions used to develop expected future profits, based upon management's current view of future events. VOBA is reviewed on an ongoing basis to determine that the unamortized portion does not exceed the expected recoverable amounts. Management's view primarily reflects our experience but can also reflect emerging trends within the industry. Short-term deviations in experience affect the amortization of VOBA in the period, but do not necessarily indicate that a change to the long-term assumptions of future experience is warranted. If it is determined that it is appropriate to change the assumptions related to future experience, then an unlocking adjustment is recognized for the block of business being evaluated. Certain assumptions, such as interest spreads and surrender rates, may be interrelated. As such, unlocking adjustments often reflect revisions to multiple assumptions. The VOBA balance is immediately impacted by any assumption changes, with the change reflected through the statements of comprehensive income as an unlocking adjustment in the amount of VOBA amortized. These adjustments can be positive or negative with adjustments reducing amortization limited to amounts previously deferred plus interest accrued through the date of the adjustment.

In addition, we may consider refinements in estimates due to improved capabilities resulting from administrative or actuarial system upgrades. We consider such enhancements to determine whether and to what extent they are associated with prior periods or simply improvements in the projection of future expected gross profits due to improved functionality. To the extent they represent such improvements, these items are applied to the appropriate financial statement line items in a manner similar to unlocking adjustments.

VOBA is also reviewed on an ongoing basis to determine that the unamortized portion does not exceed the expected recoverable amounts. If it is determined from emerging experience that the premium margins or gross profits are less than the unamortized value of business acquired, then the asset will be adjusted downward with the adjustment recorded as an expense in the current period.

Goodwill

Goodwill represents the excess of the amounts paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. Goodwill is tested for impairment at least annually in the fourth quarter or more frequently if events or circumstances change that would indicate that a triggering event has occurred.

We assess the recoverability of indefinite-lived intangible assets at least annually or whenever events or circumstances suggest that the carrying value of an identifiable indefinite-lived intangible asset may exceed the sum of the future discounted cash flows expected to result from its use and eventual disposition. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

Reinsurance

In the normal course of business, we seek to limit aggregate and single exposure to losses on risk by purchasing reinsurance. The amounts reported in the consolidated balance sheets as reinsurance recoverable include amounts billed to reinsurers on losses paid as well as estimates of amounts expected to be recovered from reinsurers on insurance liabilities that have not yet been paid. Reinsurance recoverable on unpaid losses are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Insurance liabilities are reported gross of reinsurance recoverable. Management believes the recoverables are appropriately established. We diversify our credit risks related to reinsurance ceded. Reinsurance premiums are generally reflected in income in a manner consistent with the recognition of premiums on the reinsured contracts. Reinsurance does not extinguish our primary liability under the policies written. We regularly evaluate the financial condition of our reinsurers including their activities with respect to claim settlement practices and commutations, and establish allowances for uncollectible reinsurance recoverable as appropriate.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies, including traditional life insurance and annuities. Generally, amounts are payable over an extended period of time. Liabilities for future policy benefits of traditional life insurance have been computed by using a net level premium method based upon estimates at the time of issue for investment yields, mortality and withdrawals. These estimates include provisions for experience less favorable than initially expected. Mortality assumptions are based on industry experience expressed as a percentage of standard mortality tables. Such liabilities are reviewed quarterly by an independent consulting actuary.

Income Taxes

Deferred tax assets are recorded based on the differences between the financial statement and tax basis of assets and liabilities at the enacted tax rates. The principal assets and liabilities giving rise to such differences are investments, insurance reserves, and deferred acquisition costs. A deferred tax asset valuation allowance is established when there is uncertainty that such assets would be realized. We have no uncertain tax positions we believe are more-likely-than-not that the benefit will not to be realized.

Recognition of Revenues

Revenues on traditional life insurance products consist of direct and assumed premiums reported as earned when due.

Amounts received as payment for annuities are recognized as deposits to policyholder account balances and included in future insurance policy benefits. Revenues from these contracts are comprised of investment earnings of the deposits, which are recognized over the period of the contracts, and included in revenue. Deposits are shown as a financing activity in the Consolidated Statements of Cash Flows.

Merger

On May 23, 2017, the Company entered into a definitive merger agreement with NPCC. The Merger closed on July 31, 2017. NPCC shareholders received .5841 shares of USAC Common Stock for each share of NPCC stock owned. USAC issued 1,644,458 shares of USAC Common Stock to holders of NPCC shares.

New Accounting Standards

A detailed discussion of new accounting standards is provided in the Notes to Consolidated Financial Statements beginning on p. F-7 of this report.

Discussion of Consolidated Results of Operations

Revenues. Insurance revenues are primarily generated from premium revenues and investment income. Insurance revenues for the years ended December 31, 2017 and 2016 are summarized in the table below.

	Years Ended December 31, **2017**	2016
Income:		
Premium income	**$ 10,773,246**	$ 5,948,978
Net investment income	**817,989**	449,951
Net realized gain (loss) on sale of securities	**430,565**	100,378
Other income	**50,057**	87,566
Total income	**$ 12,071,857**	**$ 6,586,873**

Premium revenue: Premium revenue for the year ended December 31, 2017 was $10,773,246 compared to $5,948,978 in 2016, an increase of $4,824,268. USALSC entered into a coinsurance transaction with American Life and Security Corporation ("ALSC") effective September 30, 2017. This agreement resulted in the immediate recognition of $3,854,902 of assumed premiums and is the primary driver of the increase in premiums. Direct written premiums also increased 22% from the prior year.

Direct, assumed and ceded premiums for the years ended December 31, 2017 and 2016 are summarized in the following table.

	Years Ended December 31, **2017**	**2016**
Direct	**$ 3,167,654**	$ 2,592,243
Assumed	**7,826,619**	3,500,758
Ceded	**(221,027)**	(144,023)
Total	**$ 10,773,246**	$ 5,948,978

The Company is pursuing new product and distribution opportunities to increase premium production. The acquisition of DCLIC and the reinsurance agreement with ALSC are designed to increase future premiums.

Investment income, net of expenses: The components of net investment income for the years ended December 31, 2017 and 2016 are as follows:

	Years Ended December 31,	
	2017	2016
Fixed maturities	**$ 497,866**	$ 304,213
Equity securities	**373,141**	189,274
Cash and short term investments	**6,275**	2,504
	877,282	495,991
Less investment expenses	**(59,293)**	(46,040)
	$ 817,989	$ 449,951

Net investment income for 2017 was $817,989, compared to $449,951 in 2016, an increase of $368,038. This increase in investment income is primarily a result of increased invested assets as a result of our premium income, merger with NPCC, and coinsurance agreement with ALSC as well as an improvement in our book yield.

Net realized gains on investments: Net realized gains on investments for the years ended December 31, 2017 were $430,565, compared to $100,378 in 2016, an increase of $330,187. The increase in realized gains is attributable to the repositioning of an equity portfolio from a market return focus to an income focus. Additionally, during the third quarter we reduced our equity exposure in order to facilitate our reinsurance transaction with ALSC. Realized gains and losses related to the sale of securities for the years ended December 31, 2017 and 2016 are summarized as follows:

	Years Ended December 31,	
	2017	2016
Gross gains	**$ 499,568**	$ 122,192
Gross losses	**(69,003)**	(21,814)
Net security gains	**$ 430,565**	$ 100,378

Other income: Other income for the year ended December 31, 2017 was $50,057 compared to $87,566 in 2016, a decrease of $37,509. This decrease is due to the acquisition of DCLIC, who was previously a third-party administration client.

Expenses. Expenses for the year ended December 31, 2017 and 2016 are summarized in the table below.

	Years Ended December 31,	
	2017	2016
Expenses:		
Death claims	**$ 823,545**	$ 475,815
Policyholder benefits	**3,485,564**	3,136,999
Increase in policyholder reserves	**5,654,476**	1,686,841
Commissions, net of deferrals	**521,155**	457,671
Amortization of deferred acquisition costs	**321,451**	153,671
Amortization of value of business acquired	**8,460**	-
Salaries & benefits	**990,076**	752,534
Other operating expenses	**1,316,162**	1,209,115
Total expense	**$ 13,120,889**	$ 7,872,646

Death claims: Death benefits were $823,545 in the year ended December 31, 2017 compared to $475,815 in 2016, an increase of $347,730. This increase is attributable to the growth of our in-force block of life insurance policies. The majority of death claims paid from inception have been on pre-need policies. We expect these claims to grow as we continue to increase the size of our in-force pre-need business.

Policyholder benefits: Policyholder benefits were $3,485,564 in the year ended December 31, 2017 compared to $3,136,999 in 2016, an increase of $348,565. The primary driver of this increase is the growth of our assumed business and is more than offset by the increased premiums associated with this block of assumed policies.

Increase in policyholder reserves: Policyholder reserves increased $5,654,476 in the year ended December 31, 2017, compared to $1,686,841 in 2016, an increase of $3,967,635. The increase in policyholder reserves is driven by an assumed reserve increase of $3,824,902 incurred with inception of reinsurance transaction with ALSC.

Commissions, net of deferrals: The Company pays commissions to ULIC on a block of assumed policies. Commissions were $521,155 in the year ended December 31, 2017, compared to $457,671 in 2016, an increase of $63,484. This increase is due to an increase in assumed premiums.

Amortization of deferred acquisition costs: The amortization of deferred acquisition costs was $321,451 in the year ended December 31, 2017, compared to $153,671 in 2016, an increase of $167,780. This increase is due to amortization of the deferred cost of reinsurance on our ALSC reinsurance transaction.

Salaries and benefits: Salaries and benefits were $990,076 for the year ended December 31, 2017, compared to $752,534 in 2016, an increase of $237,542. The increase is primarily attributable to additional staff as a result of our merger with NPCC.

Other expenses: Other operating expenses were $1,316,162 in the year ended December 31, 2017, compared to $1,209,115 in 2016, an increase of $107,047. The increase is driven by marketing costs and professional fees associated with our growing business.

Net Loss: Our net loss was $1,049,032 in the year ended December 31, 2017 compared to net loss of $1,285,773 in the same period of 2016, a decrease of $236,741. This decrease is attributable to growth in our invested assets and our reinsurance agreement with ALSC offset by our increased operating expenses. Our net loss per share decreased to $0.18 from $0.24 in 2016, basic and diluted.

Discussion of Consolidated Balance Sheet

<u>Assets</u>. Assets have increased to $38,988,337 as of December 31, 2017, an increase of $19,191,989 from December 31, 2016. This is primarily the result of the growth of our available for sale assets.

Available for sale fixed maturity securities: As of December 31, 2017, we had available for sale fixed maturity assets of $22,945,700, an increase of $12,625,626 from the December 31, 2016 balance of $10,320,074. This growth is driven by our Merger with NPCC and our reinsurance agreement with ALSC.

Available for sale equity securities: As of December 31, 2017, we had available for sale equity assets of $10,663,515, an increase of $5,520,011 from the December 31, 2016 balance of $5,143,504. This growth is driven by our Merger with NPCC and our reinsurance agreement with ALSC.

Cash and cash equivalents: As of December 31, 2017, we had cash and cash equivalent assets of $651,809, a decrease of $2,493,936 from the December 31, 2016 balance of $3,145,745. This decrease was the result of deploying more cash into invested assets to provide additional investment earnings.

Investment income due and accrued: As of December 31, 2017, our investment income due and accrued was $214,998 compared to $100,713 as of December 31, 2016. This increase is attributable to the growth of our invested assets.

Policy loans: As of December 31, 2017, our policy loans were $33,975. All of our policy loans were the result of our coinsurance agreement with ALSC and we had no policy loans prior to this transaction.

Reinsurance related assets: As of December 31, 2017, our reinsurance related assets were $249,879 compared to $31,390 as of December 31, 2016. This increase is the result of the growth of our reinsured business.

Deferred acquisition costs, net: As of December 31, 2017, our deferred acquisition costs were $2,963,057 compared to $153,792 as of December 31, 2016. The growth is the result of the cost of reinsurance deferred on our coinsurance agreement with ALSC in the amount of $2,861,450.

Value of business acquired, net: As of December 31, 2017, our value of business acquired asset was $600,601. This asset was established in the third quarter of 2017 as a result of our acquisition of DCLIC.

Property, equipment and software, net: As of December 31, 2017, our property, equipment and software assets were $221,077, a decrease of $23,772 from the December 31, 2016 balance of $244,849. This decrease is a result of normal amortization during the period. We did purchase additional office furniture and equipment in 2017.

Goodwill: As of December 31, 2017, our goodwill was $277,542. Goodwill was established as a result of our merger with NPCC and we had no previous goodwill balances.

Other assets: As of December 31, 2017, our other assets were $166,184, an increase of $114,262 from the December 31, 2016 balance of $51,922. This increase was driven by our purchase of pre-paid systems consulting hours.

Liabilities. Our total liabilities were $25,052,635 as of December 31, 2017, an increase of $17,241,629 from our December 31, 2016 liability of $7,811,006.

Policy liabilities: Our total policy liabilities as of December 31, 2017 were $24,945,377 compared to $7,740,329 as of December 31, 2016, an increase of $17,205,048. This increase is the result of our acquisition of DCLIC, our coinsurance agreement with ALSC, new policy sales and the growth of our in-force policies.

Accounts payable and accrued expenses: As of December 31, 2017, our accounts payable and accrued expenses were $98,382 compared to $66,472 as of December 31, 2016, an increase of $31,910. The increase is driven by growth of the Company over the course of 2017.

Shareholders' Equity. Our shareholders' equity was $13,935,702 as of December 31, 2017, an increase of $2,554,719 from our December 31, 2016 shareholders' equity of $11,380,983. The growth in shareholders' equity was driven by our Merger with NPCC, the issuance of new shares of stock, and the growth of accumulated other comprehensive income. This was partially offset by our net loss during the year.

Investments

Our overall investment philosophy is reflected in the allocation of our investments. We emphasize investment grade debt securities with smaller holdings in equity securities and other investments. The following table shows the carrying value of our investments by investment category and cash and cash equivalents, and the percentage of each to total invested assets as of December 31, 2017 and December 30, 2016.

	December 31, 2017		December 31, 2016	
	Fair Value	Percent of Total	Fair Value	Percent of Total
Fixed maturities:				
US Treasury securities	$ 250,750	0.7%	$ 299,162	1.6%
Corporate bonds	12,156,225	35.6%	3,845,896	20.7%
Municipal bonds	6,352,444	18.5%	2,849,829	15.3%
Redeemable preferred stocks	100,520	0.3%	-	0.0%
Mortgage backed and asset backed securities	4,085,761	11.9%	3,325,187	17.9%
Total fixed maturities	22,945,700	67.0%	10,320,074	55.5%
Equities:				
Equities	10,663,515	31.1%	4,942,248	26.5%
Other equity investments	-	0.0%	201,256	1.1%
Total equities	10,663,515	31.1%	5,143,504	27.6%
Cash and cash equivalents	651,809	1.9%	3,145,745	16.9%
Total	$34,261,024	100.0%	$18,609,323	100.0%

The total value of our investments and cash and cash equivalents increased to $34,261,024 as of December 31, 2017 from $18,609,323 at December 31, 2016, an increase of $15,651,701. Increases in investments and cash and cash equivalents are primarily attributable to our Merger with NPCC, our coinsurance agreement with ALSC, and premiums and annuity deposits received by USALSC and DCLIC.

The following table shows the distribution of the credit ratings of our portfolio of fixed maturity securities by carrying value as of December 31.

	December 31, 2017		December 31, 2016	
	Fair Value	Percent of Total	Fair Value	Percent of Total
	(unaudited)		(unaudited)	
AAA and U.S. Government	$ 1,185,345	5.2%	$ 1,080,028	10.5%
AA	8,225,461	35.8%	4,887,863	47.3%
A	4,961,276	21.6%	1,961,311	19.0%
BBB	8,108,313	35.3%	2,194,473	21.3%
BB	265,305	1.2%	196,399	1.9%
Not Rated - Private Placement	200,000	0.9%	-	0.0%
Total	$22,945,700	100.0%	$10,320,074	100.0%

Reflecting the high quality of securities maintained by us, 97.9% of all fixed maturity securities were investment grade as of December 31, 2017. As of December 31, 2016, 98.1% of all fixed maturity securities were investment grade. The increase in non-investment grade securities was driven by the purchase of a non-rated privately placed security.

The amortized cost and fair value of debt securities as of December 31, 2017 and 2016, by contractual maturity, are shown below. Equity securities do not have stated maturity dates and therefore are not included in the following maturity summary. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	As of December 31, 2017, Amortized Cost	Fair Value	As of December 31, 2016, Amortized Cost	Fair Value
Amounts maturing in:				
One year or less	$ -	$ -	$ 49,915	$ 49,931
After one year through five years	612,088	617,562	1,819,437	1,809,470
After five years through ten years	1,910,307	1,945,454	1,646,576	1,643,823
More than 10 years	15,740,739	16,196,403	3,468,619	3,491,663
Redeemable preferred stocks	99,560	100,520	-	-
Mortgage backed and asset backed securities	4,077,011	4,085,761	3,333,617	3,325,187
	$22,439,705	$22,945,700	$10,318,164	$10,320,074

Market Risk of Financial Instruments

We hold a diversified portfolio of investments that primarily includes cash, bonds and equity securities. Each of these investments is subject to market risks that can affect their return and their fair value. A majority of the investments are fixed maturity securities including debt issues of corporations, US Treasury securities, or securities issued by government agencies. The primary market risks affecting the investment portfolio are interest rate risk, credit risk, and equity risk.

Interest Rate Risk

Interest rate risk arises from the price sensitivity of investments to changes in interest rates. Interest represents the greatest portion of an investment's return for most fixed maturity securities in stable interest rate environments. The changes in the fair value of such investments are inversely related to changes in market interest rates. As interest rates fall, the interest and dividend streams of existing fixed-rate investments become more valuable and fair values rise. As interest rates rise, the opposite effect occurs.

We attempt to mitigate our exposure to adverse interest rate movements through laddering the maturities of the fixed maturity investments and through maintaining cash and other short term investments to assure sufficient liquidity to meet our obligations and to address reinvestment risk considerations. Due to the composition of our book of insurance business, management believes it is unlikely that we would encounter large surrender activity due to an interest rate increase that would force the disposal of fixed maturities at a loss.

Credit Risk

We are exposed to credit risk through counterparties and within the investment portfolio. Credit risk relates to the uncertainty associated with an obligor's ability to make timely payments of principal and interest in accordance with the contractual terms of an instrument or contract. We manage our credit risk through established investment policies and guidelines which address the quality of creditors and counterparties, concentration limits, diversification practices and acceptable risk levels. These policies and guidelines are regularly reviewed and approved by senior management and USAC's Board of Directors.

Liquidity and Capital Resources

Since inception, our operations have been financed primarily through the sale of USAC Common Stock. Our operations have not been profitable and have generated significant operating losses since we were incorporated in 2009.

Aside from raising capital, which has funded the vast majority of our operations, premium income, deposits to policyholder account balances, and investment income are the primary sources of funds while withdrawals of policyholder account balances, investment purchases, policy benefits in the form of claims, and operating expenses are the primary uses of funds. To ensure we will be able to pay future commitments, the funds received as premium payments and deposits are invested in primarily fixed income securities. Funds are invested with the intent that the income from investments, plus proceeds from maturities, will in the future meet our ongoing cash flow needs. The approach of matching asset and liability durations and yields requires an appropriate mix of investments. Our investments consist primarily of marketable debt securities that could be readily converted to cash for liquidity needs. Cash flow projections and cash flow tests under various market interest scenarios are also performed annually to assist in evaluating liquidity needs and adequacy.

Net cash provided by operating activities was $593,160 for the year ended December 31, 2017. The primary sources of cash from operating activities were premiums received from policyholders. The primary uses of cash for operating activities were for payments of commissions to agents and settlement of policy liabilities. Net cash used in investing activities was $5,007,794. The primary source of cash was from sales of available for sale securities, our Merger with NPCC and our reinsurance agreement with ALSC. Offsetting this source of cash was our purchases of investments in available-for-sale securities. Cash provided by financing activities was $1,920,698. The primary sources of cash were receipts on deposit-type contracts and issuance of USAC Common Stock.

At December 31, 2017, we had cash and cash equivalents totaling $651,809. We believe that our existing cash and cash equivalents along with our cash flow from operations will be sufficient to fund the anticipated operating expenses and capital expenditures through at least 2018. We have based this estimate upon assumptions that may prove to be wrong and we could use our capital resources sooner than we currently expect. The growth of USALSC and DCLIC, our insurance subsidiaries, is uncertain and will require additional capital if they continue to grow.

Impact of Inflation

Insurance premiums are established before the amount of losses, or the extent to which inflation may affect such losses and expenses, are known. We attempt, in establishing premiums, to anticipate the potential impact of inflation. If, for competitive reasons, premiums cannot be increased to anticipate inflation, this cost would be absorbed by us. Inflation also affects the rate of investment return on the investment portfolio with a corresponding effect on investment income.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

FINANCIAL STATEMENTS

The Company's consolidated financial statements, comprised of its consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive loss, changes in stockholders' equity and cash flows for the years ended and the related notes to the consolidated financial statements are attached as Appendix I. Audited consolidated financial statements for the Company since inception are available on our website at www.usalliancecorporation.com.

DESCRIPTION OF SECURITIES

The Company is presently authorized to issue 9,000,000 shares of Common Stock, $.10 par value, and 1,000,000 shares of Preferred Stock, $5.00 par value. As of February 9, 2017, there were a total of 5,569,765 shares of Common Stock issued and outstanding. As of the same date, no shares of Preferred Stock were outstanding. The Company intends to issue 1,479,483 Additional Shares of Common Stock in this Offering if this Offering is fully subscribed. There will be 7,049,248 shares of Common Stock issued and outstanding after the Offering if the maximum number of Additional Shares are sold.

Description of Common Stock. The holders of Common Stock are entitled to one vote for each share of Common Stock held of record in each matter submitted to a vote of stockholders. Cumulative voting in the election of directors is not permitted. One-third (1/3) of the outstanding shares of Common Stock entitled to vote constitutes a quorum at any stockholder meeting. There are no preemptive or other subscription rights, conversion rights, registration or redemption provisions with respect to any shares of Common Stock.

Holders of Common Stock are entitled, subject to the prior rights of holders of any Preferred Stock then outstanding, to such dividends as the Board of Directors, in its discretion, may declare out of legally available funds. In the event of liquidation, holders of Common Stock are entitled, subject to the prior rights of holders of any Preferred Stock then outstanding, to participate pro rata in all assets, if any, of the Company remaining after the payment of all liabilities.

Description of Preferred Stock. The Board of Directors of the Company, without further action by the stockholders, may issue shares of Preferred Stock and may fix or alter the voting rights, redemption provisions (including sinking fund provisions), dividend rights, dividend rates, liquidation preferences, conversion rights, and the designation of a number of shares constituting any wholly unissued series of preferred stock.

No shares of Preferred Stock have been issued and it is not contemplated any shares of Preferred Stock will be issued during the 2015 Offering as described herein.

MANAGEMENT

The Officers and Directors of the Company are as follows:

Name	Age	Position
Jack H. Brier	71	Chairman of the Board, President, CEO, and Director, USAC, USALSC, USAMC, & USAIC
Kurt Scott	57	Treasurer and Director, USAC, USALSC, USAMC, & USAIC
James M. Concannon	70	Director, USAC, USALSC, USAMC, & USAIC
Rochelle Chronister	78	Director, USAC, USALSC, USAMC, & USAIC
William Graves	65	Director, USAC, USALSC, USAMC, & USAIC
Rebecca Kinsinger	59	Secretary, USAC, USALSC, USAMC, & USAIC
Don Schepker	69	Vice Chairman of the Board, USALSC
Jeffrey Brown	45	Executive Vice President and Chief Operating Officer, USALSC

The Directors are elected at the annual meeting of stockholders held on the first Monday in June each year and serve in this capacity until the next annual meeting of stockholders, or until their successors are duly elected and qualified. The President serves at the direction of the Board of Directors and was elected June 5, 2017. The following is a brief description of the previous business background of the executive officers and directors.

Jack H. Brier currently serves as the Chairman of the Board of Directors, President, and Chief Executive Officer of the Company and has served in those positions since 2009. He also has served as Chairman of the Board of Directors, President, and Chief Executive Officer of US Alliance Life and Security Company since 2011, and US Alliance Investment Corporation and US Alliance Marketing Corporation since 2012. Mr. Brier is the Chairman of Brier Development Co. Inc. He served Kansas as Secretary of State from 1978 through 1987, and as President of Kansas Development Finance Authority from 2000 to 2003. Mr. Brier attended Shawnee Mission public schools. He has a degree in Business Administration from Washburn University and has done graduate study in public administration at the University of Kansas. Mr. Brier is on the Board of Directors of Financial Institution Technologies. Mr. Brier brings to the Board his extensive experience as a founder, the Chief Executive Officer and Chairman of the Board of the Company. He has in-depth knowledge of the Company's business, strategy and management team. Mr. Brier also has extensive community relations experience with his involvement in civic, business, and philanthropic organizations in the Topeka area.

Rochelle R. Chronister serves as a Director of the Company and has served in that position since 2009. She also has served as a Director of US Alliance Life and Security Company since 2011, and US Alliance Investment Corporation and US Alliance Marketing Corporation since 2012. Ms. Chronister served in the Kansas House of Representatives from 1979 to 1995, where she was Chair of the House Appropriations Committee, the House Education Committee, and the Joint House and Senate Committee for Economic Development. From May of 1995 to October of 1999, Ms. Chronister served as the Secretary of the Kansas Department of Social and Rehabilitation Services ("SRS"). She was responsible for the formation of a public-private partnership for reorganization of child protective services making Kansas the first state in the country to contract for services to children-in-need of care for family preservation, adoption and foster care. Ms. Chronister formed an organization with four other Cabinet Secretaries, Connect Kansas, to encourage community coordination for services to children. She received her Bachelor of Arts in Microbiology from the University of Kansas in 1961. At the University of Kansas, she was a member of the Mortar Board honorary society and President of Sellards Scholarship Hall. The Board believes that Ms. Chronister should serve as a director because of her knowledge and expertise in economic development, and extensive community relations experience with her involvement in civic and community organizations in Kansas.

James M. Concannon III serves as a Director of the Company and has served in that position since 2009. He also has served as a Director of US Alliance Life and Security Company since 2011, and US Alliance Investment Corporation and US Alliance Marketing Corporation since 2012. Professor Concannon served as Dean of Washburn University School of Law from 1988-2001. Since he stepped down as Dean, he has continued to serve as a Professor of Law at Washburn and holds the title of Senator Robert J. Dole Distinguished Professor of Law. He is licensed to practice in state courts in Kansas, the U.S. District Court for Kansas, the U.S. Court of Appeals for the Tenth Circuit and the Supreme Court of the United States. Mr. Concannon received the 2012 Justice Award from the Kansas Supreme Court. He served as Research Attorney for the Kansas Supreme Court and was a Visiting Professor at Washington University School of Law in St. Louis. He was a Senior Contributing Editor of *Evidence in America: The Federal Rules in the States* and serves on the National Conference of Commissioners on Uniform State Laws. Mr. Concannon received his Bachelor of Science from the University of Kansas in 1968 and his Juris Doctorate from the University of Kansas School of Law in 1971. He currently serves as an Independent Trustee of the Waddell & Reed Advisors Funds, Ivy Funds, the Ivy Funds Variable Insurance Portfolios and the Ivy InvestEd 529 Funds. Professor Concannon's board experience as well as his extensive legal background are benefits he brings to our Board.

William P. Graves serves as a Director and has served in that position since 2014. He also has served as a Director of US Alliance Life and Security Company, US Alliance Investment Corporation, and US Alliance Marketing Corporation since 2014. He most recently served as President and CEO of the American Trucking Associations from 2003 through 2016. Mr. Graves serves on the board of the International Speedway Corp, the leading promoter of motorsport racing in America, where he serves on the audit, compensation, nominating, and corporate governance committees. In January 2003, Mr. Graves completed his second term as governor of Kansas, capping 22 years of service to the state. As governor, he enacted significant business and individual tax cuts, re-structured governance of higher education, privatized many social service programs and signed into law an historic 10-year, $13 billion comprehensive transportation program improving highways, railroad infrastructure, airports, and public transit service. Mr. Graves earned a degree in Business Administration from Kansas Wesleyan University in his hometown of Salina and attended graduate school at the University of Kansas. Mr. Graves brings us business, strategic, and operational expertise through his years of public sector leadership and private sector experience.

Kurt L. Scott serves as a Director and as Treasurer of the Company and has served in that position since 2009. He also has served as a Director and Treasurer of US Alliance Life and Security Company since 2011, and US Alliance Investment Corporation and US Alliance Marketing Corporation since 2012. From 1989 to the present he has been an officer of Kansas Medical Mutual Insurance Company, first serving as Chief Financial Officer and since 2011 as Chief Executive Officer, and as President and CEO of KaMMCO Health Solutions, Inc. from 2014 to the present. From 1983 to 1989, Mr. Scott served as Chief Examiner with the Kansas Department of Insurance. He currently serves on the Board of Directors of the Physician Insurers Association of America (PIAA) and the Board of Directors of Topeka Country Club. He received a Bachelor of Science degree in Business Administration with a major in Accounting from Kansas State University in 1983. Mr. Scott's extensive insurance regulatory experience, financial experience, and insurance experience are benefits he brings to our Company.

Rebecca Kinsinger serves as Corporate Secretary. Ms. Kinsinger has served in that capacity since May 2011. From 2002 to 2011 she served as an administrative assistant at Hewlett Packard. From 1995 to 2001, Ms. Kinsinger worked as a life and health insurance agent in Kansas, Texas, and Florida.

Donald Schepker serves as Vice Chairman of the Board of US Alliance Life and Security Company. Mr. Schepker is a senior financial executive with more than 30 years of experience in a wide variety of financial disciplines. He previously served as president and executive director of the Stormont-Vail Foundation and as senior vice president and CFO of Security Benefit Group, both headquartered in Topeka, Kansas. During his time at Security Benefit Group, an international life and financial services company, Mr. Schepker grew the company's assets to $10 billion, an increase of over 600%. He is a former partner in the Accounting and Auditing Services division of Deloitte & Touche, LLP, and a member of the Financial Executives International group and the American Institute of Certified Public Accountants. Mr. Schepker holds a Bachelor of Science degree in Commerce with a major in Accounting.

Jeffrey Brown serves as Executive Vice President and Chief Operating Officer of US Alliance Life and Security Company. Mr. Brown has served in that capacity since November 2011. From 2001 to 2011 he served in various executive positions as AmerUs Annuity Group (Aviva USA) including Vice President and Actuary, Senior Vice President and Actuary, and Vice President of Finance Transformation. From 1995 to 2001, Mr. Brown worked in various actuarial positions including group life actuary at Fortis Benefits Insurance Company (Assurant

Employee Benefits). He served on the Board of Directors of Cair Paravel Latin School. Mr. Brown received his Bachelor of Arts degree in Mathematics (Actuarial Science Specialization) from Washburn University in 1995. He is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

As of the date of this Post-Effective Amendment, the following members of the Board of Directors serve on the following Board committees:

Committee	Members	Compensation
Executive Committee	Jack Brier (Chair) James Concannon Kurt Scott	$400/month
Audit Committee	Kurt Scott (Chair) Rochelle Chronister William Graves Jack Brier (ex officio)	-
Compensation Committee	James Concannon (Chair) Kurt Scott William Graves	-
Investment Committee	Jack Brier (Chair) James Concannon Kurt Scott	-
Nominating Committee	Jack Brier (Chair) Rochelle Chronister James Concannon William Graves Kurt Scott	-

REMUNERATION OF MANAGEMENT

Executive Compensation. The current compensation of management and executive officers is as follows:

Name	Title	Total Compensation (2016)
Jack H. Brier	Chairman of the Board of Directors, President and Chief Executive Officer	$294,645(1)
Jeffrey Brown	Chief Operating Officer and Executive Vice President of USALSC	$263,150(2)

(1) Consists of base salary of $200,000, and bonus and additional compensation of $94,645.
(2) Consists of base salary of $150,000, and bonus of $113,500.

The compensation of Mr. Brier is determined based on the recommendation of the Compensation Committee of the Board of Directors, which Committee consists solely of directors we deem to be independent. The Committee's recommendation for Mr. Brier's compensation for 2016 was approved by the full Board, with Mr. Brier abstaining. The committee has also determined that Mr. Brier's base salary will remain the same for 2017 as for 2016 and prior years. Mr. Brier will receive additional compensation for additional responsibilities undertaken by him in conjunction with the registration of the Shares offered hereby equal to 2% of the proceeds of such Offering.

Mr. Brown's compensation is determined by the President of USAC.

SECURITY OWNERSHIP and BOARD COMPENSATION

The following table sets forth information regarding the ownership and control of the outstanding shares of the Company's common stock, $0.10 par value, as of December 31, 2017, and as of the completion of this Offering, assuming all Additional Shares offered are sold, but not including the effects of an "over-sale".

Name of Beneficial Owner	Amount Beneficially Owned (as of 12/31/2017)	Percent of Class (as of 12/31/2017)	Percent Beneficially Owned after the Offer (Maximum)	2017 Board Compensation
Jack H. Brier, Chairman of the Board of Directors & President	414,800[1]	5.67%	4.77%	$9,050
Rochelle Chronister, Director	50,000	.68%	.58%	$4,250
James Concannon, Director	50,000	.68%	.58%	$9,050
Kurt Scott, Director	50,000	.68%	.58%	$9,050
William Graves, Director	60,000	.82%	.69%	$2,750
Jeffrey Brown, Director and COO & Vice President of USALSC	55,000	0.75%	.63%	-
Officers and Directors as a group	679,800	9.28%	7.83%	
All other stockholders	6,631,139	90.72%	92.17%	
TOTALS	7,310,939	100.0%	100.0%	

(1) Includes 20,000 shares owned by Brier Development Company, Inc. of which Jack H. Brier is the sole owner.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

For serving as an officer of the Company, the Company has agreed to pay Mr. Brier the compensation specified in "Remuneration of Management – Executive Compensation".

SHARES ELIGIBLE FOR FUTURE SALES

Prior to the 2015 Offering, there has been no market for the Common Stock of the Company, and it is anticipated that a market will not develop in the immediate future after the 2015 Offering. The effect, if any, of future public sales of the Common Stock described above on the market price of the Company's Common Stock cannot be predicted.

Share Escrow Agreement. All 1,200,000 Promotional Shares sold in the Company's initial private placement to Company founders at $.20 share were initially placed in escrow pursuant to the terms of a Promotional Shares Escrow Agreement (the "Share Escrow Agreement") pending completion of the Company's 2010 Offering and satisfaction of the release conditions described in the Share Escrow Agreement.

Under the terms of the Share Escrow Agreement, the Promotional Shares subject thereto may be released pro rata among the owners of the Promotional Shares beginning three years after the completion date of the 2010 Offering, in quarterly increments of two and one-half percent (2½%). All remaining Promotional Shares will be released from escrow on the fifth anniversary of the completion date of the registered offering. In the event Promotional Shares in the escrow become "Covered Securities," as defined in Section 18(b)(1) of the Securities Act, the Escrow Agent must release all Promotional Shares held in escrow.

As of the date of this Post-Effective Amendment No. 3, no Promotional Shares have been released from escrow. Notwithstanding the Share Escrow Agreement, the Board of Directors approved a resolution as follows:

"Be it Resolved that the Promotional Share Escrow Agreement dated February 24, 2010 remains in effect with respect to the warrant offering in the prospectus dated February 24, 2015 and that the release of promotional shares under that agreement will commence three years after the April 1, 2016 date of expiration of the warrant offering."

During the term of the Share Escrow Agreement, the depositing stockholders retain all voting and dividend rights with respect to the Promotional Shares held in escrow. The Promotional Shares may not, however, be sold or otherwise disposed of for value prior to termination of the Share Escrow Agreement. All Promotional Shares will be released from escrow pursuant to the terms of the Share Escrow Agreement by February 24, 2018.

PLAN OF DISTRIBUTION

The Company is offering up to a maximum 1,500,000 Additional Shares on a best efforts basis only through a network of agents, hired, trained and registered as agents of USAC with the Office of the Kansas Securities Commissioner.

Commission expense will not exceed 10% of the amount of the Shares sold. In addition, the agents may receive prizes and other incentives for their sales efforts.

The purchase price shall be payable in cash prior to the issuance of Shares.

This Offering will continue until all Shares offered are sold or until February 24, 2019, whichever occurs first. The Company, in its discretion, may extend the Offering by filing an amendment extending the 2015 Offering with, and subject to the approval by, the office of Kansas Securities Commissioner.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of December 31, 2017, and as adjusted pro forma capitalization as of such date to give effect to maximum Additional Shares offered hereby. This table should be read together with the balance sheet of the Company as of December 31, 2017, included herein.

	Actual at December 31, 2017	(Maximum Offering Amt) As Adjusted (1)
Stockholders' Equity: Common Stock, $.10 par value, 9,000,000 shares authorized, 5,565,943 shares outstanding (as adjusted, 7,049,248) Preferred Stock, $5.00 par value, 1,000,000 shares authorized, none issued	$731,095	$869,372
Additional Paid-in Capital	21,280,437	30,821,529
Accumulated Deficit	(8,481,268)	(8,481,268)
Accumulated OCI (Other Comprehensive Income)	405,438	405,438
Total Stockholders' Equity	$13,395,702	$23,615,071

(1) Assumes net proceeds from the 2015 Offering of $8,227,464.

LEGAL MATTERS

The validity of the Securities offered hereby has been passed upon for the Company by Law Offices of Lathrop & Gage LLC, Overland Park, KS.

INDEPENDENT AUDITORS

The financial statements of the Company as of and for the year ended December 31, 2017 and 2016 included in the Post-Effective Amendment were audited by Kerber, Eck & Braeckel LLP, Springfield, IL.

ANNUAL REPORTS TO STOCKHOLDERS

The Company supplies annual reports of its financial condition to all holders of its securities and such reports contain financial statements that will be examined and reported upon by an independent certified public accountant. Such financial statements are prepared in accordance with generally accepted accounting principles.

On May 2, 2016, we filed a Form 10 Registration Statement (the "Registration Statement") with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"), to register the Shares in accordance with Section 12(g) of the Exchange Act, which requires registration of any class of securities issued by a company with more than $10 million in total assets and held by 2,000 or more persons, or 500 persons who do not quality as "accredited investors." Upon effectiveness of the Registration Statement, we became subject to the reporting requirement of the Exchange Act and are obligated to file annual reports, quarterly and current reports with the SEC, as well as comply with the SEC's proxy solicitation rules, and management and significant stockholder ownership reporting requirements.

EXHIBIT A

4123 SW Gage Center Dr., Suite 240
Topeka, KS 66604

Subscription Agreement

Purchase Form

The undersigned hereby acknowledges receipt of the Post-Effective Amendment 3 dated February 24, 2018, relating to the offering of 1,500,000 shares of the Common Stock (the "Shares") of US Alliance Corporation, a Kansas corporation ("USAC" or the "Company"), under the terms and conditions in the Post-Effective Amendment 3. The undersigned agrees to the purchase of _________ Shares of the Company, and herewith makes payment in full of the purchase price of $7.00 per Share.

The Company is instructed to issue certificates for such Shares and to deliver the same at the address indicated.

The undersigned hereby represents and warrants as follows (please separately initial each representation made below):

	Yes	No	
1.			(a) At the time of the purchase of your shares in the Company, does your individual net worth or joint net worth with your spouse exceed $1,000,000 (this does not include the value of the individual's primary residence or debt secured by the primary residence)?
2.			(b) In each of the two years preceding the purchase of your Shares in the Company, did your individual income exceed $200,000 or did joint income with your spouse exceed $300,000 and do you have a reasonable expectation of reaching the same income level in the year in which you are purchasing the Shares?

	Primary Investor	Joint Investor	
3.			(a) The undersigned agrees and acknowledges that the Shares acquired may not be sold or otherwise transferred until at least nine (9) months after completion of the Company's 2015 Offering (as defined in the Post-Effective Amendment 3).
4.			(b) The purchase of Shares pursuant thereto is made for investment and not for resale or other distribution.
5.			(c) The undersigned has carefully reviewed the Post-Effective Amendment 3 and relied solely on the Post-Effective Amendment 3 and any related information otherwise provided to it in writing by the Company in deciding to subscribe for the Shares.
6.			(d) The undersigned understands the risks associated with an investment in the Shares and the meaning and legal consequences of the representations contained herein.
7.			(e) The undersigned is a resident of the state of Kansas and the address set forth below is his/her true and current address.

If you answer "Yes" to #1 or #2 above, you do not need to answer #10 or #11 below.

Subscriber Acknowledgement. Please separately initial each of the statements/representations below. Except in the case of fiduciary accounts, you may not grant any person a power of attorney to make such statements/representations. In order to induce the Corporation to accept this subscription, I/we hereby represent and warrant to you as follows:

	Primary Investor	Joint Investor	
8.			(a) **I/WE MAY CANCEL OR RESCIND THIS SUBSCRIPTION WITHIN 5 BUSINESS DAYS OF THE DATE OF THE SUBSCRIPTION.**
9.			(b) I/we understand my/our subscription agreement copy will serve as my/our receipt for my/our stock and that under the law I/we will not receive my/our stock until 120 days.
10.			(c) I/we have a minimum annual gross income of $70,000 and minimum net worth of $70,000 exclusive of automobiles, home and home furnishings, OR I/we have a minimum net worth of $250,000, exclusive of automobiles, home and home furnishings.
11.			(d) I/we represent that my/our investment in US Alliance Corporation is 10% or less of my/our liquid net worth. For these purposes, liquid net worth is defined as that portion of total net worth (total assets minus total liabilities) that is comprised of cash, cash equivalents, and readily marketable securities.
12.			(e) The foregoing subscription is made subject to all of the terms set out in the Post-Effective Amendment 3.

Subject to the terms and conditions of this Subscription Agreement and the Post-Effective Amendment 3, the undersigned hereby irrevocably subscribes for and agrees to purchase _________ Shares and tenders herewith a check (check no. _______) in the amount of $ ____________ payable to "**US Alliance Corporation**". This amount represents a total payment of the subscription price for the Shares.

Subscriber	Name in which certificates to be issued if other than Subscriber:
Subscriber Name Printed or Typed / D.O.B	Name
Subscriber's Social Security or Taxpayer I.D. No. / Subscriber's Kansas Driver's License No.	Street Address
Street Address	City, State, Zip / County
City, State, Zip / County	Social Security or Taxpayer I.D. No. / D.O.B
Home Phone No. / Business Phone No.	Email Address
Title and Occupation	**Issue Certificate as follows:**
Subscriber's Email Address / Name Goes By	___ Individual ___ Joint Tenants WROS
I authorize the Company to disclose my name as a subscriber. ____ Yes ____ No	___ Tenants in Common ___ Uniform Gift to Minors ___ Other _____________

Signatures

Signature of Subscriber

Printed Name of Subscriber

Signature of Joint Subscriber

Printed Name of Joint Subscriber

USAlliance Corporation

Subscription Date: ___________________________

By: ____
Registered Agent Agent #

Signed at City: _______________________ , Kansas

By: ____
Split Registered Agent Name and/or Agent #

__ Tax Preparer __ Insurance Agent __ Funeral Home __ Firefighter __ Financial Advisor __ Bank __ Group

I/We acknowledge that I/we will receive one stock certificate for my/our total purchase of shares within 120 days AFTER all future bank drafts have been collected. ______________________________ ______________________________

Signature of Subscriber Signature of Joint Subscriber

NOTES:

APPENDIX I

Financial Statements

US Alliance Corporation

Consolidated Financial Statements
December 31, 2017 and 2016
(With Independent Auditor's Report Thereon)

Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of US Alliance Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of US Alliance Corporation and Subsidiaries (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2017, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Kerber, Eck & Braeckel, LLP

We have served as the Company's auditor since 2016.

Springfield, Illinois
February 21, 2018

US Alliance Corporation
Consolidated Balance Sheets

	December 31, 2017	December 31, 2016
Assets		
Investments:		
Available for sale fixed maturity securities (amortized cost: $22,439,705 and $10,318,164 as of December 31, 2017 and December 31, 2016, respectively)	$ **22,945,700**	$ 10,320,074
Available for sale equity securities (cost: $10,764,072 and $4,905,953 as of December 31, 2017 and December 31, 2016, respectively)	**10,663,515**	5,143,504
Total investments	**33,609,215**	15,463,578
Cash and cash equivalents	**651,809**	3,145,745
Investment income due and accrued	**214,998**	100,713
Policy loans	**33,975**	-
Reinsurance related assets	**249,879**	31,390
Deferred acquisition costs, net	**2,963,057**	153,792
Value of business acquired, net	**600,601**	-
Property, equipment and software, net	**221,077**	244,849
Goodwill	**277,542**	-
Other assets	**166,184**	51,922
Total assets	**$ 38,988,337**	$ 19,191,989
Liabilities and Shareholders' Equity		
Liabilities:		
Policy liabilities		
Deposit-type contracts	$ **13,448,891**	$ 3,398,170
Policyholder benefit reserves	**10,632,009**	4,220,215
Advance premiums	**864,477**	121,944
Total policy liabilities	**24,945,377**	7,740,329
Accounts payable and accrued expenses	**98,382**	66,472
Other liabilities	**8,876**	4,205
Total liabilities	**25,052,635**	7,811,006
Shareholders' Equity:		
Common stock, $0.10 par value. Authorized 20,000,000 shares; issued and outstanding 7,310,939 and 5,565,943 shares as of December 31, 2017 and December 31, 2016, respectively	**731,095**	556,595
Additional paid-in capital	**21,280,437**	18,017,163
Accumulated deficit	**(8,481,268)**	(7,432,236)
Accumulated other comprehensive income	**405,438**	239,461
Total shareholders' equity	**13,935,702**	11,380,983
Total liabilities and shareholders' equity	**$ 38,988,337**	$ 19,191,989

See Notes to Consolidated Financial Statements.

US Alliance Corporation
Consolidated Statements of Comprehensive Loss

	Years Ended December 31, 2017	2016
Income:		
Premium income	**$ 10,773,246**	$ 5,948,978
Net investment income	**817,989**	449,951
Net realized gain on sale of securities	**430,565**	100,378
Other income	**50,057**	87,566
Total income	**12,071,857**	6,586,873
Expenses:		
Death claims	**823,545**	475,815
Policyholder benefits	**3,485,564**	3,136,999
Increase in policyholder reserves	**5,654,476**	1,686,841
Commissions, net of deferrals	**521,155**	457,671
Amortization of deferred acquisition costs	**321,451**	153,671
Amortization of value of business acquired	**8,460**	-
Salaries & benefits	**990,076**	752,534
Other operating expenses	**1,316,162**	1,209,115
Total expense	**13,120,889**	7,872,646
Net loss	**$ (1,049,032)**	$ (1,285,773)
Net loss per common share, basic and diluted	**$ (0.18)**	**$ (0.24)**
Unrealized net holding gains arising during the period	**596,542**	440,316
Reclassification adjustment for gains included in net loss	**(430,565)**	(100,378)
Other comprehensive income	**165,977**	339,938
Comprehensive loss	**$ (883,055)**	$ (945,835)

See Notes to Consolidated Financial Statements.

US Alliance Corporation
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2017 and 2016

	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Outstanding Warrants	Common Stock Subscribed	Common Stock Subscription Receivable	Accumulated Other Comprehensive Income / (Loss)	Accumulated Deficit	Total
Balance, December 31, 2015	5,177,245	$ 517,725	$ 17,018,285	$ 15,876	$ 13,799	$ (827,952)	$ (100,477)	$ (6,146,463)	$ 10,490,793
Common stock issued upon exercise of warrants, $6.00 per share	372,003	37,200	2,210,694	(15,876)	-	-	-	-	2,232,018
Common stock issued, $7 per share	16,695	1,670	115,195	-	-	-	-	-	116,865
Costs associated with common stock issued	-	-	(512,858)	-	-	-	-	-	(512,858)
Common stock subscribed	-	-	(814,153)	-	(13,799)	827,952	-	-	-
Other comprehensive income	-	-	-	-	-	-	339,938	-	339,938
Net loss	-	-	-	-	-	-	-	(1,285,773)	(1,285,773)
Balance, December 31, 2016	**5,565,943**	**$ 556,595**	**$ 18,017,163**	**$ -**	**$ -**	**$ -**	**$ 239,461**	**$ (7,432,236)**	**$ 11,380,983**
Common stock issued, $7 per share	100,538	10,054	693,711	-	-	-	-	-	703,765
Costs associated with common stock issued	-	-	(363,371)	-	-	-	-	-	(363,371)
Common Stock issued, Northern Plains Capital Corporation merger	1,644,458	164,446	2,932,934						3,097,380
Other comprehensive income	-	-	-	-	-	-	165,977	-	165,977
Net loss	-	-	-	-	-	-	-	(1,049,032)	(1,049,032)
Balance, December 31, 2017	**7,310,939**	**$ 731,095**	**$ 21,280,437**	**$ -**	**$ -**	**$ -**	**$ 405,438**	**$ (8,481,268)**	**$ 13,935,702**

See Notes to Consolidated Financial Statements.

US Alliance Corporation
Consolidated Statements of Cash Flows

	Years Ended December 31, 2017	2016
Cash Flows from Operating Activities:		
Net loss	$ **(1,049,032)**	$ (1,285,773)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	**34,893**	38,733
Net realized gains on the sale of securities	**(430,565)**	(100,378)
Amortization of investment securities, net	**42,941**	22,014
Deferred acquisition costs capitalized	**(269,266)**	(221,410)
Deferred acquisition costs amortized	**321,451**	153,671
Value of business acquired amortized	**8,460**	-
Interest credited on deposit type contracts	**247,692**	80,452
Interest on policy loans	**636**	-
(Increase) decrease in operating assets:		
Investment income due and accrued	**(80,937)**	(22,173)
Reinsurance related assets	**57,529**	(9,946)
Policy loans	**(599)**	-
Other assets	**(105,029)**	78,744
Increase (decrease) in operating liabilities:		
Policyowner benefit reserves	**1,700,163**	1,643,251
Advance premiums	**119,688**	52,371
Other liabilities	**4,671**	(787)
Accounts payable and accrued expenses	**(9,536)**	(19,416)
Net cash provided by operating activities	**593,160**	409,353
Cash Flows from Investing Activities:		
Available-for-sale securities		
Purchase of fixed income investments	**(14,992,862)**	(3,028,015)
Purchase of equity investments	**(8,241,105)**	(1,955,888)
Proceeds from fixed income sales and repayments	**5,823,079**	1,003,308
Proceeds from equity sales and repayments	**4,439,443**	670,706
Acquisition of Northern Plains Capital Corporation	**1,079,627**	-
Assumed reinsurance from American Life & Security Corporation	**6,895,145**	-
Purchase of property, equipment and software	**(11,121)**	-
Net cash used in investing activities	**(5,007,794)**	(3,309,889)
Cash Flows from Financing Activities:		
Receipts on deposit-type contracts	**2,187,387**	1,989,833
Withdrawals on deposit-type contracts	**(607,083)**	(246,103)
Proceeds received from issuance of common stock, net of costs of issuance	**340,394**	1,836,025
Net cash provided by financing activities	**1,920,698**	3,579,755
Net increase (decrease) in cash and cash equivalents	**(2,493,936)**	679,219
Cash and Cash Equivalents:		
Beginning	**3,145,745**	2,466,526
Ending	$ **651,809**	$ 3,145,745

See Notes to Consolidated Financial Statements.

US Alliance Corporation
Supplemental Cash Flow Information

	Years Ended December 31, 2017	2016
Supplemental Disclosure of Non-Cash Information		
Common stock issued on the acquisition of Northern Plains	$ 3,097,380	$ -
Fixed maturity securities acquired with the Northern Plains acquisition	3,006,552	-
Equity securities aquired with the Northern Plains acquisition	1,616,897	-
Deposit-type contract liabilities acquired with the Northern Plains acquisition	2,029,138	-
Deposit-type contract liabilities assumed from American Life & Security Corp	6,193,587	-
Cost of reinsurance deferred on coinsurance transaction with American Life & Security Corp	2,861,450	-

Note 1. Description of Business and Significant Accounting Policies

Description of business: US Alliance Corporation ("USAC") was formed as a Kansas corporation on April 24, 2009 to raise capital to form a new Kansas-based life insurance company. Our offices are located at 4123 SW Gage Center Drive, Suite 240, Topeka, Kansas 66604. Our telephone number is 785-228-0200 and our website address is www.usalliancecorporation.com.

Our four wholly-owned operating subsidiaries are: US Alliance Life and Security Company ("USALSC") formed June 9, 2011; US Alliance Marketing Corporation ("USAMC") formed April 23, 2012, to serve as a marketing resource; US Alliance Investment Corporation ("USAIC") formed April 23, 2012 to serve as investment manager for USAC and USALSC; and Dakota Capital Life Insurance Company (“DCLIC”), acquired on August 1, 2017 when USAC merged with Northern Plains Capital Corporation (“NPCC”).

We capitalized our subsidiaries with proceeds from intrastate public offerings registered by qualification with the office of Kansas Securities Commissioner.

USALSC received a Certificate of Authority from the Kansas Insurance Department ("KID") effective January 2, 2012, and sold its first insurance product on May 1, 2013.

Our single pay life products (which include our Legacy Juvenile and Thoughtful Pre-Need products) accounted for 73% of 2017 direct premium revenue. Our individual life and Critical Illness products (which include our Sound and Solid Term Life and Pioneer Whole Life products) accounted for 18% of 2017 direct premium revenue. Our group products accounted for 9% of 2017 direct written premiums.

USALSC seeks opportunities to develop and market additional products.

Our business model also anticipates the acquisition by USAC and/or USALSC of other insurance and insurance related companies, including third-party administrators, marketing organizations, and rights to other blocks of insurance business through reinsurance or other transactions.

Basis of presentation: The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted (“GAAP”) in the United States of America.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated from the consolidated financial statements.

Area of Operation: USALSC is authorized to operate in the states of Kansas, North Dakota, Missouri, Nebraska and Oklahoma. DCLIC is authorized to operate in the state of North Dakota.

Cash and cash equivalents: For purposes of the statement of cash flows, the Company considers demand deposits and highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents. The Company maintains its cash balances in one financial institution located in Topeka, Kansas. The FDIC insures aggregate balances, including interest-bearing and noninterest-bearing accounts, of $250,000 per depositor per insured institution. The Company’s financial institution is a member of a network that participates in the Insured Cash Sweep (ICS) program. By participating in ICS, the Company’s deposits in excess of the insured limit are apportioned and placed in demand deposit accounts at other financial institutions in amounts under the insured limit. As a result, the Company can access insurance coverage from multiple financial institutions while working directly with one. The Company had no amounts uninsured as of December 31, 2017. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 1. Description of Business and Significant Accounting Policies (Continued)

Property, equipment and software: Property, equipment and software are stated at cost less accumulated depreciation. Expenditures for additions and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to income currently. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Computer equipment is depreciated over no longer than a 5-year period. Furniture and equipment are depreciated over no longer than a 10-year period. Software is depreciated over no longer than a 10-year period. Major categories of depreciable assets and the respective book values as of December 31, 2017 and 2016 are represented below.

	December 31, 2017	December 31, 2016
Computer	**$ 20,755**	$ 20,755
Furniture and equipment	**92,077**	80,956
Software	**257,500**	257,500
Accumulated depreciation	**(149,255)**	(114,362)
Balance at end of period	**$ 221,077**	$ 244,849

Pre-paid expenses: The Company recognizes pre-paid expenses as the expenses are incurred. Pre-paid expenses consist of systems consulting hours and insurance. Systems consulting hours are charged as they are incurred on projects. Insurance expenses are charged straight line over the life of the contract.

Investments: Investments in available-for-sale securities are carried in the consolidated financial statements at fair value with the net unrealized holding gains (losses) included in accumulated other comprehensive income. Bond premiums and discounts are amortized using the scientific-yield method over the term of the bonds.

Realized gains and losses on securities sold during the year are determined using the specific identification method and included in investment income. Investment income is recognized as earned.

Management has a policy and process in place to identify securities that could potentially have an impairment that is other-than-temporary. The assessment of whether impairments have occurred is based on a case-by-case evaluation of underlying reasons for the decline in fair value. We consider severity of impairment, duration of impairment, forecasted recovery period, industry outlook, financial condition of the issuer, issuer credit ratings and whether we intend to sell a security or it is more likely than not that we would be required to sell a security prior to the recovery of the amortized cost.

The recognition of other-than-temporary impairment losses on debt securities is dependent on the facts and circumstances related to the specific security. If we intend to sell a security or it is more likely than not that we would be required to sell a security prior to recovery of the amortized cost, the difference between amortized cost and fair value is recognized in the income statement as an other-than-temporary impairment. As it relates to debt securities, if we do not expect to recover the amortized basis, do not plan to sell the security and if it is not more likely than not that we would be required to sell a security before the recovery of its amortized cost, the other-than-temporary impairment would be recognized. We would recognize the credit loss portion through earnings in the income statement and the noncredit loss portion in accumulated other comprehensive loss. As of December 31, 2017 and 2016, the Company had no investment securities that were evaluated to be other than temporarily impaired.

Value of business acquired: Value of business acquired (VOBA) represents the estimated value assigned to purchased companies or insurance in- force of the assumed policy obligations at the date of acquisition of a block of policies. At least annually, a review is performed of the models and the assumptions used to develop expected future profits, based upon management's current view of future events. VOBA is reviewed on an ongoing basis to determine that the unamortized portion does not exceed the expected recoverable amounts. Management's view primarily reflects our experience but can also reflect emerging trends within the industry. Short-term deviations in experience affect the amortization of VOBA in the period, but do not necessarily indicate that a change to the long-term assumptions of future experience is warranted. If it is determined that it is appropriate to change the assumptions related to future experience, then an unlocking adjustment is recognized for the block of business being evaluated. Certain assumptions, such as interest spreads and surrender rates, may be interrelated. As such, unlocking adjustments often reflect revisions to multiple assumptions. The VOBA balance is immediately impacted by any assumption changes, with the change reflected through the statements of comprehensive income as an unlocking adjustment in the amount of VOBA amortized. These adjustments can be positive or negative with adjustments reducing amortization limited to amounts previously deferred plus interest accrued through the date of the adjustment. VOBA is amortized on a straight-line method over 30 years.

In addition, we may consider refinements in estimates due to improved capabilities resulting from administrative or actuarial system upgrades. We consider such enhancements to determine whether and to what extent they are associated with prior periods or simply improvements in the projection of future expected gross profits due to improved functionality. To the extent they represent such improvements, these items are applied to the appropriate financial statement line items in a manner similar to unlocking adjustments.

Goodwill: Goodwill represents the excess of the amounts paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. Goodwill is tested for impairment at least annually in the fourth quarter or more frequently if events or circumstances change that would indicate that a triggering event has occurred. We assess the recoverability of indefinite-lived intangible assets at least annually or whenever events or circumstances suggest that the carrying value of an identifiable indefinite-lived intangible asset may exceed the sum of the future discounted cash flows expected to result from its use and eventual disposition. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

Note 1. Description of Business and Significant Accounting Policies (Continued)

Reinsurance: In the normal course of business, the Company seeks to limit aggregate and single exposure to losses on risks by purchasing reinsurance. The amounts reported in the consolidated balance sheets as reinsurance recoverable include amounts billed to reinsurers on losses paid as well as estimates of amounts expected to be recovered from reinsurers on insurance liabilities that have not yet been paid. Reinsurance recoverable on unpaid losses are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Insurance liabilities are reported gross of reinsurance recoverable. Management believes the recoverables are appropriately established. Reinsurance premiums are generally reflected in income in a manner consistent with the recognition of premiums on the reinsured contracts. Reinsurance does not extinguish the Company's primary liability under the policies written. Therefore, the Company regularly evaluates the financial condition of its reinsurers including their activities with respect to claim settlement practices and commutations, and establishes allowances for uncollectible reinsurance recoverable as appropriate. There were no allowances as of December 31, 2017 and 2016.

Benefit reserves: The Company establishes liabilities for amounts payable under insurance policies, including traditional life insurance and annuities. Generally, amounts are payable over an extended period of time. Liabilities for future policy benefits of traditional life insurance have been computed by a net level premium method based upon estimates at the time of issue for investment yields, mortality and withdrawals. These estimates include provisions for experience less favorable than initially expected. Mortality assumptions are based on industry experience expressed as a percentage of standard mortality tables.

Policy claims: Policy claims are based on reported claims plus estimated incurred but not reported claims developed from trends of historical data applied to current exposure. The Company's current estimate of incurred but not reported claims is $85,832 and is included as a part of policyholder benefit reserves.

Deposit-type contracts: Deposit-type contracts consist of amounts on deposit associated with deferred annuity contracts and premium deposit funds. The deferred annuity contracts credit interest based upon a fixed interest rate set by the Company. The Company has the ability to change this rate annually subject to minimums established by law or administrative regulation.

Liabilities for deferred annuity deposit-type contracts are included without reduction for potential surrender charges. This liability is equal to the accumulated account deposits, plus interest credited, and less policyholder withdrawals. The following table provides information about deferred annuity deposit-type contracts for the years ended December 31, 2017 and 2016.

	Year ended December 31, 2017	Year ended December 31, 2016
Balance at beginning of year	**$ 3,398,170**	$ 1,573,988
Acquisition of Dakota Capital Life	**1,853,728**	-
Assumed from American Life & Security Corp	**5,841,703**	-
Deposits received	**2,187,387**	1,989,833
Interest credited	**243,310**	80,452
Withdrawals	**(592,398)**	(246,103)
Balance at end of year	**$ 12,931,900**	$ 3,398,170

The premium deposit funds credit interest based upon a fixed interest rate set by the Company. The Company has the ability to change this rate subject to minimums established by law or administrative regulation.

Note 1. Description of Business and Significant Accounting Policies (Continued)

Liabilities for premium deposit fund deposit-type contracts are included without reduction for potential surrender charges. This liability is equal to the accumulated account deposits, plus interest credited, and less withdrawals. The following table provides information about premium deposit fund deposit-type contracts for the years ended December 31, 2017 and 2016.

	Year ended December 31, 2017	Year ended December 31, 2016
Balance at beginning of year	$ -	$ -
Acquisition of Dakota Capital Life	175,410	-
Assumed from American Life & Security Corp	351,884	-
Deposits received	-	-
Interest credited	4,382	-
Withdrawals	(14,685)	-
Balance at end of year	$ 516,991	$ -

Revenue recognition and related expenses: Revenues on traditional life insurance products consist of direct premiums reported as earned when due. Premium income includes reinsurance assumed and is reduced by premiums ceded.

Amounts received as payment for annuity contracts without life contingencies are recognized as deposits to policyholder account balances and included in future insurance policy benefits. Revenues from these contracts are comprised of fees earned for contract-holder services, which are recognized over the period of the contracts, and included in revenue. Deposits are shown as a financing activity in the Consolidated Statements of Cash Flows.

Liabilities for future policy benefits are provided and acquisition costs are amortized by associating benefits and expenses with earned premiums to recognize related profits over the life of the contracts.

Deferred acquisition costs: The Company capitalizes and amortizes over the life of the premiums produced incremental direct costs that result directly from and are essential to the contract acquisition transaction and would not have been incurred by the Company had the contract acquisition not occurred. An entity may defer incremental direct costs of contract acquisition that are incurred in transactions with independent third parties or employees as well as the portion of employee compensation and other costs directly related to underwriting, policy issuance and processing, medical inspection, and contract selling for successfully negotiated contracts. Additionally, an entity may capitalize as a deferred acquisition cost only those advertising costs meeting the capitalization criteria for direct-response advertising. Acquisition costs are amortized over the premium paying period using the net level premium method. Traditional life insurance products are treated as long duration contracts, which generally remain in force for the lifetime of the insured.

The following table provides information about deferred acquisition costs for the years ended December 31, 2017 and 2016, respectively.

	Year ended December 31, 2017	Year ended December 31, 2016
Balance at beginning of year	$ 153,792	$ 86,053
Deferred cost of reinsurance, American Life & Security Corp block acquisition	2,861,450	-
Capitalization of commissions, sales and issue expenses	269,266	221,410
Amortization net of interest	(321,451)	(153,671)
Balance at end of year	$ 2,963,057	$ 153,792

Note 1. Description of Business and Significant Accounting Policies (Continued)

Comprehensive loss: Comprehensive loss is comprised of net loss and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses from marketable securities classified as available for sale, net of applicable taxes.

Common stock and earnings (loss) per share: The par value for common stock is $0.10 per share with 20,000,000 shares authorized. As of December 31, 2017 and 2016 the company had 7,310,939 and 5,565,943 common shares issued and outstanding, respectively.

Earnings (loss) per share attributable to the Company's common stockholders were computed based on the net loss and the weighted average number of shares outstanding during each year. The weighted average number of shares outstanding during the years ended December 31, 2017 and 2016 were 5,871,949 and 5,421,972 shares, respectively. Potential common shares are excluded from the computation when their effect is anti-dilutive. Basic and diluted net loss per common share is the same for the years ended December 31, 2017 and 2016.

Income taxes: The Company is subject to U.S. federal and state taxes. The provision for income taxes is based on income as reported in the consolidated financial statements. The income tax provision is calculated using the asset and liability method. Deferred income taxes are recorded based on the differences between the financial statement and tax basis of assets and liabilities at the enacted rates expected to apply to taxable income in the years in which the differences are expected to reverse. A valuation allowance is established for the amount of any deferred tax asset that exceeds the amount of the estimated future taxable income needed to utilize the future tax benefits.

All of the Company's tax returns are subject to U.S. federal, state and local income tax examinations by tax authorities. The Company had no known uncertain tax benefits included in its provision for income taxes as of December 31, 2017 and 2016. The Company's policy is to recognize interest and penalties (if applicable) as an element of the provision for income taxes in the consolidated statements of income.

The tax years which remain subject to examination by taxing authorities are the years ended December 31, 2014 through 2017.

Risk and uncertainties: Certain risks and uncertainties are inherent in the Company's day-to-day operations and in the process of preparing its consolidated financial statements. The more significant of those risks and uncertainties, as well as the Company's method for mitigating the risks, are presented below and throughout the notes to the consolidated financial statements.

- Use of Estimates: The preparation of consolidated financial statements in conformity with US GAAP, generally accepted accounting principles in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- Regulatory Factors: The insurance laws of Kansas give the KID broad regulatory authority, including powers to (i) grant and revoke licenses to transact business; (ii) regulate and supervise trade practices and market conduct, (iii) establish guaranty associations; (iv) license agents; (v) approve policy forms; (vi) approve premium rates for some lines of business; (vii) establish reserve requirements; (viii) prescribe the form and content of required financial statements and reports; (ix) determine the reasonableness and adequacy of statutory capital and surplus; and (x) regulate the type and amount of permitted investments.

  The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Reform Act") reshapes financial regulations in the United States by creating new regulators, regulating new markets and firms, and providing new enforcement powers to regulators. Virtually all major areas of the Reform Act continue to be subject to regulatory interpretation and implementation rules requiring rulemaking that may take several years to complete. The ultimate outcome of the regulatory rulemaking proceedings cannot be predicted with certainty. The regulations promulgated could have a material impact on consolidated financial results or financial condition.

Note 1. Description of Business and Significant Accounting Policies (Continued)

- Reinsurance: In order to manage the risk of financial exposure to adverse underwriting results, USALSC reinsures a portion of its risk with other insurance companies. USALSC retains $35,000 on its Pioneer Whole Life Series and $25,000 on its Solid Solutions Term Life Series* and Sound Solutions Term Life Series®. USALSC also reinsures 100% of the risk on its accidental death benefit rider. USALSC retains 25% of the risk for each covered life on its group life product to a maximum of $100,000 on any individual person. USALSC retains 25% of the risk for each covered life on its group accidental death and dismemberment product to a maximum of $25,000 on any individual person. USALSC also has catastrophic reinsurance coverage to protect against three or more group life deaths resulting from a single event. USALSC also reinsures 100% of the risk on its group disability products. USALSC reinsurers 66% of the risk on its critical illness product. Optimum Re Insurance Company (a subsidiary of Optimum Group), General Reinsurance Corporation (a subsidiary of Berkshire Hathaway), Reliance Standard Life Insurance Company (a subsidiary of Tokio Marine Holdings), and Unified Life Insurance Company provide reinsurance for USALSC and DCLIC. The Company evaluates the financial condition of its reinsurers to minimize its exposure to losses from reinsurer insolvencies. Management believes that any liabilities arising from this contingency would not be material to the Company's financial position.

- Interest Rate Risk: Interest rate fluctuations could impair an insurance company's ability to pay policyholder benefits with operating and investment cash flows, cash on hand and other cash sources. Annuity products expose the risk that changes in interest rates will reduce any spread, or the difference between the amounts that the insurance company is required to pay under the contracts and the amounts the insurance subsidiary is able to earn on its investments intended to support its obligations under the contracts. Spread is a key component of revenues.

  To the extent that interest rates credited are less than those generally available in the marketplace, policyholder lapses, policy loans and surrenders, and withdrawals of life insurance policies and annuity contracts may increase as contract holders seek to purchase products with perceived higher returns. This process may result in cash outflows requiring that an insurance subsidiary sell investments at a time when the prices of those investments are adversely affected by the increase in market interest rates, which may result in realized investment losses.

  Increases in market interest rates may also negatively affect profitability in periods of increasing interest rates. The ability to replace invested assets with higher yielding assets needed to fund the higher crediting rates that may be necessary to keep interest sensitive products competitive.

Note 1. Description of Business and Significant Accounting Policies (Continued)

If interest rates were to increase by 1%, the market value of our fixed income securities would decrease by 11.1% as of December 31, 2017. USALSC and DCLIC therefore may have to accept a lower spread and thus lower profitability or face a decline in sales and greater loss of existing contracts.

Conversely, in a period of prolonged low interest rates it is difficult to invest assets and earn the rate of return necessary to support insurance products. Some central banks currently have negative interest rates which contributes to the current low interest rate environment.

Policy lapses in excess of those actuarially anticipated would have a negative impact on our financial performance.

Profitability could be reduced if lapse and surrender rates exceed the assumptions upon which the insurance policies were priced. Policy sales costs are deferred and recognized over the life of a policy. Excess policy lapses, however, cause the immediate expensing or amortizing of deferred policy sales costs.

- Investment Risk: Our invested assets are subject to customary risks of defaults and changes in market values. Factors that may affect the overall default rate on, and market value of, the invested assets include interest rate levels, financial market performance, and general economic conditions.

- Assumptions Risk: In the life insurance business, assumptions as to expected mortality, lapse rates and other factors in developing the pricing and other terms of life insurance products are made. These assumptions are based on industry experience and are reviewed and revised regularly by an outside actuary to reflect actual experience on a current basis. However, variation of actual experience from that assumed in developing such terms may affect a product's profitability or sales volume and in turn adversely impact our revenues.

<u>Reclassifications</u>: Certain reclassifications of a minor nature have been made to prior-year balances to conform to current-year presentation with no net impact to net loss/income or equity.

<u>New accounting standards</u>:

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued updated guidance to clarify the principles for recognizing revenue. While insurance contracts are not within the scope of this updated guidance, the Company's fee income related to providing services will be subject to this updated guidance. The updated guidance requires an entity to recognize revenue as performance obligations are met, in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services.

Note 1. Description of Business and Significant Accounting Policies (Continued)

The following steps are applied in the updated guidance: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when, or as, the entity satisfies a performance obligation.

In July 2015, the FASB deferred the effective date of the updated guidance on revenue recognition by one year to the quarter ending March 31, 2018. The adoption of this guidance is not expected to have a material effect on the Company's result of operations, financial position or liquidity.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued guidance to address the diversity in practice in determining when there is substantial doubt about an entity's ability to continue as a going concern and when an entity must disclose certain relevant conditions and events. The new guidance requires an entity to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued). The new guidance allows the entity to consider the mitigating effects of management's plans that will alleviate the substantial doubt and requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans.

If conditions or events raise substantial doubt that is not alleviated, an entity should disclose that there is substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued), along with the principal conditions or events that raise substantial doubt, management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations and management's plans that are intended to mitigate those conditions.

The guidance is effective for annual periods ending after December 15, 2016, and interim and annual periods thereafter. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued updated guidance regarding financial instruments. This guidance intends to enhance reporting for financial instruments and addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The significant amendments in this update generally require equity investments to be measured at fair value with changes in fair value recognized in net income, require the use of an exit price notion when measuring the fair value of financial instruments for disclosure purposes and clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. This guidance also intends to enhance the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments.

This guidance is effective for fiscal years beginning after December 15, 2017. The recognition and measurement provisions of this guidance will be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption and early adoption is not permitted. The Company is evaluating this guidance but expects the primary impact will be the recognition of unrealized gains and losses on available-for-sale equity securities in net income. Currently, all unrealized gains and losses on available-for-sale equity securities are recognized in other comprehensive income (loss).

The effect of the adoption of this guidance on the Company's results of operations, financial position and liquidity is primarily dependent on the fair value of the available-for-sale equity securities in future periods and the existence of a deferred tax asset related to available-for-sale securities in future periods that have not yet been fully assessed.

Note 1. Description of Business and Significant Accounting Policies (Continued)

Leases

In February 2016, the FASB issued updated guidance to require lessees to recognize a right-to-use asset and a lease liability for leases with terms of more than 12 months. The updated guidance retains the two classifications of a lease as either an operating or finance lease (previously referred to as a capital lease). Both lease classifications require the lessee to record the right-to-use asset and the lease liability based upon the present value of cash flows. Finance leases will reflect the financial arrangement by recognizing interest expense on the lease liability separately from the amortization expense of the right-to-use asset. Operating leases will recognize lease expense (with no separate recognition of interest expense) on a straight-line basis over the term of the lease. The accounting by lessors is not significantly changed by the updated guidance. The updated guidance requires expanded qualitative and quantitative disclosures, including additional information about the amounts recorded in the financial statements.

The updated guidance is effective for reporting periods beginning after December 15, 2018, and will require that the earliest comparative period presented include the measurement and recognition of existing leases with an adjustment to equity as if the updated guidance had always been applied. Early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

Contingent Put and Call Options in Debt Instruments

In March 2016, the FASB issued updated guidance clarifying that when a call (put) option in a debt instrument can accelerate the repayment of principal on the debt instrument, a reporting entity does not need to assess whether the contingent event that triggers the ability to exercise the call (put) option is related to interest rates or credit risk in determining whether the option should be accounted for separately. The updated guidance is effective for reporting periods beginning after December 15, 2016.

The adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued updated guidance for the accounting for credit losses for financial instruments. The updated guidance applies a new credit loss model (current expected credit losses or CECL) for determining credit-related impairments for financial instruments measured at amortized cost (e.g. mortgage loans) and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. The expected credit losses, and subsequent adjustments to such losses, will be recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the consolidated balance sheet at the amount expected to be collected.

The updated guidance also amends the current other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position will no longer impact the determination of whether a credit loss exists.

Note 1. Description of Business and Significant Accounting Policies (Continued)

The updated guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted for reporting periods beginning after December 15, 2018. The Company will not be able to determine the impact that the updated guidance will have on its results of operations, financial position or liquidity until the updated guidance is adopted.

Classification of Certain Cash Receipts and Cash Payment

In August 2016, the FASB issued new guidance that clarifies the classification of certain cash receipts and cash payments in the statement of cash flows under eight different scenarios including, but not limited to: (i) debt prepayment or debt extinguishment costs; (ii) proceeds from the settlement of corporate-owned life insurance policies including bank-owned life insurance policies; (iii) distributions received from equity method investees; and (iv) separately identifiable cash flows and application of the predominance principle. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on its statement of cash flows.

All other new accounting standards and updates of existing standards issued through the date of this filing were considered by management and did not relate to accounting policies and procedures pertinent or material to the Company at this time.

Note 2. Acquisitions

On August 1, 2017 the Company acquired NPCC pursuant to a Plan and Agreement of Merger dated May 23, 2017 under which Alliance Merger Sub, Inc. (“Acquisition”), a wholly owned subsidiary of the Company, merged with and into NPCC (“Merger”) with Acquisition being the surviving company. Pursuant to the agreement, the Company exchanged .5841 shares of the Company’s common stock for each share of Northern Plains common stock, or 1,644,458 shares. Subsequent to the merger, Acquisition was merged into the Company.

The Merger was accounted for under the acquisition method of accounting, which requires the consideration transferred and all assets and liabilities assumed to be recorded at fair value. The table below summarizes the fair value of the consideration transferred and the preliminary fair value of Northern Plains’ assets acquired and liabilities assumed:

Fair value of US Alliance Corporation common stock issued as consideration	$	**3,099,165**
Amounts of indentifiable assets acquired and liablities assumed		
Investment securities	$	**4,623,449**
Cash		**1,079,627**
Value of business acquired		**609,061**
Other assets		**60,080**
Policyholder reserves		**(1,277,411)**
Deposit type contracts		**(2,029,138)**
Other liabilities		**(243,608)**
Total indentifiable net assets	$	**2,822,060**
Goodwill		**277,105**
Total amounts of indentifiable assets acquired and liabilties assumed	$	**3,099,165**

Note 2. Acquisitions (Continued)

The fair value of the US Alliance Corporation common stock issued as consideration and the assets acquired and liabilities assumed from our acquisition of Northern Plains was based on a valuation and our estimates and assumptions are subject to change within the measurement period.

The following table presents unaudited pro forma consolidated total income and net loss as if the acquisition had occurred as of January 1, 2016 (the earliest date presented).

	Years Ended December 31, 2017	2016
	(unaudited)	
Income:		
Premium income	**$ 11,193,686**	$ 6,533,765
Net investment income	**877,319**	539,801
Net realized gain (loss) on sale of securities	**478,303**	44,282
Other income	**20,995**	14,391
Total income	**12,570,303**	7,132,239
Net Loss	**$ (1,201,899)**	$ (1,887,423)
Net Loss per share	**$ (0.33)**	**$ (0.52)**

The unaudited pro forma total income and net loss above was adjusted to eliminate the Third Party Administration fees paid by Northern Plains to the Company of $31,250 and $75,781 for the years ended December 31, 2017 and 2016, respectively; and eliminate the loss of $201,577 for acquisition related expenses that Northern Plains recorded for the year ended December 31, 2017 and also includes adjustments for the amortization of VOBA and elimination of DAC amortization for the years ending December 31, 2017 and 2016 of $78,379 and $12,306, respectively.

Note 3. Investments

The amortized cost and fair value of available for sale and held to maturity investments as of December 31 is as follows:

	December 31, 2017			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Fixed maturities:				
US Treasury securities	**$ 271,620**	**$ -**	**$ (20,870)**	**$ 250,750**
Corporate bonds	**11,857,191**	**309,754**	**(10,720)**	**12,156,225**
Municipal bonds	**6,134,323**	**230,842**	**(12,721)**	**6,352,444**
Redeemable preferred stock	**99,560**	**960**	**-**	**100,520**
Mortgage backed and asset backed securities	**4,077,011**	**32,726**	**(23,976)**	**4,085,761**
Total fixed maturities	**22,439,705**	**574,282**	**(68,287)**	**22,945,700**
Equities:				
Equities	**10,764,072**	**83,346**	**(183,903)**	**10,663,515**
Total available for sale	**$ 33,203,777**	**$ 657,628**	**$ (252,190)**	**$ 33,609,215**

	December 31, 2016			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Fixed maturities:				
US Treasury securities	$ 314,992	$ -	$ (15,830)	$ 299,162
Corporate bonds	3,828,418	62,712	(45,234)	3,845,896
Municipal bonds	2,841,137	46,883	(38,191)	2,849,829
Mortgage backed and asset backed securities	3,333,617	36,870	(45,300)	3,325,187
Total fixed maturities	10,318,164	146,465	(144,555)	10,320,074
Equities:				
Equities	4,723,024	350,981	(131,757)	4,942,248
Other equity investments	182,929	23,046	(4,719)	201,256
Total equities	4,905,953	374,027	(136,476)	5,143,504
Total available for sale	$ 15,224,117	$ 520,492	$ (281,031)	$ 15,463,578

The amortized cost and fair value of debt securities as of December 31, 2017 and 2016, by contractual maturity, are shown on the following page. Equity securities do not have stated maturity dates and therefore are not included in the following maturity summary. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Note 3. Investments (Continued)

	As of December 31, 2017		As of December 31, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts maturing in:				
One year or less	$ -	$ -	$ 49,915	$ 49,931
After one year through five years	612,088	617,562	1,819,437	1,809,470
After five years through ten years	1,910,307	1,945,454	1,646,576	1,643,823
More than 10 years	15,740,739	16,196,403	3,468,619	3,491,663
Redeemable preferred stocks	99,560	100,520	-	-
Mortgage backed and asset backed securities	4,077,011	4,085,761	3,333,617	3,325,187
Total amortized cost and fair value	$ 22,439,705	$ 22,945,700	$ 10,318,164	$ 10,320,074

Proceeds from the sale of securities, maturities, and asset paydowns in 2017 and 2016 were $10,262,522 and $1,674,014, respectively. Realized gains and losses related to the sale of securities are summarized as follows:

	Years Ended December 31,	
	2017	2016
Gross gains	$ 499,568	$ 122,192
Gross losses	(69,003)	(21,814)
Net security gains	$ 430,565	$ 100,378

Gross unrealized losses by duration are summarized as follows:

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2017						
Available for sale:						
Fixed maturities:						
US Treasury securities	$ 250,750	$ (20,870)	$ -	$ -	$ 250,750	$ (20,870)
Corporate bonds	848,853	(5,733)	121,718	(4,987)	970,571	(10,720)
Municipal bonds	735,257	(5,683)	192,962	(7,038)	928,219	(12,721)
Mortgage backed and asset backed securities	2,056,887	(6,970)	654,936	(17,006)	2,711,823	(23,976)
Total fixed maturities	3,891,747	(39,256)	969,616	(29,031)	4,861,363	(68,287)
Equities:						
Equities	7,971,440	(105,946)	1,161,121	(77,957)	9,132,561	(183,903)
Total available for sale	$ 11,863,187	$ (145,202)	$ 2,130,737	$ (106,988)	$ 13,993,924	$ (252,190)

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2016						
Available for sale:						
Fixed maturities:						
US Treasury securities	$ 299,162	$ (15,830)	$ -	$ -	$ 299,162	$ (15,830)
Corporate bonds	1,897,000	(42,994)	196,399	(2,240)	2,093,399	(45,234)
Municipal bonds	1,296,688	(38,191)	-	-	1,296,688	(38,191)
Mortgage backed and asset backed securities	1,700,173	(39,264)	134,090	(6,036)	1,834,263	(45,300)
Total fixed maturities	5,193,023	(136,279)	330,489	(8,276)	5,523,512	(144,555)
Equities:						
Equities	1,007,860	(59,357)	1,063,959	(72,400)	2,071,819	(131,757)
Other equity investments	52,840	(4,719)	-	-	52,840	(4,719)
Total equities	1,060,700	(64,076)	1,063,959	(72,400)	2,124,659	(136,476)
Total available for sale	$ 6,253,723	$ (200,355)	$ 1,394,448	$ (80,676)	$ 7,648,171	$ (281,031)

Note 3. Investments (Continued)

Unrealized losses occur from market price declines that may be due to a number of factors, including economic downturns, changes in interest rates, competitive forces within an industry, issuer specific events, operational difficulties, lawsuits, and market pricing anomalies caused by factors such as temporary lack of liquidity.

The total number of securities in the investment portfolio in an unrealized loss position as of December 31, 2017 was 47, which represented an unrealized loss of $252,190 of the aggregate carrying value of those securities. The 47 securities breakdown as follows: 17 bonds, 21 mortgage and asset backed securities, 1 common stocks, 3 preferred stocks, 2 high yield corporate bond funds, 2 preferred stock index funds, and 1 senior loan fund. The Company determined that no securities were considered to be other-than-temporarily impaired as of December 31, 2017 and 2016. The unrealized gains on the remainder of the available for sale portfolio as of December 31, 2017 were $657,628.

Note 4. Fair Value Measurements

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. The Company uses a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement rate.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable for the asset or liability and reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Investments, available for sale: Fair values of available for sale fixed maturity securities are provided by a third party pricing service. The pricing service uses a variety of sources to determine fair value of securities. The Company's fixed maturity securities are highly liquid, which allows for a high percentage of the portfolio to be priced through pricing sources. Fair values for equity securities are also provided by a third party pricing service and are derived from active trading on national market exchanges.

Note 4. Fair Value Measurements (Continued)

The table below presents the amounts of assets measured at fair value on a recurring basis as of December 31:

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Available for sale:				
Fixed maturities:				
US Treasury securities	$ 250,750	$ 250,750	$ -	$ -
Corporate bonds	12,156,225	-	11,956,225	200,000
Municipal bonds	6,352,444	-	6,352,444	-
Redeemable preferred stock	100,520	-	100,520	-
Mortgage backed and asset backed securities	4,085,761	-	4,085,761	-
Total fixed maturities	22,945,700	250,750	22,494,950	200,000
Equities:				
Equities	10,663,515	10,663,515	-	-
Total	$ 33,609,215	$ 10,914,265	$ 22,494,950	$ 200,000

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Available for sale:				
Fixed maturities:				
US Treasury securities	$ 299,162	$ 299,162	$ -	$ -
Corporate bonds	3,845,896	-	3,845,896	-
Municipal bonds	2,849,829	-	2,849,829	-
Mortgage backed and asset backed securities	3,325,187	-	3,325,187	-
Total fixed maturities	10,320,074	299,162	10,020,912	-
Equities:				
Equities	4,942,248	4,942,248	-	-
Other equity investments	201,256	201,256	-	-
Total equities	5,143,504	5,143,504	-	-
Total	$ 15,463,578	$ 5,442,666	$ 10,020,912	$ -

The Company discloses the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. The estimated fair value approximates carrying value for accrued interest. The methodologies for other financial assets and financial liabilities are discussed below:

<u>Cash and cash equivalents</u>: The carrying amounts approximate fair value because of the short maturity of these instruments.

<u>Investment income due and accrued:</u> The carrying amounts approximate fair value because of the short maturity of these instruments.

<u>Policy loans</u>: Policy loans are stated at unpaid principal balances. As these loans are fully collateralized by the cash surrender value of the underlying insurance policies, the carrying value of the policy loans approximates their fair value.

<u>Policyholder deposits in deposit-type contracts</u>: The fair value for policyholder deposits deposit-type insurance contracts (accumulation annuities) is calculated using a discounted cash flow approach. Cash flows are projected using actuarial assumptions and discounted to the valuation date using risk-free rates adjusted for credit risk and the nonperformance risk of the liabilities.

Note 4. Fair Value Measurements (Continued)

The estimated fair values of the Company's financial assets and liabilities at December 31 are as follows:

	December 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	$ 651,809	$ 651,809	$ 3,145,745	$ 3,145,745
Investment income due and accrued	214,998	214,998	100,713	100,713
Policy loans	33,975	33,975	-	-
Investments, at fair value	33,609,215	33,609,215	15,463,578	15,463,578
Total Financial Assets	$ 34,509,997	$ 34,509,997	$ 18,710,036	$ 18,710,036
Financial Liabilities:				
Policyholder deposits in deposit-type contracts	$ 13,448,891	$ 12,508,470	$ 3,398,170	$ 3,260,086
Total Financial Liabilities	$ 13,448,891	$ 12,508,470	$ 3,398,170	$ 3,260,086

Note 5. Income Tax Provision

No income tax expense or (benefit) has been reflected for the years ended December 31, 2017 and 2016 due to the lack of taxable net income generated by the Company and the 100% valuation allowance pertaining to the deferred tax asset. The difference between the reported amount of income tax expense and the amount expected based upon statutory rates is primarily due to the increase in the valuation allowance on deferred taxes.

The net operating loss carryforwards for the Company are $11,886,891 and $5,050,176 as of December 31, 2017 and 2016, respectively. The components of the deferred tax assets and liabilities due to book and tax differences are the following: fixed asset depreciation, net operating loss carryforward, net unrealized losses on investment securities, policy owner benefit reserves and deferred acquisition costs. The net deferred tax asset is offset 100 percent by the valuation allowance.

Note 6. Reinsurance

A summary of significant reinsurance amounts affecting the accompanying consolidated financial statements as of December 31, 2017 and 2016 and for the years ended December 31, 2017 and 2016 is listed in the following table.

	December 31, 2017	December 31, 2016
Balance Sheets		
Benefits and claim reserves ceded	$ 55,075	$ 28,830
Amounts due from ceding company	194,804	2,560
Benefits and claim reserves assumed	10,372,638	-

	Years Ended	
	December 31, 2017	December 31, 2016
Statements of Comprehensive Loss		
Ceded premium	$ 221,027	$ 144,023
Assumed premium	7,826,619	3,500,758
Allowances on ceded premium	10,441	10,644
Allowances paid on assumed premium	2,238,386	384,558
Assumed benefits and policyholder reserve increases	7,207,979	3,056,547

Note 6. Reinsurance (Continued)

The Company currently reinsures business in excess of its retention with General Re Life Corporation, Reliance Standard Life Insurance Company, Unified Life Insurance Company and Optimum Re Insurance Company. The Company also currently assumes business under agreements with Unified Life Insurance Company and American Life and Security Corporation.

On September 30, 2017, USALSC entered into a coinsurance agreement with American Life and Security Corporation ("ALSC") to assume 100% of a certain block of life insurance policies. The policies consist primarily of whole life policies with annuity riders. The transaction resulted in a one-time assumed premium of $3,854,902 and an off-setting increase in policyholder reserves in the same amount on the effective date of the agreement. USALSC established a deferred cost of reinsurance in the amount of $2,861,450. USALSC is also the servicer of this block of policies. The agreement will remain in effect until all liabilities associated with this block of policies have been satisfied.

Note 7. Lease Commitments

Total rent expense was $31,712 and $27,000 for the years ended December 31, 2017 and 2016, respectively. The Company amended its lease on its Topeka headquarters on August 26, 2014 which extended its termination date until December 31, 2017 with an optional additional year which the Company has exercised. The future rent payments required under the lease are $27,000 in 2018. The Company also maintains an office in Bismarck, ND with a lease that expires on September 30, 2018. The future rent payments required under this lease are $8,532 in 2018.

Note 8. Warrants

The Company conducted its public stock offering through the sale of units. Each unit was sold for $1,000 and consisted of 200 shares of common stock and a warrant to purchase an additional 200 shares of common stock at $6.00 per share. The warrants were scheduled to expire, if not exercised, February 24, 2016. As of December 31, 2014 warrant-holders had the right to purchase 2,532,400 shares of common stock. On February 24, 2015 The Company registered a warrant exercise offering with the Kansas Securities Commissioner. During 2016, warrant-holders exercised their rights to purchase an additional 372,003 shares of common stock. As of December 31, 2016 there are no outstanding warrants.

Management engaged the services of an experienced valuation firm to value the warrants as of February 24, 2013. The valuation performed valued the warrants to be worth $0.01 per share of common stock and management has allocated this amount from additional paid-in capital to the outstanding warrants. As the warrants have been exercised, the value allocated to the warrants exercised has been restored to additional paid-in capital. As of December 31, 2017, there is no remaining value assigned to the expired warrants.

Note 9. Restricted Funds

As required by Kansas law, US Alliance Life and Security Company maintains a trust account at Capital City Bank which is jointly owned by the Kansas Insurance Department. The life insurance company is required by the State of Kansas to hold $400,000 of asset book value in this account. The Company placed additional assets into this trust account in 2015 to meet the minimum deposit requirement for the State of Missouri. These assets were held in bonds and other invested assets with a statement value of $625,000 and $625,000 as of December 31, 2017 and 2016, respectively. Additionally, the Company has a special deposit with the State of Missouri with asset book value of $300,000

Note 10. Statutory Net Income and Surplus

US Alliance Life and Security Company is required to prepare statutory financial statements in accordance with statutory accounting practices prescribed or permitted by the Kansas Insurance Department. Dakota Capital Life Insurance Company is required to prepare statutory financial statements in accordance with statutory accounting practices prescribed or permitted by the North Dakota Insurance Department. Statutory practices primarily differ from GAAP by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions as well as valuing investments and certain assets and accounting for deferred taxes on a different basis.

Note 10. Statutory Net Income and Surplus (Continued)

The following table summarizes the statutory net loss and statutory capital and surplus of US Alliance Life and Security Company and Dakota Capital Life Insurance Company as of December 31, 2017 and 2016 and for the years ended December 31, 2017 and 2016.

	Statutory Capital and Surplus as of	
	December 31, 2017	December 31. 2016
US Alliance Life and Security Company	$ **4,186,381**	$ 2,812,254
Dakota Capital Life Insurance Company	**1,337,081**	1,158,886

	Statutory Net Loss for the years ended December 31,	
	2017	2016
US Alliance Life and Security Company	$ **(1,727,462)**	$ (868,744)
Dakota Capital Life Insurance Company	**(129,989)**	(462,517)

The payment of dividends to US Alliance Corporation by US Alliance Life and Security Company is subject to limitations imposed by applicable insurance laws. For example, “extraordinary” dividends may not be paid without permission of the Kansas Insurance Department. An “extraordinary” dividend is defined, in general, as any dividend or distribution of cash or other property whose fair market value, compared with that of other dividends or distributions made within the preceding 12 months, exceeds the greater of (i) 10% of the policyholders’ surplus (total statutory capital stock and surplus) as of December 31 of the preceding year or (ii) the statutory net gain from operations excluding realized gains on investments) of the insurer for the 12 month period ending December 31 of the preceding year.

The payment of dividends to US Alliance Life and Security Company by Dakota Capital Life Insurance Company is subject to similar limitations.

Note 11. Subsequent Events

All of the effects of subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the consolidated financial statements, are recognized in the consolidated financial statements. The Company does not recognize subsequent events that provide evidence about conditions that did not exist at the balance sheet date but arose after, but before the consolidated financial statements are issued. In some cases, unrecognized subsequent events are disclosed to keep the consolidated financial statements from being misleading.

The Company has evaluated subsequent events after December 31, 2017 through the date on which the consolidated financial statements were issued.