UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995

COMMISSION FILE NUMBER: 0-12666

AMERICAN FINANCIAL HOLDING, INC.
(Exact name of registrant as specified in charter)

DELAWARE	87-0458888
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

225 SOUTH 200 WEST, NO. 302, P.O. BOX 683, FARMINGTON, UTAH 84025-0683
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:(801) 451-9580
Telecopy:(801) 451-9582

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of each exchange on which registered
NONE	NONE

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, PAR VALUE $0.01
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [ ] No x

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

State issuer's revenues for its most recent fiscal year: $4,759,000

As of October 10, 1996, the Registrant had outstanding 4,232,399 shares of its common stock, par value $0.01.

DOCUMENTS INCORPORATED BY REFERENCE. If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 31, 1990): NONE.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No x

SPECIAL NOTE

THIS ANNUAL REPORT ON FORM 10-KSB FOR THE YEAR ENDED DECEMBER 31, 1995, OF AMERICAN FINANCIAL HOLDING, INC. (THE "COMPANY"), IS BEING FILED IN OCTOBER 1996, SUBSTANTIALLY AFTER ITS DUE DATE. THIS REPORT SHOULD BE READ IN CONJUNCTION WITH OTHER PERIODIC REPORTS REPORTING EVENTS OCCURRING AFTER DECEMBER 31, 1995, TO BE FILED SOON, INCLUDING QUARTERLY REPORTS ON FORM 10-QSB FOR THE FISCAL QUARTERS ENDED MARCH 31 AND JUNE 30, 1996. SUCH OTHER PERIODIC REPORTS AND THE INFORMATION SET FORTH THEREIN SHOULD BE READ IN CONJUNCTION WITH THIS ANNUAL REPORT ON FORM 10-KSB, WHICH CONTAINS INFORMATION AS OF DECEMBER 31,

1995, UNLESS OTHERWISE INDICATED.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

INTRODUCTION AND HISTORY

American Financial Holding, Inc. (the "Company") markets life insurance and annuity products underwritten by other insurance providers, principally its marketing subsidiary, Income Builders, Inc. ("Income Builders").

The Company, through Income Builders, acts as an independent field marketing organization for LifeUSA Holding, Inc. ("LifeUSA"), and has been a leading national producer for LifeUSA for combined premium and life premium sales in recent years. It is the goal of management to acquire, manage, and fund the operations of a financial services holding company with broad-based marketing of life insurance and annuities, including the products of other insurance companies and ultimately the Company's own products. In connection with the acquisition of Income Builders as a wholly-owned subsidiary, the Company agreed to use its best efforts to seek additional equity financing to fund the expansion of Income Builders. (See "Acquisition of Income Builders" below.)

In 1995, The Company organized American Financial Reinsurance, Inc. ("AF Reinsurance"), as a wholly-owned subsidiary of Triad Financial Systems, Inc. ("Triad"), a subsidiary of the Company, which was granted a charter by the Arizona Insurance Department to conduct business as a reinsurance company in that state and to coinsure a portion of the products sold by the Company. AF Reinsurance has entered into coinsurance and reinsurance agreements with Massachusetts General Life Insurance Company and its affiliated insurance companies, particularly Life Partners Group, Inc., an Englewood, Colorado-based insurance group (together, "Mass General"), which was recently acquired by Conseco, through which they may cede back to the Company a portion of the life insurance and annuity cession allowances coverage marketed by the Company, as discussed below. See ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

Unless the context otherwise requires, when used herein, the term "Company" refers to the Company and its operating subsidiaries, Income Builders and Triad, and Triad's subsidiary, AF Reinsurance.

THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN-SHORTAGE OF WORKING CAPITAL AND CONTINUING LOSSES

The Company has extremely limited working capital, no credit lines, and insufficient revenue to meet its operating requirements. For the years ended December 31 1995 and 1994, the Company suffered net losses applicable to common stockholders of $696,000 and $687,000, respectively, and as of December 31, 1995, had an accumulated deficit of $7,400,000. At December 31, 1995, the Company had a stockholders' deficit of $503,000. The Company expects that it will continue to incur operating losses and that its accumulated deficit will increase. The Company has been dependent solely upon cash provided by financing activities to fund its operations. The principal sources of capital from outside sources during the preceding years has been receipts from the sale of securities. All of the foregoing raises substantial concerns respecting the ability of the Company to continue as a going concern.

The Company's operating plan for the balance of 1996 and into 1997 is dependent upon the receipt of additional funding from equity financing. The Company received $472,000 from its sale of common stock during 1995 as well as $439,000 in net proceeds through the sale of preferred stock of its wholly-owned subsidiary. There can be no assurance that the Company will be able to sell additional equity securities in the future to meet its capital requirements.

The consolidated financial statements do not include any adjustments relating to recoverability and classification of asset carrying amounts or the amount and classification of liabilities if the Company were unable to continue as a going concern. See "FINANCIAL STATEMENTS: Note 10."

FORWARD-LOOKING INFORMATION MAY PROVE INACCURATE

This annual report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to management. When used in this document, the words "anticipate," believe,"

"estimate," expect," and "intend" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company respecting future events and are subject to certain risks, uncertainties, and assumptions, including the risks and uncertainties noted. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, or intended.

BUSINESS STRATEGY

The Company's business strategy is to grow by (i) expanding its marketing organization, (ii) reinsuring and coinsuring through AF Reinsurance an increasing amount of the insurance products that its independent contractor agents sell, and (iii) acquiring portfolios of insurance in force and life insurance companies with established products, markets, or other insurance opportunities. The Company will require substantial amounts of additional equity financing to fully implement this strategy.

The Company expands its marketing organization by recruiting through a national campaign for new agents and regional seminars designed both to increase the number of general agencies under contract as well as to enhance the productivity of those general agencies already under contract. In addition, the Company is seeking alliances with additional marketing organizations that market both LifeUSA and other products and with other insurance underwriters that offer additional insurance products that can be sold through the Company's marketing organization.

The organization of AF Reinsurance in order to reinsure and coinsure life insurance policies and annuities presently sold by the Company's marketing organization was an initial step in the Company's long-term strategy of developing an insurance underwriting capability. THE COMPANY DOES NOT NOW ISSUE ITS OWN LIFE INSURANCE POLICIES OR ANNUITIES, BUT SELLS SEVERAL PRODUCTS UNDERWRITTEN BY OTHERS. AS WARRANTED, THE COMPANY WILL SEEK REINSURANCE AND COINSURANCE TREATIES WITH INSURANCE CARRIERS FOR PRODUCTS THAT ARE NEW OR, IF NECESSARY, REPLICATE PRODUCTS WHEN THE TERMS ARE MORE ATTRACTIVE THAN THOSE CURRENTLY MARKETED.

The Company investigates opportunities for acquisitions and the availability of required funding and will consider an acquisition when most of its acquisition criteria can be met, depending on the availability of required funding. Key considerations include (i) an acquisition price that reflects little, if any, goodwill; (ii) a book of business that is both profitable and properly underwritten; (iii) licenses to sell insurance products in states in which the Company is not currently authorized but finds attractive; (iv) a management, sales force, or facilities that the Company would like to acquire; (v) insurance and annuity products that are attractive; (vi) an investment portfolio that is sound and properly valued; and (vii) an absence of contingent liabilities or regulatory problems. To date, the Company has not been successful in attracting funding to enable it to complete acquisitions.

The Company's long-term goal is to write new insurance products that are tailored to meet the market needs of the Company's marketing organization. The Company intends to expand and diversify the array of products for its agents to cross sell to their clients. The Company will reinsure these new insurance products in an effort to penetrate the market with new products while minimizing the impact on its surplus.

There can be no assurance, of course, that the Company will be able to implement its long-term business strategy, identify any acquisition target, or complete any acquisition, obtain required expansion capital, or achieve profitable operations.

As the Company acquires insurance carriers, it will be subject to the regulation and supervision by the states in which it transacts business.

PRODUCT LINES

The Company markets life insurance and annuity products underwritten by unrelated insurance companies. Most products marketed by the Company, however, are presently underwritten by LifeUSA. LifeUSA currently underwrites approximately 12 life insurance and annuity products, of which the Company has primarily marketed the Accumulator 8 Series of Annuities and Universal Annuity Life I and III policies.

As the Company implements its reinsurance arrangement through AF Reinsurance as discussed below under "AF Reinsurance," it intends to offer additional insurance, annuity and specialty products developed by Mass General and other insurance companies through marketing, reinsurance, or other arrangements with such companies.

MARKETING

The Company sells life insurance and annuity products underwritten by other insurance providers exclusively through agents under an independent contractor relationship. These individuals may be agents of other life insurance companies or independent insurance brokers. The relationship can be terminated by either party on specified notice. The Company does not intend to have career agents who sell life insurance exclusively for it. Relying upon independent agents allows the Company to expand its sales force without significant expense, but it does require that the Company obtain the right to market competitive products, as the independent agents customarily handle product lines of several different insurance companies. The Company recruits and trains the independent agents in its specific marketing approach to selling life insurance and annuities.

As of December 1996, the Company had contracted with over 5,500 independent contractor-agents to participate in its marketing organization, with 1995 annual premium production of over $42,000,000. Since December 31, 1995, the Company, in conjunction with LifeUSA, has initiated a program to terminate its marketing relationship with agents that have not generated premiums within the preceding 24 months, which has reduced to approximately 2,600 the number of active independent contractor-agents as of October 20, 1996.

It is customary for insurance companies which market products through independent agents to advance to certain agents, at the time the policy is issued, a substantial portion of the first year commission payable to the agent even if the policy holder pays the first year insurance premium in monthly installments. Annualization of the first year commissions provides the agent with funds to meet operating needs. The insurance providers that underwrite the products marketed by the Company typically advance up to an aggregate of 50% to 75% of the agent's first year commissions on submission of an insurance application and/or issuance of the policy. The commission advances are credited against the agent's account as policy premiums are received by the underwriter and the agent earns the related commission. If an application for insurance is rejected or the policy holder discontinues the policy prior to the thirteenth month, an appropriate amount is charged back against the agent's account. As a consequence, the Company assumes certain credit risks because the selling agent could cease further sales of Company products or policies could lapse before earned premiums are sufficient to pay the agent's indebtedness. The Company is required to repay commission advances only if the agent cannot. Historically, the Company has not been required to reimburse any material amount of unearned commissions.

AF REINSURANCE

Triad organized AF Reinsurance as a wholly-owned subsidiary under the laws of Arizona. After obtaining initial capitalization, as discussed below, AF Reinsurance applied for and was granted, effective November 24, 1995, by the Arizona Insurance Department a Certificate of Authority to operate as a reinsurance company in Arizona, initially for the purpose of initiating the Company's reinsurance program with Mass General and LifeUSA of Minneapolis, Minnesota.

The Company obtained an aggregate of $864,000 in initial capital and surplus for AF Reinsurance, consisting of $439,000 in net proceeds from the sale of 8% Payable in Cash and in Kind Cumulative Convertible Preferred Stock of Triad ("Triad Preferred Stock") and $425,000 in proceeds from a subordinated surplus debenture issued to Mass General, consistent with its practice of assisting associated reinsurance carriers in meeting their surplus requirements. The Company believes that such capital and surplus will be sufficient to initiate the expected reinsurance business of AF Reinsurance, if the Company is able to launch successfully its planned marketing program.

AF Reinsurance is now preparing to implement the reinsurance arrangement with Mass General for various life insurance products underwritten by Mass General and to be marketed through the Company's marketing organization and proceed with its other plans for expansion and diversification. AF Reinsurance also intends to implement a reinsurance arrangement with LifeUSA for annuity and other products underwritten by it. There can be no assurance that such a reinsurance arrangement can be reached, that reinsurance arrangements with

insurance companies can be implemented effectively through AF Reinsurance without substantially impacting its capital and surplus, thus requiring the infusion into AF Reinsurance of additional funding, that such business will result in gross operating margins to AF Reinsurance, that Triad will be able to meet its debt service obligations on its outstanding debentures, or that such activities will in general be profitable.

In order to implement the reinsurance program with Mass General, the Company is now developing a program to introduce Mass General's products for sale through the Income Builders independent contractor sales force on a limited basis. Depending on the level of production, under its agreement with Mass General the Company will receive a cede back of 33.3% of the annualized premium produced for Mass General and assume 33.3% of the related policy obligations. The Company would benefit from additional capital to fund a marketing program throughout its sales organization and intends to allocate a portion of additional funding, to the extent received, for this purpose. There can be no assurance that the Company will be able to launch an effective marketing program without substantial amounts of additional funding or that such marketing program will be successful even if funded and undertaken. Further, there can be no assurance that the terms of the Company's existing reinsurance arrangements will result in a financial return to the Company.

While planning the product offerings and marketing effort for Triad, in 1995 it agreed to market a product underwritten by American Physicians Life ("APL"), Columbus, Ohio, and agreed that it would pay APL an amount equal to 10% of the amount by which $1,000,000 exceeded the premium for the APL product generated by the Company by September 30, 1996. Because of the inadequate funding of Triad, the Company was unable to initiate marketing of the APL product and generated no premium income under the APL agreement. Accordingly, APL has demanded that the Company pay APL $100,000. In lieu of such payment, the Company has agreed to repurchase for $224,000 the shares of Triad Preferred Stock that APL purchased in 1995 for $200,000, plus dividends, payable in four equal consecutive monthly installments commencing in October 1996. Upon completion of the repurchase, the $100,000 claim will be canceled. The Company still intends to introduce the APL product to independent contractor agencies recruited in the future

REGULATION

The insurance industry is subject to regulation and supervision by the states in which business is transacted. The laws of the various states establish supervisory agencies with broad administrative and supervisory powers related to granting and revoking licenses to transact business, regulating trade practices, licensing agents, approving policy forms, filing premium rates on certain business, setting reserve requirements, determining the form and content of required financial statements, determining the reasonableness and adequacy of capital and surplus, and prescribing the maximum concentration of certain classes of investment held by insurance companies.

Most states have also enacted legislation which regulates insurance holding company systems, including acquisitions, extraordinary and intercorporate dividends, the terms of surplus debentures, the terms of affiliated transactions, and other related matters. Recently, increased scrutiny has been placed on the insurance regulatory framework, and a number of state legislatures have considered or enacted legislative proposals that alter, and in many cases increase, state authority to regulate insurance companies and holding company systems. Insurance departments in the various states require insurance companies to make annual and quarterly filings. These statutory filings require classifications of investments and the establishment of mandatory reserves.

AF Reinsurance is subject to the jurisdiction of the Arizona Department of Insurance and is required to comply with its rules and regulations, to file specified reports, and to be subject to examination of its books and records.

COMPETITION

The insurance industry is highly competitive. The Company is subject to intense competition in its current operations and is expected to have similar competition in the areas of its future planned expansion. There are many insurance companies offering a variety of insurance products, and in order to obtain competitive product lines, the Company must continue to perform at a high level. The Company is dependent on its ability to attract and retain productive independent agents to sell its products. The Company pays customary and competitive commissions, but competition among insurance companies is intense for independent agents with demonstrated ability. There can be no assurance

that the Company will be able to continue to attract and retain productive independent agents.

PERSONNEL

The Company has four employees, all of whom are officers and directors of the parent company, American Financial Holding, Inc., and three of whom are executive officers and directors of Income Builders, Inc. In addition to its employees, the Company contracts with regional independent agencies and insurance salesmen on an independent contractor basis as discussed above. See "Marketing."

ITEM 2. DESCRIPTION OF PROPERTY

The Company maintains its principal executive offices at 225 South 200 West, Suite 302, Farmington, Utah 84025-0683. These offices are located in approximately 1,000 square feet of office space that the Company currently rents from an unrelated third party under an oral month-to-month rental agreement.

The operations of Income Builders are conducted from approximately 2,000 square feet of office space located at 42 East Claybourne Avenue, Salt Lake City, Utah 84115, that are rented on a month-to-month basis.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material legal proceedings, and, except as noted below, no such proceedings have been threatened by or, to the best of its knowledge, against it.

On October 9, 1996, the Company was advised by the Enforcement Division of the Securities and Exchange Commission (the "Commission") that it is considering recommending that the Commission bring an enforcement action, which could include a civil penalty, against the Company in U.S. District Court for failing to file timely periodic reports in violation of Section 13(a) of the Securities Exchange Act of 1934 and the rules thereunder.

In October 1996 the Company also received a request for the voluntary production of information to the Enforcement Division of the Commission related to the resignation of Coopers & Lybrand LLP, the dismissal of Arthur Andersen LLP, and the appointment of Jones, Jensen & Company as the Company's independent accountant and the reasons therefor. In addition, the Company is requested to provide certain information respecting its previous sales of securities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company did not hold a meeting of its shareholders during the quarter ended December 31, 1995.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There has been no established, consistent trading market for the Company's common stock during significant portions of the preceding two years. Although the Company has learned of various isolated transactions, apparently at prices negotiated in the individual circumstances, there is no reliable information from which to present data respecting regular trading prices and market activity.

Since late 1991, the common stock of the Company has been listed on the Electronic Bulletin Board of the National Association of Securities Dealers, Inc., system ("EBB") under the symbol "ANFH". Quotations have been published only intermittently during this period. However, the trading volume of the common stock of the Company is limited, creating significant changes in the trading price of the common stock as a result of relatively minor changes in the supply and demand. Consequently, the price of the common stock in the trading market fluctuates dramatically over short periods as a result of factors unrelated to the business activities of the Company.

Because of the lack of specific transaction information and the Company's belief that quotations are particularly sensitive to actual or anticipated volume of supply and demand, the Company does not believe that quotations are reliable indicators of a viable trading market for the Company's common stock. In this limited market, brokers typically publish no fixed quotations to

purchase a minimum number of shares at a published price, but express a willingness to buy or sell the stock and from time to time complete transactions in the securities at negotiated prices. As of October 30, 1996, the Company's common stock was quoted, subject to the foregoing limitations and qualifications, at $0.375 bid, $1.00 asked. The foregoing bid quotations do not reflect dealer mark-ups, mark-downs, brokerage commissions, or other charges and do not reflect actual transactions.

As of October 10, 1996, there were 4,232,399 shares of common stock issued and outstanding, held by approximately 700 shareholders.

The Company has not paid dividends on its common stock and does not anticipate that it will pay dividends in the foreseeable future.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN-SHORTAGE OF WORKING CAPITAL AND CONTINUING LOSSES

The Company has extremely limited working capital, no credit lines, and insufficient revenue to meet its operating requirements. For the years ended December 31 1995 and 1994, the Company suffered net losses applicable to common stockholders of $696,000 and $687,000, respectively, and as of December 31, 1995, had an accumulated deficit of $7,400,000. At December 31, 1995, the Company had a stockholders' deficit of $503,000. The Company expects that it will continue to incur operating losses and that its accumulated deficit will increase. The Company has been dependent solely upon cash provided by financing activities to fund its operations. The principal sources of capital from outside sources during the preceding years has been receipts from the sale of securities. All of the foregoing raises substantial concerns respecting the ability of the Company to continue as a going concern.

The Company's operating plan for the balance of 1996 and into 1997 is dependent upon the receipt of additional funding from equity financing. The Company received $472,000 in net proceeds from its sale of common stock during 1995 as well as $439,000 in net proceeds through the sale of preferred stock of its wholly-owned subsidiary. There can be no assurance that the Company will be able to sell additional equity securities in the future to meet its capital requirements. The Company is relying on the sale of common stock and borrowings, if available, to provide the $224,000 required to repurchase Triad Preferred Stock from APL and cancel its $100,000 claim.

The consolidated financial statements do not include any adjustments relating to recoverability and classification of asset carrying amounts or the amount and classification of liabilities if the Company were unable to continue as a going concern. See FINANCIAL STATEMENTS: Note 10.

The Company incurred in 1995 and previous years, and continues to incur, substantial costs in connection with its now abandoned efforts to acquire, and its completed efforts to organize, a chartered insurance company subsidiary and to fund planned expansion in order to retain coinsurance revenue from the established life insurance and annuity production of Income Builders. A substantial portion of such acquisition and organization costs was for fees for outside consulting and professional fees that will be eliminated or substantially reduced in the future.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 1995, the Company experienced negative cash flow from operating activities of $459,000, compared with negative cash flow from operating activities of $149,000 in 1994. The increased cash required to fund operating activities in 1995 as compared to 1994 is principally due to the increased operating loss in 1995.

During 1995, the Company financed its cash flow requirements for operating activities through $472,000 in net proceeds from the sale of its common stock, $439,000 in net proceeds from the issuance of preferred stock, and $425,000 from issuance of long-term debt.

The Company holds promissory notes receivable from executive officers and directors who are also stockholders aggregating approximately $2,606,000. See ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS. For financial reporting purposes, the Company has recorded reserves aggregating $2,222,000 against these notes based on management's conclusion that the ultimate collectibility of certain of these notes was uncertain. The remaining balance

of these notes is reflected as contra equity as opposed to an asset in the Company's balance sheet. The stockholders continue to be obligated to repay the full amount of these notes, including accrued interest, and management believes the remaining net stockholders' notes receivable of approximately $384,000, after deducting the above reserves, are realizable based on the availability of stockholders' personal financial resources. See FINANCIAL STATEMENTS: Note 9. The Company does not expect that payments under these notes will provide capital during the next 12 months.

CAPITAL REQUIREMENTS

The Company believes that the initial capitalization of AF Reinsurance is sufficient for the subsidiary to begin operations, although the Company is seeking additional funding in order to launch its new product introduction and marketing expansion and, in general, to form a broader base for planned activities. In addition to funding for AF Reinsurance, the Company would benefit from additional funds to cover accrued liabilities and accounts payable inasmuch as most of the Company's $1,219,000 in current liabilities were past due at December 31, 1995,to pay ongoing operating losses, and to provide funds for additional marketing by Income Builders.

In light of the organization of AF Reinsurance, the Company desires to continue to expand its marketing organization and acquire additional insurance company assets. The Company will require additional equity or debt capital to fund this expansion, and there can be no assurance that such funding will be available on terms viable to the Company.

As of September 30, 1996, Triad had issued and outstanding 52,138 shares of Triad Preferred Stock with a liquidation preference of $12 per share, or an aggregate of $625,656 (without giving effect to the proposed repurchase of shares from APL discussed above), and AF Reinsurance had outstanding $425,000 in principal amount of surplus debentures, bearing interest at 7.66% per annum, due quarterly, with annual principal payments of $42,500 due annually, commencing September 30, 1996. All principal and interest payments required through October 20, 1996, have been paid. The Company may elect to utilize proceeds from these surplus debentures, which form a portion of the surplus of AF Reinsurance, to pay the principal portion of the amount due in the future.

The Company also has converted an account payable into a promissory note aggregating $317,000 at September 30, 1996, bearing interest at 8% (12% after default) and due five days after demand, but in any event, by March 31, 1997, for professional services rendered. The Company does not expect that demand will be made on this note as long as it pays for ongoing professional services and costs advanced as they are incurred on a current basis, and as long as the payee, in its sole discretion, concludes that the Company is making substantial progress toward obtaining sufficient financing to pay the note. This note is secured by a pledge of officer and director notes payable to the Company aggregating approximately $2,606,000.

Inasmuch as the Triad offering of Triad Preferred Stock was not successful in obtaining the amount of funding anticipated, the Company has been unable to launch its product introduction and marketing effort as discussed above. Therefore, the Company is exploring other financing alternatives, including borrowings, if available, and the sale of additional equity securities. Net proceeds from such funding would be utilized to fund marketing expansion and related new product introduction, to increase the surplus of AF Reinsurance, to cover ongoing general and administrative expenses (including payments to executive officers and directors), and perhaps to reduce the outstanding Triad surplus debenture or to redeem Triad Preferred Stock. There can be no assurance that any of the Company's efforts to obtain additional funding will be successful or that the Company will be able to continue.

As part of the Company's strategic analysis and planning, it may consider a number of corporate restructuring alternatives and may explore the possibility of separating its Triad reinsurance activities and/or Income Builders marketing organization from the holding company parent and its essentially inactive subsidiary, American Financial Marketing. There can be no assurance as to whether any such organizational restructuring will be pursued, whether it will be implemented, or the business or financial effects thereof.

CERTAIN UNCERTAINTIES

The Company and Triad have sold securities in reliance on exemptions from registration under the Securities Act and applicable state securities laws. Management believes that the Company has materially complied with the requirements of the applicable exemptions. However, since compliance with these

exemptions is highly technical, it is possible that the Company could be faced with certain contingencies based on civil liabilities resulting from the failure to meet the terms and conditions of such exemptions, which could have a material adverse impact on the Company's financial condition. Neither the Company nor Triad has received any demand from any shareholder requesting a return of his investment, damages, or other remedies in connection with the purchase of securities by such shareholder.

RESULTS OF OPERATIONS

General and administrative expenses declined to $1,428,000 in 1995 from $1,513,000 in 1995 and 1994, or 30% and 33.6% of commission revenue in 1995 and 1994, respectively. General and administrative expenses include office expense, as well as travel, lodging, and other expenses associated with recruiting additional sales personnel, which sometimes must be increased in anticipation of increasing business. The change in general and administrative expense in 1995, as compared to 1994, was primarily due to cost-cutting measures implemented in 1995 respecting outside financial advisory services.

Commission revenue for the year ended December 31, 1995, increased $250,000, or 5.6%, over the preceding year. The increase in 1995 commission revenue was due principally to the increase in 1995 production over the previous year. The field marketing organization grew from approximately 4,300 agents at December 31, 1994, to approximately 5,500 agents at December 31, 1995. See "ITEM 1. BUSINESS: Marketing" respecting the current program to terminate inactive agents.

The Company generated net interest income in each of the last three years primarily attributable to interest income from stockholder receivables and interest expense from notes issued in connection with the acquisition of automobiles and real estate.

ITEM 7. FINANCIAL STATEMENTS

The financial statements of the Company, including the required accountant's reports, are included following a table of contents beginning immediately following the signature page to this report.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On January 10, 1996, the Company engaged Coopers & Lybrand LLP ("Coopers & Lybrand"), Salt Lake City, Utah, to audit and report on the Registrant's financial statements for the year ended December 31, 1995.

On such date, the board of directors also approved the dismissal of Arthur Andersen LLP ("Arthur Andersen"), Salt Lake City, Utah, as the Registrant's previous auditors.

The report of Arthur Andersen on the Registrant's financial statements consisting of consolidated balance sheets as of December 31, 1994, and 1993, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 1994, did not contain an adverse opinion or disclaimer of opinion and was not qualified or modified as to audit scope or accounting principles. However, the report contained an explanatory paragraph regarding the uncertainty of the Company's ability to continue as a going concern.

During the Registrant's two most recent fiscal years and any subsequent interim period preceding the dismissal of Arthur Andersen, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope of procedure, which disagreement, if not resolved to the satisfaction of the former accountant, would have caused it to make reference to the subject matter of the disagreement in connection with its report.

In June 1993, Arthur Andersen advised the Registrant of concern over material weaknesses in the Registrant's internal controls that the accountant believed could adversely affect the Registrant's ability to develop reliable financial statements. The Registrant implemented Arthur Andersen's recommendations for strengthening its internal controls. During the most recent fiscal year and the subsequent interim period preceding Arthur Andersen's dismissal, the Registrant was not advised by Arthur Andersen that internal controls necessary for the Registrant to develop reliable financial statements did not exist nor that information came to its attention that led it to no

longer be able to rely on management's representations or that made it unwilling to be associated with the financial statements prepared by management.

The Registrant has not been advised by Arthur Andersen of the need to expand significantly the scope of the Registrant's audit, nor has the Registrant been advised that during the two most recent fiscal years and the subsequent interim period preceding its dismissal, information has come to the attention of Arthur Andersen that on further investigation may (i) materially impact the fairness or reliability of either a previously issued audit report or the underlying financial statements, or the financial statements issued or to be issued covering the fiscal period subsequent to the date of the most recent financial statements (December 31, 1994) covered by an audit report, or (ii) cause Arthur Andersen to be unwilling to rely on management's representations or be associated with the Registrant's financial statements. The Registrant has not been advised by Arthur Andersen that information has come to its attention that it concluded materially impacts the fairness or reliability of a previously issued audit report or the underlying financial statements.

No consultations occurred between the Registrant and Coopers & Lybrand during the two most recent fiscal years and any subsequent interim period prior to Coopers & Lybrand's appointment regarding the application of accounting principles to a specific completed or contemplated transaction, the type of audit opinion, or other information considered by the Registrant in reaching a decision as to an accounting, auditing, or financial reporting issue.

On June 17, 1996, Coopers & Lybrand LLP ("Coopers & Lybrand") resigned as the independent accountants of American Financial Holding, Inc. (the "Company"). Coopers & Lybrand had been appointed by the Company on January 10, 1996, to audit and report on its financial statements for the year ended December 31, 1995. Coopers & Lybrand did not complete or issue any report on its audit of the December 31, 1995, financial statements of the Company.

In connection with its resignation, Coopers & Lybrand advised the Company that information has come to its attention that, if investigated further, may materially impact the fairness or reliability of previously issued audit reports or the underlying financial statements relating to the extent of and the method of accounting for shareholder advances and stock issuance costs.

Between the date of its appointment and dismissal, there were no disagreements with Coopers & Lybrand on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of the former accountant, would have caused it to make reference to the subject matter of the disagreement in connection with its report.

On July 8, 1996, the board of directors of American Financial Holding, Inc. (the "Registrant") approved the engagement of Jones, Jensen & Company, Salt Lake City, Utah, to audit and report on the Registrant's financial statements for the year ended December 31, 1995.

No consultations occurred between the Registrant and Jones, Jensen & Company during the two most recent fiscal years and any subsequent interim period prior to Jones, Jensen & Company's appointment regarding the application of accounting principles to a specific completed or contemplated transaction, the type of audit opinion,or other information considered by the Registrant in reaching a decision as to an accounting, auditing, or financial reporting issue.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

CURRENT DIRECTORS AND EXECUTIVE OFFICERS

The directors and executive officers of the Company are as follows:

NAME	AGE	OFFICE
Kenton L. Stanger	63	Chief Executive Officer, President, Director
Raymond L. Punta	46	Executive Vice President, Director
Chelton S. Feeny	73	Director
Ray P. Brown	52	Executive Vice President-Marketing, Director

Tim L. Hansen	47	Executive Vice President-Marketing, Director

Directors are elected at the annual shareholders' meeting of the Company to serve for a period of one year and until their successors are elected and qualified. Officers serve at the pleasure of the board of directors.

Kenton L. Stanger has served as Chairman of the Board, President, and Chief Executive Officer of the Company since 1988. From 1986 to 1988, he was President of American Financial Marketing, Inc., which was acquired by the Company in 1988. From 1969 to 1986, Mr. Stanger was Chairman, President and Chief Executive Officer of Balanced Security Corporation, a financial services holding company which owned its own life insurance and annuity marketing company, and an insurance related audio visual production company. During 1985, he also served as a director for Service Life Insurance Company. From 1965 to 1969, he was President and Chief Executive Officer of Sentinel's Southern Agency Corporation. Mr. Stanger was the District Sales Manager for Country Mutual Life and Farm Bureau Insurance Companies from 1958 to 1965. Mr. Stanger is the father-in-law of Raymond L. Punta.

Raymond L. Punta has served as Executive Vice President and a director of the Company from 1989 through the present. From 1988 through 1989, Mr. Punta was a co-owner of American Safety Products, an entity that marketed Halon fire extinguishers, door entry systems, and other commercial and residential safety products. Mr. Punta was a national sales trainer for Novar Corporation, Barberton, Ohio, from 1984 to 1988. From 1973 to 1984, Mr. Punta served as a law enforcement officer with the San Joaquin County Sheriff's Department and the Lodi Police Department, both in California. Mr. Punta is the son-in-law of Mr. Stanger.

Chelton S. Feeny has served as a director of the Company from 1988 through the present. Dr. Feeny was engaged in the practice of medicine between 1959 and 1988 in Ogden, Utah. Since 1989, he has been employed by the Veterans Administration Regional Office in Anchorage, Alaska. He currently serves as a member of the Finance Committee of the Ogden Surgical Society and the Alaska and Anchorage Surgical Societies.

Ray P. Brown is Executive Vice President-Marketing and has been a director of the Company since 1989. In 1987, Mr. Brown, in conjunction with Mr. Hansen, formed Income Builders, Inc., a field marketing organization to sell life insurance and annuity products offered by LifeUSA. In 1989, Messrs. Brown and Hansen, exchanged their shares of Income Builders for shares of the Company, and Income Builders became a wholly owned subsidiary of the Company. Mr. Brown has been active in the insurance industry since 1972.

Tim L. Hansen is Executive Vice President-Marketing and has served as a director of the Company since 1989. In 1987, Mr. Hansen, in conjunction with Mr. Brown, formed Income Builders, Inc., a field marketing organization to sell life insurance and annuity products offered by LifeUSA. In 1989, Messrs. Hansen and Brown exchanged their shares of Income Builders for shares of the Company, and Income Builders became a wholly owned subsidiary of the Company. Mr. Hansen has been active in the insurance industry since 1973.

BOARD MEETINGS AND COMMITTEES

Members of the board of directors discussed various business matters informally on numerous occasions throughout the year. All formal actions were taken by vote in one board meeting that occurred throughout the year or by unanimous consent during 1995. The directors who are not employees received reimbursement of direct expenses incurred on behalf of the Company. Directors who are employees of the Company receive no compensation for services as directors.

The board of directors has no standing audit or compensation committees.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Based solely upon a review of Forms 3, 4, and 5 and amendments thereto, furnished to the Company during or respecting its last fiscal year ended December 31, 1995, any written representation referred to in paragraph (b)(2)(i) of Item 405 of Regulation S-B, no person who, at any time during the most recent fiscal year, was a director, officer, beneficial owner of more than 10% of any class of equity securities of the Company or any other person known to be subject to Section 16 of the Exchange Act failed to file, on a timely basis, reports required by Section 16(a) of the Exchange Act, during the most recently

completed full fiscal year or prior fiscal year, except as noted in previous reports on Form 10-K and except that Chelton S. Feeny failed to report purchases of Common Stock from the Company as follows: 10,000 shares purchased on March 10, 1995; and 10,000 shares purchased on each of February 23, May 17, September 26, and November 22, 1994.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth, for each of the last three fiscal years, cash compensation received by any person serving as chief executive officer of the Company during the last preceding fiscal year and any of the four remaining most highly compensated other executive officers whose salary and bonus for all services in all capacities exceeded $100,000 for the most recent fiscal year.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long Term Compensation Awards		Payouts	
(a)	(b)	(c)	(d)	(e)		(g)	(h)	(I)
Name and Principal Position	Year Ended Dec. 31	Salary ($)	Bonus ($)	Other Annual Compen-sation ($)(1)	Restricted Stock Award(s) ($)	Securities Underlying Options/ SARs (#)(2)	LTIP Payouts ($)	All Other Compen-sation ($)
Kenton L. Stanger	1995	--	--	$131,007	--	--	--	--
Chief Executive Officer,	1994	--	--	$140,580	--	--	--	--
President, Director	1993	--	$10,000	$141,049	--	75,000	--	--
Tim L. Hansen	1995	$159,394	--	$ 94,788	--	--	--	--
Vice President-Marketing,	1994	$169,033	--	$ 46,994	--	--	--	--
Director	1993	$159,949	$58,500	$ 61,942	--	75,000	--	--
Ray P. Brown	1995	$160,565	--	$ 87,000	--	--	--	--
Vice President-Marketing,	1994	$173,781	--	$ 47,220	--	--	--	--
Director	1993	$159,949	$58,500	$ 63,277	--	75,000	--	--
Raymond L. Punta	1995	--	--	$ 94,149	--	--	--	--
Executive Vice-President	1994	--	--	$106,040	--	--	--	(3)
Director	1993	--	$10,000	$ 90,989	--	75,000	--	(3)

(1) During 1995 and prior years, the Company made personal loans to the four named executive officers and directors in the amounts set forth as "Other Annual Compensation," which includes interest accrued during the year on the unpaid balance of amounts previously outstanding. Such amounts included cash advances as well as reimbursements for personal use of Company automobiles and other items. (See Note 3 respecting Mr. Punta.) (See "ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.") Further, such amounts are treated as compensation for purposes of this table, but remain an obligation payable by such persons. (See Note 9 to Notes to Consolidated Financial Statements.) The Company will offset against the amounts payable to it by such officers and directors documented expenses paid by such officers and directors from their own funds on behalf of the Company.

(2) In September 1993, the Company granted the above options to the named executives, entitling them to purchase shares of Company Common Stock through September 1998 at $1.75 per share. All such executive officers have pledged shares issuable on exercise of such options to secure their obligations to the Company to repay loans due it.

(3) In 1992, the Company purchased from an unrelated party for $106,000, a condominium in which Mr. Punta resides. The Company purchased the property in its name, made the $24,000 cash payment and makes the payments due on the mortgage note in the original principal amount of $82,000, bearing interest at 10.5% per annum, payable $722 per month, with the entire unpaid principal due July 1997. During 1993, the Company also paid a total

of $4,537 in homeowners' association fees, Such monthly mortgage and homeowners' association payments are treated as a loan advance to Mr. Punta. The Company has agreed with Mr. Punta that he may purchase the property on reimbursement to the Company of all expenditures not reimbursed by Mr. Punta to the date of purchase or not charged to loans due the Company by Mr. Punta.

The following table sets forth information respecting the exercise of options and SARs during the last completed fiscal year by each executive officer named in the Summary Compensation Table above and the last completed fiscal year end values of unexercised options and SARs, based on the average high and low price of the Company's Common Stock that day on the EBB of $2.75.

AGGREGATE OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

(a)	(b)	(c)	(d)	
Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at FY End (#) Exercisable/ Unexercisable	Unexercised InValue)ofey Options/SARs at FY End ($) Exercisable/ Unexercisable
Kenton L. Stanger	--	--	75,000/--	$75,000/--
Tim L. Hansen	--	--	75,000/--	$75,000/--
Ray P. Brown	--	--	75,000/--	$75,000/--
Raymond L. Punta	--	--	75,000/--	$75,000/--

EMPLOYEE AGREEMENTS AND BENEFITS

During 1996, the Company expects to provide approximately $135,000 to Kenton L. Stanger, the exact amount of which will depend on the level of activities of the Company and the results of its operations. As in previous years, a large portion of such amount may be in the form of a loan to Mr. Stanger, repayable by him. As before, the amount of any such loan to Mr. Stanger will be treated as cash compensation for financial reporting purposes but will remain a repayment obligation of Mr. Stanger. If the Company has funds available from the operation of an insurance company subsidiary that may be organized (of which there can be no assurance) or other sources, the amounts paid to Mr. Stanger may be treated as a regular salary.

Effective July 1, 1995, the Company entered into executive employment agreements with Tim L. Hansen and Ray P. Brown at annual salaries for 1995 at the rate of $200,000 each, plus bonuses based on the income of Income Builders, provided, however, that the aggregate amount of the compensation to Messrs. Hansen and Brown in any year can in no event result in Income Builders' incurring an operating loss. Each agreement provides for a three-year term, renewed automatically each year and extended for an additional three-year term unless the Company's board of directors resolves not to extend such agreement, in which case the employment agreement will expire at the end of the then current three-year term. Within ninety (90) days after the commencement of a new fiscal year, the Company will negotiate with Messrs. Hansen and Brown to determine the amount of any increase in each individual's respective salary for such year.

The Company provides each of its executive officers and directors who are full-time employees with health and accident insurance. In addition, the Company provides to Messrs. Hansen and Brown automobiles for business use.

The Company reimburses its directors for costs of attending meetings of the board of directors but does not compensate its directors who are not employees.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth information as to each person who owned of record or was known by the Company to own beneficially more than 5% of the 4,232,399 shares of issued and outstanding Common Stock of the Company as of October 20, 1996, and information as to the ownership of the Company's Common Stock by each of its directors and by its officers and directors as a group. Except as otherwise indicated, all shares are owned directly, and the persons named in the table have sole voting and investment power with respect to shares shown as beneficially owned by them.

BENEFICIAL OWNERS	NATURE OF OWNERSHIP	NUMBER OF SHARES OWNED	PERCENT
PRINCIPAL SHAREHOLDER			
Kenton L. Stanger	Indirect(1)	200,000	4.73%
225 South 200 West, #302	Options	75,000	1.74%
Farmington, Utah 84025-0683	Total	275,000	6.38%
	Direct	191,826	4.53%
Tim L. Hansen	Indirect(2)	50,272	1.19%
42 East Claybourne Avenue	Options	75,000	1.74%
Salt Lake City, Utah 84115	Total	317,098	7.36%
	Direct	174,824	4.13%
Ray P. Brown	Indirect(2)	67,002	1.58%
42 East Claybourne Avenue	Options	75,000	1.74%
Salt Lake City, Utah 84115	Total	316,826	7.36%
	Direct	125,000	2.95%
Raymond L. Punta	Indirect(3)	210,579	4.98%
225 South 200 West, #302	Options	75,000	1.74%
Farmington, Utah 84025-0683	Total	410,579	9.53%
San Joaquin Trust	Direct(1)	175,000	4.13%
Gay Stanger and Cheryl Punta, Trustees			
1546 North Sweetwater Lane			
Farmington, Utah 84025			
Chelton S. Feeny			
2925 DeBarr Street	Direct	98,500	2.33%
VARO-11A	Indirect(3)	107,522	2.48%
Anchorage, Alaska 99508	Total	206,022	4.75%
DIRECTORS			
Kenton L. Stanger	- - - - - - - - - See Above - - - - - - - - -		
Tim L. Hansen	- - - - - - - - - See Above - - - - - - - - -		
Ray P. Brown	- - - - - - - - - See Above - - - - - - - - -		
Raymond L. Punta	- - - - - - - - - See Above - - - - - - - - -		
Chelton S. Feeny	- - - - - - - - - See Above - - - - - - - - -		
	Direct	590,150	13.94%
ALL DIRECTORS AND EXECUTIVE	Indirect	635,375	15.01%
OFFICERS, AS A GROUP (5 PERSONS)	Options	300,000	6.62%
	Total	1,525,525	33.66%

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(1) Mr. Stanger is deemed to share voting and dispositive power over 175,000 shares owned by San Joaquin Trust and 25,000 shares owned by Debt Reduction Trust. The 25,000 shares held by the Debt Reduction Trust have been pledged to secure the Company's loans made to certain officers and directors. (See "ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.")

(2) Represents shares held by self-directed retirement account.

(3) Consists of 10,579 shares owned by Mr. Punta's wife and 175,000 shares owned by San Joaquin Trust and 25,000 shares owned by Debt Reduction Trust, of which his wife is co-trustee.
(4) Represents shares held by trust.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

CERTAIN LOANS

During the preceding three fiscal years the Company has made certain personal loans to present and/or former officers and directors in lieu of paying salaries. Funds for these loans were derived through the sale of Common Stock of the Company, as discussed below. During 1991, the Company sold common stock under an understanding with a trust to contribute back to the Company the number of shares necessary to raise the funds required. The proceeds from the sale of such shares were used for loans rather than salaries to officers. These loans are currently evidenced by promissory notes dated December 31, 1995, bearing interest at 8% per annum and are due and payable 30 days following demand, but in any event by December 31, 1998. The loans of Kenton L. Stanger, Raymond L. Punta, Maxine Heap, and Howard L. Smith are secured by the accommodation pledge by Debt Reduction Trust, a trust over which Kenton L. Stanger is deemed to share voting and dispositive power, of 15,000 shares of Common Stock of the Company. The loans of Ray P. Brown and Timothy L. Hansen are secured by the accommodation pledge by Debt Reduction Trust, a trust over which Kenton L. Stanger is deemed to share voting and dispositive power, of 10,000 shares of Common Stock of the Company. In addition, each of Messrs. Stanger, Punta, Brown, and Hansen has pledged options to purchase 75,000 shares of Common Stock at $1.75 per share and the shares issuable on exercise of such options to secure repayment of his loan. For financial reporting purposes, a portion of such loans has been treated as cash compensation but remains an obligation payable by such persons. Set forth below is the name of each such borrower and the outstanding balance, including accrued interest, as of the dates indicated:

	Balance Outstanding, December 31,	
Name	1995	1994
Kenton L. Stanger	$ 738,213	$ 560,942
Tim L. Hansen	652,190	517,481
Ray P. Brown	665,589	537,522
Raymond L. Punta	550,147	421,419
Others	78,910	64,307
	$2,685,049	$2,101,671

The Company will offset against the amounts payable to it by such officers and directors documented expenses paid by such officers and directors from their own funds on behalf of the Company. The terms of the foregoing transactions were not determined in arm's length negotiations.

COMMON STOCK

During 1995, the Company sold 10,000 shares of Common Stock to Chelton Feeny, a director, for $10,000.

FINANCIAL ADVISORY SERVICES

During 1995, the Company paid Agincourt Capital, Inc. ("Agincourt"), of which William E. Waterman, Jr., then a director, was chief executive officer. Pursuant to this agreement, the Company agreed to pay Agincourt a fee of $10,000 per month for financial advisory services plus a cash placement fee of 10% of the proceeds of financing arranged by it and reimbursement of accountable out-of-pocket expenses. Under this agreement, the Company paid Agincourt a total of $170,000, including $50,000 paid as commissions on the sale of Triad Preferred Stock.

PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(B) EXHIBITS:

The following exhibits are included as part of this report at the location indicated:

EXHIBIT INDEX

Exhibit Number	SEC Reference Number	Title of Document	Location
Item 3.		Articles of Incorporation and Bylaws	
3.01	3	Certificate of Incorporation, as amended	Incorporated by Reference(1)
3.02	3	Bylaws	Incorporated by Reference(1)
Item 4			
4.01	4	Form of Certificate Of Incorporation Of Triad Financial Systems, Inc.	This Filing
4.02	4	Form of Triad Financial Systems, Inc. Designation Of Rights, Privileges, And Preferences Of 8% Payable In Cash And In Kind Cumulative Convertible Preferred Stock	This Filing
Item 10.		Material Contracts	
10.01	10	Agreement dated July 20, 1992, among American Financial Holding, Inc., Tim L. Hansen, and Ray P. Brown, relating to Income Builders, Inc., and related form of proxy	Incorporated by Reference(1)
10.02	10	Financial Advisory Services Agreement with Agincourt dated April 27, 1993	Incorporated by Reference(2)
10.03	10	Agent Agreement between LifeUSA Insurance Company and Income Builders; also constitutes form of agreement used for each independent agent	Incorporated by Reference(1)
10.04	10	Form of Secured Promissory Note of certain directors of American Financial Holding, Inc., and related schedule, dated as of December 31, 1995*	This Filing
10.05	10	Accommodation Stock Pledge Agreement for Stock between American Financial Holding, Inc., and Mick K. Stanger and Cheryl S. Punta, trustees of the Debt Reduction Trust, dated March 31, 1992	Incorporated by Reference(1)
10.06	10	Accommodation Stock Pledge Agreement for Stock between Income Builders, Inc., and Mick K. Stanger and Cheryl S. Punta, trustees of the Debt Reduction Trust,	Incorporated by Reference(1)

		dated March 31, 1992	
10.7	10	Stock Purchase Agreement between Triad Financial Systems, Inc. and Lincoln Heritage Life Insurance Company regarding Modern Income Life Insurance Company dated February 10, 1994	Incorporated by Reference(3)
10.8	10	Form of Nonqualified Stock Option with related schedules of options*	Incorporated by Reference(3)
10.9	10	Form of Option Pledge Agreement and related schedule*	Incorporated by Reference(3)
10.10	10	Letter agreement with Raymond L. Punta regarding condominium as revised July 17, 1995*	This Filing
10.11	10	Executive Employment Agreement between American Financial Holding, Inc. and Ray P. Brown effective July 1, 1995*	This Filing
10.12	10	Executive Employment Agreement between American Financial Holding, Inc. and Tim L. Hansen effective July 1, 1995*	This Filing
10.13	10	Promissory Note executed by American Financial Holding, Inc., payable to Kruse, Landa & Maycock, L.L.C., in the amount of $350,000, dated as of September 30, 1996, with related Pledge Agreement	This Filing
10.14	10	Marketing Agreement between Massachusetts General Life Insurance Company, Wabash Life Insurance Company, American Financial Reinsurance, Inc., and American Financial Marketing, Inc., dated January 1, 1996; including exhibits a) General Agent Contract; b) Co Insurance Agreement; c) Administrative Services Agreement; and d) Reinsurance Agreement.	This Filing
10.15	10	Form of Surplus Debenture No. 1 by American Financial Reinsurance, Inc.	This Filing
10.16	10	Form of Security and Pledge Agreement between American Financial Holding, Inc., American Financial Reinsurance, Inc., and Massachusetts General Life Insurance Company	This Filing
10.17	10	Agreement for Purchase and Sale of Preferred Shares of Triad Financial Systems, Inc., dated October 22, 1996, between Triad and American Physicians Life Insurance Company	This Filing
Item 16		Letter on Change in Certifying Accountant	
16.01	16	Letter from Arthur Andersen dated January 15, 1996	Incorporated by Reference(4)
16.02	16	Letter from Coopers & Lybrand L.L.P. dated July 8, 1996	Incorporated by Reference(5)
Item 21.		Subsidiaries of the Company	
21.01	21	Subsidiaries of the Company	This Filing

(1) Previously filed as exhibits to the Company's Form 10-K for the fiscal year ended December 31, 1991, and incorporated herein by reference.
(2) Previously filed as exhibits to the Company's Form 10-K for the fiscal year ended December 31, 1992, and incorporated herein by reference.
(3) Previously filed as an exhibit to the Company's Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference.

(4) Previously filed as an exhibit to the Company's current report on Form 8-K dated January 10, 1996.
(5) Previously filed as an exhibit to the Company's current report on Form 8-K dated

* IDENTIFIES MANAGEMENT CONTRACT OR COMPENSATORY PLAN OR ARRANGEMENT REQUIRED TO BE FILED AS AN EXHIBIT.

(B) REPORTS ON FORM 8-K:

The Company did not file a report on Form 8-K during the quarter ended December 31, 1995.

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, dated as of the 31st day of October, 1996.

AMERICAN FINANCIAL HOLDING, INC.

By /s/ Kenton L. Stanger, President
(Principal Executive and Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Company and in the capacities and as of the 31st day of October, 1996.

By /s/ Kenton L. Stanger, Director

By /s/ Raymond L. Punta, Director

By /s/ Ray P. Brown, Director

By----------
Chelton S. Feeny, Director

By /s/ Tim L. Hansen, Director

AMERICAN FINANCIAL HOLDING, INC.
AND SUBSIDIARIES

Consolidated Financial Statements

As of December 31, 1995 and for the Years Ended
December 31, 1995 and 1994

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors
American Financial Holding, Inc. and Subsidiaries
Farmington, Utah

We have audited the accompanying consolidated balance sheet of American

Financial Holding, Inc. and Subsidiaries as of December 31, 1995 and the related consolidated statements of operations, stockholders' deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Financial Holding, Inc. and Subsidiaries as of December 31, 1995 and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 10 to the consolidated financial statements, the Company has suffered losses from operations for the years ended December 31, 1995 and 1994, and has a stockholders' deficit of $444,895 as of December 31, 1995 that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 10. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty.

/s/ Jones, Jensen & Company
August 20, 1996

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To American Financial Holding, Inc.:

We have audited the accompanying consolidated statements of operations, stockholders' deficit and cash flows of American Financial Holding, Inc. (a Delaware corporation) and subsidiaries for the year ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of American Financial Holding, Inc. and subsidiaries for the year ended December 31, 1994 in conformity with generally accepted accounting principles.
The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 10 to the consolidated financial statements, the Company has suffered losses from

operations, has a stockholders' deficit and has a working capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 10. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty.

As explained in Note 2, effective December 31, 1994, the Company changed its method of accounting for investments in debt and equity securities.

/S/
ARTHUR ANDERSEN LLP

Salt Lake City, Utah
January 24, 1995 (except with respect to the matter discussed in the first paragraph of Note 8 as to which the date is July 1, 1995)

AMERICAN FINANCIAL HOLDING, INC.
AND SUBSIDIARIES
Consolidated Balance Sheet

ASSETS

	December 31, 1995
CURRENT ASSETS	
Cash and cash equivalents (Note 1)	$ 988,904
Marketable securities (Note 2)	88,100
Commissions receivable	170,014
Interest receivable	1,414
Total Current Assets	1,248,432
PROPERTY AND EQUIPMENT - NET (Notes 1 and 3)	102,601
OTHER ASSETS	
Investment in real estate	102,955
Net deferred tax asset (Note 6)	195,560
Deposits	26,804
Total Other Assets	325,319
TOTAL ASSETS	$1,676,352

AMERICAN FINANCIAL HOLDING, INC.
AND SUBSIDIARIES
Consolidated Balance Sheet (Continued)

LIABILITIES AND STOCKHOLDERS' DEFICIT

	December 31, 1995
CURRENT LIABILITIES	
Accounts payable	$ 375,795
Commissions payable	170,014
Short-term borrowings (Note 7)	53,478
Accrued expenses	281,528
Income taxes payable	256,241
Dividends payable (Note 5)	24,064
Notes payable, current portion (Note 7)	57,738
Total Current Liabilities	1,218,858

LONG-TERM LIABILITIES	
Notes payable (Note 7)	522,403
Total Long-Term Liabilities	522,403
Total Liabilities	1,741,261
COMMITMENTS AND CONTINGENCIES (Note 8)	-
MINORITY INTEREST (preferred stock in consolidated subsidiary) (Note 5)	438,504
STOCKHOLDERS' DEFICIT	
Common stock: 20,000,000 shares authorized of $0.01 par value, 4,232,399 shares issued and outstanding	42,324
Additional paid-in capital	7,354,360
Stockholders' notes receivable, net of reserve of $869,255 (Note 9)	(383,966)
Unrealized loss on marketable securities (Note 2)	(53,412)
Accumulated deficit	(7,462,719)
Total Stockholders' Deficit	(503,413)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$1,676,352

AMERICAN FINANCIAL HOLDING, INC.
AND SUBSIDIARIES
Consolidated Statements of Operations

	For the Years Ended December 31, 1995	1994
COMMISSION REVENUE	$4,759,357	$4,508,894
COMMISSION EXPENSE	4,095,800	3,731,898
GROSS PROFIT	663,557	776,996
GENERAL AND ADMINISTRATIVE EXPENSES	1,486,320	1,512,901
LOSS FROM OPERATIONS	(822,763)	(735,905)
OTHER INCOME (EXPENSE)		
Interest income	195,835	73,063
Interest expense	(32,305)	(12,526)
Total Other Income (Expense)	163,530	60,537
LOSS BEFORE INCOME TAXES	(659,233)	(675,368)
INCOME TAX PROVISION (Note 6)	(12,381)	(12,045)
LOSS BEFORE PREFERRED STOCK DIVIDEND	(671,614)	(687,413)
PREFERRED STOCK DIVIDEND	(24,064)	-
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (695,678)	$ (687,413)
NET LOSS PER COMMON SHARE	$ (0.18)	$ (0.21)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	3,872,672	3,327,449

note:the following table is split into two segments for better presentation.

AMERICAN FINANCIAL HOLDING, INC.
AND SUBSIDIARIES

Consolidated Statements of Stockholders' Deficit

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Stockholders' Notes Receivable
Balance, December 31, 1993	3,039,710	$ 30,397	$ 6,364,280	$(289,751)
Sale of common stock at an average price per share of $0.89	518,590	5,186	455,999	-
Common stock issued for services at an average price per share of $1.00	85,500	855	84,645	-
Increase in deferred stock issuance costs, net	-	-	-	-
Loans to stockholders	-	-	-	(98,978)
Unrealized loss on marketable securities	-	-	-	-
Net loss for the year ended December 31, 1994	-	-	-	-
Balance, December 31, 1994	3,643,800	$ 36,438	$ 6,904,924	$(388,729)

	Stock Issuance Costs	Receivable From Sale of Common Stock	Unrealized Loss on Marketable Securities	Accumulated Deficit
Balance, December 31, 1993	$ (79,999)	$ (9,800)	$ -	$(6,103,692)
Sale of common stock at an average price per share of	-	-	-	-
Common stock issued for services at an average price per share of $1.00	-	-	-	-
Increase in deferred stock issuance costs, net	(7,010)	-	-	-
Loans to stockholders	-	-	-	-
Unrealized loss on marketable securities	-	-	(61,516)	-
Net loss for the year ended December 31, 1994	-	-	-	(687,413)
Balance, December 31, 1994	$ (87,009)	$ (9,800)	$ (61,516)	$(6,791,105)

	Common Stock		Additional Paid-in	Stockholders' Notes

	Shares	Amount	Capital	Receivable
Balance, December 31, 1994	3,643,800	$ 36,438	$ 6,904,924	$ (388,729)
Sale of common stock (net of $32,981 stock issuance costs) at an average price per share of $0.81	580,765	5,808	465,744	-
Common stock issued for services at an average price per share of $1.00	7,834	78	7,756	-
Decrease in deferred stock issuance costs, net	-	-	-	-
Collection of note receivable	-	-	-	-
Reserve against stockholders' notes receivable	-	-	-	4,763
Unrealized loss on marketable securities	-	-	-	-
Preferred stock dividends declared	-	-	(24,064)	-
Net loss for the year ended December 31, 1995	-	-	-	-
Balance, December 31, 1995	4,232,399	$ 42,324	$ 7,354,360	$ (383,966)

	Stock Issuance Costs	Receivable From Sale of Common Stock	Unrealized Loss on Marketable Securities	Accumulated Deficit
Balance, December 31, 1994	$(87,009)	$ (9,800)	$ (61,516)	$(6,791,105)
Sale of common stock (net of $32,981 stock issuance costs) at an average price per share of $0.81	-	-	-	-
Common stock issued for services at an average price per share of $1.00	-	-	-	-
Decrease in deferred stock issuance costs,net	87,009	-	-	-
Collection of note receivable	-	9,800	-	-
Reserve against stockholders' notes receivable	-	-	-	-
Unrealized loss on marketable securities	-	-	8,104	-
Preferred stock dividends declared	-	-	-	-
Net loss for				

the year ended December 31, 1995	-	-	-	(671,614)
Balance, December 31, 1995	$ -	$ -	$ (53,412)	$(7,462,719)

AMERICAN FINANCIAL HOLDING, INC.
AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years Ended December 31, 1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$(695,678)	$(687,413)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and amortization	21,669	23,498
Write-off of deferred stock issuance costs	-	175,565
Provision (benefit) for advance commission chargebacks	401	18,203
(Benefit) provision for valuation allowance on marketable securities	8,104	(61,516)
Common stock issued for services rendered	7,834	85,500
Change in Assets and Liabilities:		
(Increase) decrease in marketable securities	(9,764)	186,480
(Increase) decrease in commissions receivable	(120,014)	63,478
(Increase) decrease in interest receivable	(1,414)	-
(Increase) decrease in other assets	(23,000)	12,948
Increase (decrease) in accounts payable	69,280	107,911
Increase (decrease) in commissions payable	170,014	(113,478)
Increase (decrease) in accrued expenses	76,938	28,128
Increase (decrease) in income taxes payable	12,081	12,045
Increase (decrease) in dividends payable	24,064	-
Net Cash Used in Operating Activities	(459,485)	(148,651)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(16,570)	-
Net Cash Used in Investing Activities	$(16,570)	$ -
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock	$471,552	$461,185
Proceeds from short-term borrowings	4,707	-
Principal payments on short-term borrowings	-	(76,339)
Proceeds from issuance of long-term debt	425,000	-
Principal payments on long-term debt	(14,383)	(23,701)
Decrease (increase) in stockholders' notes receivable, net	14,563	(98,978)
Amounts paid for stock issuance costs	-	(182,575)
Minority interest from issuance of preferred stock by subsidiary	525,513	-
Net Cash Provided by Financing Activities	1,426,952	79,592
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	950,897	(69,059)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	38,007	107,066
CASH AND CASH EQUIVALENTS AT		

END OF YEAR	$988,904	$ 38,007

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for interest	$ 32,305	$ 12,526
Cash paid during the year for income taxes	$ 300	$ 300

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

During the year ended December 31, 1995, the Company traded in two automobiles with total net book value of $31,888 and related debt of $35,505 in exchange for two automobiles valued at $57,440 and related debt of $61,057.

During the year ended December 31, 1995, the Company's subsidiary, Triad Financial Systems, Inc., declared and accrued a preferred stock dividend in the amount of $24,064.

During the year ended December 31, 1994, the Company traded in three automobiles with total net book value of $51,638 and related debt of $57,051 in exchange for two automobiles valued at $54,539 and related debt of $59,185.

AMERICAN FINANCIAL HOLDING, INC.
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Nature of Operations

American Financial Holding, Inc. and its wholly-owned subsidiaries, American Financial Marketing, Inc., Income Builders, Inc., Triad Financial Systems, Inc. and American Financial Reinsurance, Inc. (collectively, the "Company") market life insurance and annuity products underwritten by unrelated insurance providers. Products underwritten by Life USA (a non-related provider of life insurance and annuity products) accounted for substantially all of the commission revenue for the years ended December 31, 1995 and 1994.

During 1989, the Company issued 300,000 shares of its common stock in exchange for all of the outstanding common stock of Income Builders, Inc. ("Income Builders"), a Utah corporation. Income Builders is a national field marketing organization for life insurance and annuity products. Under the terms of the agreement, Income Builders has become the marketing arm of the Company. The business combination was accounted for using the purchase method of accounting with acquired assets and liabilities recorded at their fair market value.

Triad Financial Systems, Inc. ("Triad") formed a subsidiary corporation during 1995 named American Financial Reinsurance, Inc. ("AF Reinsurance"), an Arizona corporation which applied for a Certificate of Authority to operate as a domestic insurer in Arizona. In August 1995, AF Reinsurance received $425,000 cash from the issuance of a subordinated surplus debenture payable to Massachusetts General Life Insurance Company (a member of the Conseco, Inc. Financial Services Organization). This transaction was for the purpose of assisting AF Reinsurance in meeting its surplus requirements for reinsurance purposes. The subordinated surplus debenture is payable at the rate of $42,500 per year, beginning September 30, 1996 (see Note 7). The State of Arizona granted AF Reinsurance a Certificate of Authority to operate as a domestic insurer in Arizona that became effective on November 24, 1995.

b. Accounting Method

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a December 31 year end.

c. Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments with maturities of three months or less at the time of acquisition. The Company maintains its cash accounts mainly in two commercial banks. Accounts are guaranteed by the Federal Deposit Insurance Corporation

(FDIC) up to $100,000. The amount in excess of the insured limits at December 31, 1995 was $563,701.

d. Net Loss Per Common Share

The computations of net loss per share of common stock are based on the weighted average number of common shares outstanding at the date of the consolidated financial statements. Common stock equivalents are not considered in the computation of the weighted average number of common shares outstanding because they would decrease the net loss per common share.

e. Principles of Consolidation

The consolidated financial statements include those of American Financial Holding, Inc. and its wholly-owned subsidiaries, American Financial Marketing, Inc., Income Builders, Inc., Triad Financial Systems, Inc. and American Financial Reinsurance, Inc. All significant intercompany accounts and transactions have been eliminated.

f. Stock Issuance Costs

During 1994, management determined that certain previously deferred stock issuance costs related to the Company's efforts to raise capital should be expensed. In 1995, the Company charged minority interest for costs relating to the Triad preferred stock issuance.

g. Property and Equipment

Property and equipment are stated at cost. Expenditures for minor replacements, maintenance and repairs which do not increase the useful lives of the property and equipment are charged to operations as incurred. Major additions and improvements are capitalized. Depreciation is computed using the straight-line and accelerated methods over estimated useful lives as follows:

Automobiles	5 years
Furniture and fixtures	5 to 7 years
Equipment	10 years

h. Income Taxes

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." The Company recognizes a liability or asset for the deferred tax consequences of all temporary differences between the tax bases and the reported amounts of assets and liabilities in the accompanying consolidated balance sheets. These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled.

i. Reclassifications

Certain 1994 amounts have been reclassified to conform to the 1995 consolidated financial statement presentation.

j. Revenue Recognition

Revenues result from commissions earned from sales of life insurance and annuity products. Revenues are recognized as earned over the life of the policies. A reserve has been provided for the effect of commissions advanced to agents which are potentially subject to chargeback if the earnings process is not completed.

k. Recently Issued Accounting Standards

In March 1995, the Financial Accounting Standards Board issued a new statement titled "Accounting for the Impairment of Long-Lived Assets." This new standard is effective for fiscal years beginning after December 15, 1995 and would change the Company's method of determining impairment of long-lived assets. Although the Company has not performed a detailed analysis of the impact of this new standard on the Company's financial statements, the Company does not believe that adoption of the new standard will have a material effect on the financial statements.

In October 1995, the Financial Accounting Standards Board issued a new statement titled "Accounting for Stock-Based Compensation". This new standard is effective for fiscal years beginning after December 15, 1995. The standard encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options, and other equity instruments to employees based on fair value. Companies that do not adopt the fair value accounting rules must disclose the impact of adopting the new method in the notes to the financial statements. Transactions in equity instruments with non-employees for goods or services must be accounted for on the fair value method. Although the Company has not performed a detailed analysis of the impact of this new standard on the Company's financial statements, the Company does not believe that adoption of the new standard will have a material effect on the financial statements.

l. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

m. Concentrations of Risk

Products underwritten by Life USA account for substantially all of the Company's commission revenue. It is at least reasonably possible that business with Life USA could be lost in the near term thus resulting in a material impact to the Company.

NOTE 2 - MARKETABLE SECURITIES

Effective December 31, 1994, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company's marketable securities are classified as "available-for-sale." Accordingly, unrealized gains and losses are excluded from earnings and reported in a separate component of stockholders' equity. There has been no restatement of previously issued financial statements in connection with the adoption of this new accounting standard.

During 1995 and 1994, Income Builders received commission bonuses in the form of options for the purchase of Life USA common stock. These options are fully vested upon receipt and are exercisable for five years from the date of receipt. The options carry an exercise price equal to the greater of $10.00 or 150 percent of the market value of Life USA's common stock on the date of grant. As of December 31, 1995, the Company has received options to purchase approximately 111,600 shares of Life USA common stock. No value has been assigned to these options in the accompanying consolidated financial statements because the market value of Life USA's common stock is below the option exercise prices and due to uncertainties regarding the Company's ability to exercise these options.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1995 consisted of the following:

	December 31, 1995
Automobiles	$ 97,852
Equipment	48,239
Furniture and fixtures	22,132
Total	168,223
Less accumulated depreciation	(65,622)
Property and equipment - net	$ 102,601

Depreciation expense for the years ended December 31, 1995 and 1994 was

$21,669 and $23,498, respectively.

NOTE 4 - COMMON STOCK OPTIONS

On August 7, 1992, the Company adopted the 1992 Stock Option Plan (the "Plan"). The Plan was approved by the stockholders in September 1992. The Plan allows the board of directors (or a committee appointed by the board) to issue options to purchase common stock to employees of the Company and others deemed by the board of directors to have substantially contributed to the business of the Company. Under the terms of the Plan, the board of directors can grant options covering 500,000 shares of the Company's common stock. The options granted shall be either incentive stock options as defined in Section 422 of the Internal Revenue Code or nonqualified stock options. The exercise price of each option issued under the Plan shall be determined by the board of directors based upon the greater of the average trading price of the Company's common stock over a thirty-day trading period as determined by an independent reliable means or 110 percent of the cash offering price at which the Company's common stock was sold for cash at any time during the six month period that commenced September 15, 1992 and ended March 15, 1993. The option price for incentive stock options must be in excess of 100 percent of the fair market value of the common stock on the date the option is granted. Options granted under the Plan may not have a term of more than ten years from the date of grant. In addition, incentive stock options must be exercised by any holder within three months following termination of employment. Options granted under the Plan may be exercised at any time, or only after a period of time, or in installments as established by the board of directors at the time of grant.

No options were issued under the Plan during 1992. In September 1993, the Board of Directors authorized the issuance of nonqualified stock options to purchase 400,000 shares of common stock at an exercise price of $1.75 per share. The options vested immediately and expire on August 31, 1998. None of the stock options were exercised during 1995 or 1994.

NOTE 5 - MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY

On June 30, 1995, the Company's wholly-owned subsidiary, Triad Financial Systems, Inc. ("Triad") met the minimum requirements of a private placement offering of its 8% payable in cash and in kind cumulative convertible preferred stock. Triad received $601,596 from the issuance of 50,133 shares of its preferred stock at $12.00 per share. The net proceeds of $438,504 (net of $163,092 of stock issuance costs) have been presented in the accompanying consolidated balance sheet as minority interest in consolidated subsidiary. Dividends on the preferred stock equivalent to $48,128 ($0.96 per share) annually are cumulative and are payable semi-annually at the rate of $0.24 per share in cash and $0.24 in additional shares of preferred stock on June 30 and December 31 each year, commencing December 31, 1995. The shares of preferred stock have a liquidation preference equal to the original issuance price of $12.00 per share plus an amount equal to all accumulated and unpaid dividends on the shares to the date of final distribution. Each share of preferred stock is convertible into three shares of the common stock of American Financial Holding, Inc. Dividends payable at December 31, 1995 were $24,064.

NOTE 6 - INCOME TAXES

The provision for income taxes consists of the following amounts:

	Year Ended December 31, 1995	1994
Current:		
Federal	$ (11,981)	$ (11,745)
State	(400)	(300)
	(12,381)	(12,045)
Deferred:		
Federal	-	-
State	-	-

Total income tax provision	$ (12,381)	$ (12,045)

As of December 31, 1995, the Company has reported net operating loss carryforwards of approximately $4,300,000 in its Federal income tax returns which expire by 2010. Most of these net operating loss carryforwards were generated by the Company (formerly Vidtor Communications) prior to its merger with American Financial Marketing, Inc. in May 1988. Based upon provisions within the Internal Revenue Code, significant portions, if not all, of the predecessor's net operating loss carryforwards may be limited as to their use or unavailable for use by the Company. A valuation allowance has been provided in the accompanying consolidated financial statements reducing to zero the benefit that may result from the utilization of the predecessor's net operating loss carryforwards.

In accordance with the provisions of SFAS No. 109, the Company has recorded a net deferred tax asset in the accompanying 1995 consolidated balance sheet as follows:

	December 31, 1995
Net operating losses	$ 266,703
Future deductible temporary differences related to reserves, accruals and compensation	884,306
Future taxable temporary differences related to depreciation	(7,367)
Valuation allowance	(948,082)
Net deferred tax asset	$ 195,560

The differences between the effective income tax rate and the Federal statutory income tax rate are presented below.

	For the Years Ended December 31, 1995	1994
Benefit at the Federal statutory rate of 34 percent	$204,243	$ 229,625
Nondeductible expenses	(389)	(2,432)
Increase in deferred tax asset valuation allowance	(205,549)	(227,295)
State income taxes, net of Federal benefit	(264)	(198)
Other	(10,422)	(11,745)
Total income tax provision	$(12,381)	$ (12,045)

NOTE 7 - NOTES PAYABLE AND SHORT-TERM BORROWINGS

Notes payable consisted of the following at December 31, 1995:

	December 31, 1995
Notes payable to a credit union, monthly payments ranging from $530 to $640, interest at rates ranging from 6.90 to 8.90 percent, final payments due during the period from March 1999 to January 2002, secured by automobiles	$ 77,990
Subordinated surplus debenture, interest at 7.56 percent is due quarterly, annual principal payments of $42,500 commencing on September 30, 1996 and ending on September 30, 2005, secured by 100,000 shares of common stock	425,000

Mortgage note payable to an individual, interest at 10.5 percent, monthly payment of $722, balloon principal payment of $76,903 due July 1997, secured by real estate	77,151
Total notes payable	580,141
Less: current portion	(57,738)
Long-term notes payable	$ 522,403

Scheduled principal payments of notes payable are as follows:

Year Ending December 31,	Amount
1996	$ 57,738
1997	135,350
1998	60,178
1999	56,745
2000	50,182
Thereafter	219,948
	$580,141

As of December 31, 1995, Income Builders had a margin loan payable to an investment broker for $53,478. The margin loan bears interest at 8.75 percent as of December 31, 1995 and is payable on demand. The loan is secured by marketable securities.

Based on the terms of the above notes payable being comparable to those prevailing in the market, the fair values of the notes payable are considered to approximate their book values.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Employment Agreements

Effective July 1, 1995, the Company entered into executive employment agreements with two of its officers at annual salaries for 1995 at the rate of $200,000 each, plus bonuses based on the income of Income Builders, provided, however, that the aggregate amount of the compensation to them in any year can in no event result in Income Builders incurring an operating loss. Each agreement provides for a three-year term, renewed automatically each year and extended for an additional three-year term unless the Company's board of directors resolves not to extend such agreement, in which case the employment agreement will expire at the end of the then current three-year term. Within ninety (90) days after the commencement of a new fiscal year, the Company will negotiate with the officers to determine the amount of any increase in each individual's respective salary for such year. The annual salaries under this agreement remain at $200,000 for 1996.

Marketing Agreement

American Financial Reinsurance, Inc., a wholly-owned subsidiary of the Company, entered into an agreement with Wabash Life Insurance Company for marketing services. The Company has advanced $25,000 to Wabash Life Insurance Company (a member of the Conseco, Inc. Financial Services Organization) as a deposit for its services. The deposit is refundable after two years if the Company has generated a specified level of revenue from reinsurance contracts.

As further discussed in Note 11, the Company has commitments to American Physician Life (APL) to sell insurance premiums or to pay the insurance provider if certain minimums are not met, and at September 30, 1996, the Company incurred a $100,000 liability in connection with that commitment.

Certain Uncertainties

The Company and Triad have sold securities in reliance on exemptions from registration under the Securities Act and applicable state securities laws. Management believes that the Company has materially

complied with the requirements of the applicable exemptions. However, since compliance with these exemptions is highly technical, it is possible that the Company could be faced with certain contingencies based on civil liabilities resulting from the failure to meet the terms and conditions of such exemptions, which could have a material adverse impact on the Company's financial condition. Neither the Company nor Triad has received any demand from any shareholder requesting a return of his investment, damages, or other remedies in connection with the purchase of securities by such shareholder.

NOTE 9 - RELATED PARTY TRANSACTIONS

At December 31, 1995, the Company had notes receivable of $2,685,049 due from officers, directors and stockholders of the Company. The loans were initially made as unsecured advances with no due dates specified. On March 31, 1992, all advances were converted to promissory notes which bear interest at eight percent and are due on demand. The promissory notes have been amended for additional advances and accrued interest during 1995 and 1994. Approximately 100,000 shares of common stock of the Company is pledged as partial collateral for all except one of the notes.

The Company has expensed for financial reporting purposes a portion of the notes receivable in each year as compensation expense to certain officers and directors. The total amount that has been expensed is $1,431,828. Of this amount, $588,140 and $246,620 was expensed in the years ended December 31, 1995 and 1994, respectively. However, these individuals are obligated under the promissory notes to repay the entire stated principal of the loans.

At December 31, 1993, management determined that the ultimate collectibility of certain of the stockholders' notes receivable was uncertain. Accordingly, management recorded a reserve of $869,255 against those portions of the stockholders' notes receivable which had not previously been expensed for financial reporting purposes. The stockholders continue to be obligated to repay the entire stated principal of the loans. Management believes the remaining net stockholders' notes receivable are realizable based upon the availability of stockholders' personal financial resources. The net amounts of the notes receivable have been reflected as an offset to stockholders' deficit in the accompanying consolidated balance sheets and consolidated statements of stockholders' deficit.

During the years ended December 31, 1995 and 1994, the Company recognized $166,632 and $148,375, respectively, of interest income related to these notes receivable. The interest income was not paid by the shareholders but was added to the balance of the notes receivable.

NOTE 10 - GOING CONCERN

The Company has suffered losses from operations for the years ended December 31, 1995 and 1994, and has a stockholders' deficit of $444,895 as of December 31, 1995. The Company's continued existence is dependent upon its ability to achieve its 1996 operating plan, which includes cost reductions and additional funding from equity financing. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty.

The Company continues to rely on the sale of its securities to provide cash to fund its operations as well as its acquisition and expansion efforts. The Company received $471,552 in net proceeds from the sale of its common stock during 1995. The Company also raised an additional $438,504 in net proceeds through selling preferred stock of its wholly-owned subsidiary, Triad Financial Systems, Inc.

Inasmuch as the offering of Triad preferred stock was not successful in obtaining the amount of funding anticipated, the Company has been unable to launch its product introduction and marketing effort. Therefore, the Company is exploring other financing alternatives, including borrowings, if available, and the sale of additional equity securities. Net proceeds from such funding would be utilized to fund marketing expansion

and related new product introduction, to increase the surplus of AF Reinsurance, to cover ongoing general and administrative expenses (including payments to executive officers and directors), and perhaps to reduce the outstanding Triad surplus debenture or to redeem Triad preferred stock. There can be no assurance that any of the Company's efforts to obtain additional funding will be successful or that the Company will be able to continue as a going concern.

As part of the Company's strategic analysis and planning, it may consider a number of corporate restructuring alternatives and may explore the possibility of separating its Triad reinsurance activities and/or Income Builders marketing organization from the holding company parent and its essentially inactive subsidiary, American Financial Marketing. There can be no assurance as to whether any such organizational restructuring will be pursued, whether it will be implemented, or the business or financial effects thereof will be successful.

In order to implement the reinsurance program with Life Partners, the Company is now developing a program to introduce Life Partners' products for sale through the Income Builders independent contractor sales force on a limited basis. However, the Company would benefit from additional capital to fund a marketing program throughout its sales organization and intends to allocate a portion of additional funding to the extent received, for this purpose, there can be no assurance that the Company will be able to launch an effective marketing program without substantial amounts of additional funding or that such marketing program will be successful even if funded and undertaken. Further, there can be no assurance that the terms of the Company's existing reinsurance arrangements will result in a financial return to the Company.

NOTE 11 - SUBSEQUENT EVENTS

On October 9, 1996, the Company was advised by the Enforcement Division of the Securities and Exchange Commission (the Commission) that it is considering recommending that the Commission bring an enforcement action, which could include a civil penalty, against the Company is U.S. District Court for failing to file timely periodic reports in violation of Section 13(a) of the Securities and Exchange Act of 1934 and the rules thereunder.

In October 1996, the Company also received a request for the voluntary production of information to the Enforcement Division of the Commission related to the resignation of Coopers & Lybrand LLP and the termination of Arthur Andersen LLP and the appointment of Jones, Jensen & Company as the Company's independent accountant and the reasons therefore. In addition, the Company is requested to provide certain information respecting its previous sales of securities.

The Company also has converted an account payable into a promissory note aggregating $317,000 at September 30, 1996, bearing interest at 8% (12% after default) and due five days after demand, but in any event by March 31, 1997, for professional services rendered. The Company does not expect that demand will be made on this note as long as it pays for ongoing professional services and costs advanced as they are incurred on a current basis, and as long as the payee, in its sole discretion, concludes that the Company is making substantial progress toward obtaining sufficient financing to pay the note. This note is secured by a pledge of officer and director notes payable to the Company aggregating approximately $2,606,000.

While planning the product offerings and marketing effort for Triad in 1995 it agreed to market a product underwritten by American Physicians Life (APL), Columbus Ohio, and agreed that it would pay APL an amount equal to 10% of the amount by which $1,000,000 exceeded the premium for the APL product generated by the Company by September 30, 1996. At December 31, 1995 and during the early part of fiscal 1996, management believed fhat Triad had resources to market the APL product, However, because of the present inadequate funding of Triad, the Company has been unable to initiate marketing of the APL product and has generated no premium income under the APL agreement. Accordingly, APL has demanded that the Company pay APL $100,000. The liability to APL occurred in 1996 and has not been recognized in the accompanying financial statements.

CERTIFICATE OF INCORPORATION

OF

TRIAD FINANCIAL SYSTEMS, INC.

ARTICLE I
NAME

The name of the corporation (the "Corporation") shall be:

Triad Financial Systems, Inc.

ARTICLE II
DURATION

The Corporation shall continue in existence perpetually unless sooner dissolved according to law.

ARTICLE III
PURPOSES

The purposes for which the Corporation is organized are:

To engage in the insurance and annuity business of every kind and nature.

To do all and everything necessary, suitable, convenient, or proper for the accomplishment of any of the purposes or the attainment of any one or more of the objects herein enumerated or incidental to the powers herein named or which shall at any time appear conducive or expedient for the protection or benefit of the Corporation, with all the powers hereafter conferred by the laws under which this Corporation is organized; and

To engage in any and all other lawful purposes, activities, and pursuits, whether similar or dissimilar to the foregoing, for which corporations may be organized under the General Corporation Law of Delaware and to exercise all powers allowed or permitted thereunder.

ARTICLE IV
CAPITALIZATION

The Corporation shall have authority to issue an aggregate of 4,000,000 shares, of which 2,000,000 shares shall be preferred stock, $0.01 par value (hereinafter the "Preferred Stock"), and 2,000,000 shares shall be common stock, par value $0.01 (hereinafter the "Common Stock"). The powers, preferences, and rights, and the qualifications, limitations, or restrictions thereof, of the shares of stock of each class and series which the Corporation shall be authorized to issue, is as follows:

(a) Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the board of directors. Each series shall be distinctly designated. All shares of any one series of the Preferred Stock shall be alike in every particular, except that there may be different dates from which dividends thereon, if any, shall be cumulative, if made cumulative. The powers, preferences, participating, optional, and other rights of each such series and qualifications, limitations, or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. Except as hereinafter provided, the board of directors of this Corporation is hereby expressly granted authority to fix by resolution or resolutions adopted prior to the issuance of any shares of each particular series of Preferred Stock, the designation, powers, preferences, and relative participating, optional, and other rights and the qualifications, limitations, and restrictions thereof, if any, of such series, including, without limiting the generality of the foregoing, the following:

(i) The distinctive designation of, and the number of shares of Preferred Stock which shall constitute each series, which number may be increased (except as otherwise fixed by the board of directors) or

decreased (but not below the number of shares thereof outstanding) from time to time by action of the board of directors;

(ii) The rate and times at which, and the terms and conditions on which, dividends, if any, on the shares of the series shall be paid; the extent of preferences or relation, if any, of such dividends to the dividends payable on any other class or classes of stock of this Corporation or on any series of Preferred Stock; and whether such dividends shall be cumulative or noncumulative;

(iii) The right, if any, of the holders of the shares of the same series to convert the same into, or exchange the same for, any other class or classes of stock of this Corporation and the terms and conditions of such conversion or exchange;

(iv) Whether shares of the series shall be subject to redemption and the redemption price or prices, including, without limitation, a redemption price or prices payable in shares of any other class or classes of stock of the Corporation, cash, or other property and the time or times at which, and the terms and conditions on which, shares of the series may be redeemed;

(v) The rights, if any, of the holders of shares of the series on voluntary or involuntary liquidation, merger, consolidation, distribution, or sale of assets, dissolution, or winding up of this Corporation;

(vi) The terms of the sinking fund or redemption or purchase account, if any, to be provided for shares of the series; and

(vii) The voting powers, if any, of the holders of shares of the series which may, without limiting the generality of the foregoing, include (A) the right to more or less than one vote per share on any or all matters voted on by the shareholders, and (B) the right to vote as a series by itself or together with other series of Preferred Stock or together with all series of Preferred Stock as a class, on such matters, under such circumstances, and on such conditions as the board of directors may fix, including, without limitation, the right, voting as a series by itself or together with other series of Preferred Stock or together with all series of Preferred Stock as a class, to elect one or more directors of this Corporation in the event there shall have been a default in the payment of dividends on any one or more series of Preferred Stock or under such other circumstances and upon such conditions as the board of directors may determine.

(b) Common Stock. The Common Stock shall have the following powers, preferences, rights, qualifications, limitations, and restrictions:

(i) After the requirements with respect to preferential dividends of Preferred Stock, if any, shall have been met and after this Corporation shall comply with all the requirements, if any, with respect to the setting aside of funds as sinking funds or redemption or purchase accounts and subject further to any other conditions which may be required by the General Corporation Law of Delaware, then, but not otherwise, the holders of Common Stock shall be entitled to receive such dividends, if any, as may be declared from time to time by the board of directors without distinction to series;

(ii) After distribution in full of any preferential amount to be distributed to the holders of Preferred Stock, if any, in the event of a voluntary or involuntary liquidation, distribution or sale of assets, dissolution, or winding up of this Corporation, the holders of the Common Stock shall be entitled to receive all of the remaining assets of the Corporation, tangible and intangible, of whatever kind available for distribution to stockholders, ratably in proportion to the number of shares of Common Stock held by each without distinction as to series; and

(iii) Except as may otherwise be required by law or this Certificate of Incorporation, in all matters as to which the vote or consent of stockholders of the Corporation shall be required or be taken, including, any vote to amend this Certificate of Incorporation, to increase or decrease the par value of any class of stock, effect a stock split or combination of shares, or alter or change the powers, preferences, or special rights of any class or series of stock, the

holders of the Common Stock shall have one vote per share of Common Stock on all such matters and shall not have the right to cumulate their votes for any purpose.

(c) Other Provisions

(i) The board of directors of the Corporation shall have authority to authorize the issuance, from time to time without any vote or other action by the stockholders, of any or all shares of the Corporation of any class at any time authorized, and any securities convertible into or exchangeable for such shares, in each case to such persons and for such consideration and on such terms as the board of directors from time to time in its discretion lawfully may determine; provided, however, that the consideration for the issuance of shares of stock of the Corporation having par value shall not be less than such par value. Shares so issued, for which the full consideration determined by the board of directors has been paid to the Corporation, shall be fully paid stock, and the holders of such stock shall not be liable for any further call or assessment thereon.

(ii) Unless otherwise provided in the resolution of the board of directors providing for the issue of any series of Preferred Stock, no holder of shares of any class of the Corporation or of any security of obligation convertible into, or of any warrant, option, or right to purchase, subscribe for, or otherwise acquire, shares of any class of the Corporation, whether now or hereafter authorized, shall, as such holder, have any preemptive right whatsoever to purchase, subscribe for, or otherwise acquire shares of any class of the Corporation, whether now or hereafter authorized.

(iii) Anything herein contained to the contrary notwithstanding, any and all right, title, interest, and claim in and to any dividends declared or other distributions made by the Corporation, whether in cash, stock, or otherwise, which are unclaimed by the stockholder entitled thereto for a period of six years after the close of business on the payment date, shall be and be deemed to be extinguished and abandoned; and such unclaimed dividends or other distributions in the possession of the Corporation, its transfer agents, or other agents or depositories, shall at such time become the absolute property of the Corporation, free and clear of any and all claims of any person whatsoever.

ARTICLE V
LIMITATION ON LIABILITY

A director of the Corporation shall have no personal liability to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except (i) for any breach of a director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the General Corporation Law of Delaware as it may from time to time be amended or any successor provision thereto, or (iv) for any transaction from which a director derived an improper personal benefit.

ARTICLE VI
BUSINESS COMBINATIONS WITH INTERESTED STOCKHOLDERS

The Corporation elects not to be governed by the provisions of section 203 of the General Corporation Law of Delaware regarding business combinations with interested shareholders.

ARTICLE VII
REGISTERED OFFICE AND REGISTERED AGENT

The name and address of the Corporation's registered agent in the state of Delaware is The Corporation Trust Company, 1209 Orange Street, in the city of Wilmington, county of New Castle, Delaware. Either the registered office or the registered agent may be changed in the manner provided by law.

ARTICLE VIII
AMENDMENT

The Corporation reserves the right to amend, alter, change, or repeal all or any portion of the provisions contained in its Certificate of Incorporation from time to time in accordance with the laws of the state of Delaware, and all rights conferred on stockholders herein are granted subject to this reservation.

ARTICLE IX
ADOPTION AND AMENDMENT OF BYLAWS

The initial bylaws of the Corporation shall be adopted by the board of directors. The power to alter, amend, or repeal the bylaws or adopt new bylaws shall be vested in the board of directors, but the stockholders of the Corporation may also alter, amend, or repeal the bylaws or adopt new bylaws. The bylaws may contain any provisions for the regulation or management of the affairs of the Corporation not inconsistent with the laws of the state of Delaware now or hereafter existing.

ARTICLE X
DIRECTORS

The governing board of the Corporation shall be known as the board of directors. The number of directors comprising the board of directors shall be fixed and may be increased or decreased from time to time in the manner provided in the bylaws of the Corporation, except that at no time shall there be less than one nor more than nine directors. The original board of directors shall consist of three persons. The name and address of each person who is to serve as a director until the first annual meeting of stockholders and until his or her successor is elected and shall qualify is as follows:

Name	Address
Kenton L. Stanger	5 Triad Center, Suite 585 Salt Lake City, Utah 84180
Donald E. Manuel	5 Triad Center, Suite 585 Salt Lake City, Utah 84180
Tim L. Hansen	5 Triad Center, Suite 585 Salt Lake City, Utah 84180
Raymond L. Punta	5 Triad Center, Suite 585 Salt Lake City, Utah 84180
William E. Waterman, Jr.	5 Triad Center, Suite 585 Salt Lake City, Utah 84180

ARTICLE X
INCORPORATOR

The name and mailing address of the incorporator signing this certificate of incorporation is as follows:

Name	Address
Kenton L. Stanger	5 Triad Center, Suite 585 Salt Lake City, Utah 84180

The undersigned, being the sole incorporator herein before named, for the purpose of forming a corporation pursuant to the General Corporation Law of the state of Delaware, makes this certificate, hereby declaring and certifying that this is his/her act and deed and that the facts herein stated are true, and accordingly have hereunto set his/her hand this 10th day of November, 1993.

/s/Kenton L. Stanger

STATE OF UTAH)
:SS.
COUNTY OF SALT LAKE)

I, a notary public, hereby certify that on the 10th day of November, 1993, personally appeared before me Kenton L. Stanger, who being by me first duly sworn, declared that he signed such instrument as his own act and deed and that the facts stated therein are true.

WITNESS MY HAND AND OFFICIAL SEAL.

/s/Notary Public

TRIAD FINANCIAL SYSTEMS, INC.

DESIGNATION OF RIGHTS, PRIVILEGES, AND PREFERENCES OF
8% PAYABLE IN CASH AND IN KIND
CUMULATIVE CONVERTIBLE PREFERRED STOCK

Pursuant to the provisions of Delaware General Corporation Law, section 151, of the corporation laws of the state of Delaware, the undersigned corporation hereby adopts the following Designation of Rights, Privileges, and Preferences of 8% Payable in Cash and in Kind Cumulative Convertible Preferred Stock (the "Designation"):

FIRST: The name of the Corporation is Triad Financial Systems, Inc.

SECOND: The following resolution establishing a series of preferred stock designated as the "8% Payable in Cash and in Kind Cumulative Convertible Preferred Stock" consisting of 2,000,000 shares, par value $0.01, was duly adopted by the board of directors of the Corporation on August 3, 1994, in accordance with the certificate of incorporation of the Corporation and the corporation laws of the state of Delaware:

RESOLVED, there is hereby created a series of preferred stock of the Corporation to be designated as the "8% Payable in Cash and in Kind Cumulative Convertible Preferred Stock" consisting of 2,000,000 shares, par value $0.01 (referred to herein as the "Preferred Stock"), with the following powers, preferences, rights, qualifications, limitations, and restrictions:

1. Liquidation.

1.01 In the event of any voluntary or involuntary liquidation (whether complete or partial), dissolution, or winding up of the Corporation or of the Corporation's parent company, American Financial Holding, Inc. (the "Parent"), the holders of the Preferred Stock shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders, whether from capital, surplus, or earnings, an amount in cash equal to the original issuance price per share of the Preferred Stock plus all amounts and shares to which the holders of the Preferred Stock are entitled for unpaid dividends in accordance with section 3 below, whether or not previously declared, accrued thereon to the date of final distribution subject to the priority distribution required respecting any issued and outstanding shares of any series of preferred stock authorized prior to the date hereof. No distribution shall be made on any common stock or other subsequent series of preferred stock of the Corporation by reason of any voluntary or involuntary liquidation (whether complete or partial), dissolution, or winding up of the Corporation or the Parent unless each holder of any Preferred Stock shall have received all amounts to which such holder shall be entitled under this subsection 1.01.

1.02 If on any liquidation (whether complete or partial), dissolution, or winding up of the Corporation or the Parent, the assets of the Corporation available for distribution to holders of Preferred Stock and any other stock ranking as to any such distribution on a parity with the Preferred Stock shall be insufficient to pay the holders of outstanding Preferred Stock or such other stock the full amounts to which they otherwise would be entitled under subsection 1.01, the assets of the Corporation available for distribution to holders of Preferred Stock or such other stock shall be distributed to them pro rata on the basis of the full respective preferential amounts to which they are entitled.

2. Voting Rights. Except as otherwise provided herein, the Preferred Stock shall not be entitled to vote.

2.01 The holders of the Preferred Stock shall have the exclusive and special right, voting separately and as a single class, to vote for and elect not less than three of the Corporation's seven directors comprising the board of directors.

2.02 Notwithstanding anything herein to the contrary, upon the occurrence of an Event of Default (defined below), the holders of the Preferred Stock shall be entitled to (i) upon the affirmative vote or consent of not less than two-thirds of the issued and outstanding shares of Preferred Stock, liquidate the Corporation and distribute the assets of the

Corporation, or proceeds from the sale thereof, to the holders of the Preferred Stock and any other class or series of stock ranking on a parity with the Preferred Stock as to payments upon liquidation; and (ii) in lieu of liquidating the Corporation pursuant to clause (i) above, upon the affirmative vote or consent of not less than two-thirds of the issued and outstanding shares of Preferred Stock, exchange their shares of Preferred Stock in its entirety for 100% of the issued and outstanding shares of common stock of the Corporation's wholly-owned subsidiary, Modern Income Life Insurance Company (the "Insurance Company"). For purposes of this section 2.02, the term "Event of Default" shall mean the occurrence of any of the following events:

(a) A registration statement filed in respect of an initial public offering respecting the Common Stock of the Parent has not become effective by September 30, 1997;

(b) The Corporation reports a net loss equal to or greater than $2,500,000 for any fiscal year; or

(c) The Corporation's ratio of total equity to total assets is less than 0.08 to 1.0.

2.03 Upon an occurrence of an Event of Default, as defined above, or if dividends on the Preferred Stock shall be in arrears in an amount equal to at least one semiannual dividend payment, the number of directors constituting the whole board of directors shall, without further action by the shareholders or the board of directors, be increased by two, and the holders of the Preferred Stock shall have the exclusive and special right, voting separately and as a single class, to vote for and elect such additional directors at the earlier to occur of a special meeting of the holders of the Preferred Stock called for such purpose or the next annual meeting of shareholders of the Corporation; provided, however, that a special meeting need not be called if the next annual meeting of the shareholders of the Corporation is called to be held within 90 days of the occurrence of the event giving rise to the need for such meeting. The directors so elected shall serve until the next annual meeting of the shareholders and until their successors shall be duly elected and qualified; provided, however, that the right of the holders of the Preferred Stock to elect additional directors shall cease and the term of the additional directors elected by the holders of the Preferred Stock voting as a separate class pursuant to this subsection 2.03 shall terminate at such time as the full cumulative dividends on the Preferred Stock shall have been paid and no other Event of Default shall have occurred. Any director elected by the holders of the Preferred Stock may be removed by, and shall not be removed except by, the vote of holders of record of the outstanding shares of the Preferred Stock, voting together as a single class, at a meeting called for said purpose. As long as an Event of Default exists hereunder giving rise to the right of holders of the Preferred Stock to elect one or more additional directors to the board of directors, any vacancy, for any reason other than removal, in the office of a director so elected shall be filled by the vote of the remaining directors similarly elected by the Preferred Stock and any such vacancy resulting from the removal of such a director shall be filled by a vote of the holders of the Preferred Stock.

2.04 So long as any shares of the Preferred Stock are outstanding, neither the Corporation nor the Parent shall, without the affirmative vote of the holders of shares representing at least two-thirds of the Preferred Stock outstanding on the record date for such meeting and present in person or by proxy, (a) adopt any amendment to its certificate of incorporation if such amendment would (i) authorize or create, or increase the authorized amount of, any class of stock which is entitled to dividends or assets in priority to or on a parity with the Preferred Stock; (ii) increase the authorized number of shares of the Preferred Stock; (iii) change any of the rights or preferences of the then outstanding Preferred Stock; or (iv) otherwise affect adversely the holders of the Preferred Stock; or (b) issue any shares of any other series of preferred stock that are entitled to dividends or assets in priority to or on a parity with the Preferred Stock.

2.05 At all meetings of the shareholders held for the purpose of electing directors of the Corporation pursuant to subsections 2.01 and 2.03, the presence in person or by proxy of the holders of shares representing a majority of the votes entitled to be cast by the outstanding shares of the Preferred Stock shall be required to constitute a quorum of such class for the election of directors hereunder; provided, however, that

the absence of a quorum of the holders of stock of any class shall not prevent the election at any such meeting, or adjournment thereof, of directors if the necessary quorum of shareholders is present in person or by proxy at such meeting; and provided, further, that in the absence of a quorum of the holders of stock of any class, a majority of those holders of stock who are present in person or by proxy shall have the power to adjourn the election of those directors to be elected by that class from time to time without notice, other than announcement at the meeting, until the requisite amount of holders of stock of such class shall be present in person or by proxy.

2.06 Holders of Preferred Stock shall vote as a class and each such holder shall have one vote for each share of Preferred Stock held.

2.07 The affirmative vote of at least two-thirds of the board of directors shall be required to approve any of the following actions: (i) the purchase of an insurance company or incurring other capital expenditures in a single or series of related transactions in an aggregate amount exceeding $2,500,000; (ii) the sale by the Corporation of the stock of its subsidiary corporation, Modern Income Life Insurance Company; (iii) the authorization of issuance of any securities of the Corporation; (iv) the declaration or authorization of the payment of a dividend on the common stock of the Corporation; (v) the authorization or approval of any agreement between the Corporation and an affiliate of the Corporation requiring an aggregate expenditure by the Corporation in a single or a series of related transactions of more than $250,000; and (vi) the increase in the number of directors constituting the board of directors (other than an automatic increase resulting from one of the events described herein).

3. Dividends.

3.01 The Corporation shall pay dividends to the holders of the Preferred Stock at the times and in the amounts provided for in this section 3.

3.02 The dividend rate for each share of the Preferred Stock shall be 8% of the original issuance price per share per annum, payable one-half in cash and one-half in shares of Preferred Stock. Such dividends at such rates shall be payable at semiannual installments on each June 30 and December 31, commencing December 31, 1994 (a "Dividend Payment Date"). Such dividends shall be cumulative from the date of initial issuance of such share of the Preferred Stock and shall be payable to holders of record as their names appear on the stock transfer books of the Corporation on such record date, not more than 60 days preceding the Dividend Payment Date, as shall be fixed by the board of directors. Dividends payable for any partial dividend period shall be computed on the basis of the actual number of days elapsed over a 360 day year. The Preferred Stock shall be nonparticipating, and holders thereof shall not be entitled to receive any dividends thereon other than the dividends referred to in this section 3.

3.03 No dividend or other distribution shall be declared or paid or set apart for payment on any stock ranking, as to dividends or upon liquidation, junior to the Preferred Stock, including, without limitation, the shares of the Corporation's common stock, for any period unless the holders of the Preferred Stock shall have then been or contemporaneously are paid (or declared and a sum sufficient for the payment thereof set apart for such payment) all dividends for all dividend payment periods terminating on or prior to the date of payment of the distribution on such junior stock. No dividends shall be declared on any class or series of stock ranking on a parity with the Preferred Stock as to dividends in respect of any dividend period unless there shall otherwise be or have been declared on the Preferred Stock like dividends for all semiannual periods coinciding with or ending before such semiannual period, ratably in proportion to the respective annual dividend rates fixed therefor. If the Corporation is in default with respect to any dividends payable on, or any obligation to retire shares of, the Preferred Stock, the Corporation shall not declare or pay (or set apart a sum for such payment) any dividends or make any distribution in cash or other property on, or redeem, purchase, or otherwise acquire, any other class or series of stock ranking junior to the Preferred Stock either as to dividends or upon liquidation.

3.04 Registration of transfer of any share of Preferred Stock on the stock records maintained by or for the Corporation to a person other than the transferor shall constitute a transfer of any right which the transferor may have had to receive any accrued but unpaid dividends as of

the date of transfer, whether declared or undeclared, and the Corporation shall have no further obligation to the transferor with respect to such accrued and unpaid dividends. Any shares of Preferred Stock represented by a new certificate issued to a new holder shall continue to accrue dividends as provided in this section 3.

4. Conversion.

4.01 Each share of Preferred Stock is convertible into common stock, par value $0.01 (the "Common Stock"), of the Parent at the times, in the manner, and subject to the conditions provided in this section 4.

4.02 Each share of Preferred Stock shall be automatically converted at such time as the registration statement filed in respect of a public offering respecting the Common Stock of the Parent at a price of at least $4.80 per share of Common Stock in an aggregate amount of at least $10,000,000 becomes effective (the "Conversion Date") on or before September 30, 1997. In addition, holders of Preferred Stock shall be entitled to convert all or any portion of their Preferred Stock upon a registration statement respecting Common Stock issuable on such conversion becoming effective.

4.03 Each share of Preferred Stock shall be converted into that number of shares of Common Stock of the Parent determined by dividing the original offering price of the Preferred Stock by $4.00. In addition, each holder of Preferred Stock on the Conversion Date shall be entitled to receive additional shares of Common Stock equal to the number of shares of Preferred Stock payable as dividends on the Preferred Stock accumulated through the Dividend Payment Date immediately preceding the Conversion Date and unpaid on the Conversion Date, multiplied by the original issuance price of the Preferred Stock and divided by $4.00.

4.04 In order to prevent dilution of the rights granted hereunder, the rate of conversion of shares of Preferred Stock shall be subject to adjustment from time to time in accordance with this subsection 4.04.

(a) In the event the Parent shall declare a dividend or make any other distribution on any capital stock of the Parent payable in Common Stock, options to purchase Common Stock, or securities convertible into Common Stock or the Parent shall at any time subdivide (other than by means of a dividend payable in Common Stock) its outstanding shares of Common Stock into a greater number of shares or combine such outstanding stock into a smaller number of shares, then in each such event, the conversion rate in effect immediately prior to such combination shall be adjusted so that the holders of the Preferred Stock shall be entitled to receive the kind and number of shares of Common Stock or other securities of the Parent which they would have owned or have been entitled to receive after the happening of any of the events described above, had such shares of Preferred Stock been converted immediately prior to the happening of such event or any record date with respect thereto; an adjustment made pursuant to this paragraph (a) shall become effective immediately after the effective date of such event retroactive to the record date for such event.

(b) If any capital reorganization or reclassification of the capital stock of the Corporation or the Parent, consolidation or merger of the Corporation or the Parent with another corporation, or the sale of all or substantially all of its assets to another corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, or assets with respect to or in exchange for Common Stock, then, as a condition of such reorganization, reclassification, consolidation, merger, or sale, lawful adequate provisions shall be made whereby the holders of the Preferred Stock shall thereafter have the right to acquire and receive on conversion of the Preferred Stock such shares of stock, securities, or assets as would have been issuable or payable (as part of the reorganization, reclassification, consolidation, merger, or sale) with respect to or in exchange for such number of outstanding shares of the Parent's Common Stock as would have been received on conversion of the Preferred Stock immediately before such reorganization, reclassification, consolidation, merger, or sale. In any such case, appropriate provision shall be made with respect to the rights and interests of the holders of the Preferred Stock to the end that the provisions hereof (including without limitations provisions for

adjustments of the conversion rate and for the number of shares issuable on conversion of the Preferred Stock) shall thereafter be applicable in relation to any shares of stock, securities, or assets thereafter deliverable on the conversion of the Preferred Stock. In the event of a merger or consolidation of the Corporation or the Parent with or into another corporation or the sale of all or substantially all of their assets as a result of which a number of shares of common stock of the surviving or purchasing corporation greater or lesser than the number of shares of Common Stock of the Parent outstanding immediately prior to such merger, consolidation, or purchase are issuable to holders of Common Stock of the Parent, then the conversion rate in effect immediately prior to such merger, consolidation, or purchase shall be adjusted in the same manner as though there was a subdivision or combination of the outstanding shares of Common Stock of the Parent. Neither the Corporation nor the Parent will effect any such consolidation, merger, or sale unless prior to the consummation thereof the successor corporation resulting from such consolidation or merger or the corporation purchasing such assets shall assume, by written instrument mailed or delivered to the holders of the Preferred Stock at the last address of each such holder appearing on the books of the Corporation, the obligation to deliver to each such holder such shares of stock, securities, or assets as, in accordance with the foregoing provisions, that such holder may be entitled to acquire on conversion of Preferred Stock.

(c) In the event that the Parent shall issue rights or warrants to holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock within a period of 60 days at a price per share less than the then current market price per share of Common Stock, then the conversion rate shall be adjusted such that in each case the number of shares of Parent Common Stock into which each share of Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share was theretofore convertible by a fraction (calculated to four decimal places), the numerator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and the denominator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares of Common Stock which the aggregate offering price of the total number of shares so offered would purchase at such current market price.

(d) In the event that the Parent shall distribute to the holders of its Common Stock evidences of its indebtedness or assets or capital stock (excluding cash dividends or distributions made out of current or retained earnings) or rights or warrants to subscribe for securities other than as referred to above, then the conversion rate shall be adjusted such that in each such case the number of shares of Common Stock into which each share of Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share was theretofore convertible by a fraction (calculated to four decimal places), the numerator of which shall be the current market price per share of Common Stock on the date of such distribution, and the denominator of which shall be such current market price per share of the Common Stock less the then fair market value (as reasonably determined by the board of directors of the Corporation) of the portion of the assets, evidences of indebtedness, capital stock, subscription rights or warrants so distributed applicable to one share of Common Stock.

(e) No adjustment shall be made in the conversion rate of the number of shares of Common Stock issuable on conversion of the Preferred Stock:

(i) In connection with the offer and sale of any shares of Preferred Stock;

(ii) In connection with the issuance of any Common Stock, securities, or assets on conversion or redemption of shares of the Preferred Stock;

(iii) In connection with the issuance of any shares of Common Stock, securities, or assets on account of the antidilution provisions set forth in this subsection 4.04;

(iv) In connection with the purchase or other acquisition by the Corporation or the Parent of any capital stock, evidence of its indebtedness, or other securities of the Corporation or the Parent;

(v) In connection with the sale or exchange by the Corporation or the Parent of any common stock, evidence of its indebtedness, or other securities of the Corporation or the Parent, including securities containing the right to subscribe for or purchase common stock or preferred stock of the Corporation or the Parent; or

(vi) If such adjustment would require a change of less than 1% in the conversion rate; provided, however, that any adjustment that would otherwise be required to be made but for this subsection (vi), shall be carried forward and taken into account in any subsequent adjustment required hereunder.

(f) For purposes hereof, the current market price of the Parent Common Stock shall be the average of the closing bid prices of such Common Stock in the over-the-counter market as quoted on the National Association of Securities Dealers, Inc., Automated Quotation system for 20 consecutive trading days immediately prior to the relevant date, unless the Common Stock is not regularly traded in the over-the-counter market, in which case the current market value shall be determined by the board of directors of the Corporation by any reasonable means.

4.05 The Parent covenants and agrees that:

(a) The shares of Common Stock, securities, or assets issuable on any conversion of any shares of Preferred Stock shall have been deemed to have been issued to the person on the Conversion Date, and on the Conversion Date, such person shall be deemed for all purposes to have become the record holder of such Common Stock, securities, or assets.

(b) All shares of Common Stock or other securities which may be issued on any conversion of the Preferred Stock will, on issuance, be fully paid and nonassessable and free from all taxes, liens, and charges with respect to the issue thereof. Without limiting the generality of the foregoing, the Parent will from time to time take all such action as may be requisite to assure that the par value of the unissued Common Stock or other securities acquirable on any conversion of the Preferred Stock is at all times sufficient to render the Common Stock issued upon conversion as fully paid and non-assessable.

(c) The issuance of certificates for Common Stock or other securities on conversion of the Preferred Stock shall be made without charge to the registered holder thereof for any issuance tax in respect thereof or other costs incurred by the Corporation or the Parent in connection with the conversion of the Preferred Stock and the related issuance of Common Stock or other securities.

5. Redemption.

5.01 Subject to the requirements and limitations of the corporation laws of the state of Delaware, the Corporation shall have the right to redeem shares of Preferred Stock on the following terms and conditions.

5.02 Shares of Preferred Stock are subject to redemption by the Corporation at any time that the Parent Common Stock has traded during 20 of 30 consecutive trading days, ending not more than 30 days prior to the date of the notice of redemption, for at least $4.80 per share; provided that, there is an effective registration statement under the Securities Act with respect to the issuance of the Parent Common Stock issuable on conversion of the Preferred Stock. The Corporation shall provide written notice of redemption to the holders of the Preferred Stock on not more than 50 days' nor less than 30 days' written notice specifying the date on which the Preferred Stock shall be redeemed (the "Redemption Date"). Subsequent to the notice of redemption and prior to the Redemption Date, shares of Preferred Stock may still be converted to Common Stock pursuant to section 4. The Corporation may redeem a portion or all of the issued and

outstanding shares of Preferred Stock; provided that, in the event that less than all of the outstanding shares of Preferred Stock are redeemed, such redemption shall be pro rata determined on the basis of the number of shares of Preferred Stock held by each holder reflected on the stock records and the total number of shares of Preferred Stock outstanding.

5.03 The redemption price for each share of Preferred Stock shall be the original per share issuance price therefor plus any accrued but unpaid dividends, if applicable, on such share as of the Redemption Date (the "Redemption Price"). The Redemption Price shall be paid in cash.

5.04 Redemption of the Preferred Stock shall be made in the following manner:

(a) The Corporation shall notify the transfer agent of the Preferred Stock (the "Transfer Agent") of its intention to redeem the Preferred Stock. Such notice shall include a list of all holders of Preferred Stock outstanding as of the most recent practicable date and a statement of the number of shares of Preferred Stock to be redeemed and the manner in which the Redemption Price is to be paid. At least ten days prior to the date that written notice of redemption is given to the holders of the Preferred Stock, the Corporation shall make appropriate arrangements with the Transfer Agent for the delivery of funds necessary to make payment of the Redemption Price for all shares of Preferred Stock redeemed by the Corporation.

(b) On the Redemption Date, all shares of Preferred Stock subject to redemption shall be automatically redeemed unless earlier converted pursuant to section 4. The holder of any shares of Preferred Stock so redeemed shall be required to tender the certificates representing such shares, duly endorsed, to the Transfer Agent in exchange for payment of the Redemption Price. On such surrender, the Transfer Agent shall cause to be issued and delivered a check with all reasonable dispatch to the holder and in such name or names as the holder may designate.

(c) The Transfer Agent shall periodically, but not less frequently than monthly, provide to the Corporation an accounting of the Preferred Stock tendered for redemption and the funds disbursed pursuant thereto. Following the expiration of a period of 120 days following the Redemption Date, the Transfer Agent shall provide to the Corporation a complete accounting of the Preferred Stock redeemed and a list of all shares of Preferred Stock remaining unconverted and not returned to the Corporation for redemption. Any certificates representing Preferred Stock received by the Transfer Agent subsequent to the return of funds to the Corporation will be promptly delivered to the Corporation. The Corporation shall pay all costs associated with establishing and maintaining any bank accounts for funds deposited with the Transfer Agent, including the costs of issuing any check.

6. Registration Rights. The Corporation and the Parent shall register the Preferred Stock and the Common Stock issuable or issued on conversion of the Preferred Stock pursuant to the provisions of an agreement among the Corporation, the Parent, and the holders of the Preferred Stock, as the same may be modified from time to time.

7. Additional Provisions.

7.01 No change in the provisions of the Preferred Stock set forth in this Designation affecting any interests of the holders of any shares of Preferred Stock shall be binding or effective unless such change shall have been approved or consented to by the holders of at least two-thirds of the Preferred Stock in the manner provided in the corporation laws of the state of Delaware, as the same may be amended from time to time.

7.02 A share of Preferred Stock shall be transferable only on the books of the Corporation on delivery thereof duly endorsed by the holder or by his duly authorized attorney or representative or accompanied by proper evidence of succession, assignment, or authority to transfer. In all cases of transfer by an attorney, the original letter of attorney, duly approved, or an official copy thereof, duly certified, shall be deposited and remain with the Corporation. In case of transfer by executors, administrators, guardians, or other legal representatives, duly authenticated evidence of their authority shall be produced and may be required to be deposited and

remain with the Corporation in its discretion. On any registration or transfer, the Corporation shall deliver a new certificate representing the share of Preferred Stock so transferred to the person entitled thereto.

7.03 The Parent shall not be required to issue any fractional shares of Common Stock on the conversion of any share of Preferred Stock. If any fraction of a share of Common Stock would, except for the provisions of this subsection 7.03, be issuable on the conversion or redemption of any share of Preferred Stock, the Parent shall pay an amount in cash equal to the current value of such fraction computed on the basis of the closing market price of the Parent Common Stock on the last prior business day unless the Common Stock is not regularly traded, in which case the current value of such fraction shall be determined by the board of directors of the Corporation by any reasonable means.

7.04 The Corporation shall not be required to issue any fractional shares of Preferred Stock on the declaration and payment of any dividend on the Preferred Stock. If any fraction of a share of Preferred Stock would, except for the provisions of this subsection 7.04, be issuable on the declaration and payment of such dividends, the Corporation shall pay an amount in cash equal to the value of such fraction computed on the basis of the original issuance price of the Preferred Stock.

7.05 Any notice required or permitted to be given to the holders of Preferred Stock under this Designation shall be deemed to have been duly given if mailed by first class mail, postage prepaid to such holders at their respective addresses appearing on the stock records maintained by or for the Corporation and shall be deemed to have been given as of the date deposited in the United States mail.

IN WITNESS WHEREOF, the foregoing Designation of Rights, Privileges, and Preferences of 8% Payable in Cash and in Kind Cumulative Convertible Preferred Stock of the Corporation has been executed this 27th day of December, 1995.

ATTEST: TRIAD FINANCIAL SYSTEMS, INC.

/s/ Raymond L. Punta, Secretary /s/ Kenton L. Stanger, President

STATE OF UTAH)
:SS
COUNTY OF SALT LAKE)

On December 27th, 1995, before me, the undersigned, a notary public in and for the above county and state, personally appeared Kenton L. Stanger and Raymond L. Punta, who being by me duly sworn, did state, each for themselves, that he, Kenton L. Stanger, is the president, and that he, Raymond L. Punta, is the secretary, of Triad Financial Systems, Inc., a Delaware corporation, and that the foregoing Designation of Rights, Privileges, and Preferences of 8% Payable in Cash and in Kind Cumulative Convertible Preferred Stock of Triad Financial Systems, Inc., was signed on behalf of such corporation by authority of a resolution of its board of directors, and that the statements contained therein are true.

WITNESS MY HAND AND OFFICIAL SEAL.

/s/ Notary Public

$----------(U.S.) Dated: December 31, 1995

PROMISSORY NOTE

FOR VALUE RECEIVED, ----------, an individual resident of the state of Utah ("Maker"), promises to pay to AMERICAN FINANCIAL HOLDING, INC., a Delaware corporation ("Payee"), or order, ---------- Dollars ($----------), with interest on the unpaid principal balance at eight (8%) per annum, due and payable on or before 30 days after demand or, if no demand, in any event on or before December 31, 1998, with no penalty for prepayment.

Payments of principal and interest shall be made in lawful money of the United States of America to the above-named Payee at P.O. Box 683, 225 South 200 West, Farmington, Utah 84025-0683, or order.

Every Maker, endorser, and guarantor of this Note, or the obligation represented hereby, waives presentment, demand, notice, protest, notice of protest, or enforcement of this Note, assents to any extensions or postponements of the time of payment or any other indulgence and to the addition to release of any other party or person primarily or secondarily liable. None of the rights and remedies of the Payee hereunder is to be waived or affected by failure or delay to exercise them. All remedies conferred on the Payee of this Note shall be cumulative and none is exclusive. Such remedies may be exercised concurrently or consecutively at the Payee's option.

If this Note is placed with an attorney for collection, or if suit be instituted for collection or if any other remedy permitted by law is pursued by the Payee hereof because of any default in the terms and conditions herein, then in such event, the undersigned agrees to pay reasonable attorneys' fees, costs, and other expenses incurred by the Payee hereof in so doing.

This Note shall be governed by and construed in accordance with the laws of the state of Utah.

This Note is partially secured by options to purchase common stock of Payee and certain stock pledged by an accommodation pledgor.

/s/ Maker

SCHEDULE OF MAKERS AND NOTE AMOUNTS:

(a) Kenton L. Stanger - $783,213;
(b) Raymond L. Punta - $550,147;
(c) Tim L. Hansen - $652,190; and
(d) Ray P. Brown - $665,589

AMERICAN FINANCIAL HOLDING, INC .
P.O. BOX 683
225 SOUTH 200 WEST, SUITE 302
FARMINGTON, UTAH 84025-0683

July 17, 1995

Mr. Raymond L. Punta
2147 Ridgewood Way
Bountiful, Utah 84010

Re: Purchase of Condominium

Dear Mr. Punta:

This shall confirm the understanding of American Financial Holding, Inc. (the "Company"), respecting the residential condominium located at 2147 Ridgewood Way, Bountiful, Utah, in which you reside and which was purchased by the Company in May 1992, on the terms and conditions reflected in the attached settlement sheet. Generally, the total purchase price was $106,000, of which $27,000 was paid in cash and the balance of approximately $79,000, together with interest at 10.5% per annum, is due in payable in equal monthly installments of $722, including required reserves, with the entire unpaid balance due on or before July 1995, now extended to July 1997.

This shall confirm that you are responsible for all monthly payments on the condominium, including the monthly $722 payment referred to above, homeowners' association fees, taxes, insurance, maintenance, and the like. To the extent that any of such items are advanced by the Company, such advances shall constitute a loan to you and shall be repayable upon demand.

In consideration of the foregoing, you shall have the right to purchase the condominium from the Company upon the reimbursement to it of all out-of-pocket expenditures incurred in connection with the purchase and ownership of such condominium. On such purchase and reimbursement to the Company, the Company will convey to you its title to the condominium, subject to any existing encumbrance. If you do not exercise this right to purchase the condominium prior to December 31, 1998, the Company will thereafter be free, at its sole discretion exercisable on 30-days' prior written notice to you, to sell the condominium to such third party on such terms and conditions as it may deem appropriate. Your failure to purchase the condominium or its sale by the Company to another party shall not relieve you of the obligation for the above monthly purchase installment, homeowners' association dues, taxes, insurance, maintenance, and similar payments for so long as you reside in the condominium. In the event you do not exercise your right to purchase, all payments theretofore made by you (both directly or on your behalf) shall be deemed rental payments, and you shall have no right or clam for reimbursement thereof from the Company.

If the foregoing accurately sets forth your agreement with the Company, please so indicate by signing on the space provided therefor on the copy of this letter and returning it.

AMERICAN FINANCIAL HOLDING, INC.

/s/ Kenton L. Stanger, President

ACCEPTED AND AGREED:

/s/ Raymond L.Punta

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is entered into this 29th day of June, 1995 (the "Execution Date"), to be effective July 1, 1995 (the "Effective Date"), by and between AMERICAN FINANCIAL HOLDING, INC., a Delaware corporation (the "Employer"), and RAY P. BROWN (the "Executive").

For and in consideration of the mutual covenants contained herein and of the mutual benefits to be derived hereunder, the parties agree as follows:

1. Employment. Employer hereby employs Executive to perform those duties generally described in this Agreement, and Executive hereby accepts and agrees to such employment on the terms and conditions hereinafter set forth.

2. Term. The term of this Agreement shall be for a period of three (3) years commencing on the Effective Date of this Agreement and shall, on each anniversary of the Effective Date hereof, automatically be renewed and extended for a new three (3) year term unless previously terminated pursuant to the terms hereof. Notwithstanding the foregoing, Executive may terminate this Agreement at any time upon at least ninety (90) days prior written notice to Employer, and the board of directors of Employer may resolve at any time not to extend this Agreement for an additional year upon the next succeeding anniversary of the Effective Date, whereupon the term of this Agreement shall expire upon the termination of the then current three (3) year period.

3. Duties. During the term of this Agreement, Executive shall be employed by Employer, shall be appointed as a director, and shall initially be elected vice-president of marketing. Executive agrees to serve in such offices or positions with Income Builders, Inc. ("Income Builders"), a wholly-owned subsidiary of Employer, as its board of directors may determine, and such substitute or further offices or positions of substantially consistent rank and authority as shall, from time to time, be determined by Employer's board of directors. Executive agrees to continue to serve as a member of the board of directors of Employer and to serve as a director and officer of Income Builders for no additional compensation. Executive shall devote substantially all of his working time and efforts to the business of Employer and its subsidiaries and shall not during the term of this Agreement be engaged in any other substantial business activities which will significantly interfere or conflict with the reasonable performance of his duties hereunder.

4. Compensation.

(a) For all services rendered by Executive on behalf of the Employer, Executive shall be paid through December 31, 1995, an annual draw of $200,000, payable in weekly installments, plus such bonuses as the board of directors of Income Builders shall from time to time determine; provided, however, that in no event shall the accrual or payment of Executive's annual compensation, when combined with all other annual compensation for executives of Income Builders, result in Income Builders reporting a net loss, prior to income taxes and without deducting charge-backs for unearned commissions previously paid, for any fiscal year for operations, as determined in accordance with generally accepted accounting principles, as determined by Employer's regular outside certified public accountants. Executive shall also be paid such additional incentive compensation as the board of directors of Employer may, in its sole discretion, from time to time determine. Within the first 90 days of each fiscal year commencing in 1996, the parties shall determine the amount of any increase in the fixed draw and formula for annual bonuses for such fiscal year, which shall be applicable during such year.

(b) All payments shall be subject to withholding and other applicable taxes. The compensation may be increased at any time as Employer's board of directors may determine, based on earnings, increased activities of the Employer, or such other factors as the board of directors may deem appropriate.

5. Employment Benefits. Employer shall provide, either directly or indirectly through Income Builders, health and medical insurance for Executive in a form and program to be chosen by Employer for its full-time employees. Executive shall be entitled to participate in any retirement, pension, profit-sharing, stock option, or other plan as in effect from time to time on the same basis as other employees.

6. Vacations. Executive shall be entitled each year to a paid vacation of a least two (2) weeks. Vacation shall be taken by Executive at a time and with starting and ending dates mutually convenient to Employer and Executive. Vacation or portions of vacations not used in one employment year shall carry over to the succeeding employment year, but shall thereafter expire if not used within such succeeding year.

7. Expenses. Income Builders will reimburse Executive for expenses incurred in connection with Income Builders' business, including expenses for travel, lodging, meals, beverages, entertainment, and other items on Executive's periodic presentation of an account of such expenses.

8. Stock Registration Provisions. During the term of this Agreement, Executive shall have the following rights and obligations with respect to registration under the Securities Act of 1933, as amended, and applicable blue sky laws of shares of common stock ("Shares") of Employer owned of record by Executive or to be acquired on exercise of any options issued in Executive's name to purchase Shares, including any Shares that may be subject to redemption:

(a) Participatory Registration. Employer shall notify Executive, at least thirty (30) days prior to the filing of any registration statement of forms S-1, S-2, S-3, SB-2, or any successor forms under the Securities Act of 1933, as amended, covering common stock of the Employer and will, upon the written request of Executive delivered at least twenty (20) days prior to such filing, include in any such registration statement such information as may be required to register such number of Executive's Shares as Executive may request. In connection with such offering, Executive and Employer shall each include customary representations, warranties, indemnification, and contribution provisions in any underwriting agreement entered into in connection with such registration. If the managing underwriters for such registration advise Employer in writing that, in their opinion, the total amount of securities to be included in such registration statement exceeds the amount which should reasonably be included in that offering to achieve the Employer's financing goals, Employer may limit the amount of stock to be included as follows: (i) first, all securities Employer proposes to sell may be included, (ii) second, the Shares of common stock requested to be included in such registration by all executives pursuant to registration rights may be reduced and adjusted among participating executives and employees on the basis of the amount of shares owned of record by each executive, and (iii) third, if applicable, other stock requested to be included in such registration may be similarly and ratably adjusted with all executives' stock pro rata according to the amount

of stock owned of record by any proposed seller. All incremental expenses of such registration will be allocated pro rata according to the number of Shares included for Executive. There shall be no limit on the number of registrations so requested, but each such request shall cover an amount of Shares having a proposed offering price of not less than Fifty Thousand Dollars ($50,000.00).

(b) General. In connection with each of the foregoing registrations and subject to the provisions concerning expenses, Employer shall also (i) use its best efforts to qualify the Shares for public sale under the blue sky laws of such jurisdictions as Executive may reasonably request, (ii) provide such number of preliminary and final prospectuses as Executive may reasonably request, and (iii) keep the final prospectus in any such registration current for a reasonable period not to exceed one hundred twenty (120) days. In connection with the indemnification and contribution to be provided by Executive to any underwriter or Employer pursuant to this paragraph 8, the aggregate liability of Executive shall not exceed the aggregate net proceeds received by Executive from the sale of the registered Shares, and, in connection with contribution, shall also take into consideration the relative fault of each contributing person.

The above stock registration provisions shall not have the effect of modifying or adding to any stock redemption rights the Employer may have with respect to any Shares owned of record by the Executive.

9. Nondisclosure of Information. In further consideration of employment and the continuation of employment by Employer, Executive will not, directly or indirectly, during or after the term of employment, disclose to any person not authorized by Employer to receive or use such information, except for the sole benefit of Employer, any of Employer's confidential or proprietary data, information, or techniques, or give to any person not authorized by Employer to

receive it any information that is not generally known to anyone other than Employer or that is designated by Employer as "Limited," "Private," or "Confidential," or similarly designated or for which there is any reasonable basis to be believed is, or which appears to be, treated by Employer as confidential.

10. Termination for Cause. Employer may terminate this Agreement during its term for cause ("Cause") by showing that Executive has materially breached the terms hereof; that Executive, in the determination of the board, has been grossly negligent in the performance of his duties; that Executive has substantially failed to meet written standards established by Employer for the performance of his duties; that Executive has engaged in material willful or gross misconduct in the performance of his duties hereunder; or that a final non-appealable conviction of or a plea of guilty or nolo contendere by Executive to a felony or misdemeanor involving fraud, embezzlement, theft, or dishonesty or other criminal conduct against Employer.

11. Termination Upon Change of Control. Notwithstanding any provision of this Agreement to the contrary, Executive may terminate this Agreement, but not the covenant not to disclose information set forth in paragraph 9, upon the happening of any of the following events:

(a) The sale by Employer of substantially all of its assets to a single purchaser or to a group of associated purchasers;

(b) The sale, exchange, or other disposition to a single person or group of persons under common control in one transaction or series of related transactions resulting in such person or persons owning, directly or indirectly, greater than fifty percent (50%) of the combined voting power of the outstanding shares of Employer's common stock;

(c) More than fifty percent (50%) of the members of the board of directors of Employer shall be persons who are neither nominated for election by the board or an authorized committee of the board nor elected by the board;

(d) The decision by Employer to terminate its business and liquidate its assets; or

(e) The merger or consolidation of Employer in a transaction in which the shareholders of Employer immediately prior to such merger or consolidation receive less than fifty percent (50%) of the outstanding voting shares of the new or continuing corporation.

In the event Executive does not elect to terminate this Agreement upon the happening of any of the events noted above, and as a result of such event, Employer is not the surviving entity, then the provisions of this Agreement shall inure to the benefit of and be binding upon the surviving or resulting entity. If as a result of the merger, consolidation, transfer of assets, or other event listed above, the duties of Executive are increased, then the compensation of Executive provided for in paragraph 4 of this Agreement shall be reasonably adjusted upward to compensate for the additional duties and responsibilities assumed.

12. Payments on Death or Disability. This Agreement and Executive's employment hereunder shall terminate on the death of Executive or if its determined, based upon the written opinion of the physician regularly attending Executive, that Executive is unable, because of a medically determinable disease, injury, or other physical or mental disability, to perform substantially all of his regular duties to Employer and that such disability is determined or reasonably expected to continue for at least 180 days. In the event of termination of this Agreement on such death or disability, then Executive or Executive's estate, as the case may be, shall be paid all amounts payable to him pursuant to paragraph 4 hereof and shall receive all benefits provided pursuant to paragraph 5 hereof during the balance of the term of this Agreement.

13. Termination Payments. In the event that the Executive's employment is terminated by Employer during the term hereof for reasons other than Cause as defined in paragraph 10, Employer shall compensate Executive with the monthly compensation as provided in paragraph 4, and shall continue to provide Executive with employment benefits as provided in paragraph 5, through the term hereof.

14. Nontransferability. Neither Executive, Executive's spouse, Executive's designated contingent beneficiary, nor their estates shall have any right to anticipate, encumber, or dispose of any payment due under this Agreement. Such payments and other rights are expressly declared nonassignable and nontransferable, except as specifically provided herein.

15. Indemnification. Employer shall indemnify Executive and hold Executive harmless from liability for acts or decisions made by Executive while performing services for Employer to the greatest extent permitted by applicable law. Employer shall use its best efforts to obtain coverage for Executive under any insurance policy now in force or hereafter obtained during the term of this Agreement insuring officers and directors of Employer against such liability.

16. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party.

17. Entire Agreement. This Agreement is and shall be considered to be the only agreement or understanding between the parties hereto with respect to the employment of Executive by Employer. All negotiations, commitments, and understandings acceptable to both parties have been incorporated herein. No letter, telegram, or communication passing between the parties hereto covering any matter during this contract period, or any plans or periods thereafter, shall be deemed as part of this Agreement; and shall not have the effect of modifying or adding to this Agreement unless it is distinctly stated in such letter, telegram, or communication that it is to constitute a part of this Agreement and is to be attached as an amendment to this Agreement and is signed by the parties to this Agreement.

18. Enforcement. Executive acknowledges that any remedy at law for breach of paragraph 9 would be inadequate, acknowledges that Employer would be irreparably damaged by an actual or threatened breach thereof, and agrees that Employer shall be entitled to an injunction restraining Executive from any actual or threatened breach of paragraph 9 as well as any further appropriate equitable relief without any bond or other security being required. In addition to the foregoing, each of the parties hereto shall be entitled to any remedies available in equity or by statute with respect to the breach of the terms of this Agreement by the other party.

19. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the state of Utah.

20. Severability. If and to the extent that any court of competent jurisdiction holds any provision or any part thereof of this Agreement to be invalid or unenforceable, such holding shall in no way affect the validity of the remainder of this Agreement.

21. Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement, or condition of this Agreement or to exercise any right or remedy consequent upon a breach hereof shall constitute a waiver of any such breach or of any covenant, agreement, term, or condition.

AGREED AND ENTERED INTO as of the date first above written.

Employer:

AMERICAN FINANCIAL HOLDING, INC.

/s/ Kenton L. Stanger

Executive:

/s/ Ray P. Brown

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is entered into this 29th day of June, 1995 (the "Execution Date"), to be effective July 1, 1995 (the "Effective Date"), by and between AMERICAN FINANCIAL HOLDING, INC., a Delaware corporation (the "Employer"), and TIM L. HANSEN (the "Executive").

For and in consideration of the mutual covenants contained herein and of the mutual benefits to be derived hereunder, the parties agree as follows:

1. Employment. Employer hereby employs Executive to perform those duties generally described in this Agreement, and Executive hereby accepts and agrees to such employment on the terms and conditions hereinafter set forth.

2. Term. The term of this Agreement shall be for a period of three (3) years commencing on the Effective Date of this Agreement and shall, on each anniversary of the Effective Date hereof, automatically be renewed and extended for a new three (3) year term unless previously terminated pursuant to the terms hereof. Notwithstanding the foregoing, Executive may terminate this Agreement at any time upon at least ninety (90) days prior written notice to Employer, and the board of directors of Employer may resolve at any time not to extend this Agreement for an additional year upon the next succeeding anniversary of the Effective Date whereupon the term of this Agreement shall expire upon the termination of the then current three (3) year period.

3. Duties. During the term of this Agreement, Executive shall be employed by Employer, shall be appointed as a director, and shall initially be elected vice-president of marketing. Executive agrees to serve in such offices or positions with Income Builders, Inc. ("Income Builders"), a wholly-owned subsidiary of Employer, as its board of directors may determine, and such substitute or further offices or positions of substantially consistent rank and authority as shall, from time to time, be determined by Employer's board of directors. Executive agrees to continue to serve as a member of the board of directors of Employer and to serve as a director and officer of Income Builders for no additional compensation. Executive shall devote substantially all of his working time and efforts to the business of Employer and its subsidiaries and shall not during the term of this Agreement be engaged in any other substantial business activities which will significantly interfere or conflict with the reasonable performance of his duties hereunder.

4. Compensation.

(a) For all services rendered by Executive on behalf of the Employer, Executive shall be paid through December 31, 1995, an annual draw of $200,000, payable in weekly installments, plus such bonuses as the board of directors of Income Builders shall from time to time determine; provided, however, that in no event shall the accrual or payment of Executive's annual compensation, when combined with all other annual compensation for executives of Income Builders, result in Income Builders reporting a net loss, prior to income taxes and without deducting charge-backs for unearned commissions previously paid, for any fiscal year for operations, as determined in accordance with generally accepted accounting principles, as determined by Employer's regular outside certified public accountants. Executive shall also be paid such additional incentive compensation as the board of directors of Employer may, in its sole discretion, from time to time determine. Within the first 90 days of each fiscal year commencing in 1996, the parties shall determine the amount of any increase in the fixed draw and formula for annual bonuses for such fiscal year, which shall be applicable during such year.

(b) All payments shall be subject to withholding and other applicable taxes. The compensation may be increased at any time as Employer's board of directors may determine, based on earnings, increased activities of the Employer, or such other factors as the board of directors may deem appropriate.

5. Employment Benefits. Employer shall provide, either directly or indirectly through Income Builders, health and medical insurance for Executive in a form and program to be chosen by Employer for its full-time employees. Executive shall be entitled to participate in any retirement, pension, profit-sharing, stock option, or other plan as in effect from time to time on the same basis as other employees.

6. Vacations. Executive shall be entitled each year to a paid vacation of a least two (2) weeks. Vacation shall be taken by Executive at a time and with starting and ending dates mutually convenient to Employer and Executive. Vacation or portions of vacations not used in one employment year shall carry over to the succeeding employment year, but shall thereafter expire if not used within such succeeding year.

7. Expenses. Income Builders will reimburse Executive for expenses incurred in connection with Income Builders' business, including expenses for travel, lodging, meals, beverages, entertainment, and other items on Executive's periodic presentation of an account of such expenses.

8. Stock Registration Provisions. During the term of this Agreement, Executive shall have the following rights and obligations with respect to registration under the Securities Act of 1933, as amended, and applicable blue sky laws of shares of common stock ("Shares") of Employer owned of record by Executive or to be acquired on exercise of any options issued in Executive's name to purchase Shares, including any Shares that may be subject to redemption:

(a) Participatory Registration. Employer shall notify Executive, at least thirty (30) days prior to the filing of any registration statement of forms S-1, S-2, S-3, SB-2, or any successor forms under the Securities Act of 1933, as amended, covering common stock of the Employer and will, upon the written request of Executive delivered at least twenty (20) days prior to such filing, include in any such registration statement such information as may be required to register such number of Executive's Shares as Executive may request. In connection with such offering, Executive and Employer shall each include customary representations, warranties, indemnification, and contribution provisions in any underwriting agreement entered into in connection with such registration. If the managing underwriters for such registration advise Employer in writing that, in their opinion, the total amount of securities to be included in such registration statement exceeds the amount which should reasonably be included in that offering to achieve the Employer's financing goals, Employer may limit the amount of stock to be included as follows: (i) first, all securities Employer proposes to sell may be included, (ii) second, the Shares of common stock requested to be included in such registration by all executives pursuant to registration rights may be reduced and adjusted among participating executives and employees on the basis of the amount of shares owned of record by each executive, and (iii) third, if applicable, other stock requested to be included in such registration may be similarly and ratably adjusted with all executives' stock pro rata according to the amount

of stock owned of record by any proposed seller. All incremental expenses of such registration will be allocated pro rata according to the number of Shares included for Executive. There shall be no limit on the number of registrations so requested, but each such request shall cover an amount of Shares having a proposed offering price of not less than Fifty Thousand Dollars ($50,000.00).

(b) General. In connection with each of the foregoing registrations and subject to the provisions concerning expenses, Employer shall also (i) use its best efforts to qualify the Shares for public sale under the blue sky laws of such jurisdictions as Executive may reasonably request, (ii) provide such number of preliminary and final prospectuses as Executive may reasonably request, and (iii) keep the final prospectus in any such registration current for a reasonable period not to exceed one hundred twenty (120) days. In connection with the indemnification and contribution to be provided by Executive to any underwriter or Employer pursuant to this paragraph 8, the aggregate liability of Executive shall not exceed the aggregate net proceeds received by Executive from the sale of the registered Shares, and, in connection with contribution, shall also take into consideration the relative fault of each contributing person.

The above stock registration provisions shall not have the effect of modifying or adding to any stock redemption rights the Employer may have with respect to any Shares owned of record by the Executive.

9. Nondisclosure of Information. In further consideration of employment and the continuation of employment by Employer, Executive will not, directly or indirectly, during or after the term of employment, disclose to any person not authorized by Employer to receive or use such information, except for the sole benefit of Employer, any of Employer's confidential or proprietary data, information, or techniques, or give to any person not authorized by Employer to

receive it any information that is not generally known to anyone other than Employer or that is designated by Employer as "Limited," "Private," or "Confidential," or similarly designated or for which there is any reasonable basis to be believed is, or which appears to be, treated by Employer as confidential.

10. Termination for Cause. Employer may terminate this Agreement during its term for cause ("Cause") by showing that Executive has materially breached the terms hereof; that Executive, in the determination of the board, has been grossly negligent in the performance of his duties; that Executive has substantially failed to meet written standards established by Employer for the performance of his duties; that Executive has engaged in material willful or gross misconduct in the performance of his duties hereunder; or that a final non-appealable conviction of or a plea of guilty or nolo contendere by Executive to a felony or misdemeanor involving fraud, embezzlement, theft, or dishonesty or other criminal conduct against Employer.

11. Termination Upon Change of Control. Notwithstanding any provision of this Agreement to the contrary, Executive may terminate this Agreement, but not the covenant not to disclose information set forth in paragraph 9, upon the happening of any of the following events:

(a) The sale by Employer of substantially all of its assets to a single purchaser or to a group of associated purchasers;

(b) The sale, exchange, or other disposition to a single person or group of persons under common control in one transaction or series of related transactions resulting in such person or persons owning, directly or indirectly, greater than fifty percent (50%) of the combined voting power of the outstanding shares of Employer's common stock;

(c) More than fifty percent (50%) of the members of the board of directors of Employer shall be persons who are neither nominated for election by the board or an authorized committee of the board nor elected by the board;

(d) The decision by Employer to terminate its business and liquidate its assets; or

(e) The merger or consolidation of Employer in a transaction in which the shareholders of Employer immediately prior to such merger or consolidation receive less than fifty percent (50%) of the outstanding voting shares of the new or continuing corporation.

In the event Executive does not elect to terminate this Agreement upon the happening of any of the events noted above, and as a result of such event, Employer is not the surviving entity, then the provisions of this Agreement shall inure to the benefit of and be binding upon the surviving or resulting entity. If as a result of the merger, consolidation, transfer of assets, or other event listed above, the duties of Executive are increased, then the compensation of Executive provided for in paragraph 4 of this Agreement shall be reasonably adjusted upward to compensate for the additional duties and responsibilities assumed.

12. Payments on Death or Disability. This Agreement and Executive's employment hereunder shall terminate on the death of Executive or if its determined, based upon the written opinion of the physician regularly attending Executive, that Executive is unable, because of a medically determinable disease, injury, or other physical or mental disability, to perform substantially all of his regular duties to Employer and that such disability is determined or reasonably expected to continue for at least 180 days. In the event of termination of this Agreement on such death or disability, then Executive or Executive's estate, as the case may be, shall be paid all amounts payable to him pursuant to paragraph 4 hereof and shall receive all benefits provided pursuant to paragraph 5 hereof during the balance of the term of this Agreement.

13. Termination Payments. In the event that the Executive's employment is terminated by Employer during the term hereof for reasons other than Cause as defined in paragraph 10, Employer shall compensate Executive with the monthly compensation as provided in paragraph 4, and shall continue to provide Executive with employment benefits as provided in paragraph 5, through the term hereof.

14. Nontransferability. Neither Executive, Executive's spouse, Executive's designated contingent beneficiary, nor their estates shall have any right to anticipate, encumber, or dispose of any payment due under this Agreement. Such payments and other rights are expressly declared nonassignable and nontransferable, except as specifically provided herein.

15. Indemnification. Employer shall indemnify Executive and hold Executive harmless from liability for acts or decisions made by Executive while performing services for Employer to the greatest extent permitted by applicable law. Employer shall use its best efforts to obtain coverage for Executive under any insurance policy now in force or hereafter obtained during the term of this Agreement insuring officers and directors of Employer against such liability.

16. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party.

17. Entire Agreement. This Agreement is and shall be considered to be the only agreement or understanding between the parties hereto with respect to the employment of Executive by Employer. All negotiations, commitments, and understandings acceptable to both parties have been incorporated herein. No letter, telegram, or communication passing between the parties hereto covering any matter during this contract period, or any plans or periods thereafter, shall be deemed as part of this Agreement; and shall not have the effect of modifying or adding to this Agreement unless it is distinctly stated in such letter, telegram, or communication that it is to constitute a part of this Agreement and is to be attached as an amendment to this Agreement and is signed by the parties to this Agreement.

18. Enforcement. Executive acknowledges that any remedy at law for breach of paragraph 9 would be inadequate, acknowledges that Employer would be irreparably damaged by an actual or threatened breach thereof, and agrees that Employer shall be entitled to an injunction restraining Executive from any actual or threatened breach of paragraph 9 as well as any further appropriate equitable relief without any bond or other security being required. In addition to the foregoing, each of the parties hereto shall be entitled to any remedies available in equity or by statute with respect to the breach of the terms of this Agreement by the other party.

19. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the state of Utah.

20. Severability. If and to the extent that any court of competent jurisdiction holds any provision or any part thereof of this Agreement to be invalid or unenforceable, such holding shall in no way affect the validity of the remainder of this Agreement.

21. Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement, or condition of this Agreement or to exercise any right or remedy consequent upon a breach hereof shall constitute a waiver of any such breach or of any covenant, agreement, term, or condition.

AGREED AND ENTERED INTO as of the date first above written.

Employer:

AMERICAN FINANCIAL HOLDING, INC.

/s/ Kenton L. Stanger, President

Executive:

/s/ Tim L. Hansen

$350,000.00 AS OF SEPTEMBER 30, 1996

PROMISSORY NOTE

DO NOT DESTROY THIS NOTE
WHEN PAID, THIS NOTE MUST BE SURRENDERED FOR CANCELLATION

FOR VALUE RECEIVED, the undersigned, AMERICAN FINANCIAL HOLDING, INC., a Delaware corporation whose mailing address is P.O. Box 683, Farmington, UT 84025-0683 ("Maker"), hereby promises to pay to the order of KRUSE, LANDA & MAYCOCK, L.L.C., a Utah limited liability company whose mailing address is Eighth Floor, 50 West Broadway, Salt Lake City Utah 84101, ("Payee"), the aggregate unpaid amount due to Payee by Maker as evidenced by regular monthly statements for professional services rendered and costs advanced sent by Payee to Maker in accordance with Payee's regular billing practices, of which Three Hundred Sixteen Thousand Seven Hundred Fifty-Six and 62/100 Dollars ($316,756.62) was due and payable as of September 30, 1996, but in any event not to exceed Three Hundred Fifty Thousand and No/100 Dollars ($350,000.00), together with interest (calculated on the basis of the actual number of days elapsed but computed as if each year consisted of 360 days) on the unpaid principal balance from time to time outstanding at the rate of eight percent (8%) per annum.

The entire unpaid principal and all accrued and unpaid interest shall be due and payable within five days after demand, but in any event on or before March 31, 1997. Payments hereunder shall be made in lawful money of the United States of America to Holder at the Holder's principal place of business.

Maker reserves the right and privilege of prepaying this Note in whole or in part at any time, or from time to time, without notice, premium, charge, or penalty. Prepayments on this Note shall be applied first to accrued and unpaid interest to the date of such prepayment, next to expenses for which Payee is due to be reimbursed, and then to the unpaid principal balance hereof.

Any amount not paid when due shall thereafter bear interest until paid, at the rate of twelve percent (12%) per annum.

Upon the occurrence or during the continuance of any one or more of the events hereinafter enumerated, Payee or the holder of this Note may forthwith or at any time thereafter during the continuance of any such event, by notice in writing to the Maker, declare the unpaid balance of the principal and interest on the Note to be immediately due and payable, and the principal and interest shall become and shall be immediately due and payable without presentation, demand, protest, notice of protest, or other notice of dishonor, all of which are expressly waived by Maker such events being as follows:

1. Default in the payment of the principal and interest of this Note or any portion thereof when the same shall become due and payable, whether at maturity as herein expressed, by acceleration, or otherwise, unless cured within five days after notice thereof by Holder or the holder of this Note to Maker;

2. Maker shall file a voluntary petition in bankruptcy or a voluntary petition seeking reorganization, or shall file an answer admitting the jurisdiction of the court and any material allegations of an involuntary petition filed pursuant to any act of Congress relating to bankruptcy or to any act purporting to be amendatory thereof, or shall be adjudicated bankrupt, or shall make an assignment for the benefit of creditors, or shall apply for or consent to the appointment of any receiver or trustee for Maker, or of all or any substantial portion of its property, or Maker shall make an assignment to an agent authorized to liquidate any substantial part of its assets; or

3. An order shall be entered pursuant to any act of Congress relating to bankruptcy or to any act purporting to be amendatory thereof approving an involuntary petition seeking reorganization of the Maker, or an order of any court shall be entered appointing any receiver or trustee of or for Maker, or any receiver or trustee of all or any substantial portion of the property of Maker, or a writ or warrant of attachment or any similar process shall be issued by any court against all or any substantial portion of the property of Maker, and such order approving a petition seeking reorganization or appointing a receiver or trustee is not vacated or stayed, or such writ, warrant of attachment, or similar process is not

released or bonded within 60 days after its entry or levy.

Every Maker, endorser, and guarantor of this Note, or the obligation represented hereby, waives presentment, demand, notice, protest, notice of protest, or enforcement of this Note, assents to any extensions or postponements of the time of payment or any other indulgence and to the addition to release of any collateral and of any other party or person primarily or secondarily liable. None of the rights and remedies of Holder hereunder are to be waived or affected by failure or delay to exercise them or the release of any collateral or any part thereof, with or without substitution. All remedies conferred on Holder of this Note shall be cumulative and none is exclusive. Such remedies may be exercised concurrently or consecutively at Holder's option.

If this Note is placed with an attorney for collection, or if suit be instituted for collection, or if any other remedy permitted by law is pursued by Holder hereof because of any default in the terms and conditions herein, then in such event, Maker agrees to pay reasonable attorneys' fees, costs, and other expenses incurred by Holder hereof in so doing.

This Note is secured by the pledge of those four certain promissory notes in the aggregate principal amount of $2,606,139, in which Kenton L. Stanger, Raymond L. Punta, Ray P. Brown, and Tim L. Hansen appear as makers and the Maker of this Note appears as payee. Such collateral assignment is made pursuant to a Pledge Agreement executed contemporaneously with this Note.

This Note shall be governed by and construed in accordance with the laws of the state of Utah.

AMERICAN FINANCIAL HOLDING, INC.

/s/ Kenton L. Stanger

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (this "Agreement") is made and entered into effective the 30th day of September, 1996, by and between AMERICAN FINANCIAL HOLDING, INC., a Delaware corporation, (hereinafter referred to as "Debtor"), and KRUSE, LANDA & MAYCOCK, L.L.C., a Utah limited liability company (hereinafter referred to as "Creditor").

To secure the due and timely performance of the payment by Debtor to Creditor of the obligation evidenced by that certain promissory note of even date herewith in the aggregate principal amount of $350,000 in which Debtor appears as maker and Creditor appears as payee, all future obligations of the Debtor to the Creditor, and all renewals, extensions, and modifications thereof (the "Obligation"), Debtor hereby pledges, hypothecates, assigns, transfers, sets over, and grants a security interest in and to those certain promissory notes dated as of December 31, 1995, in which (a) Kenton L. Stanger appears as the maker in the amount of $783,213; (b) Raymond L. Punta appears as the maker in the amount of $550,147; (c) Tim L. Hansen appears as the maker in the amount of $652,190; and (d) Ray P. Brown appears as maker in the amount of $665,589, and in each case the Debtor appears as payee (collectively, the "Collateral"). The Collateral shall be delivered as hereinafter provided to be held for and on behalf of Creditor and to be disposed of in accordance with the terms hereof.

Unless otherwise defined, words used herein shall have the meanings given them in the Utah Uniform Commercial Code as now adopted and as hereafter amended from time to time.

Debtor will promptly deliver to Creditor the original of the promissory notes constituting the Collateral, together with such other documents, satisfactory in form and substance to the Creditor, with respect to the Collateral as the Creditor may reasonably request to preserve and protect, and to enable the Creditor to enforce its rights and remedies hereunder, and prior to complete payment and satisfaction of the Obligation, Debtor shall not: (a) sell, assign, exchange, or otherwise transfer any of his right in any of the Collateral; (b) create or suffer to exist any lien, security interest, or other charge or encumbrance against the Collateral, except for the pledge hereunder; (c) make or consent to any amendment or other modification or waiver with respect to any of the Collateral or enter into any agreement or permit to exist any restriction with respect to any of the collateral other than pursuant

hereto; (d) take or fail to take any action which would in any manner impair the value or enforceability of Creditor's security interest in any of the collateral; and (e) release, satisfy, or discharge the obligations of the makers of the notes forming the Collateral. In the event any payments are made to Debtor by makers of the notes forming the Collateral, Debtor will immediately endorse and deliver the same to Creditor in the form received. Debtor will instruct the makers of the notes forming the Collateral to make all payments thereunder directly to Creditor until the Obligation is satisfied and thereafter to make payments to Debtor. Any transfer by Debtor of the Collateral shall be subject to the interest of Creditor as a secured party therein.

In the event of default under the Collateral, Creditor shall be entitled to all of the remedies available under the Utah Uniform Commercial Code.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Debtor:

AMERICAN FINANCIAL HOLDING, INC.

/s/ Kenton L. Stanger, President

Creditor:

KRUSE, LANDA & MAYCOCK, L.L.C.

/s/ James R. Kruse, President

MARKETING AGREEMENT

This MARKETING AGREEMENT, made and entered into as of the 1st day of January 1996 by and between MASSACHUSETTS GENERAL LIFE INSURANCE COMPANY ("MGLIC"), a Massachusetts stock life insurance corporation with principal offices at 7887 East Belleview Avenue, Englewood, Colorado 80111, WABASH LIFE INSURANCE COMPANY ("WLIC"), a Kentucky corporation with principal offices at 7887 East Belleview Avenue, Englewood, Colorado 80111, and American Financial Reinsurance, Inc. ("Life Company"), an Arizona corporation with principal offices at 225 South 200 West, Suite 302, Farmington, Utah 84025, and American Financial Marketing, Inc. ("Marketing Company"), a Utah corporation with principal offices at 225 South 200 West, Suite 302, Farmington, Utah 84025.

WITNESSETH

WHEREAS, MGLIC desires to increase their sale and issuance of life insurance and similar products ("Insurance Business") and to maximize the persistency thereof through the sale of such products by general agents of MGLIC recruited by Marketing Company (hereinafter called "Agents"), and the reinsurance by MGLIC to Life Company of part of such Insurance Business, all in accordance with and subject to the following terms, conditions and provisions.

NOW, THEREFORE, in consideration of the premises and of the mutual promises of the parties hereto, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. General Agents. To the extent they have not previously done so, MGLIC and each Agent, as more specifically set forth and identified in Exhibit "A", which is attached hereto and incorporated herein, including persons or other entities recruited as Agents subsequent to the date hereof, shall promptly enter into a General Agents' Compensation Agreement (herein so-called) in the form attached hereto as Exhibit "A" and incorporated herein to solicit applications for Insurance Business; provided, however, that MGLIC shall not be obligated to enter into a General Agents' Compensation Agreement with any given Agent unless such Agent meets the reasonable appointment criteria for general agents applied by MGLIC in the ordinary course of business. Marketing Company agrees to identify in writing at the contract date all Agents to be included in the Marketing Company. Such Agents are hereinafter individually referred to as "General Agent" and collectively referred to as "General Agents."

2. Reinsurance. Simultaneously with the execution of this Marketing Agreement, MGLIC and Life Company shall enter into a reinsurance agreement ("Modified Coinsurance Agreement") on a modified coinsurance basis attached hereto as Exhibit "B" and incorporated herein. Under the Modified Coinsurance Agreement MGLIC will cede and Life Company will reinsure, on a quota share basis, certain percentages of the Insurance Business produced by General Agents as more specifically set forth in Exhibit "B" hereto.

3. Administrative Services. Simultaneously with the execution of this Marketing Agreement, Life Company and WLIC shall enter into an Administrative Services Agreement (herein so-called) in substantially the form attached hereto as Exhibit "C" and incorporated herein.

4. Production Goals. Marketing Company agrees to use reasonable efforts to cause General Agents to solicit applications for Insurance Business to be issued by MGLIC for not less than the following aggregate cumulative First Year Premiums ("Cumulative Production Goals") on or before the following

Target Dates (herein so-called):

TARGET DATES	CUMULATIVE PRODUCTION GOALS
December 31, 1996	2,000,000
December 31, 1997	4,000,000
December 31, 1998	6,000,000
December 31, 1999	8,000,000
December 31, 2000	10,000,000

For the purposes of this Agreement the term "First-Year Premiums" shall mean the aggregate life insurance premiums payable during the first year a policy or contract of insurance is in effect, exclusive of (i) lump-sum cash deposits in excess of published premium rates, (ii) premiums for flexible premium life insurance contracts in excess of control premiums and (iii) premiums for single pay contracts. All First-Year Premiums associated with any

application for Insurance Business submitted by a General Agent to MGLIC shall be counted in full unless and until such application is rejected by MGLIC. All First-Year Premiums associated with any rejected application shall cease to be counted as of the date of such rejection.

Insurance policies and contracts which have been issued prior to the date hereof by MGLIC as a result of applications for Insurance Business solicited by General Agents after July 1, 1995, shall be deemed to have been issued subsequent to the date hereof but prior to December 31, 1996, for the purpose of calculating the aggregate Cumulative First Year Premiums.

5. Termination. For the purpose of this Agreement, the term "Completion Date" shall mean (i) December 31, 2000, or (ii) the date by which MGLIC has issued Insurance Business as a result of applications solicited by General Agents with aggregate cumulative First-Year Premiums in the aggregate amount of $10,000,000, whichever occurs first.

(a) Prior to Completion Date. This Agreement may not be terminated prior to the Completion Date, except:

(i) By the mutual consent of the parties hereto; or

(ii) By MGLIC and WLIC if any one or more of the Cumulative Production Goals set forth herein are not achieved by their respective Target Dates, and then only upon six (6) months' prior written notice by MGLIC and WLIC to Marketing Company and Life Company; or

(iii) By MGLIC and WLIC in the event of a material breach on the part of Marketing Company, Life Company or any General Agent of this Agreement, the Administrative Services Agreement, any Modified Coinsurance Agreement between MGLIC and Life Company or any General Agents' Compensation Agreement and such breach is not cured or eliminated within thirty (30) days after receipt of written notice thereof to Marketing Company and Life Company from MGLIC and WLIC; or

(iv) By Marketing Company and Life Company in the event of a material breach on the part of MGLIC and WLIC of this Agreement, the Administrative Services Agreement, the Modified Coinsurance Agreement or any General Agents' Compensation Agreement and such breach is not cured or eliminated within thirty (30) days after receipt of written notice thereof to MGLIC and WLIC from Marketing Company and Life Company.

(b) After Completion Date. This Agreement may not be terminated any time after the Completion Date except:

(i) By the mutual consent of the parties hereto; or

(ii) By MGLIC and WLIC upon thirty (30) days, written notice to Marketing Company and Life Company; or

(iii) By Marketing Company and Life Company upon thirty (30) days' written notice to MGLIC and WLIC.

6. Recapture of Reinsured Business. If any Cumulative Production Goal is not met by the Target Date applicable thereto, or if this Agreement is terminated prior to the Completion Date pursuant to the provisions of Paragraph 5(a)(i) or 5(a)(iii) above, MGLIC shall have the right, upon six months' prior written notice to Marketing Company and Life Company, to recapture all of the Insurance Business ceded by MGLIC to Life Company under the Modified Coinsurance Agreement and Life Company shall transfer to MGLIC cash equal to the preceding Accounting Period's Reserve Liability and any future liability shall cease.

7. Right of First Refusal. In the event that Life Company receives an Offer (herein so-called) from an unaffiliated party ("Offeror") to purchase or to reinsure all or part of the Insurance Business previously assumed and reinsured by Life Company from MGLIC, before Offerees accept such Offer they shall deliver a copy of the Offer to MGLIC and WLIC. During the thirty (30) day period following such delivery, MGLIC and WLIC shall have a right of first refusal for either MGLIC or WLIC or any of their affiliates to elect to reinsure such Insurance Business, on the same terms and conditions contained in such Offer. Upon the earlier of (i) the delivery by MGLIC and WLIC to Life Company of written notification of their intent not to exercise such right of first refusal, or (ii) the expiration of such thirty (30) day period without receipt by Life Company of MGLIC and WLIC's written notice of intent not to exercise such right of first refusal, the Life Company shall have the right to accept the

Offer.

If MGLIC and WLIC exercise such right of first refusal but fail to consummate the purchase within ninety (90) days after receipt by Life company of MGLIC and WLIC's written notice of exercise, and if such failure is for any reason other than the refusal of Life Company to consummate the transaction in accordance with the terms of the offer or the failure of MGLIC and WLIC, despite diligent efforts, to obtain all necessary regulatory approval, MGLIC and WLIC's right of first refusal shall terminate completely and permanently. If, despite diligent efforts, MGLIC and WLIC fail to obtain all necessary regulatory approvals within the ninety (90) day period specified above, the right of refusal shall terminate on the earliest of (1) the date on which the receipt of regulatory approvals is no longer possible or regulatory disapproval is announced, (2) the date thirty days after the date on which regulatory approval is granted if the purchase remains unconsummated (unless Life Company has refused to consummate the transaction in accordance with the terms of the Offer), or (3) the date on which MGLIC and WLIC cease to make diligent efforts to obtain all necessary regulatory approvals. Such ninety (90) day period may be extended by mutual consent of MGLIC, WLIC and Life Company.

8. Miscellaneous.

(a) Assignments. This Agreement shall be binding on the parties hereto and their respective successors and permitted assigns, but no party may assign this Agreement without the prior written consent of the other parties.

(b) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

(c) Section Headings. The headings set forth herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(d) Waiver. No delay or omission by any party hereto to exercise any right or power arising upon any noncompliance or default by any other party with respect to any of the terms of this Agreement shall impair any such right or power or be construed as a waiver thereof. A waiver by any of the parties hereto of the fulfillment of any of the covenants, conditions or agreements to be performed by any other shall not be construed to be a waiver of any succeeding breach thereof or of any other covenant, condition or agreement herein contained. All remedies provided for in this Agreement shall be cumulative in addition to and not in lieu of any other remedies available to any party at law, in equity or otherwise.

(e) Amendments. This Agreement may not be amended, nor shall any waiver, change, modification, consent or discharge be effected, except by an instrument in writing duly executed by the parties hereto or their respective successors or permitted assigns.

(f) Arbitration. Any disagreement that should arise between the parties regarding the rights or liabilities of the parties under any transaction pursuant to this Agreement shall be referred to arbitrators. One arbitrator is to be chosen by each party from among officers of other life insurance companies, which said officers are familiar with reinsurance transactions. A fifth arbitrator shall be chosen by the said arbitrators before entering into arbitration. An arbitrator may not be a present or former officer, attorney, or consultant of the parties or either's affiliates. If the arbitrators appointed by the parties cannot agree on a fifth person then either party may apply to the President of the American Life Insurance Association for appointment of a fifth arbitrator. The arbitrators' decision will be final and binding upon both parties.

The place of the meeting of the arbitrators will be decided by a majority vote of the members thereof. All expenses and fees of the arbitrators will be borne equally by the parties, unless the arbitrators decide otherwise.

(g) Notices. Any notices required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given if delivered, telecopied, or mailed, by certified mail, return receipt requested to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to MGLIC:

Cathy A. Shinagawa
Massachusetts General Life Insurance Company
7887 East Belleview Avenue
Englewood, Colorado 80111

If to WLIC:

Cathy A. Shinagawa
Wabash Life Insurance Company
7887 East Belleview Avenue
Englewood, Colorado 80111

If to Life Company:

Kenton Stanger, President
PO Box 683
225 South 200 West, Suite 302
Farmington, Utah 84025-0683

If to Marketing Company:

Kenton Stanger, President
PO Box 683 225 South 200 West, Suite 302
Farmington, Utah 84025-0683

All notices and other communications required or permitted hereunder that are addressed as provided in this Section 8(g) will, if delivered personally or by mail in the manner described above, be deemed given upon receipt, and will if delivered by telecopy, be deemed delivered when confirmed.

(h) Force Majeure. The parties shall be excused from performance hereunder for any period when the parties are prevented from performing any services to be provided hereunder, in whole or in part, as a result of an Act of God, fire, war, civil disturbance, court order, insurance department regulatory order, labor dispute, or other cause beyond its reasonable control, and such nonperformance shall not be a ground for Termination hereof or assertion of default hereunder. In the event either party hereto shall be excused from performance under this provision, said party shall use its best efforts to provide, directly or indirectly, alternative and, to the extent practicable, equivalent fulfillment of its obligation hereunder.

(i) Oversight. If nonpayment of premiums within the time specified or failure to comply with any of the other terms of this Agreement is shown to be unintentional and the result of oversight or misunderstanding on the part of either parties hereto, this Agreement will not be considered abrogated thereby, but the parties to this Agreement will be restored to the position they would have occupied had no such oversight or misunderstanding occurred.

(j) Severable Provisions. If any provisions of this Agreement shall be found to be invalid by any administrative agency or court of competent jurisdiction, such finding shall not affect the remaining provisions of this Agreement and all other provisions herein shall remain in full force and effect.

(k) Approvals, Consents. etc. In any instance where agreement, approval, acceptance or consent of any parties is required by any provision of this Agreement, such action shall not be unreasonably delayed or withheld.

(1) Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Massachusetts.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and delivered by their officers "hereunto duly authorized, all as of the date first hereinabove written.

ATTEST: MASSACHUSETTS GENERAL LIFE INSURANCE COMPANY

/s/ Roger Dunker
Secretary President

ATTEST: WABASH LIFE INSURANCE COMPANY

/s/ Roger Dunker

Secretary President

AMERICAN FINANCIAL HOLDINGS, INC. dba
ATTEST: AMERICAN FINANCIAL MARKETING, INC.

/s/ Raymond L. Punta /s/ Kenton L. Stanger
Secretary President

ATTEST: AMERICAN FINANCIAL REINSURANCE, INC.
/s/ Raymond L. Punta /s/ Kenton L. Stanger
Secretary Chief Executive Officer

EXHIBIT A
GENERAL AGENT AGREEMENT

Effective this ----- day of ------, 19-----
MASSACHUSETTS GENERAL LIFE Insurance Company
(hereinafter referred to as Company) hereby appoints ----------
(General Agent's Name)
to act as the Company's General Agent (hereinafter referred to as General Agent or You), for the solicitation of applications for insurance. The title of the General Agent shall be ----------

The parties hereby agree as follows:

RELATIONSHIP OF PARTIES

1. The General Agent is an independent contractor. Nothing contained in this contract or in any course of dealing between you and the Company whether in the past or currently shall be construed or interpreted to create an employer-employee relationship between the Company and you.

You shall be free to exercise your own judgment as to the persons from whom applications are solicited and as to the time, place and manner of solicitation; however, the applicable statutes and governmental regulations pertaining to the conduct of business covered hereby as well as the regulations from time to time adopted by the Company respecting its methods of doing business shall be observed and conformed to by you.

AUTHORITY

2. Your authority shall extend no further than is stated in this contract. You are hereby authorized to solicit applications for insurance and annuity contracts on behalf of the Company. You are further authorized to collect in cash a first-year premium on applications solicited or on policies forwarded to you for delivery. You may not collect any deferred first-year or renewal premium unless a receipt is forwarded by the Company to you for that purpose. You shall not collect any premiums past due except upon conditions specifically prescribed by the Company. You shall not undertake to make, alter, or discharge any contract or waive any forfeiture, or extend the time for payment of any premium or note, or waive payments in cash, or contract debts or obligations in the name of the Company or obligate it in any way. Except in cases where the first full premium has been paid in advance, you shall not deliver any policy where you have knowledge of any conditions suffered by the applicant subsequent to the application date which might affect insurability.

You have the authority to recruit insurance producers (Producers) to solicit insurance and annuities under your supervision and recommend their licensing to the Company. The Company reserves the right of refusal to license any such proposed Producer. You shall contract directly with your Producers under agreements suitable to you for solicitation of insurance as authorized herein; provided, however, that you agree to provide the Company with copies of all such agreements.

LITIGATION

3. You shall not institute legal proceedings against any applicant, policyholder or any other person for any cause arising out of the business transacted under this appointment unless the Company shall have been notified in writing of such action or the proposed action simultaneously with the institution of such legal proceedings. Should the Company be sued because of any alleged act by you, the Company shall, upon receipt of notification of such suit, notify you immediately in order that you and

the Company may mutually agree upon the appropriate defense, the employment of counsel and a determination as to which party shall be liable for the cost of such defense. The Company, at its sole discretion and expense, may settle any claim or claims of applicants for insurance, policyholders or others against the Company arising out of the business transacted under this appointment, upon receipt of proof satisfactory to the Company of the justice of such claim or claims. No settlement calling for payment by you in whole or in part (whether directly or indirectly, or whether contributed to in whole or in part by any insurance carrier) shall be made without your consent.

MODIFICATIONS

4. The Company shall not be bound by a promise, agreement, understanding, or representation heretofore or hereafter made unless made in writing and signed by an officer of the Company expressing by its terms an intention to modify this contract.

DISPUTES

5. If a claim to compensation is disputed by another General Agent or Producer, the decision of the Company thereon shall be binding and conclusive.

RULES AND REGULATIONS

6. This agreement shall be deemed to be supplemented by any provisions, rules and instructions for the conduct of its business which may be set forth in any rate book, instruction manual, or other publication, or written directives issued by the Company from time to time to the same extent as if such provisions, rules, and instructions were included herein.

REPLACEMENT AND REINSTATEMENTS

7. If a policy issued by the Company is terminated and a new policy is issued on the same life which, in the judgment of the Company, is to take the place 'of the terminated policy, no compensation shall be allowed thereon. If any policy obtained through you lapses and is then restored through the action of some other person, the Company shall not be liable for any further compensation thereon.

ADVERTISING

8. You shall comply with the rules of the Company and any applicable statutes and governmental regulations relating to advertising, publicity releases, and the use of written or printed material pertaining to the Company policies, plans, financial condition, or statements concerning production.

COMPENSATION

9. As compensation for the services to be rendered, you will be paid at the rates and under the conditions set forth in the attached schedule(s) of compensation on premiums paid in cash and accepted by the Company for first and subsequent policy years on account of policies issued on applications obtained by you or your Producers, and only after the due date of the premium.

The Compensation Schedules may be changed upon written notice to you by the Company and any applications solicited by you shall be affected by such change thirty (30) days after the date of such written notice. Any such change will not affect vesting requirements.

You hereby agree that any obligation due from you may be offset by the Company against any money payable to you under this contract, and that any such indebtedness shall be a first lien upon any funds due to you under this contract. The Company may, moreover, require an immediate repayment of such indebtedness regardless of whether future compensation becoming payable to you appears to be adequate to offset such indebtedness. In the event ;he Company is required to pursue formal collection procedure in order to collect any indebtedness under the terms of this contract, you agree to be, responsible for any expense incurred, be it the fee of a collection agency, attorney. or other cost, including court costs.

In the event you have been appointed by an affiliate of the Company, any indebtedness owing the Company may be offset by compensation due you from the affiliate and any indebtedness owing the affiliate may be offset by compensation due you under this appointment.

REJECTIONS

10. The Company may reject any application for insurance obtained by you or your Producers without specifying the reason therefor and return the premium thereon.

RETURN OF PREMIUM

11. Should the Company for any reason return a premium on a policy, you shall repay to the Company on demand, the amount of compensation received on the premium so returned.

INDEBTEDNESS

12. Any indebtedness incurred by you and/or by any producers and general agents on whose business you receive compensation shall, in the absence of any agreement in writing to the contrary, be loans payable upon demand. As security for any such loans, the Company shall have a first lien upon any compensation payable to you under this or any other contract between you and the Company and may at any time deduct from any such compensation any such indebtedness.

ASSIGNMENT

13. No assignment of compensation payable hereunder shall be valid unless accepted in writing by the Company.

INTENT NOT TO WAIVE

14. The failure of the Company to enforce any provision in this contract or any regulation it promulgates shall not constitute a waiver thereof.

TERMINATION

15. This contract shall terminate: (1) Upon your death or in the event you become totally and permanently disabled; (2) Upon the giving of written notice by you or the Company, said notice being delivered personally or mailed to the last known address of the other party via United States mail.

In the event of termination as described above, you agree to deliver all Company property to the Company and to repay any existing indebtedness to the Company. If the contract terminates by reason of your health, or in the event you die prior to receipt of all compensation due to you, compensation due, or thereafter becoming due, shall be paid to your estate. In the event you are a corporation, this contract shall automatically terminate in the event the corporation ceases to do business as a corporation, in which case all compensation due and thereafter becoming due to it shall be payable to its successor or duly appointed representative.

PRIOR AGREEMENTS SUPERSEDED

16. This agreement supersedes all prior agreements between the Company and you with respect to policies issued :through you after the effective date hereof.

WITHDRAWAL

17. Company retains the right to withdraw any policy form or withdraw from any territory or jurisdiction.

IN WITNESS WHEREOF, this appointment has been executed on this ---- day of ---- - ----, 19--

MASSACHUSETTS GENERAL LIFE Insurance Company

By /s/ vice president

AMERICAN FINANCIAL HOLDING, INC.,
d/b/a AMERICAN FINANCIAL MARKETING, INC.
[name of agency]

By /s/ Kenton L. Stanger, president and CEO

EXHIBIT B

MODIFIED COINSURANCE AGREEMENT

THIS MODIFIED COINSURANCE AGREEMENT, made and entered into as of the 1st day of January 1996 by and between MASSACHUSETTS GENERAL LIFE INSURANCE COMPANY ("Ceding Insurer"), a Massachusetts corporation with principal offices located at 7887 East Belleview Avenue, Englewood, Colorado 80111, and American Financial Reinsurance, Inc. ("Reinsurer"), an Arizona corporation with principal offices located at 225 South 200 West, Suite 302, Farmington, Utah 84025.

WITNESSETH:

WHEREAS, Ceding Insurer, Reinsurer, WABASH LIFE INSURANCE COMPANY ("WLIC"), a Kentucky corporation, and American Financial Marketing, Inc. ("Marketing Company"), a Utah corporation and an affiliate of Reinsurer, are parties to a Marketing Agreement (herein so-called) dated as of even date herewith, under which, among other things, Ceding Insurer and Reinsurer agreed to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises of the parties hereto, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions. Except as otherwise indicated herein, all terms used in the Marketing Agreement shall have the same meaning in this Agreement. In addition, the following terms shall mean:

1.1 "Abatement" means the termination of the provisions of this Agreement relating to the cession of additional Insurance Business Produced, but excludes the termination of the remaining provisions of the Modified Coinsurance Agreement.

1.2 "Accounting Period" means each calendar quarter ending on March 31, June 30, September 30 and December 31 of each year.

1.3 "Beginning Calendar Year" means the period commencing with the effective date of this Agreement and ending December 31, 1995.

1.4 "Calculation Period" means the Beginning Calendar Year, the Ending Calendar Year and each Calendar Year occurring in between them.

1.5 "Calendar Year" means the each twelve month period beginning January 1 and ending December 31.

1.6 "Ending Calendar Year" means the period commencing on January 1 of the year in which this Agreement is Abated and ending on the date of Abatement.

1.7 "First Year Paid Life Insurance Premiums" means the life insurance premiums received by the Ceding Insurer on the Policies reinsured hereunder during the first year each of such Policies is in effect, exclusive of (i) lump-sum cash deposits in excess of published premium rates, (ii) premiums for flexible premium life insurance contracts in excess of control premiums and (iii) premiums for single pay contracts.

1.8 "Gross Rate of Interest" for any Accounting Period for each product type shall be the sum of (a) the amount of basis points (interest spread) as dictated in Schedule A by product type and (b) the effective weighted average of the rates of interest credited by Ceding Insurer, excluding additional interest credits, if any, to policyowners on interest-sensitive whole life and flexible premium adjustable life insurance policies as authorized by Ceding Insurer's Board of Directors and in effect from time to time during the Accounting Period.

1.9 "Gross Investment Income" for any Accounting Period shall be an amount equal to:

(a) Twenty-five percent of the Gross Rate of Interest multiplied by an amount equal to (i) Reinsurer's Quota Share of the Reserve Liability at the beginning of such Accounting Period less (ii) an amount equal to Reinsurer's Quota Share of the principal amount of all policy loans on the Policies reinsured hereunder ("Policy Loans'') at the beginning of the Accounting Period less (iii) any unpaid settlements due to the Ceding Insurer plus (iv) any unpaid settlements due to the Reinsurer;

Plus (b) An amount equal to Reinsurer's Quota Share of the interest received by Ceding Insurer during such Accounting Period on all Policy Loans.

1.10 "Gross Premium" means all of the paid premiums received by Ceding Insurer on the Policies reinsured hereunder including (i) lump sum cash deposits in excess of published premium rates, (ii) premiums for flexible premium life insurance contracts in excess of control premiums and (iii) premiums for single pay contracts.

1.11 "Insurance Business Produced" means one hundred percent (100~) of Ceding Insurer's liability under all insurance policies and contracts ("Policies") issued by Ceding Insurer on the basis of applications solicited by Marketing Company or its subagents pursuant to the Marketing Agreement.

1.12 "Quota Share" means for any given Calculation Period:

(a) For Calendar year 1995, a thirty-three and one-third percent (33.33~) undivided interest in the Insurance Business Produced during that Calendar Year; and

(b) For Calendar Years after 1995, if (i) Insurance Business Produced by Marketing Company is $5,000,000 or more of First Year Paid Life Insurance Premiums received by Ceding Insurer in any Calendar Year, the Quota Share for the subsequent Calendar year shall be a fifty percent (50%) undivided interest in the Insurance Business Produced, or (ii) if Insurance Business Produced by Marketing Company is less than $5,000,000 of First Year Paid Life Insurance Premiums received by Ceding Insurer in any Calendar Year, the Quota Share for the subsequent Calendar Year shall be a thirty-three and one-third percent (33.33%) undivided interest in the Insurance Business Produced. Insurance Business Produced by Marketing Company must be greater than $2,000,000 of First Year Paid Life Insurance Premiums received by Ceding Insurer in any Calendar Year for Reinsurer to continue to be eligible to participate.

1.13 "Reserve Liability" means the actuarial reserves relating to the Policies reinsured hereunder as reported in Exhibit 8 of Ceding Insurer's Annual Statement prepared on forms prescribed by the National Association of Insurance Commissioners ("NAIC Statement"). Such reserves shall be determined on the same basis as that used by the Ceding Insurer in computing its Reserve Liability. In addition, a reserve shall be calculated based upon the block's experience through cash flow testing by a statement actuary. If such testing of cash flows indicates an additional reserve is to be established for the block of business then such reserve will be established to comply with regulatory provisions.

1.14 "Claims Liability" means the claims incurred but not paid relating to the Policies reinsured hereunder as reported in Exhibit 11 of Ceding Insurer's Annual Statement prepared on forms prescribed by the National Association of Insurance Commissioners ("NAIC Statement"). Such claims shall be determined on the same basis as that used by the Ceding Insurer in computing its Claims Liability.

1.15 "Termination" means the termination of all of the provisions of this Agreement and includes the recapture by Ceding Insurer of all Policies previously reinsured hereunder.

2. Reinsurance. Ceding Insurer agrees to cede to Reinsurer and Reinsurer agrees to assume and reinsure from Ceding Insurer, on a modified coinsurance basis, Reinsurer's Quota Share of the Insurance Business Produced on the terms and conditions stated herein.

2.1 This Agreement is an indemnity reinsurance agreement solely between the Ceding Insurer and the Reinsurer and, except as otherwise provided herein, the performance of the obligations of each party hereunder shall be rendered solely to the other party. Except as otherwise provided herein, no person other than Ceding Insurer and Reinsurer shall have any rights under this Agreement and the Ceding Insurer shall be and remain solely liable to any insured, policyowner, or beneficiary under the Policies reinsured hereunder.

2.2 Reinsurer shall, except for Reserves, Policy Loans and Policy Issue Expenses and Policy Maintenance Expenses, share with the Ceding Insurer, on the basis of Reinsurer's Quota Share, in all transactions relating to the Policies reinsured hereunder, including, without limitation:

(a) All premium transactions effected;

(b) All commissions, fees and bonuses paid to or for the benefit of the Marketing Company and/or General Agents.

(c) All policy benefits paid.

(d) All policyholder dividends paid. (e) All premium taxes paid.

(e) All premium taxes paid.

(f) All nonforfeiture benefits paid.

2.3 Except as provided herein, the liability of Reinsurer with respect to the Policies reinsured hereunder shall begin and end simultaneously with the liability of the Ceding Insurer.
2.4 Reinsurer's Quota Share of reinsurance hereunder shall be maintained in force as to the Policies reinsured hereunder without reduction so long as the amount of insurance for which the Ceding Insurer is obligated under such Policies remains in force without reduction.

3. Reserves. Ceding Insurer shall be solely responsible for furnishing all of the assets necessary to satisfy the Reserve Liability on the Policies reinsured hereunder ("Reserves").

3.1 Ceding Insurer shall retain ownership of all assets held as Reserves on the Policies reinsured hereunder and Reinsurer shall have no legal, equitable or security interest in such assets.

3.2 Reinsurer shall not participate in any long or short term capital gains or losses incurred by Ceding Insurer with respect to such assets and no part of any such gains and losses of Ceding Insurer from, or considered as being from, the sale or exchange of any asset shall be treated as gains or losses from the sale or exchange of assets owned by or belonging to the Reinsurer.

3.3 Reinsurer shall be solely responsible for paying all Federal, State and local income taxes, if any, relating to the Gross Investment Income paid by the Ceding Insurer to the Reinsurer hereunder.

4. Expenses. Except as otherwise provided herein, Ceding Insurer shall bear all expenses relating to the issuance and maintenance of the Policies reinsured hereunder.

4.1 For purposes of this Agreement, Policy Issue Expenses (herein so-called) for each new Policy reinsured hereunder and Policy Maintenance Expenses (herein so-called) for each Policy reinsured hereunder are detailed in Schedule A (attached). Reinsurer shall reimburse the Ceding Insurer for Policy Issue Expenses and Policy Maintenance Expenses in an amount equal to Reinsurer's Quota Share of the Policies reinsured hereunder, expressed as a percentage of the Policy Issue Expenses and the Policy Maintenance Expenses.

4.2 For purposes of this Agreement, a DAC Tax allowance shall be charged based upon Reinsurer's Quota Share of nonpension premium less the DAC Tax basis as calculated under IRS Regulation 848. The solution shall be multiplied by the present value of future DAC Tax Capitalization and Amortization based upon the ceding insurers marginal tax rate for Federal Income Tax purposes. Assuming a 34% tax rate, the solution would be multiplied by 1.5%.

4.3 Service Fees shall be paid by the Reinsurer as detailed in Exhibit C for Services performed by WLIC pursuant to the Administrative Services Agreement, as long as the business described herein remains in force.

5. Payments by Ceding Insurer. Within sixty (60) days after the end of each Accounting Period, Ceding Insurer shall deliver to Reinsurer an accounting with respect to all Policies reinsured hereunder and Ceding Insurer shall pay to Reinsurer the sum of:

(a) Reinsurer's Quota Share of Gross Premiums for such Accounting Period.
(b) The Gross Investment Income for such Accounting Period.

(c) Reinsurer's Quota Share of any decrease in Reserve Liability and Claims Liability for such Accounting Period.

5.1 All sums due Reinsurer shall be offset, to the extent applicable, against all sums due Ceding Insurer under Paragraph 6 below.

6. Payments by Reinsurer. Within sixty (60) days after the end of each Accounting Period, Reinsurer shall pay Ceding Insurer the sum of:

(a) Reinsurer's Quota Share of all disbursements made by Ceding Insurer with respect to the Policies for such Accounting Period, (other than disbursements relating to Policy Issue Expenses, Policy Maintenance Expenses, Reserves, Claims Liability and Policy Loans) including, without limitation, all death benefits, nonforfeiture benefits, matured endowments, disability waiver of premium benefits, policyholder dividends, premium taxes, commissions and bonuses and Reinsurer agrees that it will pay all costs and expenses incurred by it or on its behalf in connection with the retrocession of any liability on the Policies reinsured hereunder.

(b) Reinsurer's Quota Share of all Policy Issue Expenses and Policy Maintenance Expenses for such Accounting Period.

(c) Reinsurer's Quota Share of all increases in Reserve Liability and Claims Liability for such Accounting Period.

(d) Reinsurance premiums due on Retrocession pursuant to Article IV of Exhibit D (Reinsurance Agreement).

6.1 All sums due Ceding Insurer shall be offset, to the extent applicable, against all sums due Reinsurer under Paragraph 5 above.

7. Tax Reserves. Reinsurer shall be responsible for its pro-rata share of any tax liability resulting from the difference between tax reserves and statutory reserves. A tax reserve adjustment shall be calculated on an annual basis and allocated to Reinsurer for this tax purpose.

8. Oversight. It is understood and agreed that if failure to comply with any terms of this Agreement is shown to be unintentional and the result of misunderstanding or oversight on the part of either the Ceding Insurer or Reinsurer, both the Ceding Insurer and Reinsurer shall be restored to the positions they would have been in had no such misunderstanding or oversight occurred.

9. Reinstatement. If a Policy reinsured hereunder lapses for nonpayment of premium and is subsequently reinstated by the Ceding Insurer under its regular rules, Reinsurer will automatically reinstate its reinsurance with respect to such Policy. The Ceding Insurer will promptly notify Reinsurer regarding any such reinstatement and will pay to Reinsurer its share of premiums in arrears, with interest at the same rate and in the same manner as received by the Ceding Insurer in connection with the reinstatement.

10. Misstatement of Age or Sex. If there is an increase or reduction in any Policy reinsured hereunder because of an overstatement or understatement of age or misstatement of sex being established either before or after the death of the life insured, Ceding Insurer and Reinsurer shall share in such increase or reduction in proportion to their respective liabilities under the Policy.

11. Settlement of Claims.

11.1 The Ceding Insurer shall give the Reinsurer prompt notice of any claim submitted on a policy reinsured hereunder and prompt notice of any instigation of any legal proceedings in connection therewith. Copies of proofs of other documents bearing on such claim or proceeding shall be furnished to the Reinsurer when requested.

11.2 The Reinsurer shall accept the good faith decision of the Ceding Insurer in settling any claim or suit and shall pay its share of net reinsurance liability upon receiving proper evidence of the Ceding Insurer's having settled with the claimant. Payment of net reinsurance liability on account of death or dismemberment shall be made in one lump sum. In settlement of reinsurance liability for Waiver of Premium benefits, the Reinsurer shall pay to the Ceding Insurer its proportionate share of the gross premium waived.

11.3 If the Ceding Insurer should contest or compromise any claim or proceeding,

and the amount of net liability thereby be reduced, the Reinsurer's reinsurance liability shall be reduced in the proportion that the net liability of the Reinsurer bore to the sum of the retained net liability of the Ceding Insurer and the net liability of other reinsurers existing as of the occurrence of the claim.

11.4 Any unusual expenses incurred by the Ceding Insurer in defending or investigating a claim for policy liability or in taking up or rescinding a policy reinsured hereunder shall be participated in by the Reinsurer in the same proportion as described in Section 11.3 above.

11.5 In no event shall the following categories of expenses or liabilities be considered, for purposes of this agreement, as "unusual expenses" or items of "net reinsurance liability":

(a) routine investigative or administrative expenses;

(b) expenses incurred in conjunction with a dispute or contest arising out of conflicting claims of entitlement to policy proceeds or benefits which the Ceding Insurer admits are payable;

(c) expenses, fees, settlements, or judgments arising out of or in conjunction with claims against the Ceding Insurer for punitive or exemplary damages;

(d) expenses, fees, settlements, or judgments arising out of or in conjunction with claims made against the Ceding Insurer and based on alleged or actual bad faith, failure to exercise good faith, or tortious conduct.

11.6 For purposes of this Agreement, penalties, attorney's fees, and interest imposed automatically by statute against the Ceding Insurer and arising solely out of judgment being rendered against the Ceding Insurer in a suit for policy benefits reinsured hereunder shall be considered "unusual expenses."

11.7 In the event that the amount of insurance provided by a policy or policies reinsured hereunder is increased or reduced because of a misstatement of age or sex established after the death of the insured, the net reinsurance liability of the Reinsurer shall increase or reduce in the proportion that the net reinsurance liability of the Reinsurer bore to the sum of the net retained liability of the Ceding Insurer and the net liability of other reinsurers immediately prior to the discovery of such misstatement of age or sex. Reinsurance policies in force with the Reinsurer shall be reformed on the basis of the adjusted amounts, using premiums and reserves applicable to the correct age and sex. Any adjustment in reinsurance premiums shall be made without interest.

11.8 The Reinsurer shall refund to the Ceding Insurer any reinsurance premiums, without interest, unearned as of the date of death of the life reinsured hereunder.

11.9 If the Ceding Insurer pays interest from a specific date, such as the date of death of the insured, on the contractual benefit of a policy reinsured under this Agreement, the Reinsurer shall indemnify the Ceding Insurer for the Reinsurer's share of such interest. Interest paid by the Reinsurer under this Section 11.9 shall be computed at the same rate and commencing as of the same date as that paid by the Ceding Insurer. The computation of interest paid by the Reinsurer under this Section 11.9 shall cease as of the earlier of (a) the date of payment of the Reinsurer's share of reinsurance liability and (b) the date of termination of the period for which the Ceding Insurer has paid such interest.

12. Inspection of Records. Each party shall have the right at any reasonable time during normal business hours to inspect, at the office of the other party, all books and documents relating to reinsurance under this Agreement.

13. Insolvency. In the event of the insolvency of the Ceding Insurer, all reinsurance shall be payable directly to the liquidator, receiver, or statutory successor of said Ceding Insurer, without diminution because of the insolvency of the Ceding Insurer; provided, however, that any obligations of the Ceding Insurer to Reinsurer shall be offset against the obligations of Reinsurer to Ceding Insurer.

13.1 In the event of the insolvency of the Ceding Insurer, the liquidator, receiver, or statutory successor of the Ceding Insurer shall give the Reinsurer written notice of the pendency of any claim on a Policy reinsured within a reasonable time, to be not less than thirty days, after such claim is filed in the insolvency proceeding. During the pendency of any such claim, Reinsurer may

investigate such claim and in the name of the Ceding Insurer (or its liquidator, receiver, or statutory successor), but at its own expense, interpose in the proceeding where such claim is to be adjudicated any defense or defenses which it may deem available to the Ceding Insurer or its liquidator, receiver, or statutory successor.

13.2 Any expense thus incurred by Reinsurer shall be chargeable, subject to court approval, against the Ceding Insurer as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the Ceding Insurer solely as a result of the defense undertaken by Reinsurer. Where two or more reinsurers are participating in the same claim and a majority in interest elect to interpose a defense or defenses to any such claim, the resulting expense shall be apportioned in accordance with the terms of the reinsurance agreement as though such expense had been incurred by the Ceding Insurer.

14. Abatement. This Agreement may not be Abated until such time as the Marketing Agreement has been terminated, after which time this Agreement may be Abated:

(a) By the mutual consent of the Ceding Insurer and the Reinsurer; or

(b) By Ceding Insurer upon thirty (30) days' written notice to Reinsurer; or

(c) By Reinsurer upon thirty (30) days' written notice to Ceding Insurer.

15. Termination. This Agreement may not be terminated until such time as the Marketing Agreement has been terminated, after which time this Agreement may only be terminated:

(a) By the mutual consent of the Ceding Insurer and the Reinsurer; or

(b) By Ceding Insurer in the event of a material breach hereof by Reinsurer and such breach is not cured or eliminated within thirty (30) days after receipt of written notice thereof to Reinsurer from Ceding Insurer; or

(c) By Reinsurer in the event of a material breach hereof by Ceding Insurer and such breach is not cured or eliminated within thirty (30) days after receipt of written notice thereof to Ceding Insurer from Reinsurer.

16. Recapture of Reinsured Business. If any Cumulative Production Goal is not met by the Target Date applicable thereto, the Ceding Insurer shall have the right, upon six months' prior written notice to Marketing Company and Reinsurer, to recapture all of the Insurance Business ceded by the Ceding Insurer to Reinsurer under this Agreement. No consideration shall be paid by the Ceding Insurer to Marketing Company or to Reinsurer for the recapture of such insurance business.

17. Right of First Refusal. Ceding Insurer shall have a right of first refusal to reinsure the Policies reinsured hereunder to Reinsurer under the terms, conditions and provisions set forth in Paragraph 7 of the Marketing Agreement.

18. Waiver. No delay or omission by any party hereto to exercise any right or power arising upon any noncompliance or default by any other party with respect to any of the terms of this Agreement shall impair any such right or power to be construed as a waiver thereof. A waiver by any of the parties hereto of the fulfillment of any of the covenants, conditions, or agreements to be performed by any other shall not be construed to be a waiver of any succeeding breach hereof or of any other covenant, condition or agreement herein contained. All remedies provided for in this Agreement shall be cumulative in addition to and not in lieu of any other remedies available to any party at law, in equity or otherwise.

19. Amendments. This Agreement may not be amended, nor shall any waiver, change, modification, consent or discharge be effected, except by an instrument in writing duly executed by the parties hereto or their respective successors or permitted assigns.

20. Approvals, Consents. etc. In any instance where agreement, approval, acceptance or consent of any party is required by any provision of this Agreement, such action shall not be unreasonably delayed or withheld.

21. Force Majeure. Ceding Insurer or Reinsurer shall be excused from performance hereunder for any period when either is prevented from performing any services to be provided hereunder, in whole or in part, as a result of an Act of God, fire, war, civil disturbance, court order, insurance department regulatory

order, labor dispute, or other cause beyond its reasonable control, and such nonperformance shall not be a ground for Termination hereof or assertion of default hereunder. In the event either party hereto shall be excused from performance under this-provision, said party shall use its best efforts to provide, directly or indirectly, alternative and, to the extent practicable, equivalent fulfillment of its obligations hereunder.

22. Severability. If any provision of this Agreement is declared or found to be illegal, unenforceable or void by any administrative agency, regulatory body, or court of competent jurisdiction, such finding shall not affect the remaining provisions of this Agreement, and all other provisions hereof shall remain in full force and effect.

23. Arbitration. Any disagreement that should arise between Ceding Insurer and Reinsurer regarding the rights or liabilities of either party under any transaction pursuant to this Agreement shall be referred to arbitrators. One arbitrator is to be chosen by each party from among officers of other life insurance companies, which said officers are familiar with reinsurance transactions. A third arbitrator shall be chosen by the said two arbitrators before entering into arbitration. An arbitrator may not be a present or former officer, attorney, or consultant of Ceding Insurer or Reinsurer or either's affiliates. If the arbitrators appointed by the two parties cannot agree on a third person then either party may apply to the President of the American Life Insurance Association for appointment of a third arbitrator. The arbitrators' decision will be final and binding upon both parties.

The place of the meeting of the arbitrators will be decided by a majority vote of the members thereof. All expenses and fees of the arbitrators will be borne equally by Ceding Insurer and Reinsurer, unless the arbitrators decide otherwise.

24. Notice. Any notices required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given if delivered, telecopied or mailed, by certified mail, return receipt requested to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to Reinsurer to:

Kenton Stanger PO Box 683
225 South 200 West, Suite 302
Farmington, Utah 84025-0683

If to Ceding Insurer:

Cathy A. Shinagawa
Massachusetts General Life Insurance Company
7887 East Belleview Avenue
Englewood, Colorado 80111

25. Assignment. This Agreement shall not be assigned by either party hereto without the prior written consent of the other party hereto.

26. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Massachusetts; provided, however, that the services to be rendered to Reinsurer shall be rendered in conformity with the laws of its domiciliary states.

27. Oversight. If nonpayment of premium within the time specified or failure to comply with any of the other terms of this agreement is shown to be unintentional and the result of oversight or misunderstanding on the part of either party hereto, this Agreement will not be considered abrogated thereby, but both the parties to this Agreement will be restored to the position they would have occupied had no such oversight or misunderstanding occurred.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and delivered by their respective officers "hereunto duly authorized, all as the date first hereinabove written.

ATTEST: MASSACHUSETTS GENERAL LIFE INSURANCE COMPANY

/s/	/s/ Roger Dunker
Secretary	President
ATTEST:	AMERICAN FINANCIAL REINSURANCE, INC.
/s/ Raymond L. Punta	/s/ Kenton L. Stanger
Secretary	Chief Executive Officer

EXHIBIT C

ADMINISTRATIVE SERVICES AGREEMENT

THIS ADMINISTRATIVE SERVICES AGREEMENT made and entered into as of the 1st day of January, 1996 by and between WABASH LIFE INSURANCE COMPANY ("WLIC"), a Kentucky corporation with principal offices located at 7887 East Belleview Avenue, Englewood, Colorado 80111, and American Financial Reinsurance, Inc. ("Life Company"), an Arizona corporation with administrative offices at 225 South 200 West, Suite 302, Farmington, Utah 84025.

WITNESSETH:

WHEREAS, MASSACHUSETTS GENERAL LIFE INSURANCE COMPANY ("MGLIC"), American Financial Marketing, Inc. ("Marketing Company"), WLIC and Life Company have entered into a Marketing Agreement (herein so-called) both of even date herewith under which, among other things, WLIC and Life Company agreed to enter into this Administrative Services Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises of the parties hereto, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. All terms used in the Marketing Agreement shall have the same meaning in this Agreement unless otherwise indicated herein.

2. Administrative Services. WLIC agrees to provide to Life Company all administrative services and to perform all functions necessary to fully process, administer and account for all Insurance Business issued as a result of applications solicited by General Agents which Insurance Business is ceded by MGLIC to and reinsured by Life Company under the Modified Coinsurance Agreement and any other Coinsurance Agreement between Life Company and MGLIC (the "Reinsured Business"). Such administrative services and functions shall include, without limitation, all necessary actuarial, accounting and retrocession reinsurance services required to fully process, administer and account for all of the Reinsured Business.

3. Service Fee. As consideration for rendering the administrative services and performing the functions specified in Paragraph 2 above, Life Company agrees to pay to WLIC a monthly Service Fee (herein so-called) equal to one-sixth of one percent (.167~) of the Quota Share of the premiums on the policies of MGLIC in force each month and reinsured by Life Company. For purposes of this calculation, premiums in force shall consist of (i) annualized premiums for all fixed premium policies in force, excluding single premium whole life and (ii) units in force multiplied by the control premium at date of issue for all universal life policies. The Service Fee shall be payable to WLIC within sixty (60) days after the end of each Accounting Period as defined in the certain Modified Coinsurance Agreement of even date herewith and shall constitute full compensation to WLIC for the rendition of such administrative services and the performance of such functions, including WLIC's costs and expenses related to such services. Such Service Fee shall be payable to WLIC in addition to any fees, expenses or allowances payable by Life Company to MGLIC under the said Modified Coinsurance Agreement and any other Coinsurance Agreement between MGLIC and Life Company. In the event that such payment would be in violation of applicable insurance or state laws, WLIC shall not accept the payment and shall be released from future obligations under this Agreement.

4. Supervision of Life Company. All services performed by WLIC hereunder shall at all times be subject to the review, control and supervision of Life Company's Board of Directors. WLIC shall at all times act in a fiduciary capacity with respect to Life Company. WLIC shall prepare and submit to Life Company such reports as to services provided and costs incurred as Life Company may reasonably request. WLIC shall allow representatives of Life Company to inspect

and copy, at all reasonable times, WLIC's financial and other records pertaining to services provided to Life Company.

5. Third Party Agreements. Life Company acknowledges that WLIC may, as a part of its normal business, perform similar services and functions for its affiliates and for other nonaffiliated third parties ("Other Parties") and that WLIC may utilize the same office space, equipment and personnel to perform such services and functions for its affiliates and Other Parties as it utilizes to perform such services and functions for Life Company.

6. Responsible Officer. Life Company shall designate an officer who shall be authorized to direct WLIC in the performance of its duties hereunder.

7. Termination. This Agreement may not be terminated until such time as all Modified Coinsurance Agreements between MGLIC and Life Company have been terminated, after which this Agreement may only be terminated: (a) By the mutual consent of the parties hereto; or (b) By WLIC in the event of a material breach hereof by Life Company and such breach is not cured or eliminated within thirty (30) days after receipt of written notice thereof to Life Company from WLIC; or (c) By Life Company in the event of a material breach hereof by WLIC and such breach is not cured or eliminated within thirty (30) days after receipt of written notice thereof to WLIC from Life Company.

8. Further Assurance. Upon the sale of Life Company, or upon the sale of all or substantially all the assets, or upon the sale or transfer of any Insurance Business ceded to Life Company for which WLIC provides administrative services, WLIC will cooperate and cause its affiliates to cooperate to effect the orderly transition of the business, operations, or affairs (as the case may be) of Life Company and will take such action as Life Company reasonably requests in connection therewith.

9. Miscellaneous.
(a) Assignments. This Agreement shall be binding on the parties hereto and their respective successors and permitted assigns, but no party may assign this Agreement without the prior written consent of the other parties.

(b) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

(c) Section Headings. The headings set forth herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(d) Waiver. No delay or omission by any party hereto to exercise any right or power arising upon any noncompliance or default by any other party with respect to any of the terms of this Agreement shall impair any such right or power to be construed as a waiver thereof. A waiver by any of the parties hereto of the fulfillment of any of the covenants, conditions, or agreements to be performed by any other shall not be construed to be a waiver of any succeeding breach thereof or of any other covenant, condition, or agreement herein contained. All remedies provided for in this Agreement shall be cumulative in addition to and not in lieu of any other remedies available to any party at law, in equity or otherwise.

(e) Amendments. This Agreement may not be amended, nor shall any waiver, change, modification, consent or discharge be effected, except by an instrument in writing duly executed by the parties hereto or their respective successors or permitted assigns.

(f) Relationship of Parties. In furnishing services to Life Company, WLIC shall be deemed to be acting as an independent contractor. WLIC does not undertake by this Agreement or otherwise to perform any obligation of Life Company, whether regulatory or contractual, except as provided herein. WLIC shall not be deemed to be joint venturer with, or an employee of, Life Company.

(g) Approvals, Consents. etc. In any instance where agreement, approval, acceptance or consent of any party is required by any provision of this Agreement, such action shall not be unreasonably delayed or withheld.

(h) Force Majeure. WLIC or Life Company shall be excused from performance hereunder for any period when either is prevented from performing any services to be provided hereunder, in whole or in part, as a result of an Act of God, fire, war, civil disturbance, court order, insurance department regulatory order, labor dispute, and such nonperformance shall not be a ground for

termination hereof or assertion of default hereunder. In the event WLIC shall be excused from performance under this provision, WLIC shall use its best efforts to provide, directly or indirectly, alternative and, to the extent practicable, equivalent fulfillment of its obligations hereunder.

(i) Severability. If any provision of this Agreement is declared or found to be illegal, unenforceable or void by any administrative agency, regulatory body, or court of competent jurisdiction, such finding shall not affect the remaining provisions of this Agreement, and all other provisions hereof shall remain in full force and effect.

(j) Arbitration. Any disagreement that should arise between Life Company and WLIC regarding the rights or liabilities of either party under any transaction pursuant to this Agreement shall be referred to arbitrators. One arbitrator is to be chosen by each party from among officers of other life insurance companies, which said officers are familiar with reinsurance transactions. A third arbitrator shall be chosen by the said two arbitrators before entering into arbitration. An arbitrator may not be a present or former officer, attorney, or consultant of Life Company or WLIC or either's affiliates. If the arbitrators appointed by the two parties cannot agree on a third person then either party may apply to the President of the American Life Insurance Association for appointment of a third arbitrator. The arbitrators' decision will be final and binding upon both parties.

The place of the meeting of the arbitrators will be decided by a majority vote of the members thereof. All expenses and fees of the arbitrators will be borne equally by Ceding Insurer and Reinsurer, unless the arbitrators decide otherwise.

(k) Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Massachusetts.

(1) Notice. Any notices required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given if delivered, telecopied or mailed, by certified mail, return receipt requested to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to WLIC:

Cathy A. Shinagawa
Wabash Life Insurance Company
7887 East Belleview Avenue
Englewood, Colorado 80111

If to Life Company:

Kenton Stanger, President
PO Box 683
225 South 200 West, Suite 302
Farmington, Utah 84025-0683

(m) Oversight. If nonpayment of premiums within the time specified or failure to comply with any of the other terms of this Agreement is shown to be unintentional and the result of oversight or misunderstanding on the part of either party hereto, this Agreement will not be considered abrogated thereby, but both the parties to this Agreement will be restored to the position they would have occupied had no such oversight or misunderstanding occurred.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and delivered by their respective officers "hereunto duly authorized, all as of the date first hereinabove written.

ATTEST:	WABASH LIFE INSURANCE COMPANY
/s/ Secretary	/s/ Roger Dunker President
ATTEST:	AMERICAN FINANCIAL REINSURANCE, INC.

/s/ Raymond L. Punta
Secretary

/s/ Kenton L. Stanger
Chief Executive Officer

EXHIBIT D
REINSURANCE AGREEMENT

THIS REINSURANCE AGREEMENT, made and entered into as of the 1st day of January 1996 by and between American Financial Reinsurance, Inc. ("Life Company"), an Arizona corporation with principal offices located at 225 South 200 West, Suite 302, Farmington, Utah 84025, and MASSACHUSETTS GENERAL LIFE INSURANCE COMPANY ("MGLIC"), a Massachusetts corporation with principal offices located at 7887 East Belleview Avenue, Englewood, Colorado 80111.

W-I-T-N-E-S-S-E-T-H

The Life Company and MGLIC mutually agree to reinsure on the terms and conditions set out below. This agreement is solely between the Life Company and MGLIC, and performance of the obligations of each party under this agreement shall be rendered solely to the other party. In no instance shall anyone other than the Life Company or MGBIC have any rights under this agreement.

ARTICLE I. Automatic Reinsurance

1. Insurance. The Life Company will cede (retrocede) and MGLIC will accept reinsurance under policies which are written by MGLIC and quota share reinsured to the Life Company under a Modified Coinsurance Agreement or Coinsurance Agreement between MGLIC and Life Company, of even date herewith. When the Life Company retains its maximum limit of retention, as shown in Schedule A, attached, the Life Company will cede (retrocede) and MGLIC will accept automatically amounts in excess of the Life Company's retention.

It is hereby understood by Life Company and MGLIC that Life Company shall not be liable for any such amounts ceded (retroceded) to MGLIC hereunder and that the liability of Life Company shall always be limited to its maximum limit of retention as shown in the attached Schedule A.
2. Coveraqes. Life insurance, waiver of premium disability benefit for an amount not greater than the corresponding life insurance, and benefits under associated riders are exclusively the coverages or risks reinsured automatically under Paragraph 1 (to the extent that limits are specified in Schedule A, attached). The life insurance includes both basic policies and term riders providing life insurance protection. Reinsurance under this agreement will be limited to the Plans listed in Schedule D attached to this agreement.

3. Regular Limits of Retention. The regular limits of retention detailed in Schedule A and referred to in this agreement may be modified by the Life Company by thirty (30) days' written notice to MGLIC. The amount of reinsurance to be ceded and accepted automatically after the new limits take effect will be determined by mutual agreement.

4. Procedures to Effect Reinsurance. MGLIC will notify the Life Company quarterly of all new policies assumed by the Life Company where the Life Company's quota share of the face amount exceeds the Life Company's retention limit as detailed in Schedule A. These policies will be automatically ceded (retroceded) to MGLIC. A sample listing of such reporting of policies is attached as Schedule B to this agreement.

ARTICLE II. Liability

1. Automatic Reinsurance Liability. The liability of MGLIC on any automatic reinsurance under this agreement begins and ends at the same time as that of the Life Company.

ARTICLE III. Amount of Insurance

1. Amounts. Life insurance under this agreement shall be on the Yearly Renewable Term plan for the amount at risk under the policy reinsured. The Life Company's net amount at risk shall be calculated in the following manner:
At the end of each month, the reinsured risk amount shall be determined as follows:

(a) If Death Benefit Option A:
Reinsured Risk Amount =
Reinsured Risk Amount =

$$\text{Ceded Amt} \times 1 - \frac{\text{Value of Accumulation Account}}{\text{Death Benefit}}$$

(b) If Death Benefit option B:

$$\text{Reinsured Risk Amount} = \text{Ceded Amount}$$

When the original policy is issued on a level term plan for twenty years or less or on a reducing term plan for any period of years, the reinsurance shall be for the face amount, and cash values, if any, shall be disregarded. If desired, amount at risk may be determined by other methods agreeable to the Life Company and MGLIC. Reinsurance amounts for waiver of premium disability benefit, for additional indemnity for accidental death or death by accidental means, and for benefits under associated riders are on the same basis as coverages assumed by the Life Company.

2. Reductions and Terminations. Reinsurance amounts are calculated in terms of coverages on the life of a person. If any of the Life Company's policies or riders on the person are reduced or terminated, the reinsurance will be reduced or terminated by the corresponding amount. The reduction will not be applied, however, to force the Life Company to reassume more than its regular retention limit at the time of the reduction for the age at issue, mortality rating and form of the policy or policies for which reinsurance is being terminated.
3. Reinstatements. A policy which has been ceded to MGLIC on an automatic basis, that was reduced, terminated or lapsed, if reinstated will be reinstated automatically to the amount that would be in force had the policy not been reduced, terminated or lapsed.

In connection with all such reinstatements, the Life Company shall pay MGLIC all reinsurance premiums in arrears with interest at the same rate and in like manner as the Life Company has been credited under its Modified Coinsurance Agreement with MGLIC.

4. Nonforfeiture Benefits. Reduced paid-up will be treated as a reduction in accordance with Paragraph 2 above. Extended term will be continued on a basis proportionate to the reinsurance risk before the extended term option was effected. Approximations and methods to simplify handling may be agreed upon by the Life Company and MGLIC.

ARTICLE IV. Premiums

1. Life Reinsurance. The monthly premiums for standard and substandard life reinsurance shall be computed in accordance with the rates contained in the attached Schedule C, using MGLIC's applicable monthly modal factor. If a flat extra premium is charged, the amount will be payable to MGLIC, in addition to the standard and any substandard premiums, less an allowance for commissions as shown in Schedule C.

The basic premiums payable for reinsurance of opted insurance issued under the provisions of guaranteed insurability riders will be calculated at the rates effective for regular new reinsurance ceded under this agreement at the date of option. A single extra payment will also be payable for such reinsurance and will be calculated at the rates shown in Schedule E, attached hereto. This extra payment will be payable at issue of the opted policy and will not be subject to refund for any reason.
MGLIC anticipates that those premium rates will be continued indefinitely for all business ceded using these rate schedules; however, because of the technical questions in some states regarding deficiency reserve requirements, for those premiums less than those which are based on the 1980 CSO Table at 4 1/2% interest, only the later premiums shall be guaranteed for renewal by MGLIC.

2. Disability Waiver of Premium and Payor Benefits. Premiums for these benefits, if included in this Agreement, will be paid at the same rate as MGLIC charges for the benefit, less allowances for commissions as shown in Schedule C.

3. Preliminary Term Insurance. If the Life Company issues a policy with preliminary term insurance, the reinsurance premium for the preliminary term period will be paid to MGLIC at the same rate the Life Company has been credited for the policies on which reinsurance in MGLIC is based. This rule applies to all benefits under the preliminary term insurance. For the first policy year after the preliminary term period, the premiums for all benefits will be computed at first year rates.

4. Accidental Death Benefits. The Life Company shall cede 100% of its Quota Share of Accidental Death Benefits to MGLIC and will be "Bulk Reported" to MGLIC on an annual basis. The total amount of such Accidental Death Benefits in force as of December 31 in any year, shall be determined from line 39, Page 26 (Exhibits of Life Insurance), as shown in the Company's annual statement filed with the State Insurance Department.

The premium due MGLIC from the Company will be determined for each calendar year as follows:

(a) At the beginning of each calendar year an advance premium at the rate of $0.60 per $1,000 of Accidental Death Benefits in force on December 31st immediately preceding the beginning of each calendar year shall be payable; and (b) at the close of such calendar year, premium at the rate of $0.30 per $1,000 of increase of such insurance in force, from the preceding December 31st to the current December 31st, shall be payable.

5. Payments. Premiums are payable quarterly. If reinsurance is reduced, terminated or increased by reinstatement during the quarter, pro rata adjustment will be made by MGLIC and the Life Company on all premium items except policy fees.

6. Procedure. Each calendar quarter MGLIC will send to the Life Company one copy of a statement of reinsurance due. The statement will show the premium due on new reinsurance effected in the preceding quarter and on existing reinsurance, the pro rata adjustments for changes in reinsurance and death claim benefits payable to the Life Company. The settlement of any amounts due under this Paragraph 6 shall be adjusted by any monies due and payable in accordance with Paragraph 6 of Exhibit B (Modified Coinsurance Agreement). If a balance is due the Life Company, it will be remitted promptly by MGLIC. The Life Company will note to MGLIC any discrepancies and proper adjustment will be made. Except as provided in this Article, the payment of reinsurance premiums shall be a condition precedent to the liability of MGLIC under reinsurance covered by this agreement. In the event of nonpayment of reinsurance premiums as provided in this paragraph, MGLIC shall have the right to terminate the reinsurance under all policies having reinsurance premiums in arrears.

7. Aqe or Sex Adjustment. If the insured's age or sex was misstated and the amount of insurance on the reinsured's policy is adjusted after his death, the Life Company and MGLIC will share the adjustment in proportion to the amount of liability of each at the time of issue of the policies. Premiums will be recalculated for the correct ages and amounts but according to the proportion as above and adjusted without interest. If the insured is still alive, the method above will be used for past years and the amount of reinsurance and premium adjusted for the future to the amount that would have been correct at issue.

ARTICLE V. DAC Tax

1. Life Company and MGLIC, herein collectively called the "Parties" or singularly, the "Party." The Parties hereby elect under Treasury Regulation ("REG.") Section1.848-2(g)(8) to compute "specified policy acquisition expenses," as defined under Internal Revenue Code ("IRC") Section848(c)(1) in the following manner:

The party with net positive consideration as determined under Reg. Section1.848-2 (f) and Reg. Section1.848-3 shall compute specified policy acquisition expenses without regard to the general deductions limitation of IRC Section848 (c)(1) for each taxable year commencing with the year ending on or after December 29, 1992.

The parties will exchange information pertaining to the aggregate amount of net consideration as determined under Reg. Section1.848-2(f) and Section1.848-3, for all Reinsurance Agreements in force between them, to ensure consistency for purposes of computing specified policy acquisition expenses. MGLIC shall provide to the Life Company the amount of such net consideration for each taxable year no later than June 1 following the end of the year. The Life Company shall advise MGLIC within thirty (30) days of receipt of such information if it disagrees with the amounts provided. If the Life Company fails to notify MGLIC within the specified period, MGLIC shall assume that the Life Company agrees with the amounts provided by MGLIC.

If the Parties should disagree as to the amount of the net considerations, the Parties agree to resolve any differences by basing the net consideration calculation on MGLIC's books and records. In addition, MGLIC agrees to allow the Life Company access to its books and records only as it pertains to this

Reinsurance Agreement in order to confirm MGLIC's computations.

The Life Company and MGLIC represent and warrant that they are subject to U.S. taxation under subchapter L of the IRC.

2. For purposes of this Agreement, a DAC Tax allowance shall be charged based upon MGLIC's retrocession of nonpension premium less the DAC Tax basis as calculated under IRS Regulation 848. The solution shall be multiplied by the present value of future DAC Tax Capitalization and Amortization based upon the ceding insurers marginal tax rate for Federal Income Tax purposes. Assuming a 34% tax rate, the solution would be multiplied by 1.5~.

ARTICLE VI. Recapture

1. Recapture. If the Life Company increases its limits of retention, it may make a corresponding reduction in the reinsurance in force under this agreement on all persons where the Life Company has maintained its maximum limit of retention as detailed in Schedule A.

2. Method of Recapture. If the Life Company elects to recapture, it will notify MGLIC in writing within 90 days from the effective date of its increase in retention. At the next anniversary (or the tenth anniversary, if later) of the reinsured's policy, the reinsurance will be reduced to increase the total retained by the Life Company to its new maximum. Recapture is allowed on only one retention during any twelve month period and the amount of increase subject to recovery shall not exceed 100 percent of the previous retention detailed in Schedule A. If reinsurance on any policy for any person is reduced under this provision, all must be reduced.

ARTICLE VII. Arbitration

Any disagreement that should arise between Ceding Insurer and Reinsurer regarding the rights or liabilities of either party under any transaction pursuant to this Agreement shall be referred to arbitrators. One arbitrator is to be chosen by each party from among officers of other life insurance companies, which said officers are familiar with reinsurance transactions. A third arbitrator shall be chosen by the said two arbitrators before entering into arbitration. An arbitrator may not be a present or former officer, attorney, or consultant of Ceding Insurer or Reinsurer or either's affiliates. If the arbitrators appointed by the two parties cannot agree on a third person then either party may apply to the President of the American Life Insurance Association for appointment of a third arbitrator. The arbitrators' decision will be final and binding upon both parties.

The place of the meeting of the arbitrators will be decided by a majority vote of the members thereof. All expenses and fees of the arbitrators will be borne equally by Ceding Insurer and Reinsurer, unless the arbitrators decide otherwise.

ARTICLE VIII. Duration of Agreement

1. Duration of Agreement. This agreement will be effective on and after the effective date first set forth above. It is unlimited in duration but may be amended by mutual consent of the Life Company and MGLIC. It may be terminated as to new reinsurance by either party giving 90 days' written notice to the other. Termination as to new reinsurance does not affect existing reinsurance. That reinsurance will remain in force until termination of the Life Company's policy or policies on which the reinsurance is based in accordance with the terms of this agreement.

ARTICLE IX. General Provisions

1. Reinsurance Conditions. The reinsurance is subject to the same limitations and conditions as the insurance under the policy or policies reinsured is based.

2. Errors and Omissions. It is expressly understood and agreed that if nonpayment of premiums within the time specified or failure to comply with any terms of this contract is shown to be unintentional and the result of misunderstanding or oversight on the part of either the Life Company or MGLIC, both the Life Company and MGLIC shall be restored to the positions they would have occupied had no such error or oversight occurred.

3. Insolvency. All reinsurance under this agreement will be paid by MGLIC directly to the Life Company, its liquidator, receiver, or statutory successor, on the basis of the liability of the Life Company under the policy or policies

reinsured without diminution because of the insolvency of the Life Company. In the event of the insolvency of the Life Company, the liquidator, receiver, or statutory successor of the Life Company will give written notice of a pending claim against the Life Company on any policy reinsured within a reasonable time after the claim is filed in the insolvency proceedings. While the claim is pending, MGLIC may investigate and interpose, at its own expense, in the proceedings where the claim is to be adjudicated, any defenses which it may deem available to the Life Company or its liquidator, receiver, or statutory successor. The expense incurred by MGLIC will be charged subject to court approval, against the Life Company as an expense of liquidation to the extent of a proportionate share of the benefit that accrues to the Life Company as a result of the defenses by MGLIC. Where two or more reinsurers are involved and a majority in interest elect to defend a claim, the expense will be apportioned in accordance with the terms of the reinsurance agreement as if the expense had been incurred by the Life Company.

4. Oversight. It is understood and agreed that if failure to comply with any terms of this Agreement is shown to be unintentional and the result of misunderstanding or oversight on the part of either the Ceding Insurer or Reinsurer, both the Ceding Insurer and Reinsurer shall be restored to the positions they would have been in had no such misunderstanding or oversight occurred.

5. Waiver. No delay or omission by any party hereto to exercise any right or power arising upon any noncompliance or default by any other party with respect to any of the terms of this Agreement shall impair any such right or power to be construed as a waiver thereof. A waiver by any of the parties hereto of the fulfillment of any of the covenants, conditions or agreements to be performed by any other shall not be construed to be a waiver of any succeeding breach hereof or of any other covenant, condition or agreement herein contained. All remedies provided for in this Agreement shall be cumulative in addition to and not in lieu of any other remedies available to any party at law, in equity or otherwise.

6. Amendments. This Agreement may not be amended, nor shall any waiver, change, modification, consent or discharge be effected, except by an instrument in writing duly executed by the parties hereto or their respective successors or permitted assigns.

7. Approvals, Consents. etc. In any instance where agreement, approval, acceptance or consent of any party is required by any provision of this Agreement, such action shall not be unreasonably delayed or withheld.

8. Force Majeure. Ceding Insurer or Reinsurer shall be excused from performance hereunder for any period when either is prevented from performing any services to be provided hereunder, in whole or in part, as a result of an Act of God, fire, war, civil disturbance, court order, insurance department regulatory order, labor dispute, or other cause beyond its reasonable control, and such nonperformance shall not be a ground for Termination hereof or assertion of default hereunder. In the event either party hereto shall be excused from performance under this provision, said party shall use its best efforts to provide, directly, or indirectly, alternative and, to the extent practicable, equivalent fulfillment or its obligations hereunder.

9. Severability. If any provision of this Agreement is declared or found to be illegal, unenforceable or void by any administrative agency, regulatory body, or court of competent jurisdiction, such finding shall not affect the remaining provisions of this Agreement, and all other provisions hereof shall remain in full force and effect.

10. Notice. Any notices required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given if delivered, telecopied or mailed, by certified mail, return receipt requested to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to Life Company:
Kenton Stanger, President
PO Box 683
225 South 200 West, Suite 302
Farmington, Utah 84025-0683

If to MGLIC:
Cathy A.Shinagawa
Massachusetts General Life Insurance Company

7887 East Belleview Avenue
Englewood, Colorado 80111

11. Section Headings. The headings set forth herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

12. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Massachusetts.

13. Assignment. This Agreement shall be binding on the parties hereto and their respective successors and permitted assigns, but no party may assign this Agreement without the prior written consent of the other parties.

ATTEST:	AMERICAN FINANCIAL REINSURANCE, INC.
/s/ Raymond L. Punta Secretary	/s/ Kenton L. Stanger (Chief Executive Officer)
ATTEST:	MASSACHUSETTS GENERAL LIFE INSURANCE COMPANY
/s/ Secretary	/s/ Roger Dunker President

FORM OF
AMERICAN FINANCIAL REINSURANCE, INC.
SURPLUS DEBENTURE NO. 1

$500,000 ----------, 19--

FOR VALUE RECEIVED and subject to the terms, conditions, restrictions, and limitations contained herein, American Financial Reinsurance, Inc., an Arizona insurance corporation ("AFRI"), promises to pay to Massachusetts General Life Insurance Company, a Massachusetts corporation ("MGL"), the principal sum of $500,000 with interest on the unpaid balance thereof at the rate hereinafter provided. Interest shall be payable on the last day of each calendar quarter. The first such interest payment shall be due and payable on -------, 19--.

Interest on the principal balance hereof from time to time remaining unpaid prior to maturity shall be computed based upon the weighted average of the Gross Rate of Interest for the comparable time period as defined in Paragraph 1.8 of that certain Modified Coinsurance Agreement between AFRI and MGL, which said paragraph is attached hereto as Exhibit A. In no event will the interest charged hereunder (including late charges) exceed the maximum rate of interest permitted under Arizona law.

It being the intention of the parties hereto to conform strictly to the usury laws of the State of Arizona, all agreements between AFRI and MGL, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no event, whether by reason of acceleration of the maturity hereof or otherwise, shall the amount paid or agreed to be paid to MGL for the use, forbearance, or detention of money hereunder or otherwise exceed the maximum amount permissible under applicable law. If fulfillment of any provision hereof or of any mortgage, loan agreement, or other document evidencing or securing the indebtedness evidenced hereby, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced by the limit of such validity; and if MGL shall ever receive anything of value deemed interest under applicable law that would exceed interest at the highest lawful rate, an amount equal to any excessive interest shall be applied to the reduction of the principal amount owing hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal hereof, such excess shall be refunded to AFRI. All amounts paid or agreed to be paid to MGL for the use, forbearance, or detention of the indebtedness of AFRI to MGL shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full term of such indebtedness until payment in full so that interest on account of such indebtedness is uniform throughout the term thereof. The provisions of this paragraph shall control all agreements between AFRI and MGL.

(1) On or before each Interest Payment Date, the Board of Directors of AFRI will calculate the Surplus of AFRI (as hereinafter defined) as of the most recent date practicable, but in no event as of a date before the end of the immediately preceding calendar quarter (each such date being hereinafter referred to as a "Calculation Date"). The Board of Directors of AFRI shall obtain the written approval of the Department of Insurance for the State of Arizona before any payments are made under the terms of this Debenture.

(2) To the extent the Capital and Surplus of AFRI exceeds 25\ of the Liabilities of AFRI (as hereinafter defined) or $500,000, whichever is greater, on the most recent Calculation Date, AFRI will pay to MGL, on each Interest Payment Date, the amount of accrued but unpaid interest on the unpaid principal balance of this Surplus Debenture.

(3) If, on any Calculation Date, the Capital and Surplus of AFRI does not exceed 25` of the Liabilities of AFRI or $500,000, whichever is greater, by an amount sufficient to pay all accrued but unpaid interest on this Surplus Debenture, the remaining accrued but unpaid interest together with interest thereon at the Rate, shall be payable on the next Interest Payment Date to the extent the Capital and Surplus of AFRI exceeds 25% of the Liabilities or $500,000, whichever is greater, of AFRI.

(4) To the extent the Capital and Surplus of AFRI exceeds the sum of 25` of the Liabilities of AFRI or $500,000, whichever is greater, plus an amount equal to all accrued but unpaid interest on the most recent Calculation Date, AFRI will pay to MGL, on September 30 of each year set forth below, the amounts of principal set forth below or such lesser amount as may be paid hereunder:

Year	Amount
1996	$50,000
1997	$50,000
1998	$50,000
1999	$50,000
2000	$50,000
2001	$50,000
2002	$50,000
2003	$50,000
2004	$50,000
2005	$50,000

(5) For purposes of this Surplus Debenture, the term "Surplus of AFRI" shall mean the sum of:

(a) "special surplus" of AFRI;

(b) "paid-in and contributed surplus" of AFRI;

(c) "unassigned surplus" of AFRI;

(d) any amounts required to be carried as liabilities with respect to outstanding surplus debentures issued by AFRI; and

(e) surplus evidenced by surplus debentures of AFRI which is not included in clauses (a) - (d) of this paragraph (5).

The items listed in clauses (a) - (e) of this paragraph (5) will be calculated in accordance with accounting practices required or permitted by the Arizona Department of Insurance ("Arizona Department") for inclusion in the Annual Statement of AFRI filed with the Arizona Department as of December 31 of each year.

(6) For purposes of this Surplus Debenture, the term "Liabilities of AFRI" shall mean the difference obtained after subtracting any amounts required to be carried as liabilities with respect to outstanding surplus debentures issued by AFRI from the amount of total liabilities of AFRI calculated in accordance with accounting practices required or permitted by the Arizona Department as of December 31 of each year.

(7) The obligation of AFRI to pay this Surplus Debenture will not otherwise be or constitute a liability of AFRI or a claim against any of its assets except in the event of liquidation of AFRI, and in no event will this Surplus Debenture be considered or treated as a current or fixed liability or obligation of AFRI as defined under the Arizona Insurance Code and the rules and regulations promulgated thereunder, except to the extent that a payment of principal or interest becomes due and payable hereunder.

(8) In the event of liquidation of AFRI, this Surplus Debenture will become immediately due and payable and will be superior to and in preference of the rights and claims of the shareholders of AFRI; provided, however, that to the extent required by applicable law, all obligations, rights, and claims hereunder are expressly subordinated to the claims of (a) any supervisor, conservator, or receiver of AFRI appointed by the Commissioner of the Arizona Department, and (b) all other creditors of AFRI, other than the shareholders of AFRI.

(9) All payments made hereunder will be credited first to accrued but unpaid interest, if any, and the balance of such payment will be credited to the principal amount hereof.

(10) In the event that AFRI consolidates or merges into another corporation or sells substantially all its assets to any other corporation, the corporation into which AFRI is consolidated or merged or to which the assets of AFRI are transferred will assume the liability of AFRI hereunder.

(11) By acceptance and as a part of the consideration for the issuance hereof, MGL expressly acknowledges that it has been informed and has knowledge that this Surplus Debenture has not been registered under the Securities Act of 1933, as amended, or the securities laws of any state and that AFRI has issued this Surplus Debenture pursuant to exemptions from registration available under such acts or laws. MGL further expressly acknowledges and agrees that it is acquiring this Surplus Debenture for investment purposes and not with a view toward a public distribution hereof and that this Surplus Debenture may not be sold or otherwise transferred in the absence of an effective registration

statement with respect hereto or an exemption from registration under the Securities Act of 1933, as amended, or any other applicable securities laws.

(12) If this Surplus Debenture is collected through judicial proceedings, AFRI agrees, subject to conditions and restrictions contained herein, to pay all reasonable legal fees and disbursements incurred by MGL in connection with such collection.

(13) This Surplus Debenture may be prepaid at any time or from time to time without premium or penalty to the extent that the Surplus of AFRI exceeds 25` of the Liabilities of AFRI on the date of any proposed prepayment. Prepayments of this Surplus Debenture will be applied to the inverse order of its maturity.

(14) This Surplus Debenture will be governed by and construed in accordance with the laws of the State of Arizona.

(15) This Surplus Debenture will inure to the benefit of AFRI and its successors and assignees.

IN WITNESS WHEREOF, AFRI has caused this Surplus Debenture to be duly executed as of ----------, 19--.

AMERICAN FINANCIAL REINSURANCE, INC.

By:
Name:
Title:

BOND POWER

FOR VALUE RECEIVED, Massachusetts General Life Insurance Company, hereby sells, assigns and transfers without recourse unto -----, that certain Surplus Debenture No.---- issued by in the original face amount of $-----, dated -----, 19--, standing in the name of Massachusetts General Life Insurance Company on the books of ---------- and does hereby irrevocably constitute and appoint ---- -----, attorney to transfer the said debenture on the books of ------ with full power of substitution in the premises.

Date:----------

MASSACHUSETTS GENERAL LIFE INSURANCE COMPANY

By:
Its:

FORM OF

SECURITY AND PLEDGE AGREEMENT

THIS AGREEMENT is entered into this day of ---------, 19---, between American Financial Holding, Inc., a Delaware Corporation (referred to herein as "Holding Co."), American Financial Reinsurance, Inc., an Arizona Corporation (referred to herein as "Borrower"), each of whom has an address of 225 South 200 West, Suite 302, Farmington, Utah 84025, and MASSACHUSETTS GENERAL LIFE INSURANCE COMPANY, a Massachusetts corporation, whose principal office is located at 7887 East Belleview Avenue, Englewood, Colorado 80111 ("MGL").

1. Grant of security Interest. To secure the indebtedness incurred by Borrower pursuant to a Surplus Debenture dated-----, 19----, the Payee of which is MGL and such other demand or promissory note as Borrower may from time to time execute in favor of MGL, Borrower and Holding Co. hereby grant to MGL an unrestricted security interest in the Collateral as hereinafter defined and hereby pledge the said Collateral to MGL. Borrower and Holding Co. further agree that concurrently with the execution of this Agreement, Borrower and Holding Co. shall deliver to MGL all of the Collateral as described in Section 2 hereof. This security interest may, at MGL's option, be further evidenced by financing statements executed in accordance with the Uniform Commercial Code in effect in the State of Arizona. The security interest and pledge granted hereunder shall terminate immediately upon payment in full of the Note.

2. Collateral. The term "Collateral" as used herein shall mean (i) the One Hundred Thousand (100,000) Shares of the issued and outstanding stock of Borrower, which represents 100` of the issued shares of stock of Borrower; (ii) together with any stock dividends or other distributions of stock with respect to such shares; and (iii) all other shares of Capital Stock of Borrower which may be acquired, by dividend or otherwise, by Holding Co. If the Note is in default pursuant to its own terms or pursuant to Section 6 hereof, the Collateral shall also include, in addition to the above, any cash dividends or other nonstock distributions declared and paid by Borrower with respect to said shares.

3. Voting. Holding Co. shall have the unrestricted right to vote the Collateral and to execute proxies, consents, or waivers with respect thereto for any and all purposes so long as there shall have been no Event of Default by the Borrower and Holding Co. under this Agreement or in the payment of any sums due under the Note. The pledged shares shall continue to be registered in the name of Holding Co.

4. Covenants. The Borrower and Holding Co. covenant as follows so long as the Note is issued and outstanding and any part thereof remains unpaid:

4.1 Financial Statements. The Borrower and Holding Co. will cause to be delivered to MGL copies of each of the following:

(a) As soon as available, and in any event within ninety days after the end of each fiscal year of Borrower, statutory financial statements of Borrower prepared on the National Association of Insurance Commissioners ("NAIC") form, as filed by Borrower with the Commissioner of Insurance of the State of Arizona.

(b) As soon as available, and in any event within forty-five days after the end of each of the first three quarterly accounting periods in each fiscal year of Borrower, interim statutory financial statements on the NAIC form.

(c) Copies of all financial statements, reports, and proxy statements, if any, which Borrower sends to its stockholders or files with the Securities and Exchange Commission or any other governmental agency.

4.2 Maintenance of Existence. Borrower and Holding Co. will maintain their corporate existence and will comply with any and all applicable statutes and regulations.

4.3 Inspection. The Borrower will permit representatives of MGL, at MGL's expense, to visit and inspect any property of the Borrower or of Holding Co., to examine their respective books of account, and to discuss their affairs, finances, and accounts with their officers, all at such reasonable times and intervals as MGL may request, but not more often than once in any six-month period.

4.4 Notice of Default. If an officer of Borrower or Holding Co. obtains knowledge of any default hereunder or of any event which with the giving of notice or the passage of time or both would constitute a default hereunder, he or she shall so advise MGL.

4.5 Capital and Surplus. The Borrower will not permit the statutory capital and surplus of Borrower to be reduced below the level required by applicable law.

4.6 Dividends. Until the Note has been paid in full, the Borrower will not, declare or pay any cash dividends without the prior consent of MGL, which consent will not be unreasonably withheld or delayed.

4.7 Debt. Borrower will not acquire any additional debt nor will Borrower loan any monies to any party without the prior written consent of MGL.

4.8 Expense. Until the Note has been paid in full, the Borrower will not pay any material expenses, including but not limited to salaries, legal, actuarial, operating or make any other material expenditures of any type without the prior written consent of MGL, which such consent shall not be unreasonably withheld or delayed. For purposes of this paragraph, material shall mean any expenditure that exceeds Ten Thousand Dollars ($10,000).

4.9 Minimum Production Requirement. Holding Co.'s marketing subsidiary shall produce at least $2,000,000 in new insurance premium each calendar year. For the purposes of this Paragraph 4.9, new insurance premium shall mean the aggregate life insurance premiums payable during the first year a policy or contract of insurance is in effect, exclusive of (i) lump-sum cash deposits in excess of published premium rates, (ii) premiums for flexible premium life insurance contracts in excess of control premiums, and (iii) premiums for single pay contracts.

4.10 Reinsurance Contracts. Borrower will not enter into any reinsurance contracts with any party without the prior written consent of MGL.

5. Purchase Not for Distribution. MGL represents and warrants that it is not acquiring the Note with a view to distribution which would be in violation of the Securities Act of 1933, as amended.

6. Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default by Borrower and Holding Co. under this Agreement:

6.1 Nonpayment of Principal. If the Borrower fails to pay principal under the Note when due, whether by acceleration or otherwise, and such failure continues for a period of thirty days following delivery of notice of nonpayment to Borrower.

6.2 Nonpayment of Interest. If the Borrower fails to make any payment of interest under the Note when due and such failure continues for a period of thirty days following delivery of notice of nonpayment to the Borrower.

6.3 Breach. If Borrower or Holding Co. fails in any material respect to perform or observe any covenant contained in this Agreement or violates any material condition hereof, and such failure or violation continues for a period of sixty days following receipt by Borrower and Holding Co. of notice of such breach from MGL.

6.4 Misrepresentations. If any representation or warranty by the Borrower and Holding Co. contained herein proves to have been untrue in any material respect as of the date when made, and such misrepresentation or breach is not cured within sixty days of receipt by Borrower and Holding Co. of notice thereof from MGL.

6.5 Insolvency. (a) If Borrower or Holding Co. (i) files a petition in bankruptcy or for the approval of a plan of reorganization, arrangement, or rehabilitation under the United States Bankruptcy Code or any state insolvency act as now in existence or hereafter amended (or an admission seeking the relief therein provided), (ii) admits in writing its inability to pay its debts as they come due, (iii) makes an assignment for the benefit of creditors, (iv) consents to the appointment of a receiver for all or a substantial portion of its property, or (v) fails to have vacated or set aside within ninety days of its entry any order of a court appointing without the Borrower's or Holding Co.'s consent a receiver or trustee for all or a substantial portion of its property; or (b) if a case or proceeding shall have been commenced against either or both of Borrower and/or Holding Co. in a court having competent jurisdiction seeking

a decree or order relating to (i) the bankruptcy or reorganization of Borrower and/or Holding Co., or (ii) the appointment of a receiver, custodian, trustee, intervenor or liquidator of it, or all or substantially all of its assets, and such case or proceeding shall remain unstayed or undismissed for 90 consecutive days or such court shall enter a decree or order granting the relief sought in such case or proceeding.

6.6 Minimum Production Requirement. If Borrower shall fail to achieve the minimum production requirements as stated in Paragraph 4.9.

7. Remedies.

7.1 Remedies as to Collateral. In case any Event of Default shall have occurred, MGL is hereby authorized and empowered by Borrower and Holding Co. to cause and may cause all Collateral pledged hereunder to be transferred into its own name or that of a nominee or nominees. Borrower and Holding Co. hereby irrevocably appoint and constitute MGL as the attorney for Borrower and Holding Co. for the purposes of effecting such transfer. Thereafter and for so long as any Event of Default shall not have been cured, MGL shall be entitled to exercise all the rights appertaining to the ownership of the Collateral, except as limited herein, and MGL is hereby irrevocably constituted the attorney for Borrower and Holding Co. for the purpose of exercising such rights. If, thereafter, MGL should waive such default, it shall continue to have all rights in the Collateral provided to MGL in this Agreement prior to the occurrence of an Event of Default. In any voting of shares of stock constituting Collateral hereunder subsequent to an Event of Default, MGL shall incur no liability or responsibility by reason of any error of judgment or of any matter or thing done or omitted to be done, except for willful misconduct or gross negligence. MGL shall after such Event of Default be entitled to collect or receive any and all dividends (whether paid in cash, property, stock or otherwise) on any shares of stock constituting Collateral hereunder. Any and all sums so collected or received by MGL shall be applied in the manner hereinafter provided.

7.2 Private or Public Sale. In case an Event of Default shall have occurred, and Borrower shall have failed to pay the whole amount due and payable, MGL, acting by any agent, broker, attorney or dealer designated by it, is hereby authorized and empowered, by Borrower and Holding Co. without demand or notice (other than such demand or notice as is required by law and written notice to Borrower and Holding Co. delivered to it not less than thirty days prior to the date of the proposed sale, which notice shall state the amount of the outstanding indebtedness of Borrower under the Note and the date and place of the proposed sale of any of the Collateral), to sell at private or public sale or at or through any brokers board or securities exchange, the whole or any part of the Collateral, at such reasonable place or places, at such reasonable time or times, at such reasonable price or prices, and on such reasonable terms and conditions as MGL in MGL's discretion may determine, which discretion shall be exercised in good faith, and MGL may transfer, assign and deliver the same to the purchaser or purchasers thereof. MGL shall have the same right to purchase at such sale as would a stranger, provided that any such sale to MGL may not be at a price lower than the fair market value of the Collateral being sold. The sale of part of the Collateral shall not exhaust this power of sale, but sales may be made from time to time until all the Collateral has been sold or until, in the sole judgment of MGL, sufficient sums have been realized thereon. MGL may in its discretion postpone the sale of all or part of the Collateral from time to time without notice of any kind other than announcement (at the time and place of sale set out in the written notice to Borrower and Holding Co. referred to above) of the time and place of such postponed sale or sales and written notice to Borrower and Holding Co.

Without in any way limiting the generality of any power or discretionary right hereinbefore granted or reserved to MGL, MGL may at any sale restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing for their own account, for investment, and not with a view to the distribution of any of the Collateral, if such restriction is necessary in the opinion of counsel for MGL in order to comply with the provisions of any securities law, rule, regulation or ordinance, federal and/or state, applicable with respect to such sales.

In no event may MGL sell the Collateral or any portion thereof for a price less than the value, determined in accordance with generally accepted accounting principles, of the proportion of the shareholder equity of Borrower represented by such Collateral or portion thereof.

Without in any way limiting the generality of the foregoing, MGL may, at its election, exercise any and all rights and remedies available to a secured party

under the Uniform Commercial Code as in effect in the State of Arizona or other applicable jurisdiction, in addition to any and all other rights and remedies afforded by this Security and Pledge Agreement, the Note, at law, in equity, or otherwise.

7.3 Waiver, Etc. Borrower and Holding Co. covenant that neither Borrower, Holding Co. nor any of their subsidiaries will plead, petition or otherwise insist upon any right which it or they might have, before or after any sale or sales, to claim or exercise any right of redemption, except as provided in Section 7.1 hereof.

7.4 Application of Proceeds. The purchase money, proceeds or avails of any sale or sales made under Section 7.2, together with any other cash sums received from prior sales or pursuant to the provisions of Section 7.1 which then may be held by MGL under the terms of this Agreement, shall be applied as follows: (i) first, to the payment of the reasonable costs and expenses of such sale or sales, including reasonable compensation to MGL's agents and counsel and reasonable commissions to brokers or dealers, if any, and to the payment of all taxes, assessments or liens, if any, prior to the lien of this Agreement, except any taxes, assessments or liens subject to which such sale shall have been made; (ii) second, to the payment of the whole amount of the principal and interest then due and unpaid under the Note (including interest on overdue principal and interest to the extent permitted by applicable law) and, in case such sums available shall be insufficient to pay the whole amount so due and unpaid under the Note, then to the payment first of accrued interest on the Note, and then principal; and (iii) the surplus, if any, shall be paid to Borrower, its successors or assigns, or to whomever may be lawfully entitled to receive the same as a court of competent jurisdiction may direct. In the event that the proceeds from such sale are insufficient to pay the costs, expenses and principal and accrued interest as provided in (i) and (ii) above, the right of MGL to proceed against Borrower for any deficiency shall not be abridged or affected in any manner by the sale of the Collateral.

7.5 Cumulative Rights and Remedies. No right or remedy in this Agreement or the Note is intended to be exclusive of any other right or remedy, but every such right or remedy shall be cumulative and shall be in addition to every other right or remedy herein or in the Note conferred, or now or hereafter existing at law or in equity or by statute, including but not limited to the Uniform Commercial Code as enacted in Arizona. No delay or omission by MGL to exercise any right or remedy shall impair such right or remedy or any other such right or remedy or shall be construed to be a waiver of any Event of Default or acquiescence thereto; every right and remedy herein conferred or now or hereafter existing at law or in equity or by statute may be exercised separately or concurrently and in such order and as often as may be deemed expedient by MGL. Without limiting the generality of the foregoing, pursuit or exercise of any right or remedy provided for herein or in the Note shall not be an election against, or waiver or relinquishment of, any other right or remedy. The invalidity of any right or remedy in any jurisdiction shall not invalidate such right or remedy in any other jurisdiction. The invalidity or unenforceability of any of the rights or remedies herein provided in any jurisdiction shall not in any way affect the rights to the enforcement in such jurisdiction or elsewhere of any other rights or remedies herein provided.

B. Other Requirements. Simultaneous with the execution of this Agreement, Borrower and Holding Co. shall deliver, or cause to be delivered to MGL, the following:

8.1 Resolutions. A copy of the resolutions of Borrower's and Holding Co.'s Board of Directors authorizing the execution of this Agreement and the Note, duly certified as of the date hereof by an authorized officer of Borrower and Holding Co.

8.2 Collateral. The original signed copy of the Note together with appropriate collateral assignments executed in blank and the original stock certificate representing 100,000 shares of common stock of Borrower together with stock power executed in blank.

8.3 Opinion of Company Counsel. A written opinion, dated the date hereof and addressed to MGL and rendered by counsel for Borrower and Holding Co. stating that after investigation and review of all relevant documents:

(a) Holding Co. is a duly organized and validly existing corporation under the laws of the State of Delaware and has the corporate power and authority to own its property and to carry on its business as now conducted;

(b) Borrower is a duly organized and validly existing corporation under the laws of the State of Arizona and has the corporate power and authority to own its

property and to carry on its business as now conducted;

(c) the Note has been duly authorized, executed and delivered by Borrower and constitutes a legal, valid, binding and enforceable obligation of Borrower under the laws of the State of Arizona in accordance with its terms, except as limited by bankruptcy and insolvency laws and other laws affecting the enforcement of creditors' rights;

(d) this Agreement and the pledge of the Collateral have been duly authorized, executed and delivered by Borrower and Holding Co.; this Agreement constitutes the valid, binding and enforceable obligation of Borrower and Holding Co. under the laws of the State of Arizona and creates a valid, binding, and unrestricted lien of MGL on the Collateral, in accordance with the terms of this Agreement; and MGL will be entitled to the benefits of this Agreement, all except as limited by bankruptcy and insolvency laws and other laws affecting the enforcement of creditors' rights;

(e) the execution, delivery and performance of this Agreement by Borrower and Holding Co. and compliance with the provisions thereof and the Note will not violate the provisions of the Articles of Organization and Bylaws of Borrower and Holding Co. or, to the best knowledge of such counsel, conflict with or result in a breach of the provisions of, or constitute a default under, any indenture, mortgage, deed of trust, franchise, permit, license, note, agreement or other instrument to which Borrower and Holding Co. are a party or result in the creation or imposition of any lien, charge, or encumbrance upon any assets of Borrower and Holding Co. (other than the Collateral); and
(f) Borrower and Holding Co. have not created or permitted to be created any lien or encumbrance on the Collateral, except the pledge to and the security interest of MGL created by this Agreement.

8 4 Investments. Borrower shall have invested an amount equal to the principal balance remaining unpaid from time to time under the Note in investments that are suitable for a licensed life insurance company. MGL shall have the right, on written notice to Borrower and Holding Co., to direct the investments referred to in this Paragraph 8.4, consistent with applicable law and prudent business practices. The rights and obligations set forth in this Paragraph 8.4 shall in all respects be governed by and subject to the laws of the State of Arizona.

9. Representations and warranties. Borrower and Holding Co. represent and warrant to MGL that as of the date of this Agreement:

9.1 Corporate Existence. Borrower is a corporation validly existing and in good standing under the laws of the State of Arizona and has full corporate power to own or lease its properties and to conduct its business as it is presently being conducted.

9.2 Holding Co. is a corporation validly existing and in good standing under the laws of the State of Delaware and has full corporate power to own or lease its properties and to conduct its business as it is presently being conducted.

9.3 Authorization. Borrower is duly authorized under the laws of Arizona and Holding Co. is duly authorized under the laws of Delaware to create, issue and deliver the Note and to make and perform this Agreement; all corporate action required for the lawful creation, issuance and delivery of the Note and the execution and performance of this Agreement has been duly taken; all such documents and instruments when duly executed and delivered will be valid and binding and enforceable obligations of Borrower and Holding Co. under the laws of Arizona in accordance with their respective terms; and MGL will be entitled to the benefits thereof, except in each case as limited by bankruptcy, insolvency and fraudulent conveyance laws, and other laws affecting the enforcement of creditors' rights.

9.4 Taxes. Borrower and Holding Co. have filed all required federal, state and local tax returns and have paid, or made adequate provisions for the payment of, all taxes shown to be due by such returns or pursuant to any assessment which is due.

9.5 Suits and Proceedings. There are no actions, suits or proceedings pending, or to the knowledge of the Borrower and Holding Co. threatened, against or affecting the Borrower and Holding Co. at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or before any arbitration board of any kind, which involve the possibility of any material judgment or liability, not fully covered by insurance, against Borrower and Holding Co., and Borrower and Holding Co. are not in material default with

respect to any order, writ, injunction or decree of any court of federal, state, municipal, or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign.

9.6 Compliance with Other Instruments and with the Law. The Borrower and Holding Co. are not in default under or in violation of, and the execution and delivery of the Note and this Agreement (and the consummation of the transactions therein contemplated) and compliance with the provisions thereof will not violate, any law, order, rule or regulation applicable to Borrower] and Holding Co. or the Articles of Organization or Bylaws of Borrower and Holding Co. and will not conflict with or result in a breach of the provisions of, or constitute a default under, the terms of said Articles or Bylaws, or any indenture, mortgage, deed of trust, franchise, permit, license, note, contract, agreement or other instrument to which Borrower and Holding Co. are a party, or result in the acceleration of any indebtedness of Borrower and Holding Co. or in the creation of imposition of any lien, charge or encumbrance upon any of the property or assets of the Borrower and Holding Co. (other than the Collateral).

10. Miscellaneous.

10.1 Waivers. No omission or delay by MGL in exercising any right or power under this Agreement or the Note will impair such right or power or be construed to be a waiver of any default thereof or an acquiescence thereto, and any single or partial exercise of any such right or power will not preclude other or further exercise thereof or the exercise of any other right, and no waiver will be valid unless in writing and signed by MGL and then only to the extent specified.

10.2 Survival of Covenants: Successors and Assiqns. All covenants, agreements, representations and warranties made by Borrower and Holding Co. in this Agreement and in certificates or other documents delivered pursuant to it shall survive the execution of this Agreement and the execution and delivery of the Note and shall continue in full force and effect in accordance with their terms until the Note is paid in full. All such covenants, agreements, representations and warranties shall be binding upon any successors and assigns of the Borrower and Holding Co.

10.3 Notices. Any notice required or permitted by this Agreement shall be delivered by mailing it by certified or registered mail, postage prepaid, return receipt requested, addressed to Borrower and American Financial Holding, Inc. at 225 South 200 West, Suite 302, Farmington, Utah 84025, or to MGL at 7887 East Belleview Avenue, Englewood, Colorado 80111. Such addresses may be changed upon ten days prior notice to the other party given in the foregoing manner.

10.4 Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute one and the same instrument.

10.5 Topical Headings. The topical headings used herein are inserted for convenience only and shall not be construed as having any substantive significance or meaning whatsoever or as indicating that all the provisions of this Agreement relating to any particular topic are to be found in any particular article or section.

10.6 Assignment. MGL may assign this Agreement and its rights hereunder to any corporation affiliated with or buying a controlling interest in MGL; provided, however, that such assignment shall not relieve MGL of any of its obligations hereunder. MGL may also assign this Agreement and its rights hereunder to any corporation into which MGL may be merged or consolidated, otherwise, neither this Agreement nor any rights or obligations hereunder may be assigned by either party hereto without the prior written consent of the other.

10.7 Governing Law. This Agreement and the rights and obligations of the parties hereunder and the Note to be issued pursuant hereto shall (except as expressly provided otherwise therein) be construed and interpreted in accordance with the laws of the State of Arizona, including without limitation the Uniform Commercial Code of said state.

IN WITNESS WHEREOF, American Financial Holding, Inc., American Financial Reinsurance, Inc. and Massachusetts General Life Insurance Company have caused this Agreement to be signed and delivered by their officers "hereunto duly authorized, all as of the date first hereinabove written.

ATTEST: AMERICAN FINANCIAL HOLDING, INC.

By:

Secretary	President
ATTEST:	AMERICAN FINANCIAL REINSURANCE, INC.
	By:
Secretary	President
ATTEST:	MASSACHUSETTS GENERAL LIFE INSURANCE COMPANY
	By:
Secretary	President

AGREEMENT FOR PURCHASE AND SALE OF PREFERRED SHARES
OF TRIAD FINANCIAL SYSTEMS, INC.

This Agreement is entered into as of October 22, 1996, by Triad Financial Systems, Inc. ("Purchaser"), a corporation formed under the laws of Delaware, and American Physicians Life Insurance Company ("Seller"), a corporation formed under the laws of Ohio.

I. Purchaser desires to purchase, and Seller desires to sell, the 17,000 Preferred Shares of Triad Financial Systems, Inc. presently owned by Seller, and all accrued cash and stock dividends due to Seller through and including September 30, 1996 according to the following terms.

II. The total purchase price shall be $224,000.00. This shall be paid in four (4) equal installments of $56,000.00 each, as specified below.

III. 1. The first payment of $56,000 shall be paid to Seller by Purchaser within 24 hours of the execution of this Agreement. All payments shall be made by certified check or wire transfer.

This first payment shall be paid into an escrow account at Huntington National Bank, N.A. Said escrow account shall be arranged by Seller between and among Purchaser, Huntington National Bank, and Seller and shall contain standard representations, warranties, and indemnities.

No Preferred Shares of Triad shall be transferred from Seller to Purchaser on account of the payment into escrow of the first payment of $56,000.

2. The second payment of $56,000.00 shall be made by Purchaser to Seller thirty (30) calendar days, and on no event later than forty (40) calendar days, after the first payment has been made in accord with III. 1. Upon receipt of said payment, Seller shall transfer 4,250 of its Triad Preferred Shares to Purchaser.

3. The third payment of $56,000.00 shall be made by Purchaser to Seller sixty (60) calendar , and on no event later than forty (70) calendar days, after the first payment has been made. Upon receipt of said payment, Seller shall transfer 4,250 of its Triad Preferred Shares to Purchaser.

4. The fourth payment of $56,000.00 shall be made by Purchaser to Seller ninety (90) calendar , and on no event later than forty (100) calendar days, after the first payment has been made. Upon receipt of said payment, Seller shall transfer the remaining 8,500 of its Triad Preferred Shares to Purchaser.

IV. If all payments from Purchaser are not received by Seller on a timely basis, and in the full amount, as specified in III above, the $56,000.00 held in escrow pursuant to III.(1) above, shall be immediately paid by the escrow agent to Seller and said $56,000.00 shall belong to Seller immediately and absolutely and free and clear of any claims by Purchaser. In addition, Seller shall not be obligated to accept any further payments of $56,000.00 from Purchaser and Seller shall not be obligated to transfer any further Triad Preferred Shares to Purchaser.

V. Seller warrants and represents that it has good title to its 17,000 Triad Preferred Shares, free an d clear of any liens, charges, or encumbrances.

VI. Upon completion by Purchaser of the four payments of $56,000 each, pursuant to Section III above, and receipt by Seller of a total of $224,000, any and all obligations American Financial Holding, Inc. may have under Paragraph 6 of AFH's June 30, 1995 letter to Seller shall be extinguished in full and released by Seller and AFH shall have no further payment obligations to Seller under said Paragraph 6.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

AMERICAN PHYSICIANS LIFE INSURANCE COMPANY

/s/ Richard H. Sharpe, President and CEO
Date: October 21, 1996

TRIAD FINANCIAL SYSTEMS, INC.

/s/ Kenton L. Stanger, President
Date: October 22, 1996

Exhibit 21.01

SCHEDULE OF SUBSIDIARIES

The following are wholly-owned subsidiaries of the Company

Name	State of Incorporation
Income Builders, Inc.	Utah
Triad Financial Systems, Inc.	Delaware
American Financial Reinsurance, Inc.	Arizona

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AS OF DECEMBER 30, 1995, AND STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>

<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	DEC-31-1995
<PERIOD-START>	JAN-01-1995
<PERIOD-END>	DEC-31-1995
<CASH>	988,904
<SECURITIES>	88,100
<RECEIVABLES>	171,428
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	1,248,432
<PP&E>	168,223
<DEPRECIATION>	65,622
<TOTAL-ASSETS>	1,676,352
<CURRENT-LIABILITIES>	1,218,858
<BONDS>	0
<COMMON>	42,324
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	(461,089)
<TOTAL-LIABILITY-AND-EQUITY>	1,676,352
<SALES>	4,759,357
<TOTAL-REVENUES>	4,759,357
<CGS>	4,095,800
<TOTAL-COSTS>	5,582,120
<OTHER-EXPENSES>	(195,835)
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	32,305
<INCOME-PRETAX>	(659,233)
<INCOME-TAX>	12,381
<INCOME-CONTINUING>	(671,614)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(695,678)
<EPS-PRIMARY>	(0.18)
<EPS-DILUTED>	(0.18)