

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

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

Commission file number: 0-12666

AMERICAN FINANCIAL HOLDING, INC.
(Name of small business issuer in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

87-0458888
(I.R.S. Employer
Identification No.)

914 Rio Virgin Drive, St. George, Utah
(Address of principal executive offices)

84790
(Zip Code)

Issuer's telephone number, including area code: (435) 674-1181
Telecopy: (435) 674-1183

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

Title of Each 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 past 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 []

Check if there is no disclosure of delinquent filers in response 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: None.

State the aggregate market value of the voting and nonvoting common equity held by nonaffiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. The aggregate market value of the voting and nonvoting common equity held by nonaffiliates computed by reference to the average bid and asked price of such common equity, as of March 7, 2001, was \$442,735.

State the number of shares outstanding as of each of the issuer's classes of common equity, as of the latest practicable date: As of March 7, 2001, issuer had outstanding 19,279,449 shares of its common stock, par value \$0.01. On a pro forma basis, after giving effect to a 21.4-to-one reverse stock split, the issuer would have 900,909 outstanding common shares.

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]

PREFACE

Special Note on Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). When used in this report, the words "believe," "may," "will," "should," "expect," "anticipate," "continue," "estimate," "project," "intend" and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe the future strategic plans, goals or objectives of American Financial Holding, Inc. are also forward-looking statements.

Readers of this report are cautioned that any forward-looking

statements, including those regarding American Financial Holding, Inc. or its management's intent, belief or current expectations, are not guarantees of future performance or results or events and involve risks and uncertainties, such as the ability of American Financial Holding, Inc. to obtain funds to enable it to pay ongoing general and administrative expenses, professional fees for meeting regulatory requirements, representing American Financial Holding, Inc. in pending and possible litigation and documenting business and creditor agreements, and the ability of American Financial Holding, Inc. to retain directors and officers to pursue its business notwithstanding its precarious financial condition.

Additionally, actual results and events may differ materially from those in the forward-looking statements as a result of various factors.

The forward-looking information is based on present circumstances and on American Financial Holding, Inc.'s predictions respecting events that have not occurred, which may not occur or which may occur with different consequences from those now assumed or anticipated. Actual events or results may differ materially from those discussed in the forward-looking statements as a result of various factors, including the risk factors detailed in this report. The forward-looking statements included in this report are made only as of the date of this report. The cautionary statements made in this report are intended to be applicable to all related forward-looking statements wherever they appear in this report. American Financial Holding, Inc. assumes no obligation to update such forward-looking statements or to update reasons that actual results could differ materially from those anticipated in such forward-looking statements.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Current Status

American Financial Holding, Inc. ("AFH") currently has no active operations or majority owned subsidiaries. Its assets consist of approximately 4.9 million shares of common stock of Tambora Financial Corporation ("Tambora") that AFH intends to distribute to its stockholders and others, subject to satisfying applicable regulatory requirements.

Subsequent to December 31, 2000, AFH sold for \$300,000 a total of 15.0 million shares of common stock (700,935 shares on a pro forma basis giving effect to the 21.4-to-one reverse stock split) for an aggregate of \$150,000, and \$150,000 in principal amount of promissory notes, automatically convertible into an aggregate of 49.2 million shares of common stock (2,299,065 shares on a pro forma basis giving effect to the 21.4-to-one reverse split). The persons making the \$300,000 investment have agreed to execute a majority written consent approving the proposed reverse stock split, the appointment of their designees to the board of directors and the authorization of a class of preferred stock. On the effectiveness of the reverse stock split and related matters, AFH will issue 400,000 shares of post reverse-split common stock to a third party for services. The securities sold by AFH and the consideration therefor are being held pending AFH's completion of an information statement to be distributed to AFH's stockholders relating to the matters to be approved by the majority written consent of its stockholders and certain other conditions. After giving effect to the foregoing, AFH will have an aggregate of 3.6 million shares of post-split common stock issued and outstanding.

Proceeds from the sale of the above securities will be applied to satisfy certain accrued obligations. Therefore, AFH will require additional funds to meet future requirements, including any requirements for any new activities.

Introduction and History

Until late 1997, the operations of AFH consisted primarily of marketing annuity and life insurance products through its wholly-owned subsidiary, Income Builders, Inc., while it continued to seek funding for acquiring and operating an insurance company to reinsure and coinsure a portion of the products marketed by Income Builders. In late 1997, AFH agreed to transfer all of the stock of Income Builders, which markets life insurance and annuity products underwritten by other insurance providers, to Tambora in exchange for \$500,000 in cash and approximately 4.9 million shares of Tambora common stock. The exchange was completed on October 24, 2000. Since its inception in September 1997, Tambora has been funded through the sale of common stock, including shares sold to officers and directors of AFH. As of December 31, 2000, AFH owned approximately 30.9% of the issued and outstanding Tambora stock on a temporary basis.

Because of the common controlling stockholders of AFH and Tambora, the transactions between them have not been and are not the result of arm's-length negotiations and are subject to substantial conflicts of interest. See "Item 12. Certain Relationships and Related Transactions."

Upon entering into the 1997 agreement to transfer Income Builders to Tambora, the operations of Income Builders were considered discontinued as to AFH. AFH plans to distribute its Tambora stock to the AFH stockholders and others, therefore, since October 24, 2000, the investment in Tambora is considered temporary and AFH has not recognized any of its share of the losses from Tambora, has carried the investment in Tambora at cost of zero, and has not recognized any participation in Income Builders' business. Tambora, through Income Builders, acts as an independent field marketing organization for LifeUSA Holding, Inc. ("LifeUSA"). Income Builders has

been a leading national producer for LifeUSA for combined annuity and life premium sales in recent years. Tambora seeks to become a financial services holding company with broad-based marketing of life insurance and annuities, including the products of other insurance companies and ultimately its own products. The implementation of this plan will require substantial amounts of additional capital.

In connection with AFH's acquisition of Income Builders as a wholly owned subsidiary in 1989, AFH agreed to use its best efforts to seek additional equity financing to fund the expansion of Income Builders. AFH now proposes to implement this goal through the plan outlined below in which Tambora, of which AFH currently and temporarily owns an approximately [30.9%] interest, will seek funding to purchase an insurance company and AFH will distribute its Tambora stock to the AFH stockholders and others.

When used in this report, AFH refers to AFH without its interest in Tambora, unless the context requires otherwise, and Tambora refers to Tambora and its wholly owned subsidiaries, Income Builders and Tambora Marketing, Inc.

AFH's Ability To Continue as a Going Concern--Shortage of Working Capital and Continuing Losses

As of December 31, 2000, AFH had a working capital deficit of \$845,453, no credit lines and insufficient revenue to meet its operating requirements. For the years ended December 31, 2000 and 1999, AFH suffered net losses from continuing operations of \$66,198 and \$331,996, respectively, and as of December 31, 2000, had an accumulated deficit of \$8,963,069. At December 31, 2000, AFH had a stockholders' deficit of \$845,453. Since December 31, 2000, AFH has incurred continuing losses and increases in accumulated deficit. AFH expects that it will continue to incur operating losses and that its accumulated deficit will increase.

AFH depended solely upon cash provided from the sale of Income Builders and loans from Tambora for funding during the preceding two fiscal years. Tambora, in turn, relied on funds from loans from stockholders and the sale of restricted common stock. AFH does not expect that Tambora will advance additional funds to AFH. Since December 31, 2000, AFH has received \$300,000 from the sale of securities, but all of such funds are committed to pay accrued past due liabilities. The foregoing raises substantial concerns respecting the ability of AFH to continue as a going concern in the absence of its ability to borrow capital from Tambora.

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 AFH were unable to continue as a going concern. (See "Financial Statements: Note 1" and "Item 6: Management's Discussion and Analysis or Plan of Operation.")

Restructuring Plan

Overview

As noted above, in 1997, AFH agreed to sell its Income Builders marketing subsidiary to Tambora for \$500,000 and the issuance of approximately 4.9 million shares of Tambora common stock. Such cash consideration has been paid and stock issued. AFH now proposes to complete this restructuring by distributing approximately 4.3 million shares of the Tambora stock received by AFH to its stockholders, except for stockholders holding 15,000,000 common shares issued on January 22, 2001, on an approximately one-to-one basis (one-to-21.4 pro forma post-split basis) and transferring the additional approximately 600,000 Tambora shares to two other groups.

There are substantial regulatory requirements that must be met before AFH can distribute the Tambora shares to AFH stockholders. AFH can provide no assurance that it can meet those regulatory requirements in a timely manner, if at all. Further, it is likely that AFH will incur substantial time and expense in its efforts to meet those regulatory requirements and distribute the Tambora shares to AFH stockholders.

The restructuring plan was and is not the result of arm's-length negotiations and was subject to substantial conflicts of interest because of AFH's and Tambora's common controlling stockholders, directors and executive officers. See "Item 12. Certain Relationships and Related Transactions."

Following the distribution of the Tambora stock to AFH's stockholders, AFH's current stockholders, except for stockholders holding 15,000,000 shares issued on January 22, 2001, would have, in addition to their stock in AFH, shares of Tambora. Also, AFH then would have no operations or material assets and may be unable to continue. With the issuance on January 22, 2001, of 15,000,000 shares of AFH common stock, a change in control of AFH occurred. In addition to this change in control, AFH may seek to acquire other operations and assets, if available, in consideration of the issuance of a controlling block of common stock to the owners of assets or businesses that wish to become publicly held in a so-called "reverse acquisition."

Background

In view of the continuing inability to obtain the funding required to launch its coinsurance and reinsurance strategy within AFH, its management determined to form and fund initially a new entity separate from AFH in order to implement the restructuring plan described above. Tambora was incorporated as a Utah corporation in September 1997 by Kenton L. Stanger and funded initially by Messrs. Stanger, Raymond Punta, Tim Hansen, Ray Brown and Chelton Feeny, all of whom are directors of AFH. Tambora also received funding from the sale of common stock to others. Funds received by Tambora from the foregoing sources were used to pay Tambora's general and administrative expenses, purchase Income Builders, and advance cash to AFH.

The founders saw the organization of Tambora as a possible mechanism to begin to develop a base that could fund the purchase and capitalization of an insurance company and acquire Income Builders from AFH for cash that could be used for AFH's requirements and stock that could be distributed to AFH's stockholders. AFH and Tambora agreed to the terms of a sale of Income Builders to Tambora for \$500,000, plus approximately 4.9 million shares of common stock, subject to certain adjustments, so that the Tambora stock could be distributed to the holders of AFH's outstanding stock, except for stockholders holding 15,000,000 shares issued on January 22, 2001, on a one-for-one basis, prior to giving effect to the 21.4-to-one reverse split of the issued and outstanding AFH common stock. The number of shares of Tambora common stock was increased to include the number of additional shares necessary to satisfy AFH's obligation to holders of Triad Financial Systems, Inc. preferred stock as well as 320,000 shares to permit AFH to satisfy its antidilution obligation to East Bay Trust. As a result of the sale of Income Builders, AFH received \$500,000 in cash to meet ongoing general and administrative expenses, including payments to officers and directors, and reduce accounts payable that were long past due. The 4.9 million shares of Tambora stock to be distributed to the AFH stockholders have been placed in escrow for distribution as agreed on the satisfaction of applicable regulatory requirements.

By completing this transaction and the proposed distribution of Tambora stock to AFH's stockholders, AFH believes that its stockholders have an improved opportunity to participate, through their direct ownership of Tambora stock distributed to them, in the financial benefits resulting from consolidating an insurance and annuity marketing subsidiary with a coinsurance and reinsurance subsidiary. Tambora's financial statements do not reflect AFH's substantial accumulated deficit and stockholders' deficit, so it would not be as hampered as AFH in seeking required capital. AFH believes that the proposed distribution of the Tambora stock to AFH's stockholders, upon meeting applicable legal requirements and thereby making Tambora's stock eligible for public trading, would also improve Tambora's access to the capital markets.

AFH believes that Tambora is better positioned than AFH to obtain funding to purchase and capitalize an insurance company subsidiary that could coinsure or reinsure a portion of the insurance and annuity products sold by Tambora and its subsidiaries. Tambora is currently seeking to identify an insurance company that may be available for purchase and to arrange for approximately \$12.0 to \$15.0 million in private equity that it believes will be required. Tambora currently has not identified any specific acquisition target.

As of December 31, 2000, Tambora had approximately 15.1 million shares of common stock issued and outstanding, of which approximately 4,899,533 shares are held by AFH for distribution to its stockholders and creditors on the satisfaction of applicable legal requirements.

With the sale of Income Builders to Tambora and the abandonment of office equipment, furniture and fixtures, AFH's sole remaining asset is its stock ownership interest in Tambora, which AFH intends to distribute to its

stockholders. Accordingly, AFH is including the following description of Tambora's operations in order to fully disclose the status of AFH.

Tambora's Business

Product Lines

Tambora, through Income Builders, markets life insurance and annuity products underwritten by unrelated insurance companies. LifeUSA, however, presently underwrites most annuity products marketed by Tambora. LifeUSA currently underwrites life insurance and annuity products. Tambora primarily markets the LifeUSA Accumulator Series of annuities, the Indexed Annuity series and Universal Annuity Life products.

Marketing

Tambora, through Income Builders, 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 contract with Income Builders can be terminated by either party on specified notice. Income Builders does not intend to have career agents who sell life insurance exclusively for it. Relying upon independent agents allows Income Builders to expand its sales force without significant expense, but it does require that Income Builders obtain the right to market competitive products, as the independent agents customarily handle product lines of several different insurance companies. Income Builders recruits and trains the independent agents in its specific marketing approach to selling life insurance and annuities.

As of December 2000, Income Builders had contracted over 5,500 independent contractor-agents, of which approximately 1,800 to 2,000 have repetitive annual business, with 1999 and 2000 annual premium production of approximately \$31 million and \$33 million, respectively.

It is customary for insurance companies that 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 policyholder pays the first year insurance premium in monthly installments. Annualization of the first year commissions and, in effect, prepayment of such commissions provides the agent with funds to meet current operating needs. The insurance providers that underwrite the products marketed by Income Builders 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 policyholder discontinues the policy prior to the thirteenth month, an appropriate amount is charged back against the agent's account. As a consequence, Income Builders assumes certain credit risks because the selling agent could cease further sales of products marketed by Income Builders or policies could lapse before earned premiums are sufficient to pay the agent's indebtedness. Income Builders is required to repay commission advances only if the agent cannot. Historically, Income Builders has not been required to reimburse any material amount of unearned commissions.

Regulation

Marketing life insurance and annuity products 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 that 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.

Competition

The insurance industry is highly competitive. Tambora 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, Tambora must continue to perform at a high level. Tambora is dependent on its ability to attract and retain productive, independent agents to sell its products. Tambora pays customary and competitive commissions, but competition among insurance companies is intense for independent agents with demonstrated ability. There can be no assurance that Tambora will be able to continue to attract and retain productive, independent agents.

Personnel

During 2000, AFH had no employees. AFH currently has no employees. During 2000, Tambora had two part-time employees, both of whom are executive officers and directors. Currently, Tambora has three full-time employees, all of whom are officers and directors. Income Builders has two full-time employees, both of whom are officers and directors of Income Builders. In addition to its employees, Income Builders contracts with regional independent agencies and insurance salesmen on an independent contractor basis as discussed above.

ITEM 2. DESCRIPTION OF PROPERTY

During 2000, AFH's principal executive offices at 914 Rio Virgin Drive, St. George, Utah 84790, and additional offices at 2076 Ridgewood Way, Bountiful, Utah 84010, were provided without cost to AFH by Kenton L. Stanger and Raymond L. Punta, respectively, executive officers and directors. Since January 1, 2000, Tambora has rented the same offices from such persons at \$2,000 per month

Tambora also rents office and clerical facilities from an unrelated party at 7272 Wisconsin Avenue, Suite 300, Bethesda, Maryland 20814, for approximately \$2,000 per month.

ITEM 3. LEGAL PROCEEDINGS

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

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

In October 1996, AFH also received a request for the voluntary production of information to the Enforcement Division of the SEC related to the resignation of Coopers & Lybrand LLP, the termination of Arthur Andersen LLP, the appointment of Jones, Jensen & Company as AFH's independent public accountants and the

reasons therefore. In addition, AFH was requested to provide certain information respecting its previous sales of securities. AFH cooperated in providing information in response to these inquiries in early 1997. AFH has not been advised of the outcome of the foregoing.

On December 20, 1999, Robert M. Bridge filed suit against AFH in the Third District Court in Salt Lake County, Utah, styled Bridge v. American Financial Holding, Inc., Triad Financial Systems, Inc., Raymond L. Punta and Kenton L. Stanger (Civil No. 990912544). Mr. Bridge's complaint alleges that he is entitled to the return of a \$100,000 investment made in 1993, in which he purchased AFH's stock in anticipation of the acquisition of an insurance company, plus interest, costs and attorney's fees. The complaint alleges claims for breach of contract, fraud and misrepresentation, and claims for a "guarantee" against Messrs. Punta and Stanger. AFH has answered the complaint, denying its material allegations and raising several affirmative defenses, including the applicable statutes of limitation. AFH intends to vigorously defend this matter, asserting, among other defenses, that at times the plaintiff could have sold his stock at a multiple of his purchase price. Discovery is continuing.

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

AFH did not hold a meeting of its stockholders during the year ending December 31, 2000, nor were any matters submitted to a vote of AFH's stockholders.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND
RELATED STOCKHOLDER MATTERS

There has been little established, consistent trading market for AFH's common stock during significant portions of the preceding two years.

The common stock of AFH was listed on the Electronic Bulletin Board of the National Association of Securities Dealers, Inc. system ("EBB") until August 3, 1999, and has been quoted on the Pink Sheets under the symbol "ANFH" thereafter. Quotations have been published only intermittently. The trading volume of the common stock of AFH 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 AFH.

The following table sets forth the high and low closing bid quotations for AFH's common stock as reported on the EBB or the Pink Sheets, as the case may be, for the periods indicated, based on interdealer bid quotations, without markup, markdown, commissions or adjustments (which may not reflect actual transactions):

	High	Low
2000		
First quarter	\$0.51	\$0.06
Second quarter	0.70	0.15
Third quarter	0.46	0.12
Fourth quarter	0.42	0.12
1999		
First quarter	0.45	0.32
Second quarter	0.70	0.10
Third quarter	0.10	0.01
Fourth quarter	0.22	0.01

Because of the lack of specific transaction information and AFH's belief that quotations are particularly sensitive to actual or anticipated volume of supply and demand, AFH does not believe that quotations are reliable indicators of a viable trading market for AFH'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 December 31, 2000, AFH's common stock was quoted, subject to the foregoing limitations and qualifications, at \$0.14 bid, \$0.40 asked. The foregoing quotation does not reflect dealer mark-ups, markdowns, brokerage commissions or other charges and does not reflect actual transactions.

As of March 2001, there were 19,279,449 shares of common stock issued and outstanding (900,909 shares on a pro forma basis after giving effect to the 21.4-to-one reverse split) held by approximately 660 stockholders.

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

The SEC has promulgated rules governing over-the-counter trading in penny stocks, defined generally as securities trading below \$5 per share that are not quoted on a securities exchange or Nasdaq or that do not meet other substantive criteria. Under these rules, our common stock is currently classified as a penny stock. As a penny stock,

our common stock is currently subject to rules promulgated by the SEC that impose additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and institutional accredited investors. For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written consent to the transaction prior to sale. Further, if the price of the stock is below \$5 per share and the issuer does not have \$2,000,000 or more net tangible assets or is not listed on a registered national securities exchange or Nasdaq, sales of such stock in the secondary trading market are subject to certain additional rules promulgated by the SEC. These rules generally require, among other things, that brokers engaged in secondary trading of penny stocks provide customers with written disclosure documents, monthly statements of the market value of penny stocks, disclosure of the bid and asked prices and disclosure of the compensation to the broker-dealer and the salesperson working for the broker-dealer in connection with the transaction. These rules and regulations may affect the ability of broker-dealers to sell our common stock, thereby effectively limiting the liquidity of our common stock. These rules may also adversely affect the ability of persons who acquire our common stock to resell their securities in any trading market that may exist at the time of such intended sale.

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

AFH's Ability To Continue as a Going Concern--Shortage of Working Capital and Continuing Losses

As of December 31, 2000, AFH had a working capital deficit of \$845,453, no credit lines and insufficient revenue to meet its operating requirements. For the years ended December 31, 2000 and 1999, AFH suffered net losses from continuing operations of \$66,198 and \$331,996, respectively, and as of December 31, 2000, had an accumulated deficit of \$8,963,069. At December 31, 2000, AFH had a stockholders' deficit of \$845,453. Since December 31, 2000, AFH has incurred continuing losses and increases in accumulated deficit. AFH expects that it will continue to incur operating losses and that its accumulated deficit will increase.

AFH depended solely upon cash provided from the sale of Income Builders and loans from Tambora for funding during the preceding two fiscal years. Tambora, in turn, relied on funds from loans from stockholders and the sale of restricted common stock. AFH does not expect that Tambora will advance additional funds to AFH. Since December 31, 2000, AFH has received \$300,000 from the sale of securities, but all of such funds are committed to pay accrued past due liabilities. The foregoing raises substantial concerns respecting the ability of AFH to continue as a going concern in the absence of its ability to borrow capital from Tambora.

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 AFH were unable to continue as a going concern. (See "Financial Statements: Note 1.")

Liquidity and Capital

AFH's cash requirements for 2000 and 1999 were provided by \$17,291 and \$271,235, respectively, in loans from Tambora and AFH officers. For the year ended December 31, 2000, AFH experienced negative cash flow from operating activities of \$17,534, compared with negative cash flow from operating activities of \$270,866 in 1999.

With the sale of Income Builders to Tambora and the related termination of AFH's principal activities, AFH's capital requirements have been reduced to those required to pay past due liabilities and general and administrative fees associated with maintaining its corporate good standing, completing periodic reports filed with regulatory authorities under federal securities laws and furnished to stockholders, defending pending litigation and responding to any resulting settlement or award and seeking, reviewing, documenting and completing a possible transaction with another company in order to reactivate AFH.

As noted above, since December 31, 2000, AFH has received \$300,000 from the sale of securities, but all of such funds are committed to pay accrued past due liabilities.

In addition to funds required to satisfy past due accounts payable, AFH will require at least \$50,000 to \$100,000 during the next twelve months to complete required accounting and auditing work, complete reports to regulatory authorities and stockholders, defend pending litigation and related matters to maintain its corporate good standing. Additional amounts would be required if the pending litigation results in an award or settlement in favor of the plaintiff. AFH has no funds with which to pay these amounts, but will depend primarily on the sale of additional securities for such funding. AFH has received no commitment for any such required funding from its principal stockholders or any other person or group. AFH cannot assure it will be able to obtain required funding or that it will be able to continue. AFH does not believe that its principal, nonliquid asset, its stock in Tambora to be distributed to AFH stockholders and others, is readily convertible to cash to satisfy claims of creditors.

Results of Discontinued Operations

On September 23, 1997, AFH entered into an agreement with Tambora Financial Corporation, a corporation under common control with it, to transfer Income Builders to Tambora in exchange for \$500,000 and 4,899,533 shares of Tambora common stock. From 1997 through October 24, 2000, Tambora and one of its officer's paid or advanced \$694,671 to or in behalf of AFH. On October 24, 2000, AFH transferred all issued and outstanding shares of Income Builders, Inc. to Tambora in exchange for a \$500,000 reduction in the payable to Tambora and in exchange for 4,899,533 shares of Tambora common stock. Due to the transfer being with an entity under common control, the net liabilities of Income Builders on October 24, 2000, of \$143,496, plus the \$500,000 reduction in the payable to Tambora, were accounted for as capital contributions to AFH.

The operations of Income Builders were recognized as discontinued operations through the date of the transfer to Tambora. Income Builders' commission revenue for 2000 through October 24, 2000, decreased \$476,364, or 15.8%, to \$2,545,060 from \$3,021,424 during the year ended December 31, 1999. The 2000 decrease is due to a reduction in business sold, a different product mix between 2000 and 1999, and the shortened reporting period for 2000. Commission expense decreased \$439,661, or 17.4%, to \$2,095,951 in 2000, as compared to \$2,535,612 in 1999. This fluctuation reflects the effects of the decrease in commission revenue and ordinary variations in the commission schedule of various products, the age and other demographics of policy purchasers, the size of individual annuity and insurance policies sold, the commission schedules of the individual insurance agents selling particular policies and similar factors, which will likely continue to fluctuate in the future.

Gross profit of \$449,109 in 2000, or 17.6% of commission revenue, is a decrease from the \$485,812 in gross profit in 1999, equivalent to 16.1% of commission revenue. This decrease in gross profit in 2000 is due to the foregoing factors and may not be indicative of the gross profit that may be expected in future periods.

General and administrative expenses decreased \$483,761, or 53.5%, to \$419,703 in 2000, as compared to \$903,464 a year earlier. Total other income (expense) decreased \$616,787, or 105.6%, in 2000 to \$(32,932), as compared to \$583,855 in 1999. Total other income during 1999 resulted primarily from gains on sales of investment in securities, which gains did not continue during 2000.

As a result of the foregoing, Income Builders' income decreased from income of \$166,203 in 1999 to a loss of \$3,526 in 2000. In addition to the \$3,526 loss from Income Builders, AFH recognized losses in 2000 of \$12,552 relating to Income Builders' minimum pension liability adjustment and \$1,656 relating to Income Builders' unrealized losses on investment in securities. Accordingly, the loss from discontinued operations totaled \$17,734 during 2000.

ITEM 7. FINANCIAL STATEMENTS

The financial statements of AFH, including the required independent auditors' report, 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

As previously reported in AFH's annual report on Form 10-KSB for the year ended December 31, 1999, on April 27, 2000, the board of directors of AFH approved the engagement of Robison Hill & Company ("Robison Hill"), Salt Lake City, Utah, as independent accountants and auditors to report on AFH's financial statements for the years ended December 31, 1999 and 1998, to succeed Jones Jensen & Co., Salt Lake City, Utah, as AFH's principal accountant.

No consultations occurred between AFH and Robison Hill during the two fiscal years and any subsequent interim period prior to Robison Hill's appointment regarding either (a) the application of accounting principles to a specific completed or contemplated transaction, the type of audit opinion that might be rendered on AFH's financial statements or other information provided that was considered by AFH in reaching a decision as to an accounting, auditing or financial reporting issue, or (b) any matter that was the subject of disagreement or a reportable event requiring disclosure under Item 304(a)(1)(iv) of Regulation S-B.

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 AFH are as follows:

Name	Age	Office
Kenton L. Stanger	67	Chief Executive Officer, President, Director
Raymond L. Punta	51	Executive Vice President, Director
Chelton S. Feeny	77	Director
Ray P. Brown	56	Executive Vice President-Marketing, Director
Tim L. Hansen	51	Executive Vice President-Marketing, Director

Directors are elected at the annual stockholders' meeting of AFH 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 AFH since 1988 and Chairman of the Board and Chief Executive Officer of Tambora since 1997. From 1986 to 1988, he was President of American Financial Marketing, Inc., which was acquired by AFH in 1988. From 1969 to 1986, Mr. Stanger was Chairman, President and Chief Executive Officer of Balanced Security Corporation, a financial services holding company that 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 AFH from 1989 through the present and President and a director of Tambora since 1997. 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 AFH from 1988 through the present and a director of Tambora since 1997. Dr. Feeny was engaged in the practice of medicine between 1959 and 1988 in Ogden, Utah. From 1989 until 1995, he was employed by the Veterans Administration Regional Office in Anchorage, Alaska. He retired in 1995 and currently serves as a member of the Finance Committee of the Ogden Surgical Society.

Ray P. Brown has served as Executive Vice President-Marketing and a director of AFH since 1989 and a director and Executive Vice President of Tambora since 1997. 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 AFH, and Income Builders became a wholly-owned subsidiary of AFH. Mr. Brown has been active in the insurance industry since 1972.

Tim L. Hansen has served as Executive Vice President-Marketing and a director of AFH since 1989 and a director and Executive Vice President of Tambora since 1997. 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 AFH, and Income Builders became a wholly-owned subsidiary of AFH. 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. No formal actions were taken by vote in board meetings that occurred throughout the year or by unanimous consent during 2000. Directors who are employees of AFH received 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 AFH during or respecting its last fiscal year ended December 31, 2000, and 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 AFH 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-KSB.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth, for each of the last three fiscal years in the period ending December 31, 2000, cash compensation received from AFH by any person serving as chief executive officer of AFH during the last preceding fiscal year and any of the three 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

(a)	(b)	Annual Compensation		(e) Other Annual Compensation (\$)(1)	Long Term Compensation		(h) LTIP Payouts (\$)	(i) All Other Compensation (\$)(2)
		(c) Salary (\$)	(d) Bonus (\$)		(f) Awards Restricted Stock Award(s) (\$)	(g) Payouts Securities Underlying Options/ SARs (#)(2)		
Kenton L. Stanger CEO, President, Director	2000 1999 1998	-- -- --	-- -- --	\$ 89,684 82,675 67,398	-- -- --	-- -- --	-- -- --	-- \$ 4,613 6,934

- (1) Consists of interest accrued during the year on the unpaid balance of amounts previously outstanding on personal loans to such officer. Such amount is treated as compensation for purposes of this table, but is considered an obligation payable by such persons. Effective December 31, 2000, all amounts payable by such officer to AFH were assigned to East Bay Trust. See "Item. 12. Certain Relationships and Related Transactions."
- (2) Consists of personal use of automobile and related insurance and other expense.

No options and SARs were granted or exercised during the last completed fiscal year by any executive officer named in the Summary Compensation Table above.

Employee Agreements and Benefits

During 2000, Kenton L. Stanger did not receive compensation from AFH, but received compensation from Tambora that is not reflected in the above table.

AFH reimburses its directors for costs of attending meetings of the board of directors but does not otherwise compensate its directors.

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 AFH to own beneficially more than 5% of the 19,279,449 shares (900,909 shares on a pro forma basis giving effect to a 21.4-to-one reverse stock split) of issued and outstanding common stock of AFH as of December 31, 2000, and information as to the ownership of AFH'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 Stockholders:			
Alvya Macaluso..... 1221 Danberry Houston, TX 77055	Direct	5,000,000	25.9%
	Indirect(1)	16,400,000	21.3
		----- 21,400,000	27.8
Laura Avignon..... 2500 Wilcrest, Suite 540 Houston, TX 77042	Direct	5,000,000	25.9
	Indirect(1)	16,400,000	21.3
		----- 21,400,000	27.8
Lighthouse Capital Insurance Co..... c/o MeesPierson (Cayman) Ltd. P.O. Box 2003 GT Grand Pavillon Comm. Centre Bougainvillea Way 802 West Bay Road Grand Cayman, BVI	Direct	5,000,000	25.9
	Indirect(1)	16,400,000	21.3
		----- 21,400,000	27.8
Directors:			
Kenton L. Stanger	Indirect(2)	242,118	1.3
Tim L. Hansen.....	Direct	191,826	0.9
	Indirect(3)	50,272	0.3
	Total	----- 242,098	1.3
Ray P. Brown.....	Direct	174,824	0.9
	Indirect(3)	67,002	0.3
	Total	----- 241,826	1.3
Raymond L. Punta.....	Direct	125,000	0.6
	Indirect(4)	59,994	0.3
	Total	----- 184,994	1.0
Chelton S. Feeny.....	Direct	98,500	0.5
	Indirect(5)	107,522	0.6
	Total	----- 206,022	1.1
All Directors and Executive Officers, as a Group (5 Persons):.....	Direct	590,150	3.1
	Indirect	526,908	2.7
	Total	----- 16,117,058	5.8

-
- (1) Shares issuable on the automatic conversion of convertible debenture to common stock on the effectiveness of the 21.4-to-one reverse stock split.
 - (2) Mr. Stanger is deemed to share voting and dispositive power over 175,000 shares owned by San Joaquin Trust, 25,000 shares owned by Debt Reduction Trust and 42,118 shares owned by his wife. The 25,000 shares held by Debt Reduction Trust have been pledged to secure AFH's loans made to certain officers and directors. (See "Item 12. Certain Relationships and Related Transactions.")
 - (3) Represents shares held by self-directed retirement account.
 - (4) Consists of 59,994 shares owned by Mr. Punta's wife.
 - (5) Represents shares held by his trust.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain Officer Loans

In January 2001, AFH assigned all of the amounts receivable with aggregate principal and accrued interest of \$1,586,777 from Kenton L. Stanger, \$1,354,227 from Raymond L. Punta, and \$104,883 from others, for an aggregate of \$3,042,887, subject to \$168,000 in offsets, to Debt Reduction Trust in consideration of such trust's assumption of any and all liabilities for withholding taxes or other payroll burdens due federal or state authorities relating to the characterization of any of the amounts paid to the obligors as compensation and such trust's agreement to indemnify AFH and hold it harmless from and against any related loss. Debt Reduction Trust is an irrevocable trust created by Kenton L. Stanger. The sole trustee of Debt Reduction Trust is currently Chelton Feeny, a director, and the beneficiaries are Mr. Stanger's wife or estate. Other than the obligations assigned to Debt Reduction Trust as noted above, the trust's only assets are 25,000 shares of AFH common stock.

Tambora

Payments of Stock Subscriptions

During 2000, officers and directors of AFH paid an aggregate of \$23,000 on previous subscriptions for the purchase of Tambora common stock at an average price of \$0.05 per share. Shares were issued as the subscriptions were paid.

Sale of Income Builders to Tambora

Following the organization of Tambora in September 1997, AFH agreed to sell Income Builders to Tambora in consideration of \$500,000 in cash and the issuance to AFH of an aggregate of 4,899,533 shares of Tambora common stock as follows:

(a) 4,279,449 shares to be distributed to AFH's stockholders at the rate of one share of Tambora stock for each share of AFH stock held;

(b) 320,000 shares to satisfy AFH's antidilution obligation to East Bay Trust in connection with funding provided by it prior to December 31, 1997; and

(c) 300,084 shares in order for AFH to offer shares in Tambora to certain unaffiliated persons who had invested \$300,084 in preferred stock of Triad Financial Systems, Inc., a previous subsidiary of AFH. Triad Financial Systems, Inc. was unsuccessful in obtaining the capital required to implement its business plan and has been dissolved. Such 300,084 shares will be distributed to such former investors in Triad Financial Systems, Inc. in satisfaction of their right to convert Triad Financial Systems, Inc. preferred stock into AFH common stock.

Subject to satisfying applicable regulatory requirements, AFH intends to distribute all of the shares of Tambora stock to the above groups in the amounts indicated. AFH proposes to file a registration statement under the Securities Act covering the foregoing transactions.

Sale of Common Stock

During 2000, Tambora received subscriptions for 615,648 shares for an aggregate of \$638,722, for an average price of \$1.03. Tambora also issued shares for services between inception and December 31, 2000. Tambora is currently seeking additional private equity through the sale of common stock. Tambora stock was issued to subscribers as their subscriptions were paid.

The following table shows the stock ownership of the officers and directors of AFH in AFH and Tambora as of December 31, 2000, and the anticipated ownership of the officers and directors of AFH in Tambora after giving effect to the proposed distribution of Tambora stock to AFH stockholders. The table does not include 15,000,000 common shares owned by Alvya Macaluso, Laura Avignon and Lighthouse Capital Insurance Company, who, upon completion of the stock purchase agreement, have the right to appoint themselves or their designees as officers and directors of AFH.

Name	AFH		Tambora		Tambora (after distribution)(1)	
	Number	Percentage	Number	Percentage	Number	Percentage
Kenton L. Stanger.....	242,098	5.7%	1,100,000	7.3%	1,342,098	8.9%
Raymond L. Punta.....	184,994	4.3	619,833	4.1	804,827	5.3
Tim L. Hansen.....	242,098	5.7	845,000	5.6	1,087,098	7.2
Ray P. Brown.....	241,826	5.7	845,000	5.6	1,086,826	7.2
Chelton S. Feeny.....	206,022	4.8	1,253,938	8.3	1,459,960	9.7
Officers and Directors, as a Group.....	1,117,038	26.1%	4,663,771	30.9	5,780,809	38.3%
Total Outstanding.....	4,279,449		15,104,285		15,104,285	

- (1) Includes shares to be distributed, subject to satisfying certain regulatory requirements.
(2) Does not reflect the extent to which the "other stockholders" may own stock of both AFH and Tambora.

Director Loan

AFH owes Kenton L. Stanger, an officer and director, \$18,865 for a cash loan to AFH during 1999.

Tambora Advances to AFH

In addition to Tambora's payment of \$500,000 to AFH as partial consideration of the purchase of Income Builders, as of December 31, 2000, Tambora had outstanding advances of principal and accrued interest of \$210,635 to AFH for payment of general and administrative expenses, including amounts paid to executive officers and directors. Such amount is repayable by AFH to Tambora under the terms of a promissory note bearing interest at 18% and due and payable out of the first net proceeds received by AFH from the sale of common stock, but in any event on or before December 31, 2002.

Income Builders Officers and Directors

Income Builders owed Tim L. Hansen and Ray P. Brown, officers of Income Builders, \$340,204 at December 31, 1999, payable on demand. Of the \$340,204 payable, \$240,194 bears an interest rate of 50% and \$100,010 is a bonus payable. Management of Income Builders intends to accrue interest on the \$240,194 payable at 50% and offset this accrued interest against the \$1,074,219 stockholders' receivable, until the receivable is reduced to \$240,194, at which time this payable will be used to offset the receivable from the officers of Income Builders. These loans were included in the assets and liabilities of Income Builders when it was sold to Tambora.

Sale of \$300,000 in Securities

Subsequent to December 31, 2000, AFH sold for \$300,000 a total of 15.0 million shares of common stock (700,935 shares of common stock giving effect to the 21.4-to-one reverse stock split) for an aggregate of \$150,000, and \$150,000 in principal amount of promissory notes, automatically convertible into an aggregate of 49.2 million shares of common stock (2,299,000 shares giving effect to the 21.4-to-one reverse split). The persons making the \$300,000 investment have agreed to execute a majority written consent approving the proposed reverse stock split, the appointment of their designees to the board of directors and the authorization of a class of preferred stock. On

the effectiveness of the reverse stock split and related matters, AFH will issue 400,000 shares of post reverse-split common stock to a third party for services. The securities sold by AFH and the consideration therefor are being held pending AFH's completion of an information statement to be distributed to AFH's stockholders relating to the matters to be approved by the majority written consent of its stockholders and certain other conditions. After giving effect to the foregoing, AFH will have an aggregate of 3.6 million shares of common stock issued and outstanding.

Conflicts of Interest

AFH and Tambora have been and will continue to be subject to significant conflicts of interest as a result of their common controlling stockholders, executive officers and directors. Notwithstanding these conflicts of interest, such persons, acting both for themselves and as executive officers, directors and stockholders of AFH or Tambora, have determined:

- o the terms of their compensation from AFH, including the amount and manner of payment;
- o whether or not AFH would pay amounts due officers and directors notwithstanding the failure of such officers and directors to pay amounts due AFH;
- o the terms on which such persons purchased stock from Tambora upon its organization;
- o the terms on which Tambora sold stock to other investors;
- o the terms on which AFH sold Income Builders to Tambora; and
- o the terms on which AFH is required to repay loans to Tambora.

There can be no assurance that any conflict of interest will be resolved in favor of AFH or its stockholders. AFH has not adopted any policies respecting the resolution of conflicts of interest that may arise.

PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

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

Exhibit Number	SEC Reference Number	Title of Document	Location
Item 2		Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	
2.01	2	Deal Memorandum dated as of September 25, 1997, relating to the sale of Income Builders, Inc. to Tambora Financial Corporation	Incorporated by Reference(4)
Item 3		Articles of Incorporation and Bylaws	
3.01	3	Certificate of Incorporation	Incorporated by Reference(1)
3.02	3	Bylaws	Incorporated by Reference(1)
Item 10		Material Contracts	
10.01	10	Agent Agreement between LifeUSA Insurance Company and Income Builders, Inc.; also constitutes form of agreement used for each independent agent	Incorporated by Reference(1)
10.02	10	Form of Secured Promissory Note of certain directors of American Financial Holding, Inc. and related schedule, dated as of December 31, 1995*	Incorporated by Reference(3)
10.03	10	Promissory Note in the amount of \$177,380 effective as of December 31, 1999, payable by American Financial Holding, Inc. to Tambora Financial Corporation	Incorporated by Reference(4)
10.04	10	Assignment Agreement effective as of December 31, 2000, relating to the assignment of certain obligations by American Financial Holding, Inc. to Debt Reduction Trust	Incorporated by Reference(4)
10.05	10	Forms of indemnification agreements with directors, with related schedule	Incorporated by Reference(4)
10.06	10	Purchase Agreement between American Financial Holding, Inc. and Alvy Macaluso, Laura Avignon, and Lighthouse Capital Insurance Co. dated January 22, 2001	This filing

Item 16	Letter on Change in Certifying Accountant		
16.01	16	Letter from Jones, Jensen & Co., L.L.C. dated May 15, 2000	Incorporated by Reference(2)

- (1) Previously filed as exhibits to AFH's Form 10-K for the fiscal year ended December 31, 1991, and incorporated herein by reference.
- (2) Previously filed as an exhibit to AFH's current report on Form 8-K/A dated May 18, 2000.
- (3) Previously filed as exhibit to AFH's Form 10-KSB for the fiscal year ended December 31, 1995, and incorporated herein by reference.
- (4) Previously filed as exhibit to AFH's Form 10-KSB for the fiscal year ended December 31, 1999, and incorporated herein by reference.
- * Identifies management contract or compensatory plan or arrangement required to be filed as an exhibit.

(b) Reports on Form 8-K:

AFH did not file a report on Form 8-K during the year ending December 31, 2000.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, AFH caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

AMERICAN FINANCIAL HOLDING, INC.

Date: March 9, 2001

By /s/ Kenton L. Stanger

Kenton L. Stanger, President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of AFH and in the capacities and on the dates indicated.

Date: March 9, 2001

/s/ Kenton L. Stanger

Kenton L. Stanger, Director
(Principal Executive, Principal
Financial and Principal
Accounting Officer)

Date: March 9, 2001

/s/ Raymond L. Punta

Raymond L. Punta, Director

Date: March 9, 2001

/s/ Ray P. Brown

Ray P. Brown, Director

Date: March 9, 2001

/s/ Chelton S. Feeny

Chelton S. Feeny, Director

Date: March 9, 2001

/s/ Tim L. Hansen

Tim L. Hansen, Director

AMERICAN FINANCIAL HOLDING, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Shareholders
American Financial Holding, Inc.

We have audited the accompanying balance sheets of American Financial Holding, Inc. as of December 31, 2000 and 1999, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 disclosure 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Financial Holding, Inc. as of December 31, 2000 and 1999 and the results of its operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered losses from operations for the years ended December 31, 2000 and 1999, and has a stockholders' deficit of \$845,453 as of December 31, 2000 that raise substantial doubt about its ability to continue as a going concern. The 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.

Respectfully submitted,

ROBISON, HILL & CO.
Certified Public Accountants

Salt Lake City, Utah
February 26, 2001

AMERICAN FINANCIAL HOLDING, INC.
BALANCE SHEETS

	December 31,	
	2000	1999
ASSETS		
Current Assets		
Cash.....	\$ 960	\$ 1,203
Total Current Assets.....	960	1,203
Property and Equipment		
Equipment.....	-	14,334
Furniture and fixtures.....	-	16,000
Less accumulated depreciation.....	-	30,334 (30,123)
Net Property and Equipment.....	-	211
Total Assets.....	\$ 960	\$ 1,414
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable.....	\$ 252,937	\$ 204,483
Accrued rent payable to officers.....	-	168,000
Payable to Tambora Financial Corporation.....	194,671	677,380
Interest payable to Tambora Financial Corporation.....	15,964	15,964
Payable to Triad Financial Systems, Inc. owners.....	240,014	240,014
Interest payable to Triad Financial Systems, Inc. owners.....	123,962	123,962
Payable to officers.....	18,865	18,865
Net liabilities of discontinued operations.....	-	125,763
Total Current Liabilities.....	846,413	1,574,431
Stockholders' Deficit		
Common stock - \$0.01 par value; 20,000,000 shares authorized; 199,974 shares issued and outstanding.....	2,000	2,000
Additional paid-in capital.....	8,115,616	7,472,120
Notes receivable from stockholders, net of bad debt reserve of none and \$2,701,917, respectively.....	-	(168,000)
Accumulated deficit.....	(8,963,069)	(8,879,137)
Total Stockholders' Deficit.....	(845,453)	(1,573,017)
Total Liabilities and Stockholders' Deficit.....	\$ 960	\$ 1,414

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

AMERICAN FINANCIAL HOLDING, INC.
STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2000	1999
Interest income.....	\$ 172,970	\$ 152,502
General and administrative expense.....	(239,168)	(434,159)
Interest expense.....	-	(50,339)
Loss from continuing operations.....	(66,198)	(331,996)
Income (loss) from discontinued Income Builders' operations.....	(17,734)	166,203
Net Loss.....	<u>\$ (83,932)</u>	<u>\$ (165,793)</u>
Basic and Diluted Income (Loss) Per Share		
Continuing operations.....	\$ (0.02)	\$ (0.08)
Discontinued operations.....	-	0.04
Net Loss.....	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>
Weighted-average number of common shares outstanding.....	<u>4,279,449</u>	<u>4,279,449</u>

AMERICAN FINANCIAL HOLDING, INC.
STATEMENTS OF STOCKHOLDER'S DEFICIT

	Common Stock		Additional Paid-In Capital	Receivable From Stockholders'	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance, December 31, 1998.....	199,974	\$ 2,000	\$ 7,472,120	\$ (120,000)	\$ (8,713,344)	\$ (1,359,224)
Addition to stockholders' receivable.....	--	--	--	(48,000)	--	(48,000)
Net loss.....	--	--	--	--	(165,793)	(165,793)
Balance, December 31, 1999.....	199,974	2,000	7,472,120	(168,000)	(8,879,137)	(1,573,017)
Capital contribution received upon transfer of Income Builders to Tambora.....	--	--	643,496	--	--	643,496
Settlement of liability to officers by reduction of receivable from stockholders.....	--	--	--	168,000	--	168,000
Net loss.....	--	--	--	--	(83,932)	(83,932)
Balance, December 31, 2000.....	<u>199,974</u>	<u>\$ 2,000</u>	<u>\$ 8,115,616</u>	<u>\$ --</u>	<u>\$ (8,963,069)</u>	<u>\$ (845,453)</u>

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

AMERICAN FINANCIAL HOLDING, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended Ended December 31,	
	2000	1999
Cash Flows From Operating Activities		
Net loss.....	\$ (83,932)	\$ (165,793)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation.....	211	496
(Income) loss from discontinued operations.....	17,734	(166,203)
Changes in assets and liabilities		
Increase in accounts payable.....	48,453	10,296
Decrease in receivable from stockholders.....	--	(48,000)
Increase in interest payable to related party.....	--	15,964
Increase in accrued rent payable to officers.....	--	48,000
Increase in interest payable to Triad Financial Systems, Inc. owners.....	--	34,374
Net Cash Used in Operating Activities.....	(17,534)	(270,866)
Cash Flows From Financing Activities		
Increase in payable to Tambora Financial Corporation.....	17,291	269,660
Cash received from payable to officers.....	--	1,575
Net Cash Provided by Financing Activities.....	17,291	271,235
Net Increase in Cash.....	(243)	369
Cash at Beginning of Period.....	1,203	834
Cash at End of Period.....	\$ 960	\$ 1,203
Supplemental Cash Flow Information		
Cash paid for interest.....	\$ --	\$ --

Supplemental Schedule of Noncash Investing and Financing Activities

During 2000, \$168,000 of accrued rent payable to two officers was settled by a corresponding reduction in notes receivable from the officers. The remaining notes and accrued interest, in the amount of \$1,994,123 and \$880,764, respectively, were transferred to an unrelated trust in exchange for the assumption of any payroll taxes that may result from taxable compensation to the shareholders owing the notes.

During 2000, the common stock of Income Builders was transferred to Tambora Financial Corporation. The net liabilities of Income Builders of \$143,496 were assumed by Tambora in exchange for a \$500,000 reduction in the payable to Tambora and in exchange for 4,899,533 shares of Tambora common stock.

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

AMERICAN FINANCIAL HOLDING, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations -- American Financial Holding, Inc. (the "Company") is a Delaware corporation that had operations, through its wholly-owned subsidiary, Income Builders, Inc., in marketing life insurance and annuity products until September 23, 1997 when the Company adopted a formal plan to sell Income Builders, Inc. to Tambora Financial Corporation ("Tambora") for \$500,000 and for 4,899,533 shares of Tambora common stock.

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

Basis of Presentation-- The accompanying financial statements include the accounts and transactions of American Financial Holding, Inc. The operations of Income Builders, Inc., a wholly-owned subsidiary until October 24, 2000, were presented as discontinued operations. All significant inter-company accounts and transactions have been eliminated.

Business Condition -- The Company has suffered losses from operations for the years ended December 31, 2000 and 1999, and has a stockholders' deficit of \$845,453 as of December 31, 2000. The Company expects that it will continue to incur operating losses and that its accumulated deficit will increase. During 2000 and 1999, the Company has been dependent solely upon cash provided from the sale of Income Builders and loans from Tambora for funding. All of the foregoing raise substantial doubt about the Company's ability to continue as a going concern. The accompanying 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.

Property and Equipment -- Property and equipment were stated at cost. Depreciation expense for the years ended December 31, 2000 and 1999 was \$211 and \$496, respectively. During 2000, the Company abandoned its fully-depreciated equipment, furniture and equipment.

Basic and Diluted Income (Loss) Per Share-- The computations of income (loss) from continuing operations, discontinued operations and net loss per share are based on the weighted-average number of common shares outstanding during the period.

NOTE 2 - STOCK PURCHASE AGREEMENT

On January 22, 2001, the Company entered into a purchase agreement (the "Purchase Agreement") with three unrelated third parties (the "Purchasers") whereby the Company issued 15,000,000 shares of common stock (pre-split) and issued \$150,000 of promissory notes to the Purchasers for \$300,000 in cash. Under the terms of the Purchase Agreement, the cash proceeds are being held in an escrow account and will be released on the date of closing upon the Company meeting the conditions of the Purchase Agreement, which include:

- o Providing evidence, after the use of the funds received from the escrow, that all liabilities have been paid or compromised.
- o Being current in filing periodic reports with the Securities and Exchange Commission

AMERICAN FINANCIAL HOLDING, INC.
NOTES TO FINANCIAL STATEMENTS

- o The resumption of quotation of the common stock of the Company on the over-the-counter electronic bulletin board maintained by the National Association of Securities Dealers, Inc.
- o Completion of arrangements satisfactory to the Purchasers respecting certain contingent liabilities.
- o Completion of a 21.4-to-1 reverse stock split.
- o Delivery of resignations of the incumbent officers and directors.

The agreement may be terminated by either party if the release of the funds from escrow does not occur on or before March 15, 2001. Under the terms of the Purchase Agreement, the Company is obligated to obtain shareholder approval of the 21.4-to-1 reverse stock split by providing current shareholders an information statement at the Company's cost. The Purchasers have agreed to vote in favor of the reverse stock split. The reverse stock split will result in the 4,279,449 shares of common stock outstanding at December 31, 2000 being consolidated into 199,974 post-split common shares. Upon obtaining shareholder approval of the reverse stock split, the 15,000,000 pre-split shares of common stock issued to the Purchasers will be consolidated into 700,935 post split shares and the \$150,000 promissory notes will be automatically converted into 2,299,065 post-split shares of common stock; thus bringing the total interest in the Company held by the Purchasers to 3,000,000 post-split shares of common stock. Accordingly, the Purchase Agreement will result in a change in control of the Company.

Upon completion of the reverse stock split, the Company has agreed to issue 400,000 post-split shares of common stock to an individual in consideration of his services in introducing the Purchasers to the Company.

In accordance with the terms of the Purchase Agreement, the number of shares of common stock and per share amounts presented in accompanying financial statements have been restated for the effects of the 21.4- to-1 reverse stock split for all periods presented.

Management has approached or will approach the creditors of the Company and intends to offer compromising payments to the creditors from the funds received from the escrow to all of the creditors except for the Triad Financial Systems, Inc. owners, which will receive Tambora common stock in satisfaction of the obligation to them, and except for contingent liabilities that may be due under legal proceedings. The creditors that have been approached have agreed to accept the compromising payments in full satisfaction of the amounts due. Accordingly, management intends to pay or compromise all liabilities of the Company at the date the Purchase Agreement is closed.

NOTE 3 - NOTES RECEIVABLE FROM STOCKHOLDERS

Over several years, the Company has made loans to its officers and certain stockholders (the "notes receivable from stockholders"). 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 bore interest at eight percent and were due on demand. The promissory notes were amended for additional advances and accrued interest through December 31, 1999. Approximately 100,000 shares of common stock of the Company was pledged as partial collateral for all except one of the notes.

The Company leased office space from two officers during 1998 and 1999 which resulted in accrued rent payable to the officers of \$168,000 at December 31, 1999. The liability to the officers was settled in December 2000 by offsetting the accrued rent payable against the notes receivable from the officers.

On December 31, 2000, the Company transferred and assigned the remaining balance of the notes receivable from stockholders and accrued interest of \$1,994,123 and \$880,764, respectively, to an unrelated buyer. The

AMERICAN FINANCIAL HOLDING, INC.
NOTES TO FINANCIAL STATEMENTS

buyer assumed and agreed to pay and discharge any and all liabilities or responsibility for any withholding, payroll or similar taxes or employer burdens that may be due and payable to any federal or state taxing or other authority relating to the assigned notes or any related characterization of the amounts due under the notes as compensation and agreed to indemnify the Company and hold it harmless from any loss, cost or damage incurred by the Company in connection therewith.

Management determined at various dates that the ultimate collectibility of the balance of the notes receivable from stockholders was uncertain. Accordingly, management recorded a bad debt reserve against the notes receivable from stockholders for financial reporting purposes for the amount of the notes except for the portion that would be offset by the accrued rent payable to the two officers. However, the officers and stockholders are obligated under the promissory notes to repay the entire stated principal and related accrued interest of the loans. As a result of management providing the reserve against the notes, the carrying value of the notes for financial reporting purposes was zero on December 31, 2000 when the notes were transferred to the trust. The following summarizes the changes to the principal and accrued interest under the notes receivable from stockholders and the related reserve:

	Principal	Accrued Interest	Bad Debt Reserve
	-----	-----	-----
Balance, December 31, 1998.....	\$ 1,938,927	\$ 555,292	\$ (2,374,219)
Additions (bad debt expense recognized).....	223,196	152,502	(327,698)
	-----	-----	-----
Balance, December 31, 1999.....	2,162,123	707,794	(2,701,917)
Additions (bad debt expense recognized).....	-	172,970	(172,970)
Offset of accrued rent payable.....	(168,000)	-	-
	-----	-----	-----
Balance transfer to third party.....	\$ 1,994,123	\$ 880,764	\$ (2,874,887)
	=====	=====	=====

NOTE 4 - INCOME TAXES

As of December 31, 2000, the Company had a net operating loss carryforward for income tax reporting purposes of approximately \$4,760,000 that may be offset against future taxable income. The net operating losses expire if unused from 2002 through 2020. Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited. No tax benefit has been reported in the financial statements, because the Company believes there is a 50% or greater chance the carry forwards will expire unused. Accordingly, the potential tax benefits of the loss carry forwards are offset by a valuation allowance of the same amount.

NOTE 5 - DISPOSITION OF INCOME BUILDERS, INC.

On September 23, 1997, the Company entered into an agreement with Tambora Financial Corporation, a corporation under common control with American Financial Holding, Inc., to transfer Income Builders to Tambora in exchange for \$500,000 and 4,899,533 shares of Tambora common stock. From 1997 through October 24, 2000, Tambora and one of its officer's paid or advanced \$694,671 to or in behalf of the Company. On October 24, 2000, the Company transferred all issued and outstanding shares of Income Builders, Inc. to Tambora in exchange for a \$500,000 reduction in the payable to Tambora and in exchange for 4,899,533 shares of Tambora common stock.

The remaining balance of the payable to Tambora of \$194,671 is evidenced in part by a promissory note in the amount of \$177,380 which is due on demand. The note has a stated interest rate of 18%. Accrued interest

AMERICAN FINANCIAL HOLDING, INC.
NOTES TO FINANCIAL STATEMENTS

in the amount of \$15,964 was recognized during 1999. As discussed in Note 2, Tambora has agreed to compromise the principal and accrued interest due on the note. Accordingly, no interest was accrued during 2000.

Due to the transfer being with an entity under common control, the net liabilities of Income Builders on October 24, 2000 of \$143,496 plus the \$500,000 reduction in the payable to Tambora were accounted for as capital contributions to the Company.

From September 27, 1997, the Company accounted the investment in Income Builders as discontinued operations. Commission revenue of Income Builders for 2000 through October 24, 2000 and for 1999 was \$2,555,071 and \$3,021,071, respectively. These amounts are not included in the accompanying statements of operations. The net liabilities of Income Builders consisted of the follows:

	October 24, 2000	December 31, 1999
	-----	-----
Cash.....	\$ 32,926	\$ 51,947
Investment in securities available-for-sale.....	10,127	-
Commissions receivable.....	77,527	100,010
Notes receivable from officers, net of reserve of \$1,032,409 and \$1,074,219, respectively.....	103,015	-
Note receivable.....	-	91,000
Furniture and equipment, net.....	2,383	5,195
Intangible pension asset.....	364,505	399,164
Accounts payable and accrued liabilities.....	(177,505)	(179,517)
Payable to officers.....	(317,720)	(340,204)
Accrued pension benefit liability.....	(238,754)	(253,358)
	-----	-----
Net liabilities of discontinued of discontinued operations.....	\$ (143,496)	\$ (125,763)
	=====	=====

NOTE 6 - PLANNED DISTRIBUTION OF TAMBORA COMMON STOCK

The Company has agreed to distribute the Tambora stock received in exchange for Income Builders, upon effectiveness of a Tambora registration statement, as follows:

- o 4,279,449 shares to the Company's stockholders at a rate of 21.4 shares of Tambora for each share of the Company's common stock outstanding except for 3,000,000 common shares issued or to be issued under the Purchase Agreement as further discussed in Note 2. The distribution of these Tambora shares will have no financial statement effect upon the Company.
- o 320,000 shares to satisfy the Company's anti-dilution obligation to East Bay Trust. The distribution of these Tambora shares will have no financial statement effect upon the Company.
- o 300,084 shares to former investors in Triad Financial Corporation, a former subsidiary of Company, in satisfaction of their right to convert Triad preferred stock into the Company's common stock. The distribution of these Tambora shares will be accounted for as the conversion of the following liabilities into additional paid-in capital: \$240,014 payable to Triad Financial Systems, Inc. owners and \$123,962 interest payable to Triad Financial Systems, Inc. owners.

AMERICAN FINANCIAL HOLDING, INC.
NOTES TO FINANCIAL STATEMENTS

The investment in Tambora is temporary and is accounted for at the cost of Income Builders increased by the liabilities transferred to additional paid-in capital, which resulted in the investment in Tambora being zero.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

SEC Enforcement -- 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 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 public accountants and the reasons therefore. In addition, the Company was requested to provide certain information respecting its previous sales of securities. The Company cooperated in providing information in response to these inquiries in early 1997. The Company has not been advised of the outcome of the foregoing.

Legal Proceedings -- On December 20, 1999, Robert M. Bridge filed suit against the Company in the Third District Court in Salt Lake County, Utah, styled Bridge v. American Financial Holding, Inc., Triad Financial Systems, Inc., Raymond L. Punta and Kenton L. Stanger (Civil No. 990912544). Mr. Bridge's complaint alleges that he is entitled to the return of a \$100,000 investment made in 1993, in which he purchased the Company's stock in anticipation of the acquisition of an insurance company. The complaint alleges claims for breach of contract, fraud and misrepresentation, and claims for a "guarantee" against Messrs. Punta and Stanger. The Company has answered the complaint, denying its material allegations and raising several affirmative defenses, including the applicable statutes of limitation. The Company intends to vigorously defend this matter, asserting, among other defenses, that at times the plaintiff could have sold his stock at a multiple of his purchase price. Discovery has commenced but is in its early stages. No trial date has been set.

NOTE 8 - SUBSEQUENT EVENTS

As discussed in Note 2, the Company has entered into an agreement in January 2001 to issue a controlling interest in the Company's common stock and a note payable for \$300,000.

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is entered into effective the 22nd day of January, 2001, by and among AMERICAN FINANCIAL HOLDING, INC., a Delaware corporation (the "Company"), and the persons, whether natural persons or legal entities, named as purchasers on the signature page hereof (each a "Purchaser" and together the "Purchasers").

AGREEMENT:

FOR AND IN CONSIDERATION of the mutual promises and covenants contained in this Agreement, it is hereby agreed as follows:

Article I

Purchase and Sale of Securities

1.1 Sale and Purchase. Subject to the terms and conditions of this Agreement, the Company agrees to sell and issue to the several Purchasers, and the several Purchasers agree to pay for and purchase from the Company:

(a) an aggregate of 15,000,000 shares (the "Shares") of common stock at a price of \$0.01 per share (the "Purchase Price"), or an aggregate of \$150,000, as the number of Shares and Purchase Price for each Purchaser are set forth opposite the name of the each Purchaser on the signature page hereof (to be consolidated into 700,935 post reverse-split shares); and

(b) an aggregate of \$150,000 in principal amount of promissory notes convertible into an aggregate of 49,200,000 shares of common stock, subject to the recapitalization of the Company by effecting a 21.4-to-1 reverse split of the issued and outstanding shares accompanied by a change in the authorized capitalization of the Company so the conversion of the note will not result in the issuance of common stock by the Company below par value (to be consolidated into 2,299,065 post reverse-split shares). The form of the convertible note (the "Note") is attached hereto as Exhibit A and incorporated herein by reference.

Together, the 15,000,000 and 49,200,000 aggregate shares, or a total of 64,200,000 shares, will be consolidated into 3,000,000 shares of common stock after giving effect to the required 21.4-to-one reverse stock split. The Shares and the Notes are sometimes together referred to as the "Securities." The foregoing transactions are reflected in the following table:

Person or Group	Before Reverse Split	After 21.4-to-One Reverse Split
Present stockholders.....	4,279,449	200,000*
Purchasers		
Common stock.....	15,000,000	700,935
Note conversion common stock equivalents	--	2,299,065
Dennis Madsen.....	--	400,000
	-----	-----
	19,279,449	3,600,000*
	=====	=====

* Rounded

1.2 Deliveries at Execution. Contemporaneous with the execution and delivery of this Agreement:

(a) the Purchasers shall deposit in the client trust account of Kruse, Landa & Maycock (the "Custodian") the sum of \$300,000 to be held on the account of the Company and for the benefit of the payees named in the schedule attached as Exhibit B and incorporated herein by reference; and

(b) the Company shall deposit in the client trust account of the Custodian certificates for the fully paid and nonassessable Shares and the originals of the Notes, issued in the names of the respective Purchasers, to be held for the benefit of the Purchasers;

all to be released and delivered to the parties to this Agreement as hereinafter provided on the Release Date, as defined below.

Pending the Release, the Custodian shall deposit the \$300,000 in an interest-bearing account, with the interest to be disbursed to the recipient of the funds when they are delivered on Release in accordance with this Agreement.

1.3 Conditions Precedent to Release. The delivery of the \$300,000 cash to the payees named on Exhibit B on behalf of the Company and the delivery of the Securities to the Purchasers are conditioned on the satisfaction, on or prior to the Release, of the following:

(a) the deposit of the shares of Tambora Financial Corporation in accordance with the provisions of section 3.1;

(b) the payment or compromise of liabilities in accordance

with the provisions of section 3.2;

(c) the filing by the Company with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act") of:

(i) the annual report on Form 10-KSB for the fiscal year ended December 31, 1999,

(ii) quarterly reports on Form 10-QSB for the quarters ended March 31, June 30, and September 30, 2000, and

(iii) the annual report on Form 10-KSB for the fiscal year ended December 31, 2000,

all in accordance with the provisions of section 3.3, which together shall include a description of all material events and management since the last Form 10-KSB filing for the year ended December 31, 1996;

(d) the resumption of quotations of the common stock of the Company on the over-the-counter electronic bulletin board maintained by the National Association of Securities Dealers, Inc. ("NASD") in accordance with the provisions of section 3.4;

(e) the completion of arrangements reasonably satisfactory to Purchasers respecting that certain lawsuit in the Third District Court in Salt Lake County, Utah, styled Bridge v. American Financial Holding, Inc., Triad Financial Systems, Inc., Raymond L. Punta, and Kenton L. Stanger (Civil No. 990912544), in accordance with the provisions of section 3.5;

(f) the effectiveness of the Company's 21.4-to-1 reverse split of the issued and outstanding shares accompanied by a change in the authorized capitalization of the Company in accordance with the provisions of section 3.6, which results in 3,600,000 (rounded) shares issued and outstanding after giving effect to the conversion of the Notes; and

(g) the delivery of resignations of the incumbent officers and directors of the Company in accordance with the provisions of section 3.7.

1.4 Termination. This Agreement may be terminated on five days' written notice from either the majority of the Purchasers or the Company if the Release does not occur on or before March 15, 2001. Upon such termination, the Custodian shall return to the Purchasers the \$300,000 deposited, plus accrued interest, and shall return to the Company the Shares and the Notes. If this Agreement is terminated, no party shall have any right, remedy, claim for relief, or cause of action against any other party in connection herewith, and each shall pay its own legal and other costs incurred in negotiating, executing, and performing its obligations hereunder.

Article II The Release

2.1 The Release. The release and deliveries from the custody of the Custodian of the Securities and the consideration therefor contemplated by this Agreement shall be consummated (the "Release") at a mutually convenient time and date (the "Release Date") and place promptly following the satisfaction by the Company of all conditions required to be satisfied prior to Release, or if not closed earlier, at the offices of Kruse, Landa & Maycock, 50 West Broadway, Eighth Floor, Salt Lake City, Utah, at 10:00 a.m., local time, on March 15, 2001.

2.2 Payments at Release. At the Release, the Custodian shall deliver to the payees identified on Exhibit B in the amounts and priority set forth therein for the account of the Company the full amount of the Purchase Price for the Shares and the principal amount of the Notes, plus accrued interest.

2.3 Delivery of Certificates for Shares and Notes. At the Release and subject to receipt of payment therefor, the Custodian shall deliver to each of the Purchasers certificates evidencing the Shares purchased, together with an originally executed Note.

2.4 Issuance Expenses. The Company shall pay for all costs and expenses of issuing and delivering the certificates for the Shares, including all transfer taxes, if any, respecting the issuance and delivery of the Shares to the Purchaser.

Article III Additional Covenants

3.1 Distribution of Tambora Stock. The Company currently holds 4,899,533 shares of common stock (the "Tambora Stock") of Tambora Financial Corporation ("Tambora"), which the Company received in consideration of the transfer to Tambora of all of the issued and outstanding common stock of Income Builders, Inc. Such Tambora Stock is to be distributed as follows:

(a) 4,279,449 shares received from Tambora for distribution to the Company's existing stockholders, as of a record date selected by the board of directors and excluding the Shares, together with all considerations received on the sale of the officer and director notes in accordance with section 3.4, pro rata in proportion to the number of shares of stock of the Company held by each, as of a record date

immediately preceding the Release, as determined by the board of directors;

(b) 320,000 shares to East Bay Trust to satisfy the Company's antidilution obligation to East Bay Trust in connection with funding provided by it prior to December 31, 1997; and

(c) 300,084 shares to the previous investors in Triad Financial Corporation in order for the Company to offer shares in Tambora to certain unaffiliated persons who had purchased 300,084 shares of preferred stock of Triad Financial Corporation, a previous subsidiary of the Company, in satisfaction of their right to convert Triad Financial Corporation preferred stock into the Company's common stock.

In order to effectuate the foregoing transfers, at the Release, the Tambora Stock shall be deposited with a custodian designated by the Company to hold such securities in trust for the benefit of the transferees referred to above until Tambora has completed, at its expense, a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), covering such transactions, at which time the distributions as outlined above shall be effectuated. Neither the Shares nor the shares issuable on conversion of the Notes shall be entitled to participate in the foregoing distribution of shares of Tambora Stock to the Company's stockholders, East Bay Trust, and Triad Financial Corporation stockholders. Prior to the Release Date and pending their distribution, such Tambora shares shall be placed into a voting trust to be voted by the board of directors of Tambora or its designee until such shares are distributed as provided above or until ten years after creation of the trust, whichever occurs first.

3.2 Payment or Compromise of Liabilities of the Company. The Company currently owes certain amounts as reflected in its financial statements as of September 30, 2000, and the schedule dated as of December 31, 2000, attached as Exhibit B hereto and incorporated herein by reference. At the Release, the \$300,000 proceeds from the sale of the Shares and the issuance of the Notes shall be disbursed from the trust account of the attorney for Purchasers in the amounts set forth opposite the names of the respective creditors as set forth on said exhibit, to be applied to the amounts due by the Company to each such creditor against receipt by such counsel of an acknowledgment that such payment constitutes payment in full of the amount due such creditor and releasing the Company from any further liability to such creditor. At the Release, the Company shall deliver or cause to be delivered evidence reasonably satisfactory to the Purchasers that the Company has paid or made arrangements for payment or compromise and settlement of all of such liabilities.

At the Release, the Company shall provide the Purchasers with a certification of the directors of the Company that the Company has no liabilities, together with such other documents as they may reasonably request to the effect respecting the elimination of any and all other liabilities of the Company not paid as set forth above.

The effect of the foregoing is illustrated in the pro forma financial statements of the Company provided to Purchasers and attached hereto as Exhibit C in accordance with the provisions of section 4.6(c).

3.3 Filing of SEC Reports. The Company shall promptly file with the SEC the Company's annual report on Form 10-KSB for the fiscal year ended December 31, 1999, and quarterly reports on Form 10-QSB for the quarters ended March 31, June 30, and September 30, 2000, under the Exchange Act. Further, the Company will file prior to the Release its annual report on Form 10-KSB for the fiscal year ended December 31, 2000.

3.4 OTC EBB Quotation of Company Common Stock. The Company will take such steps as reasonably may be required, promptly following the filing of all reports required to be filed by it under the Exchange Act, to have its common stock quoted on the over-the-counter electronic bulletin board maintained by the NASD.

3.5 Certain Pending Contingencies. The Company shall enter into separate confidential arrangements reasonably acceptable to the Purchasers relating to that certain lawsuit in the Third District Court in Salt Lake County, Utah, styled Bridge v. American Financial Holding, Inc., Triad Financial Systems, Inc., Raymond L. Punta, and Kenton L. Stanger (Civil No. 990912544).

3.6. Company Recapitalization. The Company shall effect a 21.4-to-1 reverse split of the issued and outstanding shares accompanied by an increase in the authorized capitalization of the Company to 50,000,000 shares of common stock and an authorization of 5,000,000 shares of "blank check" preferred stock in accordance with the provisions of the Delaware General Corporation Law, the Company's certificate of incorporation and bylaws, and Schedule 14C of the Exchange Act. Upon the effectiveness of such recapitalization, the Notes will be converted into an aggregate of 2,299,065 reverse-split shares.

3.7 Reorganization of the Board. At the election of the Purchasers, at the Release, the board of directors of the Company shall be reorganized to consist of Mike Avignon, Mike Macaluso, and Frank Delape, or other designees of the Purchasers. In order to effectuate such reorganization, the Company shall either (a) cause its current directors to tender their resignations as directors, effective upon acceptance by the board of directors, so the other directors can accept each such resignation and appoint a designee of the Purchasers to fill the resulting vacancy in a series, so that the entire board of directors can be changed without the necessity of holding a stockholder meeting, or (b) elect new directors by majority written consent of the stockholders. The Purchasers shall be responsible for preparing and filing such reports and notices of the foregoing as may be required under the Exchange Act.

3.8 Voting of Shares. The Purchasers shall vote their shares or consent in writing in lieu thereof in support of the recapitalization of the Company contemplated by section 3.6 and the reorganization of the board as contemplated by section 3.7. No action shall be taken by the board of directors or the stockholders prior to the Release except as provided in this Agreement or to effect the transactions contemplated hereby.

Article IV Representations of the Company

The Company hereby represents and warrants to the Purchasers as follows, as of the date of the Company's execution of this Agreement and at and as of the Release Date:

4.1 Organization and Qualification. The Company is a corporation duly organized, validly existing, and in good standing under the laws of the state of Delaware. The Company is duly qualified or otherwise authorized to transact business as a foreign corporation and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on the operations or financial condition of the Company. The Company has no subsidiaries.

4.2 Capitalization. The Company is authorized to issue 20,000,000 shares of common stock, \$0.01 par value per share, of which 4,279,449 shares are issued and outstanding. The Company has no outstanding options, warrants, or other rights to acquire common stock as of the date of this Agreement. All of the issued and outstanding shares of capital stock of the Company have been duly

authorized and validly issued and are fully paid and nonassessable and not issued in violation of the preemptive right of any person. The Company is not authorized to issue preferred stock.

4.3 Authority for Agreement. Except for the action to be completed in accordance with section 3.6, the execution, delivery, and performance of this Agreement by the Company have been duly authorized by the board of directors and all other necessary corporate action. This Agreement has been duly executed and delivered by the Company. This Agreement constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, and similar laws affecting the rights and remedies of creditors generally and to general principles of equity.

4.4 Issuance and Sale of Shares. Except for the action to be completed in accordance with section 3.6, the issuance and sale of the Shares by the Company have been duly authorized and the Shares have been duly reserved for issuance by all necessary corporate action on the part of the Company, and the Shares, when issued and delivered against payment therefor in accordance with the terms of this Agreement, will be duly and validly issued, fully paid and nonassessable and not issued in violation of the preemptive right of any person. Based in part on the representations made by or on behalf of the Purchasers in Article V hereof, the offer, issuance, and sale of the Shares pursuant to this Agreement are exempt from registration under the Securities Act and applicable state securities laws.

4.5 No Breach. Except for the action to be completed in accordance with section 3.6, neither the execution, delivery nor performance of this Agreement by the Company will (a) conflict with or violate any provision of the articles of incorporation or bylaws of the Company as in effect as of the date hereof, (b) require on the part of the Company any filing with, or permit, authorization, consent or approval of, any governmental entity, (c) result in breach of, constitute a default under, or require any notice, consent, or waiver under any contract, agreement, or other instrument to which the Company is a party or by which it is bound (other than any consent or waiver that has already been obtained), or (d) violate any order, writ, injunction, decree, statute, rule, or regulation applicable to the Company, excluding from all of the foregoing such matters as would not in the aggregate have a material adverse effect on the assets, business, or financial condition of the Company or upon the transactions contemplated hereby.

4.6 Reports and Financial Statements.

(a) As of the Release Date, the Company shall have filed and furnished to the Purchasers complete and accurate copies, as amended or supplemented, of all delinquent filings, including its (i) annual report on Form 10-KSB for the fiscal year ended December 31, 1999, as filed with the SEC, (ii) quarterly reports on Form 10-QSB for the quarters ended March 31, June 30, and September 30, 2000; and (iii) all other reports filed by the Company with the SEC under the Exchange Act since December 31, 1999, which together shall include a description of all material events and management since the last Form 10-KSB filing for the year ended December 31, 1996 (such reports are collectively referred to herein as the "Company Reports"). The Company Reports constitute all of the documents required to be filed by the Company under Sections 13, 14, or 15(d) of the Exchange Act with the SEC since December 31, 1999. As a condition precedent to the Release, the Company will file its annual report on Form 10-KSB for the year ended December 31, 2000.

(b) The consolidated financial statements of the Company included in the Company Reports (i) comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, (ii) have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods covered thereby

(except as may be indicated therein or in the notes thereto), (iii) fairly present the consolidated financial condition, results of operations, and cash flows of the Company as of the respective dates thereof and for the periods referred to therein, and (iv) are consistent with the books and records of the Company.

(c) Attached as Exhibit C and incorporated herein by reference are the Company's pro forma balance sheets as of September 30, 2000, and the related pro forma statements of operations for the nine months ended September 30, 2000, and the year ended December 31, 1999.

4.7 No Actions and Proceedings. Except for the contingency identified in section 1.3, there are no actions, suits or claims, legal or arbitral proceedings, governmental inquiries or investigations pending or, to the Company's knowledge, threatened against the Company, that question the validity of this Agreement or the right of the Company to enter into it, or which might result, either individually or in the aggregate, in any material adverse change in the business, prospects, assets, or condition, financial or otherwise, of the Company.

4.8 No Material Adverse Change. Since September 30, 2000, and as provided in or contemplated by this Agreement, there has not been any material adverse change in the assets, business, financial condition, or results of operations of the Company.

4.9 Accuracy of Information. The information contained in the Company Reports, as of their respective dates, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

4.10 Taxes and Tax Returns.

(a) The Company has not filed its federal or state income tax returns for 1997, 1998, 1999, or 2000, but as of the Release Date, will have duly filed (and until the Release Date will so file) all returns, declarations, reports, information returns and statements ("Returns") required to be filed by it in respect of any other government's, national, regional, state and local taxes (including property taxes, withholding taxes, penalties or other payments required) (the "Taxes") and has and as of the Release Date will have duly paid (and until the Release Date will so pay) all such Taxes due and payable, other than Taxes or other charges that are being contested in good faith. The Company has established (and until the Release Date will establish) on its books and records reserves that it reasonably believes are adequate for the payment of all Taxes not yet due and payable, but are anticipated to be incurred in respect of the Company through the Release Date. None of the applicable tax returns of the Company have been examined by the applicable authorities (or are closed to examination due to the expiration of the statute of limitations) and no deficiencies were asserted as a result of such examinations that have not been resolved and paid in full. To the knowledge of the Company, there are no audits or other administrative or court proceedings presently pending, or claims asserted, for Taxes or assessments upon the Company, nor has the Company given any currently outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or tax Returns. No Taxes will accrue or occur as a result of the Purchase and the other transactions contemplated in this Agreement.

(b) The Company (i) has not requested any extension of time within which to file any tax Return which Return has not since been filed, and (ii) is not a party to any agreement providing for the allocation or sharing of Taxes.

4.11 Employee Benefit Plans.

(a) The Company does not maintain or contribute to any stock option plan, stock purchase plan, deferred compensation plan, severance plan, bonus plan, employment agreement or other similar plan, program or arrangement.

(b) The Company does not maintain or otherwise pay for life insurance policies (other than group term life policies on employees) with respect to any director, officer or employee.

(c) The Company does not maintain any retirement plan or retiree medical plan or arrangement for directors. The Company's Disclosure Schedule sets forth the complete documentation and actuarial evaluation of any such plan.

4.12 Compliance with Applicable Law. The Company holds all material licenses, franchises, permits, and authorizations necessary for the lawful conduct of its business, and has complied with and is not in default in any respect under any, applicable law, statute, order, rule, regulation, policy, and/or guideline of any national, state, or local governmental authority relating to the Company (other than where such defaults or noncompliance will not, alone or in the aggregate, result in a material adverse effect on the business, operations, assets, or financial condition of the Company), and the Company has not received notice of violation of, nor does it know of any violations (other than violations which will not, alone or in the aggregate, result in a material adverse effect on the business, operations, assets or financial condition of the Company) of, any of the above.

4.13 Certain Contracts.

(a) Except as set forth in this Agreement, the Company is not a party to or bound by any contract or understanding (whether written or, to its knowledge, oral) with respect to the employment or termination of any present or former officers, employees, directors or consultants.

(b) As of the date of this Agreement, (i) the Company is not a party to or bound by any commitment, agreement, or other instrument (excluding commitments and agreements in connection with extensions of credit by the Company) that contemplates the payment of amounts in excess of \$10,000, or that otherwise is material to the operations, assets, or financial condition of the Company, including but not limited to any royalty, franchising fees, or any other fee based on a percentage of revenues or income, and (ii) no commitment, agreement, or other instrument to which the Company is a party or by which it is bound limits the freedom of the Company to compete in any line of business or with any person.

(c) As of the date of this Agreement, the Company is not in default in any material respect under any material lease, contract, mortgage, promissory note, deed of trust, loan agreement, license agreement, or other commitment or arrangement, except for the obligations listed on Exhibit B.

(d) As of the date of this Agreement, to the knowledge of the Company, any other party thereto is not in default in any material respect under any material lease, contract, mortgage, promissory note, deed of trust, loan agreement, license agreement, or other commitment or arrangement that is material to the Company.

4.14 Minute Books. The minute books of the Company contain and will contain on the Release Date records that, in all material respects, accurately record all meetings and other corporate action of its shareholders and board of directors (including committees of its board of directors).

4.15 Environmental Matters:

(a) The Company has not received any written notice, citation, claim, assessment, proposed assessment, or demand for abatement alleging that the Company is responsible for the correction or cleanup of any condition resulting from the violation of any law, ordinance, or other governmental regulation regarding environmental matters, which correction or cleanup would be material to the business, operations, assets, or financial condition of the Company. The Company has no knowledge that any toxic or hazardous substances or materials have been emitted, generated, disposed of, or stored on any real property owned or leased by the Company, or owned or controlled by the Company as a trustee or fiduciary (collectively "Properties"), in any manner that violates or, after the lapse of time may violate, any presently existing Malaysian, national, state, or local law or regulation governing or pertaining to such substances and materials, the violation of which would have a material adverse effect on the business, operations, assets, or financial condition of the Company.

(b) The Company has no knowledge that any of the Properties has been operated in any manner in the ten years prior to the date of this Agreement that violated any applicable national, state, or local law or regulation governing or pertaining to toxic or hazardous substances and materials, the violation of which would have a material adverse effect on the business, operations, assets, or financial condition of the Company.

4.16 Reserves. To the knowledge of the Company, the allowance for possible losses in the September 30, 2000 Company financial statements was adequate at the time based upon past loss experiences and potential losses at the time to cover all known or reasonably anticipated losses.

4.17 Labor Disputes. The Company is not directly or indirectly involved in or threatened with any labor dispute or trouble or organizational effort, including, without limitation, matters regarding actual or alleged discrimination by reason of race, creed, sex, disability or national origin, that might materially and adversely affect the financial condition, assets, businesses, or results of operations of the Company, taken as a whole.

4.18 Absence of Liabilities. As of the Release Date, the Company will not have any liabilities, absolute or contingent, of any kind or nature, except for the contingency for which separate arrangements have been made in accordance with the provisions of section 3.5.

Article V
Representations of Each Purchaser

Each Purchaser, separately and not jointly or severally with any other Purchaser, represents and warrants to the Company as follows as of the date of the Purchaser's execution of this Agreement and at and as of the Release Date:

5.1 Investment. The Purchaser (a) is acquiring the Shares solely for its own account for investment purposes and not with a view to, or for sale in connection with, any distribution thereof, and not with any present intention of distributing the same, (b) has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness, or commitment providing for the disposition thereof, and (c) is fully aware that in agreeing to sell the

Shares and entering into this Agreement, the Company is relying upon the truth and accuracy of the representations and warranties contained herein.

5.2 Authority for Agreement. The Purchaser has full power and authority to execute, deliver, and perform its obligations under this Agreement in accordance with its terms. The Purchaser has not been organized, reorganized, or recapitalized specifically for the purpose of investing in the Company. This Agreement has been duly executed and delivered by the Purchaser and constitutes a valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms.

5.3 Information. The Purchaser, or its Purchaser representative or other duly constituted representative, (a) has reviewed the information and representations of the Company contained in or incorporated by reference into this Agreement and the Company Reports, and (b) has had the opportunity to make inquiry concerning the Company and its business and personnel. The officers of the Company have made available to each such person any and all written information that it has requested and have answered to each such person's satisfaction all inquiries made. The undersigned understands that an investment in the Company involves a degree of risk, as set forth in the information provided by the Company.

5.4 Accredited Investor. The Purchaser is an "accredited investor," as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act. The Purchaser, either alone or with its Purchaser representative or other duly constituted representative, has sufficient knowledge and experience in investing in companies similar to the Company, so as to be able to evaluate the risks and merits of its investment in the Company and is able financially to bear the risks thereof, including a complete loss of its entire investment.

5.5 Restrictions on Transfer. The Purchaser understands that the Shares have not been registered, but are being acquired by reason of a specific exemption under the Securities Act as well as under certain state statutes for transactions by an issuer not involving any public offering, and that any disposition of the Shares may, under certain circumstances, be inconsistent with this exemption and may make the undersigned an "underwriter" within the meaning of the Securities Act. The Purchaser acknowledges that the Shares must be held and may not be sold, transferred, or otherwise disposed of for value unless subsequently registered under the Securities Act or an exemption from such registration is available.

5.6 Brokerage. Except for Dennis Madsen, no broker, finder, agent, or similar intermediary has acted on behalf of the Purchasers in connection with the Agreement or the transactions contemplated hereby, and there are no brokerage commissions, finder's fees, or similar fees or commissions payable in connection therewith based on any agreement, arrangement, or understanding with the Purchasers. Within five days after the completion of the 21.4-to-one reverse stock split as contemplated by this Agreement, the Company shall issue to Dennis Madsen for the Dennis Madsen promotional group 400,000 post reverse-split shares of restricted common stock (equivalent to 8,560,000 shares before giving effect to such reverse split) in consideration of his services in introducing the Purchasers to the Company, subject to his delivery of written representations to the effect that he is acquiring such securities for investment, that there is a reasonable basis for issuing such shares in reliance on exemptions from registration under the Securities Act, and that he is a finder not required to be registered as a securities broker-dealer in connection with this transaction. At the Release, the Company shall execute and deliver such written evidence as Dennis Madsen may reasonably request to evidence the obligation contained in this section.

Article VI
Additional Covenants of the Company

The Company agrees with each Purchaser as follows:

6.1 Information to Be Furnished. So long as the Purchaser holds at least 50% of the total Shares issued to such Purchaser under this Agreement, the Company shall deliver to the Purchaser with reasonable promptness, such notices, information, and data with respect to the Company as the Company files with the SEC or delivers to all holders of its common stock, and such other information and data as the Purchaser may from time to time reasonably request.

6.2 Reservation of Shares. The Company shall reserve and maintain a sufficient number of shares of common stock for issuance upon conversion of the Notes.

6.3 Possible Additional Company Reports. In consideration of the cash payment being made to Tambora in accordance with this Agreement, if, at any time after the Release, any governmental authority requires the Company to respond to staff inquiries, comments, requirements, or questions, or to file additional periodic reports under Sections 13, 14, or 15(d) of the Exchange Act, including any reports for any period prior to the date of this Agreement, Tambora shall pay the costs of the Company's accountants, attorneys, and other advisors in completing such reports. Contemporaneous with the execution of this Agreement, (a) Tambora shall deliver its indemnification undertaking, and (b) each of the officers of the Company shall deliver his personal undertaking to participate, assist, and cooperate in such efforts without compensation.

6.4 Distribution of Tambora Stock. In consideration of the cash payment to Tambora in accordance with this Agreement, Tambora covenants and agrees to file and pursue with diligence and dispatch a registration statement under the Securities Act covering the distribution of Tambora Stock to the Company's stockholders as referred to in section 3.1. Tambora shall complete such registration at its own cost and expense and shall indemnify the Company and hold it harmless from any claims or assertions of claims, including costs of defense that may arise out of such distribution.

Article VII
Indemnification by the Purchaser

Each Purchaser hereby agrees to indemnify and hold harmless the Company and each of its directors, officers, and controlling persons, from and against any and all liability, damage, cost, or expense, including reasonable attorney's fees incurred, on account or arising out of:

(a) any inaccuracy in its, his, or her declarations, representations, and warranties set forth herein or made by the undersigned to the Company in connection with Purchaser's subscription;

(b) the disposition of any Shares contrary to Purchaser's declarations, representations, and warranties set forth herein; and

(c) any action, suit, or proceeding based on (i) the claim that said declarations, representations, or warranties made by the Purchaser were inaccurate or misleading or otherwise cause for obtaining damages or redress from the Company, (ii) the disposition of any of the Shares or any part thereof, or (iii) the breach by the Purchaser of any part of this Agreement.

Article VIII
Miscellaneous

8.1 No Assignment. This Agreement and the rights and obligations of the Purchaser may not be assigned, in whole or in part, by the Purchaser to any person or entity without the prior written consent of the Company, which such consent may be granted or withheld by the Company in its sole discretion.

8.2 Costs. The Company and the Purchaser shall each pay all of its own costs and expenses incurred or to be incurred by each in negotiating and preparing this Agreement and in Release and carrying out the transactions contemplated by this Agreement, except as expressly otherwise provided herein.

8.3 Confidentiality. The Purchaser shall keep confidential and will not disclose or divulge any confidential, proprietary, or secret information that such Purchaser may obtain from the Company pursuant to financial statements, reports, and other materials submitted by the Company to such Purchaser pursuant to this Agreement, or pursuant to visitation or inspection courtesies extended to such Purchaser, unless such information is known, or until such information becomes known, to the public; provided, however, that the Purchaser may disclose such information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with its investment in the Company, (ii) to any permitted prospective purchaser of any Shares from a Purchaser, as long as such prospective purchaser agrees in writing to be bound by the provisions of this section, or (iii) to any affiliate of a Purchaser; subject to the agreement of such party to keep such information confidential as set forth herein.

8.4 Notice. All notices, demands, requests, or other communications required or authorized hereunder shall be in writing and shall be deemed to have been given on the date of service if personally served or by facsimile transmission (if receipt is confirmed by the facsimile operator of the recipient), or on the following day if delivered by overnight courier service, or on the fifth day after mailing if mailed by certified mail, return receipt requested, addressed as follows:

If to the Company, to: American Financial Holding, Inc.
914 Rio Virgin Drive
St. George, Utah 84790
Telephone: (435) 674-1181
Facsimile: (435) 674-1183
Electronic Mail: k-g-s@infowest.com

With a courtesy copy to: James R. Kruse
Kruse, Landa & Maycock, L.L.C.
50 West 300 South, Suite 800
P. O. Box 45561
Salt Lake City, Utah 84145-0561
Telephone: (801) 531-7090
Facsimile: (801) 531-7091
Electronic Mail: jkruse@klmlaw.com

Douglas D. Hawkes
Hansen, Barnett & Maxwell
345 E 300 S, Suite 200
Salt Lake City UT 84111
Telephone: 532-2200
Facsimile: 532-7944
Electronic Mail: dhawkes@hbmcpas.com

If to Purchasers, in care of: Frank M. Delape
Benchmark Equity Group, Inc.
700 Gemini, Suite 100
Houston, Texas 77058
Telephone: (281) 488-3883
Facsimile: (281) 488-5353
Electronic Mail: frank@bmeg.com

With a courtesy copy to: Dennis G. Madsen
476 East South Temple, Suite 205
Salt Lake City, Utah 84111
Telephone: (801) 944-4452
Facsimile: (801) 944-4467
Electronic Mail: dgmadsen@utahwwn.net

or such other addresses and facsimile numbers as shall be furnished in writing by any party in the manner for giving notices hereunder, and any such notice, demand, request, or other communication shall be deemed to have been given as of the date so delivered or sent by facsimile transmission (if receipt is confirmed by the facsimile operator of the recipient), five days after the date so mailed, or one day after the date so sent by overnight delivery.

8.5 Attorneys' Fees. In the event that any party institutes any action or suit to enforce this Agreement or to secure relief from any default hereunder or breach hereof, the breaching party shall reimburse the nonbreaching party for all costs, including reasonable attorneys' fees, incurred in connection therewith and in enforcing or collecting any judgment rendered therein, including such costs that are incurred in any bankruptcy or appellate proceeding.

8.6 Survival. The representations, warranties, and covenants of the respective parties shall survive the Release.

8.7 Form of Execution; Counterparts. A valid and binding signature hereto or any notice or demand hereunder may be in the form of a manual execution or a true copy made by photographic, xerographic, or other electronic process that provides similar copy accuracy of a document that has been executed. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall be but a single instrument.

8.8 Construction. This Agreement is the result of negotiation between the parties hereto, each of which has been or has had the opportunity to be represented by independent legal counsel of such party's own selection. Accordingly, no provision of this Agreement or any agreement, certificate, or other writing delivered in accordance with this Agreement shall be constructed against any party merely because of such party's involvement in its preparation.

8.9 Amendment or Waiver. Every right and remedy provided herein shall be cumulative with every other right and remedy, whether conferred herein, at law, or in equity, and may be enforced concurrently herewith, and no waiver by any party of the performance of any obligation by the other shall be construed as a waiver of the same or any other default then, theretofore, or thereafter occurring or existing. At any time prior to the Release date, this Agreement may be amended by a writing signed by all parties hereto, with respect to any of the terms contained herein, and any term or condition of this Agreement may be

waived or the time for performance thereof may be extended by a writing signed by the party or parties for whose benefit the provision is intended.

8.10 Validity of Provisions and Severability. If any provision of this Agreement is, becomes, or is deemed invalid, illegal, or unenforceable in any jurisdiction, such provision shall be deemed amended to conform to the applicable jurisdiction, or if it cannot be so amended without materially altering the intention of the parties, it will be stricken. However, the validity, legality, and enforceability of any such provisions shall not in any way be affected or impaired thereby in any other jurisdiction and the remainder of this Agreement shall remain in full force and effect.

8.11 Facsimile Signatures. This Agreement and any document executed and delivered in connection with the consummation of the transaction contemplated hereby shall be deemed to have been signed if it is manually executed and a true copy thereof is delivered by facsimile or other electronic process that provides similar copy accuracy of a document that has been executed.

8.12 Entire Agreement; Modification. This Agreement constitutes the entire agreement and understanding between the parties pertaining to the subject matter of this Agreement. This Agreement supersedes all prior agreements, if any, any understandings, negotiations, courses of dealing, and discussions, whether oral or written, between the parties hereto, including any subsidiary of the Company. No supplement, modification, waiver, or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby.

8.13 Governing Law. This Agreement shall be governed by, enforced, and construed under and in accordance with the laws of the United States of America and, with respect to matters of state law, with the laws of the state of Delaware.

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

AMERICAN FINANCIAL HOLDING, INC.

By: /s/ Raymond L. Punta

Raymond L. Punta, Vice-President

Purchasers	Number of Shares	Note Principal	Amount Due
/s/ Alyda Berryman Macaluso Alyda Macaluso	5,000,000	\$50,000	\$100,000
/s/ Laura Avignon Laura Avignon	5,000,000	\$50,000	\$100,000
Lighthouse Capital Insurance Co. By /s/ Michael Day Duly authorized officer For MeesPierson Management (Cayman) Limited	5,000,000	\$50,000	\$100,000

Exhibit A

Convertible Promissory Note

These securities have not been registered with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), and are being offered in reliance on exemptions from registration provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder and preemption from the registration or qualification requirements (other than notice filing and fee provisions) of applicable state laws under the National Securities Markets Improvement Act of 1996.

CONVERTIBLE NOTE

OF

AMERICAN FINANCIAL HOLDING, INC.

\$50,000

January __, 2001

American Financial Holding, Inc., a Delaware corporation (the "Company"), for value received, hereby promises to pay to _____ (the "Holder"), at _____, or its assigns, the sum of fifty thousand dollars (\$50,000), or such other amount as may be outstanding, without interest. The principal amount of this Note shall be payable at the principal offices of the Holder or by mail to the registered address of the Holder of this Note on the earliest to occur of (a) [December 31, 2002], or (b) a default under this Note in accordance with section 8 below, unless this Note shall have been previously converted pursuant to section 2 hereof or as provided otherwise in this Note.

The following is a statement of the rights of the Holder of this Note and the conditions to which this Note is subject, and to which the Holder hereof, by the acceptance of this Note, agrees:

1. Non-negotiable. This Note is non-negotiable.

2. Conversion. At the effective time of the 21.4-to-one reverse split of the issued and outstanding common stock of the Company to be effected by the Company, the principal on this Note shall automatically be converted into an aggregate of 766,355 shares of post-reverse-split common stock (the "Conversion Stock"). Upon conversion under this section 2, the Holder shall promptly surrender this Note at the principal offices of the Company.

3. Issuance of Conversion Stock. As soon as practicable after conversion of this Note, the Company, at its expense, will cause to be issued in the name of and delivered to the Holder of this Note, a certificate or certificates for the number of shares of Conversion Stock to which the Holder

shall be entitled upon such conversion (bearing such legends as may be required by applicable state and federal securities laws in the opinion of legal counsel of the Company).

4. Adjustment of Number of Shares. Except for the proposed 21.4-to-one reverse stock split to be effected by the Company, the number and character of shares of Conversion Stock issuable upon conversion of this Note (or any shares of stock or other securities or property at the time receivable or issuable upon conversion of this Note) are subject to adjustment upon the occurrence of any of the following events:

4.1 Adjustment for Stock Splits, Stock Dividends, Recapitalizations, etc. In the event that the Company shall fix a record date for the determination of holders of securities affected by any stock split, stock dividend, reclassification, recapitalization, or other similar event that will, in the future, affect the number of outstanding shares of the Company's capital stock, then, and in each such case, the Holder, upon conversion of this Note at any time after the Company shall fix the record date for such event, shall receive, in addition to the shares of Conversion Stock issuable upon conversion on the conversion date, the right to receive the securities of the Company to which such Holder would have been entitled if such Holder had converted this Note immediately prior to such record date (all subject to further adjustment as provided in this Note).

4.2 Adjustment for Dividends and Distributions. In the event that the Company shall make or issue, or shall fix a record date for the determination of eligible holders of securities entitled to receive, a dividend or other distribution payable with respect to the Conversion Stock (or any shares of stock or other securities at the time issuable upon conversion of this Note) that is payable in securities of the Company, other than capital stock, or any other assets, then, and in each such case, the Holder, upon conversion of this Note at any time after the consummation, effective date, or record date of such event, shall receive, in addition to the shares of Conversion Stock (or such other stock or securities) issuable upon such conversion prior to such date, the securities or such other assets of the Company to which such Holder would have been entitled upon such date if such Holder had converted this Note immediately prior thereto (all subject to further adjustment as provided in this Note).

4.3 Adjustment for Reorganization, Consolidation, Merger. In the event of any reorganization of the Company (or any other corporation the stock or other securities of which are at the time receivable upon the conversion of this Note) after the date of this Note, or in the event, after such date, the Company (or any such corporation) shall consolidate with or merge into another corporation or convey all or substantially all of its assets to another corporation, then, and in each such case, the Holder, upon the conversion of this Note (as provided in section 2) at any time after the consummation of such reorganization, consolidation, merger, or conveyance, shall be entitled to receive, in lieu of the stock or other securities and property receivable upon the conversion of this Note prior to such consummation, the stock or other securities or property to which such Holder would have been entitled upon the consummation of such reorganization, consolidation, merger, or conveyance if such Holder had converted this Note immediately prior thereto, all subject to further adjustment as provided in this section 4, and the successor or purchasing corporation in such reorganization, consolidation, merger, or conveyance (if other than the Company) shall duly execute and deliver to the Holder a supplement hereto acknowledging such corporation's obligations under this Note. In each such case, the terms of the Note shall be applicable to the shares of stock or other securities or property receivable upon the conversion of this Note after the consummation of such reorganization, consolidation, merger, or conveyance.

4.4 Notice of Adjustments. The Company shall promptly give written notice of each adjustment or readjustment of the number of shares of Conversion Stock or other securities issuable upon conversion of this Note, by first class mail, postage prepaid, to the registered Holder of this Note at the

Holder's address as shown on the Company's books. The notice shall describe the adjustment or readjustment and show in reasonable detail the facts on which the adjustment or readjustment is based.

4.5 No Change Necessary. The form of this Note need not be changed because of any adjustment in the number of shares of Conversion Stock issuable upon its conversion.

4.6 Reservation of Stock. The Company has taken all necessary corporate action and obtained all necessary government consents and approvals to authorize the issuance of this Note and, prior to the conversion hereof, the shares of Conversion Stock issuable upon conversion of this Note. If at any time the number of authorized but unissued common stock or other securities shall not be sufficient to effect the conversion of this Note, then the Company will take such corporate action as may, in the opinion of its legal counsel, be necessary to increase its authorized but unissued common stock or other securities to such number of shares of common stock or other securities as shall be sufficient for such purpose.

5. Fully Paid Shares. All shares of Conversion Stock issued upon the conversion of this Note shall be validly issued, fully paid, and nonassessable.

6. No Rights or Liabilities as Stockholder. This Note does not by itself entitle the Holder to any voting rights or other rights as a stockholder of the Company. In the absence of conversion of this Note, no provisions of this Note and no enumeration herein of the rights or privileges of the Holder shall cause such Holder to be a stockholder of the Company for any purpose.

7. Corporate Action; No Impairment. The Company will not, by amendment of its articles of incorporation or bylaws, or through reorganization, consolidation, merger, dissolution, issue or sale of securities, repurchase of securities, sale of assets, or any other action, avoid or seek to avoid the observance or performance of any of the terms of this Note, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate, or as reasonably requested by Holder, in order to protect the rights of the Holder under this Note against wrongful impairment. The Company shall not amend its articles of incorporation or issue any capital stock or options to purchase any capital stock of the Company without the prior written consent of the Holder.

8. Default. The Company will be in default if the Company fails to make any payment when due hereunder. The Company will also be in default if any of the following occurs and such default is not cured within a 10-day period after the Holder has given the Company written notice of such default:

(a) the Company breaches any material obligation to the Holder hereunder; or

(b) a receiver is appointed for any part of the Company's property, the Company makes an assignment for the benefit of creditors, or any proceeding is commenced either by the Company or against the Company under any bankruptcy or insolvency laws.

In the event of a default under this section 8, Holder shall, in addition to any other remedies allowed by law, be entitled to accelerate all unpaid principal under this Note.

9. WAIVER AND AMENDMENT. ANY PROVISION OF THIS NOTE MAY BE AMENDED, WAIVED, MODIFIED, DISCHARGED, OR TERMINATED SOLELY UPON THE WRITTEN CONSENT OF BOTH THE COMPANY AND THE HOLDER.

10. Assignment; Binding upon Successors and Assigns. The Company may not assign any of its obligations hereunder without the prior written consent of Holder. The terms and conditions of this Note shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties.

11. Waiver of Notice; Attorneys' Fees. The Company and all endorser of this Note hereby waive notice, demand, notice of nonpayment, presentment, protest, and notice of dishonor. If any action at law or in equity is necessary to enforce this Note or to collect payment under this Note, the Holder shall be entitled to recover, as an element of the costs of suit and not as damages, reasonable attorneys' fees, costs, and necessary disbursements in addition to any other relief to which it may be entitled. Holder will be entitled to recover its costs of suit, regardless of whether such suit proceeds to final judgment.

12. Construction of Note. The terms of this Note have been negotiated by the Company, the original Holder of this Note, and their respective attorneys, and the language hereof will not be construed for or against either Company or Holder. Unless otherwise explicitly set forth, a reference to a section will mean a section in this Note. The titles and headings herein are for reference purposes only and will not in any manner limit the construction of this Note, which will be considered as a whole.

13. Notices. Any notice or other communication required or permitted to be given under this Note shall be in writing, shall be delivered by hand or overnight courier service, by certified mail, postage prepaid, or by facsimile, and will be deemed given upon delivery, if delivered personally, one business day after deposit with a national courier service for overnight delivery, or one business day after transmission by facsimile with confirmation of receipt, and three days after deposit in the mails, if mailed, to the following addresses:

- (a) If to the Holder: _____

- (b) If to Company: American Financial Holding, Inc.

or to such other address as may have been furnished to the other party in writing pursuant to this section 13, except that notices of change of address shall only be effective upon receipt.

14. Governing Law. This Note shall be governed by and construed under the internal laws of the United States and the State of Utah as applied to agreements among Utah residents entered into and to be performed entirely within Utah, without reference to principles of conflict of laws or choice of laws.

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its name as of the date first above written.

AMERICAN FINANCIAL HOLDING, INC.

By: _____
 [_____], its President

Exhibit B

Payment or Compromise of Liabilities

Creditor	Balance as of September 30, 2000 (unless otherwise indicated)	Action
----------	--	--------

Hansen, Barnett & Maxwell	\$197,000 (approx) plus accruals as of the date of this Agreement	\$150,000 payable at Release against delivery of acknowledgment of full satisfaction of amounts due.
Kruse, Landa & Maycock. LLC	\$54,682.04 at December 31, 2000, plus accruals as of the date of Agreement	\$50,000 payable at Release against delivery of acknowledgment of full satisfaction of amounts due, this less amount by which interest accrued is less than amount required to pay Julian Jensen.
Julian Jensen transaction fees		\$5,000 payable at Release against delivery of acknowledgment of full satisfaction of amounts due
Contingency--Bridge suit per Form 10-KSB	Disputed	\$100,000 to be placed on deposit with Kruse, Landa & Maycock for defense and resolution if not resolved by Release date; if resolved by Release date, amount required to defend and/or settle suit paid for such purposes
Kenton L. Stanger	\$18,865	\$18,865, to the extent of funds available, against delivery of acknowledgment of full satisfaction of amounts due
Tambora Financial Corporation Principal Interest	\$177,380 15,964	The balance, to the extent of funds available, against delivery of acknowledgment of full satisfaction of amounts due and agreement to pay direct costs of additional or curative SEC filings
Triad preferred stock	\$240,014	Satisfied with distribution of 300,084 shares of Tambora common stock by the Company
Triad preferred stock accrued dividend	\$123,962	Satisfied with distribution of 300,084 shares of Tambora common stock by the Company
Total		\$300,000, plus accrued interest =====

Exhibit C
Pro Forma Financial Statements

AMERICAN FINANCIAL HOLDING, INC. AND SUBSIDIARY
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AMERICAN FINANCIAL HOLDING, INC. AND SUBSIDIARY
(UNAUDITED CONDENSED CONSOLIDATED)

PRO FORMA FINANCIAL STATEMENTS

During September 1997, American Financial Holding, Inc. ("AFH"), and Tambora Financial Corporation ("Tambora"), corporations under common control, entered into an agreement whereby AFH would transfer all of the outstanding common stock of Income Builders, Inc. ("Income Builders"), a master insurance agency, to Tambora. Under the terms of the agreement, Tambora purchased Income Builders by paying AFH \$500,000 during 1997, 1998 and 1999 and issuing AFH 4,899,533 shares of Tambora common stock on October 24, 2000, whereupon AFH transferred Income Builders to Tambora.

The carrying value of Income Builders was a negative \$(271,569) at December 31, 1999. No gain or loss was recognized on the transfer since it was between entities under common control and none will be realized because the planned subsequent spin-off of the Tambora shares to the AFH shareholders. However, the carrying value of the Tambora shares was increased to zero as a capital contribution because the Company has no financial or other commitment to support the operations of Tambora in any manner.

The historical statements of operations of AFH present the operations of Income Builders as discontinued operations. There are no pro forma adjustments to continuing operations as a result of the transfer. Accordingly, a pro forma statement of operations is not presented herein.

AMERICAN FINANCIAL HOLDING, INC. AND SUBSIDIARY
UNAUDITED CONDENSED CONSOLIDATED

PRO FORMA BALANCE SHEET
DECEMBER 31, 1999

	AFH	Pro Forma Adjustments	Pro Forma
ASSETS	-----	-----	-----
Current Assets			
Cash	\$ 1,203	\$ --	\$ 1,203
	-----	-----	-----
Total Current Assets	1,203	--	1,203
	-----	-----	-----
Net Property and Equipment	211	--	211
	-----	-----	-----
Investment in Tambora	--	--	--
	-----	-----	-----
Total Assets	\$ 1,414	\$ --	\$ 1,414
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current Liabilities			
Accounts payable	\$ 170,835	\$ --	\$ 170,835
Payable to related party	677,380 (B)	(500,000)	177,380
Accrued interest payable to related party	15,964	--	15,964
Payable to Triad Financial Systems, Inc. owners	240,014 (C)	(240,014)	--
Interest payable to Triad Financial Systems, Inc. owners	123,962 (C)	(123,962)	--
Accrued rent payable to officers	168,000	--	168,000
Payable to officers	18,865	--	18,865
Net liabilities of discontinued operations	271,569 (A)	(271,569)	--
	-----	-----	-----
Total Current Liabilities	1,686,589	(1,135,545)	551,044
	-----	-----	-----
Stockholders' Equity			
Common stock	42,794	--	42,794
Additional paid-in capital	7,431,326 (A)	271,569 (B)	8,566,871 (C)
	-----	-----	-----
Stockholders' receivable net of reserve of \$2,701,917	(168,000)	--	(168,000)
Accumulated deficit	(8,991,295)	--	(8,991,295)
	-----	-----	-----
Total Stockholders' Deficit	(1,685,175)	1,135,545	(549,630)
	-----	-----	-----
Total Liabilities and Stockholders' Deficit	\$ 1,414	\$ --	\$ 1,414
	=====	=====	=====

AMERICAN FINANCIAL HOLDING, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED

PRO FORMA STATEMENT OF OPERATIONS

- (A) The net effect of the transfer of Income Builders from AFH to Tambora was a reduction of AFH's liabilities (representing an assumption of the net liabilities belonging to Income Builders by Tambora) and an increase in additional paid-in capital (representing a capital contribution from Tambora) for the same amount.
- (B) During 1997, 1998 and 1999, Tambora made payments to AFH totaling \$677,380, this balance was shown on AFH's balance sheet as payable to related party. This adjustment is to apply \$500,000 of that balance towards the purchase of Income Builders, which amount is accounted for as additional paid-in capital.
- (C) Of the 4,899,533 shares of Tambora common stock issued in the Income Builders transfer, 300,084 shares are to be distributed to investors in preferred stock of Triad Financial Corporation ("Triad"), a previous subsidiary of AFH. Triad was unsuccessful in obtaining the capital required to implement its business plan and was dissolved. The 300,084 shares will be distributed to such former investors of Triad in satisfaction of their right to convert Triad preferred stock into AFH common stock. This adjustment eliminates the liability to the Triad investors and records the offsetting additional paid-in capital.