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

FORM 10-KSB/A

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995

COMMISSION FILE NUMBER: 0-12666

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

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

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

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

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

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

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

COMMON STOCK, PAR VALUE $0.01
(Title of Class)

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

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

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

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

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

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

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

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

The Company has extremely limited working capital, no credit lines, and insufficient revenue to meet its operating requirements. For the years ended

December 31 1995 and 1994, the Company suffered net losses applicable to common stockholders of $696,000 and $687,000, respectively, and as of December 31, 1995, had an accumulated deficit of $7,400,000. At December 31, 1995, the Company had a stockholders' deficit of $503,000. The Company expects that it will continue to incur operating losses and that its accumulated deficit will increase. The Company has been dependent solely upon cash provided by financing activities to fund its operations. The principal sources of capital from outside sources during the preceding years has been receipts from the sale of securities. All of the foregoing raises substantial concerns respecting the ability of the Company to continue as a going concern.

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

The Company holds promissory notes receivable from executive officers and directors who are also stockholders aggregating approximately $2,606,000. See ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS. For financial reporting purposes, the Company has recorded reserves aggregating $2,222,000 against these notes based on management's conclusion that the ultimate collectibility of certain of these notes was uncertain. The remaining balance of these notes is reflected as contra equity as opposed to an asset in the Company's balance sheet. The stockholders continue to be obligated to repay the full amount of these notes, including accrued interest, and management believes the remaining net stockholders' notes receivable of approximately $384,000, after deducting the above reserves, are realizable based on the availability of stockholders' personal financial resources. See FINANCIAL STATEMENTS: Note 9. The Company does not expect that payments under these notes will provide capital during the next 12 months.

CAPITAL REQUIREMENTS

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

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

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

A substantial portion of the current assets of the Company consists of cash and cash items of AF Reinsurance, which is required to maintain capital and surplus aggregating at least $250,000 in order to conduct reinsurance activities in Arizona. The Company, Triad, and AF Reinsurance have represented to the purchasers of preferred stock in Triad and $425,000 in surplus debentures of AF Reinsurance that the net proceeds from the issuance of such securities would be used for the reinsurance activities of AF Reinsurance.

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

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

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

CERTAIN UNCERTAINTIES

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

RESULTS OF OPERATIONS

Commission revenue for 1995 increased $250,000, or 5.6%, from 1994 due to promotions offered by LifeUSA and favorable interest rates. In addition, during 1995 prevailing interest rates were relatively lower than in 1994. Lower interest rates generally aid in the sale of annuity products such as those marketed by the Company.

Commission expense was 86.1% and 82.8% of commission revenue in 1995 and 1994, respectively. This fluctuation reflect ordinary variations in the commission schedule of various products, the age and other demographic characteristics of policy purchasers, the size of individual annuity and insurance policies sold, the commission schedule of the individual insurance agent selling particular policies, and similar factors, which will likely continue to fluctuate in the future.

General and administrative expenses declined to $1,486,000 in 1995 from $1,513,000 in 1995 and 1994, or 30% and 33.6% of commission revenue in 1995 and 1994, respectively. General and administrative expenses include office expense, as well as travel, lodging, and other expenses associated with recruiting additional sales personnel, which sometimes must be increased in anticipation of increasing business. The change in general and administrative expense in 1995, as compared to 1994, was primarily due to cost-cutting measures implemented in 1995 respecting outside financial advisory services.

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

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

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, dated as of the 3rd day of December, 1996.

AMERICAN FINANCIAL HOLDING, INC.

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