

=====

FORM 10

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

Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934

American Equity Investment Life Holding Company

Iowa	42-1447959
----	-----
State of Incorporation	IRS employer Identification No.

5000 Westown Parkway, Suite 440	
West Des Moines, Iowa 50266	(515) 221-0002
-----	-----
Address of principal executive offices	Telephone

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:  
Common stock, par value \$1 per share

=====

## Item 1. Business

### Background and Organization of the Company

The Company was formed on December 15, 1995, to develop, market, issue and administer annuities and life insurance through its insurance subsidiary, American Equity Investment Life Insurance Company. As a foundation for beginning its business, the Company acquired two blocks of in force insurance business from American Life and Casualty Insurance Company ("American Life"), the principal operating subsidiary of The Statesman Group, Inc. ("Statesman"), of which, the Company's named executive officers were previously officers (the "American Life Purchase"). In addition to the American Life Purchase, the Company also acquired Century Life Insurance Company ("Century") to expand its licensing authority to 23 states and the District of Columbia (the "Century Purchase"). Concurrent with the Century Purchase, the Company merged American Equity Investment Life Insurance Company into Century and renamed the merged entity American Equity Investment Life Insurance Company (the "Life Company").

The Company was originally incorporated under the laws of Delaware on December 15, 1995. On January 7, 1998, the Company's state of incorporation was changed from Delaware to Iowa. The Company's executive offices are located at 5000 Westown Parkway, Suite 440, West Des Moines, IA 50266, and its telephone number is 515-221-0002.

The Company's business consists primarily of the sale of fixed annuities, including equity-index annuities. Fixed annuities are savings vehicles through which a purchaser deposits one or more premium payments with an insurance company in exchange for a guarantee of principal and tax-deferred accrual of earnings at specified rates. The policyholder may withdraw the accumulated value of the annuity as a lump sum or as a stream of payments for a fixed term or for life. In 1998, the Company developed its first variable annuity which became available for sale in July, 1998. Variable annuities differ from fixed annuities in that the policyholder, rather than the issuer, bears the investment risk, and the policyholder's rate of return is dependent upon the performance of the particular investment option selected by the policyholder. The Company's business strategy is to focus on its annuity business and earn predictable returns by managing investment spreads and controlling investment risk.

### Annuity Market Overview

The Company's target market includes the group of individuals now aged 45-75 who are seeking to accumulate tax-deferred savings. The Company believes that significant growth opportunities exist for annuity products because of favorable demographic and economic trends. According to the U. S. Census Bureau, there were 33.5 million Americans age 65 and older in 1995, representing 13% of the U. S. population. By 2030, this sector of the population is expected to increase to 22% of the total population. The Company's products are particularly attractive to this group as a result of the guarantee of principal, competitive rates of credited interest, tax-deferred growth and alternative payout options.

According to the Life Insurance Marketing and Research Association, annuity sales were an estimated \$128.3 billion in 1998 versus \$126.3 billion in 1997. Historically, fixed annuities have represented a substantial majority of all annuity sales; however, over the past few years, sales of variable annuities have experienced substantial increases. In 1998, variable annuity sales increased 12% to \$98.8 billion and fixed annuity sales decreased 23% to \$29.5 billion. The decline in the contribution of fixed annuities to total annual annuity sales is a result of several factors including, but not limited to, the recent strong performance of equity markets relative to bond markets. The Company believes its equity-index annuities, which have a crediting rate linked to the change in the Standard & Poor's Corporation ("S&P") 500 Index, appeal to purchasers interested in participating in equity markets without the risk of loss of principal.

## Products

The Company's products include traditional fixed rate annuities, equity-index annuities, a variable annuity and life insurance products.

**Traditional Fixed Rate Annuities.** These products, which accounted for 57% of the total annuity premiums collected during 1998, include single premium deferred annuities ("SPDAs"), flexible premium deferred annuities ("FPDAs") and single premium immediate annuities ("SPIAs"). An SPDA generally involves the tax-deferred accumulation of interest on a single premium paid by the policyholder. After a number of years, as specified in the annuity contract, the annuitant may elect to take the proceeds of the annuity either in a single payment or in a series of payments for life, for a fixed number of years, or for a combination thereof. FPDAs are similar to SPDAs in many respects, except that the FPDA allows additional premium payments in varying amounts by the policyholder without the filing of a new application. The Company's SPDAs and FPDAs generally have an interest rate (the "crediting rate") that is guaranteed by the Company for the first policy year, after which, the Company has the discretionary ability to change the crediting rate to any rate at or above a guaranteed minimum rate. The guaranteed rate on all policies in force and new issues ranges from 3% to 4%. The initial crediting rate is largely a function of the interest rate the Company can earn on invested assets acquired with new annuity fund deposits and the rates offered on similar products by the Company's competitors. For subsequent adjustments to crediting rates, the Company takes into account the yield on its investment portfolio, annuity surrender assumptions, competitive industry pricing and crediting rate history for particular groups of annuity policies with similar characteristics.

Approximately 81% of the Company's traditional fixed rate annuity sales have been "bonus" products. The initial crediting rate on these products specifies a bonus crediting rate ranging from 1% to 7% of the annuity deposit for the first policy year only. After the first year, the bonus interest portion of the initial crediting rate is automatically discontinued, and the renewal crediting rate is established. Generally, there is a compensating adjustment in the commission paid to the agent to offset the first year interest bonus. As of December 31, 1998, crediting rates on the Company's outstanding SPDAs and FPDAs generally ranged from 5.0% to 5.4% excluding interest bonuses guaranteed for the first year. The average crediting rate including interest bonuses was 7.06%, and the average rate excluding bonuses was 5.21%.

The policyholder is typically permitted to withdraw all or a part of the premium paid, plus accumulated interest credited to the account (the "accumulation value"), subject to the assessment of a surrender charge for withdrawals in excess of specified limits. Most of the Company's SPDAs and FPDAs provide for penalty-free withdrawals of up to 10% of the accumulation value each year after the first year, subject to limitations. Withdrawals in excess of allowable penalty-free amounts are assessed a surrender charge during a penalty period which generally ranges from five to fifteen years after the date the policy is issued. This surrender charge is initially 9% to 25% of the accumulation value and generally decreases by approximately one to two percentage points per year during the surrender charge period. Surrender charges are set at levels to protect the Company from loss on early terminations and to reduce the likelihood of policyholders terminating their policies during periods of increasing interest rates. This practice lengthens the effective duration of the policy liabilities and enables the Company to maintain profitability on such policies.

The Company's SPIAs are designed to provide a series of periodic payments for a fixed period of time or for life, according to the policyholder's choice at the time of issue. The amounts, frequency, and length of time of the payments are fixed at the outset of the annuity contract. SPIAs are often purchased by persons at or near retirement age who desire a steady stream of payments over a future period of years. The single premium is often the payout from a terminated annuity contract. The implicit interest rate on SPIAs is based on market conditions when the policy is issued. The implicit interest rate on the Company's outstanding SPIAs averaged 5.11% at December 31, 1998.

Equity-Index Annuities. The Company's fixed annuity products currently include nine equity-index products, which accounted for approximately 43% of the total annuity premiums collected during 1998. These products allow purchasers to earn investment returns based upon equity index averages without the risk of loss of their principal and have all the other benefits of a typical fixed annuity, including deferral of income taxes on accumulated earnings.

The annuity's contract value is equal to the premiums paid increased for returns based upon a percentage (the "participation rate") of the average annual gains in the S&P 500 Index, subject to a minimum guaranteed value. The participation rate generally varies among the equity-index products from 65% to 80%, and may be reset annually by the Company. Certain of the products have a 100% participation rate, but charge an asset fee of 1% to 3.95% which may also be reset annually by the Company and is deducted on each policy anniversary. The minimum guaranteed values are equal to 80% - 100% of the premium collected plus interest credited at an annual rate of 3%. The annuities provide for penalty-free withdrawals of up to 10% of premium in each year after the first year of the annuity's term. Other withdrawals are subject to a surrender charge ranging initially from 9% to 15% over a surrender period of from five to fifteen years. During the applicable period, the surrender charges on some equity-index products remain level, while on other equity-index products, the surrender charges decline by one to two percentage points per year. The Company purchases S&P 500 Index call options as an investment to provide the income needed to fund the amount of the average annual gains required to be credited on the equity-index products

Variable Annuities. Variable annuities offer contract holders a rate of return based on the specific investment portfolios into which premiums may be directed, as chosen by the contract owner. Profits on variable annuities are derived from the fees charged to contract owners rather than from the investment spread. The Company shares in 30% of the risks, costs and operating results of these products through a reinsurance arrangement (See Item 1. Business - Reinsurance and Item 7. Certain Relationships and Related Transactions).

Life Insurance. These products include traditional, universal life and other interest-sensitive life insurance products. As a result of the American Life Purchase, the Company is one of the largest life insurance carriers for members of the state National Guard Associations with more than \$1.9 billion of life insurance in force. The Company intends to continue offering a complete line of life insurance products for this market.

#### Investments

Investment activities are an integral part of the Company's business; investment income is a significant component of the Company's total revenues. Profitability of many of the Company's products is significantly affected by spreads between interest yields on investments and rates credited on insurance liabilities. Although substantially all credited rates on SPDAs and FPDAs may be changed annually, changes in crediting rates may not be sufficient to maintain targeted investment spreads in all economic and market environments. In addition, competition and other factors, including the impact of the level of surrenders and withdrawals, may limit the Company's ability to adjust or to maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions. As of December 31, 1998, the average yield, computed on the cost basis of the Company's investment portfolio, was 7.46%.

The Company manages the equity-based risk component of its equity-index annuities by purchasing S&P 500 Index call options to hedge such risk and adjusting the participation rate or asset fee rate to reflect the change in the cost of such options (which varies based on market conditions). Accordingly, the Company is able to focus on managing the interest rate spread component of such products.

For additional information regarding the composition of the Company's investment portfolio and the Company's interest rate risk management, see "Management Discussion and Analysis of Financial Condition and Results of Operations" and Note 4 of the Notes to Audited Consolidated Financial Statements.

#### Marketing

The Company markets its products through a variable cost brokerage distribution network and emphasizes high quality service to its agents and policyholders. Approximately 95% of new annuity policies are issued within 24 hours of receipt by the Company of the application and initial premium, and commissions to agents are paid weekly. The Company believes these factors have been significant in building excellent relationships with its existing agency force.

The Company has recruited approximately 12,500 independent agents and agencies ranging in profile from national sales organizations to personal producing general agents. In its recruitment efforts, the Company emphasizes that agents have direct access to the Company's executive officers, giving it an edge in recruiting over larger and foreign-owned competitors. The Company also uses a variety of incentive programs and deferred compensation programs to attract agents (see Note 9 of the Notes to Audited Consolidated Financial Statements). The Company is currently licensed to sell its products in 39 states and the District of Columbia.

The insurance brokerage distribution system is comprised of insurance brokers and marketing organizations. The Company is pursuing a strategy to increase the size of its brokerage distribution network by developing relationships with national and regional marketing organizations. These organizations typically recruit agents for the Company by advertising the Company's products and its commission structure, through direct mail advertising, or through seminars for insurance agents and brokers. These organizations bear most of the cost incurred in marketing the Company's products. The Company compensates marketing organizations by paying them a percentage of the commissions earned on new annuity and life policy sales generated by the agents recruited in such organizations. The Company also conducts other incentive programs for agents from time to time. The Company generally does not enter into exclusive arrangements with these marketing organizations.

One of the Company's national marketing organizations accounted for more than 10% of the annuity deposits and insurance premium collections during 1998. This organization produced approximately 16% of the collections. The states with the largest share of direct premiums collected are: California (16%), Florida (12%), Michigan (10%), and Arizona (8%) and Texas (8%).

#### Competition and Ratings

The Company operates in a highly regulated and highly competitive industry and most of its competitors are substantially larger and enjoy substantially greater financial resources, higher ratings, broader and more diversified product lines and more widespread agency relationships. The Company's annuity products compete not only with products sold by other insurance companies (including other fixed and equity-index annuities and variable annuities) but also with mutual fund products, traditional bank investments and other investment and retirement funding alternatives. Insurers compete with other insurance companies, financial intermediaries and other institutions based on a number of features, including pricing and other product terms, service provided to distribution channels and policyholders, and ratings.

The distributors and purchasers for the Company's products use the financial strength ratings assigned to an insurer by independent rating agencies as one factor in determining which insurer's annuity to market or purchase. Such ratings generally involve quantitative and qualitative evaluations of a company's financial condition and operating performance. Generally, rating agencies base their ratings upon information furnished to

them by the insurer and upon their own investigations, studies and assumptions. Ratings are based upon factors of concern to policyholders, agents and intermediaries and are not directed toward the protection of investors.

In recent years, the market for annuities has been dominated by those insurers with the highest ratings. The Life Company has received a rating of "A- (Excellent)" from A.M. Best Company. ("A.M. Best"). A.M. Best reviews its ratings of insurance companies from time to time. There can be no assurance that any particular rating will continue for any given period of time or that it will not be changed or withdrawn entirely if, in the judgment of A.M. Best, circumstances so warrant. If the Life Company's A.M. Best rating were to be downgraded for any reason, the Company could experience a material decline in the sales of its products and the persistency of its in force business.

#### Reinsurance

Consistent with the general practice of the life insurance industry, the Life Company enters into agreements of indemnity reinsurance with other insurance companies in order to reinsure portions of the coverage provided by its insurance products. Indemnity reinsurance agreements are intended to limit a life insurer's maximum loss on a large or unusually hazardous risk or to diversify its risks. Indemnity reinsurance does not discharge the original insurer's primary liability to the insured. The Company's reinsured business is primarily ceded to two reinsurers. The Company believes the assuming companies are able to honor all contractual commitments, based on its periodic review of their financial statements, insurance industry reports and reports filed with state insurance departments. The Company does not use financial or surplus relief reinsurance.

As of December 31, 1998, the policy risk retention limit was \$100,000 or less on all policies issued by the Company. Reinsurance ceded by the Company was immaterial and reinsurance assumed (the American Life Purchase) represented more than 99% of net life insurance in force.

During 1998, the Life Company entered into a modified coinsurance agreement to cede 70% of its variable life and variable annuity business to Farm Bureau Life Insurance Company (see Item 4. Security Ownership of Certain Beneficial Owners and Management and Item 7. Certain Relationships and Related Transactions). Amounts paid pursuant to this arrangement were immaterial during 1998.

#### Service Company Agreement

On January 15, 1997, the Life Company entered into a general agency commission and servicing agreement (the "Service Company Agreement") with American Equity Investment Service Company (the "Service Company") pursuant to which the Service Company agreed to pay a specified portion of the commissions due to the Life Company's agents on new annuity business written by the Life Company, and the Life Company agreed to pay renewal and other commissions to the Service Company on this business, principally based upon the account balances of the annuities remaining in force over a specified period. The Service Company has assigned its rights under the Service Company Agreement to a lender as collateral security for a \$35 million line of credit made to D.J. Noble, the Company's chairman and president, as borrower and recontributed by him as a loan to the Service Company. The Service Company is wholly-owned by Mr. Noble.

The Service Company Agreement initially increases the Life Company's statutory capital and surplus enabling it to conduct a comparatively greater volume of business. The termination of the Service Company Agreement would reduce the Life Company's capacity to further develop its annuity business. Under the Service Company Agreement, the Life Company is required to comply with certain recurring obligations, the breach of which shall constitute an event of default. Such agreement is not assignable without the prior written consent of the other party and expires on December 31, 2005.

## Regulation

Life insurance companies are subject to regulation and supervision by the states in which they transact business. State insurance laws establish supervisory agencies with broad regulatory authority, including the power to: (i) grant and revoke licenses to transact business; (ii) regulate and supervise trade practices and market conduct; (iii) establish guaranty associations; (iv) license agents; (v) approve policy forms; (vi) approve premium rates for some lines of business; (vii) establish reserve requirements; (viii) prescribe the form and content of required financial statements and reports; (ix) determine the reasonableness and adequacy of statutory capital and surplus; (x) perform financial, market conduct and other examinations; (xi) define acceptable accounting principles; (xii) regulate the type and amount of permitted investments; and (xiii) limit the amount of dividends and surplus note payments that can be paid without obtaining regulatory approval. The Life Company is subject to periodic examinations by state regulatory authorities. The Iowa Insurance Division completed an examination of the Life Company as of December 31, 1997 in 1998. No adjustments were recommended or required as a result of this examination.

Most states have also enacted regulations on the activities of insurance holding company systems, including acquisitions, extraordinary dividends, the terms of surplus notes, the terms of affiliate transactions and other related matters. The Company and the Life Company are registered pursuant to such legislation in Iowa. Recently, a number of state legislatures have considered or have enacted legislative proposals that alter, and in many cases, increase, the authority of state agencies to regulate insurance companies and holding company systems.

Most states, including Iowa, where the Life Company is domiciled, have enacted legislation or adopted administrative regulations affecting the acquisition of control of insurance companies as well as transactions between insurance companies and persons controlling them. The nature and extent of such legislation and regulations currently in effect vary from state to state. However, most states require administrative approval of the direct or indirect acquisition of 10% or more of the outstanding voting securities of an insurance company incorporated in the state. The acquisition of 10% of such securities is generally deemed to be the acquisition of "control" for the purpose of the holding company statutes and requires not only the filing of detailed information concerning the acquiring parties and the plan of acquisition, but also administrative approval prior to the acquisition. In many states, the insurance authority may find the "control" in fact does not exist in circumstances in which a person owns or controls more than 10% of the voting securities.

Although the federal government does not directly regulate the business of insurance, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation, securities regulation and federal taxation can significantly affect the insurance business. In addition, legislation has been introduced from time to time in Congress that could result in the federal government assuming some role in regulating insurance companies or allowing combinations between insurance companies, banks and other entities.

The Securities and Exchange Commission has requested comments as to whether equity-index annuities, such as those sold by the Company, should be treated as securities under the Federal securities laws rather than as insurance products. Treatment of these products as securities would likely require additional registration and licensing of these products and the agents selling them, as well as cause the Company to seek additional marketing relationships for these products.

In recent years, the National Association of Insurance Commissioners (an association of state regulators and their staffs, the "NAIC") has approved and recommended to the states for adoption and implementation several model laws and regulations including: (i) investment reserve requirements; (ii) risk-based capital ("RBC") standards for determining the level of statutory capital and surplus an insurer must maintain in relation to its

investment and insurance risks; (iii) codification of insurance accounting principles; (iv) additional investment restrictions; and (v) restrictions on a insurance company's ability to pay dividends. The NAIC is currently developing new model laws or regulations, including: (i) product design standards; (ii) reserve requirements; and (iii) product illustrations. These model laws and regulations may be adopted by the various states in which the Life Company is licensed, but the ultimate content and timing of any statutes and regulations adopted by the states cannot be determined at this time. It is not possible to predict the future impact of changing state and federal regulations on the Company's operations, and there can be no assurance that existing insurance related laws and regulations will not become more restrictive in the future or that laws and regulations enacted in the future will not be more restrictive.

The NAIC's RBC requirements are intended to be used by insurance regulators as an early warning tool to identify deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. Such requirements are not designed as a ranking mechanism for adequately capitalized companies. In addition, the RBC formula defines a new minimum capital standard which supplements low, fixed minimum capital and surplus requirements previously implemented on a state-by-state basis.

The NAIC's RBC requirements provide for four levels of regulatory attention depending on the ratio of a company's total adjusted capital (defined as the total of its statutory capital, surplus, asset valuation reserve and certain other adjustments) to its RBC. Calculations using the NAIC formula at December 31, 1998, indicate that the ratio of total adjusted capital to RBC for the Company exceeded by more than eight times the highest level at which regulatory action might be triggered.

The Life Company also may be required under the solvency or guaranty laws of most states in which it does business to pay assessments (up to certain prescribed limits) to fund policyholder losses or liabilities of insolvent insurance companies. These assessments may be deferred or forgiven under most guaranty laws if they would threaten an insurer's financial strength and, in certain instances, may be offset against future premium taxes. Assessments related to business reinsured for periods prior to the effective date of the reinsurance are the responsibility of the ceding companies (American Life and Century). Given the short period of time since the inception of the Company's business, the Company believes that assessments, if any, will be minimal.

#### Federal Income Taxation

The annuity and life insurance products marketed and issued by the Company generally provide the policyholder with an income tax advantage, as compared to other savings investments, such as certificates of deposit and taxable bonds, in that income taxation on any increases in the contract values of these products is deferred until it is received by the policyholder. With other savings investments, the increase in value is taxed as earned. Annuity benefits and life insurance benefits, which accrue prior to the death of the policyholder, are generally not taxable until paid. Life insurance death benefits are generally exempt from income tax. Also, benefits received on immediate annuities are recognized as taxable income ratably, as opposed to the methods used for some other investments which tend to accelerate taxable income into earlier years. The tax advantage for annuities and life insurance is provided in the Internal Revenue Code of 1986, as amended (the "Code"), and is generally followed in all states and other United States taxing jurisdictions.

From time to time, various tax law changes have been proposed that could have an adverse effect on the Company's business, including elimination of all or a portion of the income tax advantage for annuities and life insurance. If legislation were enacted to eliminate the tax deferral for annuities, such a change would have an adverse effect on the ability of the Company to sell non-qualified annuities (those not sold to an individual retirement account or other qualified retirement plan).

The Life Company is taxed under the life insurance company provisions of the Code. Provisions in the Code require a portion of the expenses incurred in selling insurance products to be deducted over a period of years, as opposed to immediate deduction in the year incurred. This provision increases the tax for statutory accounting purposes which reduces statutory surplus and, accordingly, decreases the amount of cash dividends that may be paid by the Life Company.

#### Employees

As of December 31, 1998, the Company has 78 full-time employees, of which 68 are located in Des Moines, Iowa, and 10 are located in the Pell City, Alabama offices. The Company has experienced no work stoppages or strikes and consider its relations with employees to be excellent. None of the employees are represented by a union.

#### Other Subsidiaries

The Company formed American Equity Investment Properties, L.C., an Iowa limited liability company (the "Property Company") to hold title to an office building in Birmingham, Alabama, where a portion of the Life Company's operations were conducted. The Property Company received a \$700,000 mortgage loan from the Life Company to finance certain repairs and improvements needed to market the property for sale or lease. The building was sold in 1998 and the mortgage loan was repaid in full. The Property Company now holds the remaining cash proceeds (\$1,169,000 at December 31, 1998) from the sale of the building. There are no present plans to dissolve the Property Company, which may be used in the future to facilitate other aspects of the Company's business.

On February 16, 1998, the Company formed American Equity Capital, Inc., an Iowa corporation, in connection with the introduction of variable products as a part of the Company's product mix. American Equity Capital, Inc. will act as the broker-dealer for the sale of the Company's variable products and will recruit other broker-dealers to establish a distribution network for these products.

Item 2. Financial Information

Selected Financial Data

The following table presents certain consolidated financial data for the periods indicated and should be read in conjunction with the audited consolidated financial statements, including notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Form 10.

	Year Ended 12/31/98 -----	Year Ended 12/31/97 -----	Year Ended 12/31/96 -----	Period From 12/28/95 through 12/31/95 -----
<b>INCOME STATEMENT DATA:</b>				
<b>Revenues</b>				
Insurance policy income	\$ 11,170,655	\$ 11,436,803	\$ 14,554,714	\$ 1,820
Net investment income	26,356,472	4,018,617	865,155	4,010
Other income	426,782	--	--	--
	-----	-----	-----	-----
Total revenues	37,953,909	15,455,420	15,419,869	5,830
<b>Benefits and expenses</b>				
Insurance policy benefits and change in future policy benefits	6,084,893	7,440,080	8,787,700	--
Interest credited to account balances	15,837,912	2,129,686	77,831	--
Interest expense on notes payable	788,770	979,826	493,801	--
Interest expense on amounts due under repurchase agreements	1,528,718	291,547	--	--
Amortization of deferred policy acquisition and value of insurance in force acquired	3,946,133	1,143,032	879,916	--
Amortization of goodwill	70,000	70,000	17,500	--
Other operating costs and expenses	8,692,813	8,160,863	6,302,094	21,249
	-----	-----	-----	-----
Total benefits and expenses	36,949,239	20,215,034	16,558,842	21,249
	-----	-----	-----	-----
Income (loss) before income taxes	1,004,670	(4,759,614)	(1,138,973)	(15,419)
Income tax (expense) benefit	(760,483)	1,390,226	--	--
	-----	-----	-----	-----
Net income (loss)	\$ 244,187	\$ (3,369,388)	\$ (1,138,973)	\$ (15,419)
	=====	=====	=====	=====
Basic earnings per common share	\$ 0.05	\$ (2.11)	\$ (1.90)	\$ (0.05)
	=====	=====	=====	=====
Diluted earnings per common share	\$ 0.05	\$ (2.11)	\$ (1.90)	\$ (0.05)
	=====	=====	=====	=====
<b>BALANCE SHEET DATA (at period end):</b>				
Total assets	\$683,011,836	\$ 229,418,131	\$ 35,214,597	\$13,227,254
Policy benefit reserves	541,082,179	155,998,268	11,846,566	4,251,306
Notes payable	10,000,000	10,000,000	10,000,000	4,000,000
Stockholders' equity	66,130,521	54,426,049	10,137,102	2,984,581
<b>OTHER DATA:</b>				
Life Company statutory capital and surplus	\$ 80,947,913	\$ 64,709,809	\$ 17,302,272	\$ 6,098,581
Life Company statutory net income (loss)	4,803,545	4,470,284	1,174,811	(419)

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis reviews the consolidated financial position of the Company at December 31, 1998 and 1997, and the consolidated results of operations for the three years ended December 31, 1998, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with the audited consolidated financial statements, notes thereto and selected financial data appearing elsewhere in this Form 10.

All statements, trend analyses and other information contained in this report and elsewhere (such as in filings by the Company with the Securities and Exchange Commission, press releases, presentations by the Company or its management or oral statements) relative to markets for the Company's products and trends in the Company's operations or financial results, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," and other similar expressions, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those contemplated by the forward-looking statements. Such factors include, among other things:

- o general economic conditions and other factors, including prevailing interest rate levels and stock and credit market performance which may affect (among other things) the Company's ability to sell its products, its ability to access capital resources and the costs associated therewith, the market value of the Company's investments and the lapse rate and profitability of policies
- o customer response to new products and marketing initiatives
- o mortality and other factors which may affect the profitability of the Company's products
- o changes in the Federal income tax laws and regulations which may affect the relative income tax advantages of the Company's products
- o increasing competition in the sale of annuities
- o regulatory changes or actions, including those relating to regulation of financial services affecting (among other things) bank sales and underwriting of insurance products and regulation of the sale, underwriting and pricing of products
- o the ability to achieve Year 2000 readiness for significant systems and operations on a timely basis
- o the risk factors or uncertainties listed from time to time in the Company's private placement memorandums or hereafter, filings with the Securities and Exchange Commission

### Results of Operations

**Business Overview.** The Company effectively commenced business on January 1, 1996, shortly after its formation and incorporation. As a foundation for beginning its business, the Company acquired two blocks of in force insurance business from another insurance company, of which many of the Company's executive officers and employees were previously employees. Later in 1996, the Company acquired another life insurance company with no in force insurance business which allowed the Company to expand its licensing authority to sell insurance and annuities to 23 states and the District of Columbia. Since then, Company management has expanded the Company's licensing to 39 states and the District of Columbia.

The Company specializes in the sale of individual fixed annuities (primarily deferred annuities) and, to a lesser extent, also sells life insurance products. Under generally accepted accounting principles, premium collections for deferred annuities are reported as deposit liabilities instead of as revenues. Earnings from products accounted for as deposit liabilities are primarily generated from the excess of net investment income earned over the interest credited to the policyholder, or the "investment spread," as well as realized gains on investments. Revenue is also recognized from surrender charges deducted from the policyholder's account balance.

Commissions and certain other costs relating to the production of new and renewal business are not expensed when incurred but instead are capitalized as deferred policy acquisition costs. Deferred policy acquisition costs for annuities are amortized into expense with the emergence of gross profits. Under certain circumstances, deferred policy acquisition costs will be expensed earlier than originally estimated, for example, when policy terminations are higher than originally estimated and when investments relating to the liabilities of such products are called or sold at a gain prior to anticipated maturity.

The Company began its marketing efforts for annuities in November, 1996 and collected \$2,313,000 of annuity deposits in 1996. For the year ended December 31, 1997, annuity deposits were \$141,854,000, of which \$121,430,000 was collected in the second half of the year. For the year ended December 31, 1998, annuity deposits were \$377,917,000. The increased annuity production is a direct result of the growth of the Company's agency force, which increased from approximately 400 agents at December 31, 1996 to 4,450 agents at December 31, 1997 and 10,525 agents at December 31, 1998.

Year Ended December 31, 1998. The Company had net income of \$244,000 in 1998 compared to a net loss of \$3,369,000 in 1997. Net income in 1998 is a direct result of the substantial growth in the Company's annuity business which began to accelerate in the third quarter of 1997. Annuity liabilities grew from \$23,657,000 at June 30, 1997 to \$529,765,000 at December 31, 1998 and resulted in a sizable increase in the Company's investment spread for 1998. While certain expenses also increased as a result of the growth in the annuity business, the incremental profits from the larger deposit base allowed the Company to offset a greater portion of fixed operating costs and expenses. The 1998 results also benefited from a non-recurring gain of \$275,000 on the sale of an office building located in Birmingham, Alabama from which the Company's operations in that location were previously conducted (see Item 3. Properties) and from a reduction in interest expense on notes payable as a result of lower interest rates on outstanding indebtedness. The comparison of 1998 to 1997 was also favorably impacted by the non-recurring costs and expenses recognized in 1997 as discussed in the paragraph that follows.

Year ended December 31, 1997. The Company incurred a net loss of \$3,369,000 for the year ended December 31, 1997, compared to a net loss of \$1,139,000 for the year ended December 31, 1996. The greater loss in 1997 primarily resulted from two non-recurring items as follows: (1) \$1,236,000 for agency and product development costs that were expensed in 1997 in the year incurred rather than being capitalized and expensed in subsequent years as a result of the Company's decision to adopt the provisions of SOP No. 98-5, Reporting on the Costs of Start-up Activities, effective January 1, 1997 even though adoption of SOP No. 98-5 was not mandated until January 1, 1999; and (2) \$628,000 for compensation expense attributable to an amendment to the stock option agreement with the Company's chairman (see Note 9 of the Notes to Audited Consolidated Financial Statements). Excluding the non-recurring items previously discussed, the Company incurred a net loss of \$1,505,000 in 1997 which was slightly greater than the net loss of \$1,139,000 in 1996. In both periods, the losses were primarily a result of cost and expenses, including personnel, occupancy and data processing, related to developing the Company's annuity business. The greater loss in 1997 was attributable to an increase in these development expenses associated with the Company's significant growth in new annuity sales which began in the third quarter of 1997.

## Financial Condition

Investments. The Company's investment strategy is to maintain a predominantly investment grade fixed income portfolio, provide adequate liquidity to meet its cash obligations to policyholders and others and maximize current income and total investment return through active investment management. Consistent with this strategy, the Company's investments principally consist of fixed maturity securities and short-term investments. The Company also has approximately 2.6% of its invested assets at December 31, 1998 in derivative instruments (S&P 500 Index call options) purchased in connection with the issuance of equity-index annuities.

Insurance statutes regulate the type of investments that the Life Company is permitted to make and limit the amount of funds that may be used for any one type of investment. In light of these statutes and regulations and the Company's business and investment strategy, the Company generally seeks to invest in United States government and government-agency securities and corporate securities rated investment grade by established nationally recognized rating organizations or in securities of comparable investment quality, if not rated.

The Company has classified all of its fixed maturity investments as available-for-sale to maximize investment flexibility. Available-for-sale securities are reported at market value and unrealized gains and losses, if any, on these securities are included directly in a separate component of stockholders' equity, thereby exposing stockholders' equity to incremental volatility due to changes in market interest rates and the accompanying changes in the reported value of securities classified as available-for-sale, with stockholders' equity increasing as interest rates decline and, conversely, decreasing as interest rates rise.

Liabilities. The Company's liability for policy benefit reserves increased \$385,084,000 and \$144,152,000 during 1998 and 1997, respectively, to \$541,082,000 at December 31, 1998 and \$155,998,000 at December 31, 1997, primarily due to annuity sales as discussed above.

Substantially all of the Company's annuity products have a surrender charge feature designed to reduce early withdrawal or surrender of the policies and to partially compensate the Company for its costs if policies are withdrawn early. Surrender charge periods on annuity policies currently being issued generally range from five years to fifteen years. The initial surrender charge on annuity policies ranges from 9% to 25% of the accumulation value and, with respect to some products, the surrender charge decreases by approximately one to two percentage points per year during the surrender charge period. Notwithstanding these policy features, the withdrawal rates of policyholder funds may be affected by changes in interest rates.

On October 18, 1996, the Company borrowed \$10,000,000 from two banks under a variable rate revolving credit agreement with a maximum borrowing level of \$10,000,000. Proceeds from the borrowing were contributed to the capital and surplus of the Life Company (\$6,000,000) and used to refinance indebtedness incurred by the Company to capitalize the Life Company at the time of its formation (\$4,000,000). At December 31, 1998, the interest rate on the notes is 7.56%. The loan matures on October 17, 1999 with an option for a one year extension. Under this agreement, the Company is required to maintain minimum capital and surplus levels at the Life Company and meet certain other financial and operating ratio requirements. The Company is also prohibited from incurring other indebtedness for borrowed money without obtaining a waiver from the lenders and from paying dividends on its capital stock in excess of 10% of its consolidated net income for the prior fiscal year.

Stockholders' Equity. The Company was initially capitalized in December, 1995 and January, 1996 through the issuance of shares of Common Stock for cash of \$4,000,000. Subsequent to its initial capitalization (400,000 shares of Common Stock after May 29, 1996 100-for-1 stock split), the Company has issued additional shares of Common Stock, warrants to purchase shares of Common Stock and shares of Series Preferred Stock convertible into shares of Common Stock in several private placement offerings as follows:

Description	Issue Price	No. Issued		Warrant Exercise Price
		Shares	Warrants	
Common Stock & Warrants				
--1996	\$10.00	780,000	156,000	\$10.00
--1997	10.00	3,998	798	10.00
--1998(1)	10.00	3,000	600	10.00
		-----	-----	
		786,998	157,398 (2)	
--1997	12.00	570,416	114,083 (3)	12.00
	--	--	68,250 (4)	12.00
		-----	-----	
		570,416	182,333	
Common Stock--1997	16.00	2,666,250	--	
1998 Series A Participating Preferred Stock--1998	16.00	625,000	--	

- 
- (1) issued to the placement agent in payment of a portion of the compensation due to the placement agent
  - (2) exercised during 1998
  - (3) expire on April 30, 1999
  - (4) issued to the placement agent as part of placement agent compensation; expire on April 30, 2000

A portion of the 2,666,250 shares of Common Stock issued in 1997 at \$16 per share were issued in a rights offering to existing stockholders and in connection therewith, certain officers and directors of the Company received management subscription rights to purchase one share of Common Stock for each share owned and one-half share of Common Stock for each stock option held on the record date. Such directors and officers beneficially owned 513,750 shares of Common Stock and held an aggregate of 410,750 stock options at that time and accordingly an aggregate of 719,125 management subscription rights were issued to nine officers and directors at that time. The management subscription rights have a exercise price of \$16 per share and expire on December 1, 2002. An institutional investor purchased 1,562,500 shares of Common Stock in this offering and received a right of first refusal to maintain a 20% ownership interest the Company.

The 625,000 shares of 1998 Series A Participating Preferred Stock issued in 1998 have participating dividend rights with the shares of Common Stock, when and as such dividends are declared. The preferred shares are convertible into shares of Common Stock on a one for one basis upon the earlier of the Company's initial public offering of its Common Stock or December 31, 2003.

The aggregate net proceeds from the transactions identified above were \$65,352,000, substantially all of which were contributed to the capital and surplus of the Life Company or used to fund the acquisition of the life insurance company acquired in 1996.

Liquidity for Insurance Operations. The Life Company generally receives adequate cash flow from premium collections and investment income to meet its obligations. Annuity and life insurance liabilities are generally long-term in nature. Policyholders may, however, withdraw funds or surrender their policies, subject to surrender and withdrawal penalty provisions. At December 31, 1998, approximately 97% of the Company's annuity liabilities were subject to penalty upon surrender.

The Company believes that the diversity of its investment portfolio and the concentration of investments in high-quality, liquid securities provides sufficient liquidity to meet foreseeable cash requirements. The investment portfolio at December 31, 1998 included \$569,650,000 of publicly traded investment grade bonds. Although there is no present need or intent to dispose of such investments, the Life Company could readily liquidate portions of its investments, if such a need arose. In addition, investments could be used to facilitate borrowings under reverse-repurchase agreements or dollar-roll transactions. Such borrowings have been used by the Life Company from time to time to increase its return on investments and to improve liquidity.

Liquidity of Parent Company. The parent company is a legal entity separate and distinct from its subsidiaries, and has no business operations. The parent company needs liquidity primarily to service its debt and pay operating expenses. The primary sources of funds for these payments are: (i) cash on hand (\$2,212,000 at December 31, 1998); (ii) dividends on capital stock and surplus note interest payments from the Life Company; and (iii) cash (\$1,169,000 at December 31, 1998) that may be distributed by the American Equity Investment Properties, L.C. which holds the net proceeds from the sale of the office building in Birmingham, Alabama that was sold in 1998 (see Item 3. Properties). The parent company may also obtain cash by issuing debt or equity securities.

The payment of dividends or the distributions, including surplus note payments, by the Life Company are subject to regulation by the Iowa Insurance Division. Currently, the Life Company may pay dividends or make other distributions without the prior approval of the Iowa Insurance Division, unless such payments, together with all other such payments within the preceding twelve months, exceed the greater of (1) the Life Company's net gain from operations (excluding net realized capital gains or losses) for the preceding calendar year, or (2) 10% of its statutory surplus at the preceding December 31. For 1999, up to \$7,845,000 can be distributed as dividends or surplus note payments without prior approval of the Iowa Insurance Division. In addition, dividends and surplus note payments may be made only out of earned surplus, and all surplus note payments are subject to prior approval by regulatory authorities. The Life Company had \$14,515,000 of earned surplus at December 31, 1998.

The maximum distribution permitted by law or contract is not necessarily indicative of an insurer's actual ability to pay such distributions, which may be constrained by business and regulatory considerations, such as the impact of such distributions on surplus, which could affect the insurer's ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends or make other distributions. Further, the Iowa insurance laws and regulations require that the statutory surplus of the Life Company following any dividend or distribution must be reasonable in relation to its outstanding liabilities and adequate for its financial needs.

The transfer of funds by the Life Company is also restricted by certain covenants in the Company's loan agreement which, among other things, requires the Life Company to maintain statutory capital and surplus (including the asset valuation and interest maintenance reserves) of \$14,000,000 plus 25% of statutory net income for periods subsequent to June, 30 1996 (\$16,548,000 at December 31, 1998). Under the most restrictive of these limitations, \$14,515,000 million of earned surplus at December 31, 1998 would be available for distribution by the Life Company to the Company in the form of dividends or other distributions.

Statutory accounting practices prescribed or permitted for the Life Company differ in many respects from those governing the preparation of financial statements under generally accepted accounting principles ("GAAP"). Accordingly, statutory operating results and statutory capital and surplus may differ substantially from amounts reported in the GAAP basis financial statements for comparable items. Information as to statutory capital and surplus and statutory net income for the Life Company as of December 31, 1998 and 1997 and for the years ended December 31, 1998, 1997 and 1996 is included in Note 10 of the Notes to Audited Consolidated Financial Statements.

#### Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk is the Company's primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of the Company's products and the market value of its investments.

The profitability of most of the Company's products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. The Company has the ability to adjust crediting rates (participation or asset fee rates for equity-index annuities) on substantially all of its annuity policies at least annually (subject to minimum guaranteed values). In addition, substantially all of the Company's annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit the Company's ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

A major component of the Company's interest rate risk management program is structuring the investment portfolio with cash flow characteristics consistent with the cash flow characteristics of the Company's insurance liabilities. The Company uses computer models to simulate cash flows expected from its existing business under various interest rate scenarios. These simulations enable the Company to measure the potential gain or loss in fair value of its interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from its assets to meet the expected cash requirements of its liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of its investment portfolio. (The "duration" of a security is the time weighted present value of the security's expected cash flows and is used to measure a security's sensitivity to changes in interest rates). When the durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in value of assets should be largely offset by a change in the value of liabilities. At December 31, 1998, the effective duration of the Company's fixed maturity securities and short-term investments was approximately 7.5 years and the estimated duration of the Company's insurance liabilities was approximately 8.1 years.

If interest rates were to increase 10% from levels at December 31, 1998, the Company estimates that the fair value of its fixed maturity securities, net of corresponding changes in the values of deferred policy acquisition costs and insurance in force acquired would decrease by approximately \$12,856,000. The computer models used to estimate the impact of a 10% change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of the Company's financial instruments indicated by the simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because the Company actively manages its investments and liabilities, its net exposure to interest rates can vary over time.

## Year 2000 Readiness Disclosure

Many computer programs were originally written using two digits rather than four digits to identify a particular year. Such programs may recognize a date using "00" as the year 1900 rather than the year 2000. If not corrected, these computer programs could cause system failures or miscalculations in the year 2000, with possible adverse effects on the Company's operations.

During the first quarter of 1998, the Company developed a strategy to identify and then test its internal computer programs which are date sensitive. The Company's systems for administering its group life policies were identified as having two-digit date codes. Conversion to four-digit codes and testing of such converted systems commenced in the second quarter of 1998 and was completed prior to December 31, 1998. These systems are now year 2000 compliant. The costs of testing and conversion charged to expense during 1998 were approximately \$25,000.

The policy issue and administration system for the Company's individual annuity and life insurance business is a system developed from the outset using four digits for the year. This system was purchased from a third party vendor in the fourth quarter of 1996. At that time, the vendor provided the Company with a letter of year 2000 compliance for this program. However, the Company did not rely solely on the compliance letter and began a comprehensive systems test in the third quarter of 1998. Testing included processing daily, monthly, quarterly and annual business cycles through February 29, 2000. Internal testing was completed during the fourth quarter of 1998. These systems were determined to be year 2000 compliant. The costs of testing of this system charged to expense during 1998 were approximately \$10,000.

External testing with third party providers of computer dependent services was completed during the first quarter of 1999. The most critical of these providers to the Company's ongoing business operations is the financial institution with which the Company electronically interfaces each business day for the processing of premium collections and commission payments. Integrated testing between the Company and this financial institution was successfully completed in February 1999. Testing included all types of ACH (Automated Clearing House) transactions. The cost of such testing charged to expense in 1999 will be approximately \$5,000.

Additionally, the Company is in the process of instituting a corporate wide disaster recovery plan for its data systems that will include both its Iowa and Alabama locations. Both locations will be prepared to serve the other in the event of a prolonged business outage. The plan will incorporate contingencies for year 2000 interruptions caused by certain third party providers and other outside elements for which adequate testing cannot be conducted. These would include, for example, utility companies that supply electricity and water.

## Pending Accounting Change

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." Statement No 133 requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Accounting for gains or losses resulting from changes in the values of those derivatives is dependent on the use of the derivative and whether it qualifies for hedge accounting. The Statement is effective for the Company in the year 2000, with earlier adoption encouraged. The Company has not yet estimated the effect that adoption of this new Statement will have on earnings or the financial position of the Company.

## Inflation

Inflation does not have a significant effect on the Company's balance sheet; the Company has minimal investments in property, equipment or inventories. To the extent that interest rates may change to reflect inflation or inflation expectations, there would be an effect on the Company's balance sheet and operations. Lower interest rates experienced in recent periods have increased the value of the Company's fixed maturity investments. These lower rates may also have made it more difficult to issue new fixed rate annuities. It is not possible to calculate the effect of these changes on the Company's operating results. It is likely that rising interest rates would have the opposite effect.

## Item 3. Properties

The Company leases space for its principal offices in Des Moines, Iowa, pursuant to written leases for approximately 17,350 square feet at a monthly rental of \$25,699 (\$308,388 per year) and has entered into a lease for an additional 9,200 square feet of space at a monthly rental of approximately \$14,350 (\$172,200 per year). The leases expire on June 30, 2004, and have a renewal option for an additional five year term at a rental rate equal to the then market value.

The Company is negotiating a lease for office space utilized by its staff in Pell City, Alabama. Previously, the Company owned an office building in Birmingham, Alabama from which its operations in that location were conducted. As discussed in Item 1. Business, the building was sold in 1998. The Company owns no real estate.

Item 4. Security Ownership of Certain Beneficial Owners and Management

The Company presently has 255 shareholders. The following table sets forth the beneficial ownership of the Company's Common Stock as of March 31, 1999 by: (i) each of the Company's directors; (ii) the Company's chief executive officer and other executive officers; (iii) all directors and executive officers as a group; and (iv) those persons owning more than 5% of the Company's Common Stock based upon information obtained from the Company's records at that date.

Name -----	Number of Shares Beneficially Owned -----	Percent -----	Warrants, Options, Management Subscription Rights included in Number of Shares Beneficially Owned -----
<b>Directors and Executive Officers</b>			
David J. Noble (2) (4)	1,366,500	24.7%	960,000
James M. Gerlach	97,250	2.1%	66,250
Robert L. Hilton	1,250	*	--
Ben T. Morris(3)	13,750	*	7,500
David S. Mulcahy(4)	32,000	*	10,000
A.J. Strickland, III	78,000	1.7%	35,000
Harley A. Whitfield	12,000	*	5,000
John C. Anderson	7,100	*	--
Terry A. Reimer	97,250	2.1%	65,750
Debra J. Richardson(4)	37,324	*	32,375
 All directors and executive officers as group (10 persons)	 1,742,424	 30.2%	 1,181,875
<b>5% Owners</b>			
Farm Bureau Life Insurance Company(4)	1,562,500	34.1%	--
Conseco Companies(5)	456,500	9.9%	--

- - - - -  
\* Less than 1%

- (1) The address of each of the beneficial owners other than Ben T. Morris, Farm Bureau Life Insurance Company and Conseco Companies is c/o the Company, 5000 Westown Parkway, Suite 440, West Des Moines, IA 50266. The address for Ben T. Morris is c/o Sanders Morris Mundy Inc., 3100 Chase Tower, Houston, TX 77002. The address for Farm Bureau Life Insurance Company is 5400 University Avenue, West Des Moines, IA 50266. The address for Conseco Companies is 11825 N. Pennsylvania Street, Carmel, IN 46032.
- (2) Includes 327,500 shares of Common Stock owned by Mr. Noble and 79,000 shares of Common Stock owned by Twenty Services, Inc. ("Twenty"). Mr. Noble beneficially owns 53% of Twenty.
- (3) Does not include the warrant issued to Sanders Morris Mundy Inc. (of which Mr. Morris is a principal owner) to acquire up to 68,250 shares at an exercise price of \$12 per share. This warrant expires on April 30, 2000.

- (4) Of the 1,562,500 shares beneficially owned by Farm Bureau Life Insurance Company, 646,108 shares are on deposit in a voting trust which has a term of ten years ending on December 31, 2007. Under the terms of the voting trust, the voting trustees named therein control all voting rights attributable to the shares deposited in the voting trust, while Farm Bureau retains the economic rights to those shares. The voting trustees are David J. Noble, David S. Mulcahy and Debra J. Richardson, each of whom is a director or an executive officer of the Company. Each of the voting trustees disclaims any beneficial ownership with respect to these shares. Farm Bureau also received a right of first refusal to maintain a 20% ownership interest in the voting equity securities of the Company.
- (5) Aggregate number of shares owned by three subsidiaries of Conseco, Inc.

Item 5. Directors and Executive Officers

The following table sets forth information with respect to the directors and executive officers of the Company. There are no family relationships among any directors or executive officers of the Company except for Mr. Noble and Dr. Anderson who is Mr. Noble's son-in-law.

Name	Age	Position	Director Since
-----	---	-----	-----
David J. Noble	67	Chairman of the Board, President, Treasurer and Director	1995
James M. Gerlach	56	Executive Vice President and Director	1996
Robert L. Hilton	70	Director	1996
Ben T. Morris	52	Director	1997
David S. Mulcahy	46	Director	1996
A. J. Strickland, III.	56	Director	1996
Harley A. Whitfield	68	Director	1996
John C. Anderson	35	Director	1998
Terry A. Reimer	53	Executive Vice President	
Debra J. Richardson	42	Senior Vice President and Secretary	

David J. Noble serves as Chairman, President and Treasurer of the Company and Chairman and President of the Life Company. Mr. Noble was Statesman's Chief Executive Officer (from 1982 through 1994) and a Director of Statesman (from 1975) and its President (from 1979) until he left to form the Company at the end of 1995. Mr. Noble has been active in the insurance industry for over 45 years. Mr. Noble is a Director of Twenty Services, Inc., an Alabama corporation.

James M. Gerlach serves as a Director and Executive Vice President of the Company and as a Director, Executive Vice President and Chief Marketing Officer of the Life Company. Prior to joining the Company, Mr. Gerlach served as Executive Vice President and Secretary of American Life and as Executive Vice President and Treasurer of Vulcan Life Insurance Company, a subsidiary of American Life. Mr. Gerlach has been active in the insurance industry for over 35 years.

Robert L. Hilton is a Director of the Company. From 1992 to 1996, he served as President of TIDE Consulting Co., Destin, Florida. Since 1997, Mr. Hilton has served as Executive Vice President of Insurance Data Resources Statistical Services, Inc., Boca Raton, Florida. Mr. Hilton is a former director of Statesman, and served for over 40 years as Senior Vice President of the National Council of Compensation Insurance, Boca Raton, Florida.

Ben T. Morris is a Director of the Company. Mr. Morris is President, Director, and co-founder of Sanders Morris Mundy Inc., Houston, Texas, a financial services and investment banking firm. Mr. Morris is a Director of Capital Title Group, Inc. and USA Cafe Investors LLC.

David S. Mulcahy is a Director of the Company and of the Life Company. Since 1994, he has been a principal owner and officer of MABSCO Capital, Inc., Des Moines, Iowa and is the Chairman of Monarch Manufacturing Company, Waukeg, Iowa. Mr. Mulcahy is a certified public accountant who acted as the senior tax partner for Ernst & Young LLP, where he was employed from 1976 through 1994.

A. J. Strickland, III is a Director of the Company. Since 1969, Mr. Strickland has been a Professor at the University of Alabama School of Business. Mr. Strickland is a Director of Twenty Services, Inc., and a former director of Statesman.

Harley A. Whitfield is a Director of the Company. Mr. Whitfield is an attorney who is of counsel to Whitfield & Eddy, P.L.C., Des Moines, Iowa. Mr. Whitfield was a partner with Whitfield & Eddy, P.L.C. from 1956 through 1994. Mr. Whitfield served as general corporate counsel for Statesman for over 30 years.

John C. Anderson is a Director of the Company, and is the Associate Medical Director for the Life Company. Dr. Anderson is a member of the Southbrooke Health Center, Pell City, Alabama, where he has practiced chiropractic medicine since 1990. He is on the staff at St. Clair Regional Hospital, and has served on the Physician Advisory Committee for Blue Cross/Blue Shield of Alabama.

Terry A. Reimer serves as Executive Vice President of the Company and as a Director, Executive Vice President, Chief Operating Officer and Treasurer of the Life Company. Mr. Reimer was Executive Vice President, Treasurer and Chief Operating Officer of American Life from September, 1988, through November, 1996. Mr. Reimer is a certified public accountant and has been involved in the insurance industry for over 30 years.

Debra J. Richardson is Senior Vice President and Secretary of the Company and is a Director, Vice President and Secretary of the Life Company. Ms. Richardson was employed by Statesman from 1977 through April 1996, serving in various positions including Vice President-Shareholder/Investor Relations and Secretary. Ms. Richardson has been involved in the insurance industry for 20 years.

The following is a significant member of the Board of Directors of the Life Company:

Jack W. Schroeder serves as Vice Chairman and Director of the Life Company. Mr. Schroeder served as President of American Life and Casualty Insurance Co. from 1988 through 1994 and as Vice President from 1995 through 1996. Mr. Schroeder has been involved in the insurance industry for over 40 years.

Item 6. Executive Compensation

The following table sets forth certain information with respect to the annual and long-term compensation of the Company's chief executive officer and the Company's highest paid executive officers whose total salary and bonus for 1998 services exceeded \$100,000. The amounts shown are aggregate compensation from the Company and its subsidiaries.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation (1)		Long-Term Compensation Awards Securities Underlying Options/SARs (2)	All Other Compensation (3)
		Salary	Bonus		
D.J. Noble	1998	\$ 60,000	\$-0-	-0-	\$1,200
Chairman, President and	1997	60,000	-0-	400,000	-0-
Chief Executive Officer	1996	-0-	-0-	-0-	-0-
James M. Gerlach	1998	120,000	-0-	-0-	2,400
Executive Vice President	1997	120,000	-0-	2,500	1,400
	1996	70,000	-0-	25,000	-0-
Terry A. Reimer	1998	120,000	-0-	-0-	2,400
Executive Vice President	1997	120,000	-0-	2,500	1,400
	1996	16,154	-0-	25,000	-0-

(1) Includes employee tax-deferred contributions to the Company's 401(k) savings plan and the deferred portion of Mr. Gerlach's and Mr. Reimer's compensation for 1997 and 1996 pursuant to their deferred compensation agreements with the Company. Mr. Gerlach and Mr. Reimer elected to defer receipt of \$50,000 each in 1997. Mr. Reimer deferred all of his 1996 salary, and Mr. Gerlach deferred \$30,946 of his 1996 salary. No interest is paid on the amounts deferred. Payment of the amounts deferred will be made in shares of Common Stock valued at \$10 per share. The shares will be issued only upon the occurrence of certain trigger events, including death, disability, retirement or Board action. As of December 31, 1998, 8,095 shares were issuable to Mr. Gerlach and 6,615 shares were issuable to Mr. Reimer.

(2) Except for Mr. Noble, all awards were made under the Company's 1996 Stock Option Plan. The number of securities for Mr. Noble includes warrants to purchase 80,000 shares of Common Stock and options to purchase 320,000 shares of Common Stock (see Note 9 of the Notes to Audited Consolidated Financial Statements).

In addition to the number of securities listed, each of the named executive officers received subscription rights to purchase shares of Common Stock in connection with a rights offering in December, 1997. Each executive officer received the right to purchase one share of Common Stock for each share owned and one-half share of Common Stock for each stock option held at the close of business on December 1, 1997. These management subscription rights have an exercise price of \$16 per share and may be exercised at any time prior to December 1, 2002. Mr. Noble received 560,000 management subscription rights and Mr. Gerlach and Mr. Reimer each received 38,750 management subscription rights.

(3) Represents employer contributions to the Company's 401(k) savings plan.

Option/SAR Grants in Last Fiscal Year

No options to purchase or stock appreciation rights ("SARs") on Common Stock were granted to the named executive officers in 1998.

Aggregated Option/SAR Exercises in 1998  
and Year-End Option/SAR Values

The following table summarizes the options on Common Stock exercised during 1998 and the value of unexercised options on Common Stock held by the named executive officers at fiscal year-end:

Name	Shares Acquired on Exercise	Value Realized(1)	Number of Unexercised Options/SARs at Fiscal Year-End(2) Exercisable(E)/ Unexercisable(U)	Valued of Unexercised In-the Money Options/SARs at Fiscal Year-End(1) Exercisable(E)/ Unexercisable(U)
D.J. Noble	None	None	(E) 400,000 (U) None	(E) \$1,680,000 (U) None
James M. Gerlach	None	None	(E) 27,500 (U) None	(E) 160,000 (U) None
Terry A. Reimer	500	\$3,000	(E) 27,000 (U) None	(E) 157,000 (U) None

(1) Values equal to the excess of the fair market value on the date of exercise or December 31, 1998 over the exercise price. For purposes of this table, fair market value was deemed to be \$16.00 per share, the price at which shares of Common Stock were issued in a private offering in December, 1997 and shares of 1998 Series A Participating Preferred Stock were issued in a private offering in December, 1998.

(2) Does not include management subscription rights which, based upon the deemed fair market value of \$16.00 per share of Common Stock, had no value at December 31, 1998. See footnote (2) to Summary Compensation Table.

Except for Mr. Noble, all options were granted under the Company's 1996 Stock Option Plan. The number for Mr. Noble includes warrants to purchase 80,000 shares of Common Stock and options to purchase 320,000 shares of Common Stock (see Note 9 of the Notes to Audited Consolidated Financial Statements).

Compensation of Directors

Each member of the Board of Directors who is not an officer of the Company receives \$500 per day for attending meetings of the Board of Directors or meetings of committees of the Board of Directors, plus reimbursement of expenses for attending such meetings.

Compensation Committee Interlocks and Insider Participation

The Board of Directors has established a Compensation Committee, the members of which are directors who are not employees of the Company.

## Item 7. Certain Relationships and Related Transactions

### General Agency Commission and Servicing Agreement

On January 15, 1997, the Life Company entered into a general agency commission and servicing agreement (the "Service Company Agreement") with American Equity Investment Service Company (the "Service Company"), which is wholly-owned by D. J. Noble. Under the Service Company Agreement, the Service Company agreed to pay a specified portion of the commissions due to the Life Company's agents on new annuity business written by the Life Company, and the Life Company agreed to pay renewal and other commissions to the Service Company on this business, principally based upon the account balances of the annuities remaining in force over a specified period. The Service Company has assigned its rights under the Service Company Agreement to a lender as collateral security for a \$35 million line of credit made to Mr. Noble as borrower and recontributed by him as a loan to the Service Company. Under the Service Company Agreement, the Life Company is required to comply with certain recurring obligations, the breach of which shall constitute an event of default. Such agreement is not assignable without the prior written consent of the other party and expires on December 31, 2005.

During the years ended December 31, 1998 and 1997, the Service Company paid \$19,933,480 and \$11,470,576, respectively, to agents of the Life Company and the Life Company paid renewal commissions to the Service Company of \$6,781,288 and \$1,360,410, respectively. At December 31, 1998, accounts payable to the Service Company by the Life Company aggregated \$2,438,600.

### Variable Product Alliance

In December 1997, the Company formed an alliance with FBL Financial Group, Inc. ("FBL") under which the parties have developed a variable annuity product and a variable universal life insurance product. The Company first offered these products to the public in July 1998. The parties have entered into a reinsurance agreement under which the risks, costs and profits associated with the variable products are shared on a percentage basis. FBL provides the administrative support necessary to manage this business, and is paid an administrative fee for such services.

FBL is the parent of Farm Bureau Life Insurance Company, which beneficially owns 34.1% of the Company's outstanding Common Stock (see Item 4. Security Ownership of Certain Beneficial Owners and Management).

## Item 8. Legal Proceedings

The Company is not party to, and its property is not subject to, any pending legal proceedings.

## Item 9. Market Price of and Dividends on Common Stock and Related Stockholders Matters

None of the Company's outstanding Common Stock is authorized for trading on an established public trading market. At December 31, 1998, 2,283,458 shares of Common Stock are subject to outstanding options or warrants to purchase, management subscription rights or convertible preferred stock. In addition, 193,950 shares of Common Stock are potentially issuable to certain officers, directors, consultants and agents pursuant to certain deferred compensation agreements they have with the Company.

As of the date of this Form 10, the Company has not declared any cash dividends on its Common Stock and it is currently contemplated that the Company will not pay cash dividends on its Common Stock for the immediately foreseeable future. The payment of dividends in the future is subject to the discretion of the Board of Directors and will depend upon general business conditions, legal and regulatory restrictions on the payment of dividends and other factors deemed relevant by the Board. Additionally, the Company's credit facility contains a restrictive covenant which limits the Company's ability to pay dividends to no more than 10% of its consolidated net income for the prior fiscal year.

The Company's ability to pay dividends will depend upon the cash flow and profitability of the Life Company. Iowa insurance laws restrict the amount of dividends and surplus note payments the Life Company can pay without obtaining the approval of the Iowa Insurance Division. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Form 10.

#### Item 10. Recent Sales of Unregistered Securities

The Company was initially capitalized in December, 1995 and January, 1996 through the issuance of 4,000 shares of its Common Stock to D. J. Noble, its chairman and president, and Twenty Services, Inc., a corporation 53% owned by Mr. Noble, for \$4,000,000 in cash. On May 29, 1996, these initial shares were increased to 400,000 shares as a result of a 100-for-1 stock split that became effective on that date.

The Company conducted two private placements of Common Stock and warrants in September and October, 1996. An aggregate of 780,000 shares of Common Stock and warrants to purchase 156,000 shares of Common Stock at an exercise price of \$10 per share were sold to "accredited investors" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act") in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof. EVEREN Securities, Inc. was the placement agent for these offerings. The aggregate consideration received was \$7,800,000 and EVEREN Securities, Inc. received an aggregate selling commission of \$186,500. In 1998, the Company issued 3,000 shares of Common Stock and warrants to purchase 600 shares of Common Stock at an exercise price of \$10 per share as payment for \$30,000 of the aggregate selling commission.

During 1997, 3,998 shares of Common Stock and warrants to purchase 798 shares of Common Stock at an exercise price of \$10 per share were sold to four employees for an aggregate price of \$39,980.

All of the aforementioned warrants were exercised in September and October, 1998 and the aggregate consideration received for the issuance of 157,398 shares of Common Stock was \$1,573,980.

In a May, 1997 private placement offering, the Company sold 568,750 shares of Common Stock and warrants to purchase 113,750 shares of Common Stock at an exercise price of \$12 per share to "accredited investors" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof. The aggregate consideration received was \$6,825,000 and a selling commission of \$546,000 was paid to Sanders Morris Mundy Inc., the placement agent. In addition, the placement agent received a warrant to purchase 68,250 shares of Common Stock at an exercise price of \$12 per share. The warrants issued to the purchasers in this offering were exercised in April, 1999 and the warrant issued to the placement agent expires on April 30, 2000.

Resales of shares acquired in the May, 1997 offering (including shares acquired upon exercise of the warrants) are subject to a right-of-first refusal among the persons acquiring their shares in that offering. Also, in the event the Company elects to register any of its securities in connection with a public offering, persons acquiring shares in that offering will have a one-time right to demand registration of their shares upon the

affirmative vote of persons holding at least two-thirds of such shares; provided, however, that in an underwritten offering, the underwriter(s) may choose to exclude the shares of selling shareholders on a pro rata basis if the underwriter determines that the inclusion of such shares would have a material adverse effect on the offering. In addition, if the Company proposes to register any shares of Common Stock subsequent to the time it is a public company, persons acquiring shares in the May, 1997 offering will have piggyback registration rights on such securities registrations.

In August, 1997, 1,666 shares of Common Stock and a warrant to purchase 333 shares of Common Stock were sold to an employee for an aggregate price of \$19,992. This warrant was exercised in April, 1999 at \$12 per share.

In a rights offering and private placement of Common Stock in December, 1997, the Company sold 2,666,250 shares of Common Stock of which 1,562,500 shares were sold to Farm Bureau Life Insurance Company (see Item 4. Security Ownership of Certain Beneficial Owners and Management) and 1,103,750 shares were sold to existing stockholders. The aggregate consideration received was \$42,660,000 and a selling commission of \$2,374,500 was paid to EVEREN Securities, Inc. The issuance of these shares was made in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof. In connection with this offering, the Company granted Farm Bureau Life Insurance Company a right of first refusal to maintain a 20% ownership interest in the voting equity securities of the Company. Also, directors and executive officers of the Company received rights to purchase one share of Common Stock for each share owned and one-half share of Common Stock for each stock option held at the close of business on December 1, 1997. An aggregate of 719,125 management subscription rights were issued to nine officers and directors at that time. These management subscription rights have an exercise price of \$16 per share and may be exercised at any time prior to December 1, 2002.

The Company sold 625,000 shares of 1998 Series A Participating Preferred Stock in December 1998 to an institutional investor for total consideration of \$10,000,000 in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof. These shares have participating dividend rights with the shares of Common Stock, when and as such dividends are declared. The preferred shares are convertible into shares of Common Stock on a one for one basis upon the earlier of the Company's initial public offering of its Common Stock or December 31, 2003.

During 1997 and 1998, the Company issued an aggregate of 900 shares of Common Stock to three employees pursuant to the exercise of options under its employee stock option plan. The total consideration received from these option exercises was \$10,200.

All shareholders of the Company will have a right of co-sale in the event of any transfer of a controlling interest in the Company (excluding certain involuntary transfers in the event of death or disability).

#### Item 11. Description of Securities to be Registered

The authorized capital of the Company consists of 12,000,000 shares of stock of all classes, consisting of 10,000,000 shares of Common Stock, par value \$1 per share, and 2,000,000 shares of Series Preferred Stock. The summary below does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the Company's Articles of Incorporation, as amended, and its Bylaws, as amended, which are filed as exhibits to this Form 10, as well as to the provisions of any applicable laws.

As of the date of this Form 10, there are 4,696,045 shares of Common Stock issued and outstanding. Each outstanding share of Common Stock is entitled to one vote per share on each matter submitted to a vote of stockholders. Cumulative voting for the election of directors is not permitted, and the holders of a majority of shares voting for the election of directors can elect all members of the Board of Directors. Subject to the rights of holders of Series Preferred Stock, holders of Common Stock have equal ratable rights to dividends from funds legally available therefor, when, as, and if declared by the Board of Directors and are entitled to share ratably in all assets of the Company available for distribution to holders of Common Stock upon liquidation, dissolution or winding up of the Company. Holders of Common Stock have no preemptive, conversion, redemption, or subscription rights. All outstanding shares of Common Stock are validly issued, fully paid, and non-assessable.

The Series Preferred Stock may be issued from time to time in one or more series with such rights and preferences as may be determined by the Board of Directors. There are 625,000 shares of 1998 Series A Participating Preferred Stock issued and outstanding. The preferred shares rank on parity with the Common Stock as to the payment of dividends and have participating dividend rights with the shares of Common Stock, when and as such dividends are declared. The preferred shares rank senior to the Common Stock as to the distribution of assets upon liquidation, dissolution or winding up. Upon liquidation, the preferred shares will have a liquidation preference equal to the greater of: (i) \$16 per share (aggregate \$10,000,000) plus accrued and unpaid dividends and distributions which have been declared; or (ii) the amount per share payable to holders of Common Stock. The preferred shares have no voting rights and are convertible into shares of Common Stock on a one for one basis upon the earlier of the Company's initial public offering of its Common Stock or December 31, 2003. Antidilution rights for the 1998 Series A Participating Preferred Stock are specified in the resolutions creating the series.

#### Item 12. Indemnification of Directors and Officers

Certain provisions of the Iowa Business Corporation Act ("IBCA") and the Company's Articles of Incorporation and Bylaws relate to the limitation of liability and indemnification of directors and officers of the Company. These various provisions are described below.

The Articles of Incorporation provide that the Company's directors are not personally liable to the Company or its shareholders for monetary damages for breach of their fiduciary duties as a director to the fullest extent permitted by Iowa law. Under existing Iowa law, directors would not be personally liable to the Company or its shareholders for monetary damages for breach of their fiduciary duties as a director, except for: (i) any breach of the director's duty of loyalty to the Company or its shareholders; (ii) acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law; (iii) any transaction from which the director derived improper personal benefit; or (iv) the unlawful payment of dividends or unlawful stock repurchases or redemptions. This indemnification provision may have the effect of reducing the likelihood of derivative litigation against directors and may discourage or deter shareholders of the company from bringing a lawsuit against directors of the Company for breach of their fiduciary duties as directors. However, the provision does not affect the availability of equitable remedies such as an injunction or rescission.

The Bylaws also provide that each person who was or is a party or is threatened to be made a party to any threatened, pending or completed civil or criminal action or proceeding by reason of the fact that such person is or was a director of the company or is or was serving at the request of the company as a director of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by Iowa law. This right to indemnification shall also include the right to be paid by the Company the expenses incurred in connection with any such proceeding in advance of its final disposition to the fullest extent authorized by Iowa law. This right to indemnification shall be a contract right. The Company may, by action of its Board of Directors, provide indemnification to such of the officers, employees

and agents of the Company to such extent and to such effect as the Board of Directors determines to be appropriate and authorized by Iowa law.

The Company's Bylaws authorize the Company to purchase insurance for directors, officers and employees of the company, and persons who serve at the request of the Company as directors, officers, members, employees, fiduciaries or agents of other enterprises, against any expense, liability or loss incurred in such capacity, whether or not the Company would have the power to indemnify such persons against such expense or liability under the Bylaws. The Company maintains insurance coverage for its officers and directors as well as insurance coverage to reimburse the Company for potential costs of its corporate indemnification of directors and officers.

Item 13. Financial Statements and Supplementary Data

The financial statements are included as part of this Form 10 on pages F-1 through F-34.

Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 15. Financial Statements and Exhibits

See Index to Consolidated Financial Statements and Financial Statement Schedules on page F-1 for a list of financial statements filed as part of this Form 10.

The following consolidated financial statement schedules are included as part of this Form 10 on pages F-35 through F-41.

- Schedule I - Summary of Investments - Other Than Investments in Related Parties
- Schedule II - Condensed Financial Information of Registrant (Parent Company)
- Schedule III - Supplementary Insurance Information
- Schedule IV - Reinsurance

All other schedules to the consolidated financial statements required by Article 7 of Regulation S-X are omitted because they are not applicable or because the information is included elsewhere in the consolidated financial statements or notes thereto.

See Exhibit Index immediately preceding the Exhibits for a list of the Exhibits filed with this Form 10.

## SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, this 29th day of April, 1999.

AMERICAN EQUITY INVESTMENT  
LIFE HOLDING COMPANY

By: /s/ D.J. NOBLE  
-----  
D.J. Noble, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this registration statement has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature -----	Title (Capacity) -----	Date ----
/s/ D.J. NOBLE ----- D.J. Noble	Chairman of the Board, President, Treasurer and Director (Principal Executive Officer and Principal Financial Officer)	April 29, 1999
/s/ TERRY A. REIMER ----- Terry A. Reimer	Executive Vice President (Principal Accounting Officer)	April 29, 1999
/s/ JAMES M. GERLACH ----- James M. Gerlach	Director	April 29, 1999
/s/ ROBERT L. HILTON ----- Robert L. Hilton	Director	April 29, 1999
/s/ BEN T. MORRIS ----- Ben T. Morris	Director	April 29, 1999
/s/ DAVID S. MUJLCAHY ----- David S. Mulcahy	Director	April 29, 1999
/s/ A.J. STRICKLAND, III ----- A.J. Strickland, III	Director	April 29, 1999
/s/ HARLEY A. WHITFIELD ----- Harley A. Whitfield	Director	April 29, 1999
/s/ JOHN C. ANDERSON ----- John C. Anderson	Director	April 29, 1999

American Equity Investment Life Holding Company

Consolidated Financial Statements

Years ended December 31, 1998, 1997 and 1996

Index to Financial Statements

Report of Independent Auditors.....	F-2
Audited Consolidated Financial Statements	
Consolidated Balance Sheets.....	F-3
Consolidated Statements of Operations.....	F-5
Consolidated Statements of Changes in Stockholders' Equity.....	F-6
Consolidated Statements of Cash Flows.....	F-8
Notes to Consolidated Financial Statements.....	F-10
Schedules	
Schedule I - Summary of Investments - Other Than Investments in Related Parties.....	F-35
Schedule II - Condensed Financial Information of Registrant (Parent Company).....	F-36
Schedule III - Supplementary Insurance Information.....	F-40
Schedule IV - Reinsurance.....	F-41

Report of Independent Auditors

The Board of Directors and Stockholders  
American Equity Investment Life Holding Company

We have audited the accompanying consolidated balance sheets of American Equity Investment Life Holding Company as of December 31, 1998 and 1997, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Equity Investment Life Holding Company at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Des Moines, Iowa  
March 2, 1999

American Equity Investment Life Holding Company

Consolidated Balance Sheets

	December 31	
	1998	1997
	-----	-----
Assets		
Cash and investments:		
Available-for-sale fixed maturity securities, at market (amortized cost: 1998 - \$600,300,562; 1997 - \$201,624,365)	\$601,897,562	\$202,315,960
Derivative instruments	16,171,621	2,065,549
Policy loans	192,184	183,353
Cash and cash equivalents	15,891,779	7,719,829
	-----	-----
Total cash and investments	634,153,146	212,284,691
Receivable from other insurance companies	616,737	622,094
Premiums due and uncollected	1,684,698	1,336,336
Accrued investment income	2,946,796	1,762,624
Property, furniture and equipment, less accumulated depreciation of \$859,085 in 1998 and \$360,298 in 1997	1,242,228	2,962,160
Value of insurance in force acquired	1,068,906	1,343,000
Deferred policy acquisition costs	32,005,772	4,282,491
Intangibles, less accumulated amortization of \$472,306 in 1998 and \$280,743 in 1997	646,142	837,705
Deferred income tax asset	8,289,499	3,846,947
Other assets	206,462	140,083
Assets held in separate account	151,450	-
	-----	-----
Total assets	\$683,011,836	\$229,418,131
	=====	=====

	December 31	
	1998	1997
	-----	-----
Liabilities and stockholders' equity		
Liabilities:		
Policy benefit reserves:		
Traditional life insurance and accident and health products	\$ 11,317,156	\$ 9,687,379
Annuity products	529,765,023	146,310,889
Other policy funds and contract claims	6,315,598	2,355,156
Provision for experience rating refunds	833,679	535,655
Notes payable	10,000,000	10,000,000
Amounts due under repurchase agreements	49,000,000	-
Federal income taxes payable	1,648,822	2,562,742
Other liabilities	7,849,587	3,540,261
Liabilities related to separate account	151,450	-
	-----	-----
Total liabilities	616,881,315	174,992,082
Commitments and contingencies (Notes 6, 9 and 11)		
Stockholders' equity:		
Series Preferred Stock, par value \$1 per share, 2,000,000 shares authorized; 625,000 shares of 1998 Series A Participating Preferred Stock issued and outstanding in 1998	625,000	-
Common Stock, par value \$1 per share - 10,000,000 shares authorized; issued and outstanding 4,581,962 shares in 1998 and 4,420,864 shares in 1997	4,581,962	4,420,864
Additional paid-in capital	64,783,117	54,318,665
Accumulated other comprehensive income	420,035	210,300
Retained-earnings deficit	(4,279,593)	(4,523,780)
	-----	-----
Total stockholders' equity	66,130,521	54,426,049
	-----	-----
Total liabilities and stockholders' equity	\$683,011,836	\$229,418,131
	=====	=====

See accompanying notes.

American Equity Investment Life Holding Company

Consolidated Statements of Operations

	Year ended December 31		
	1998	1997	1996
	-----	-----	-----
Revenues:			
Traditional life and accident and health insurance premiums	\$ 10,528,108	\$ 11,424,907	\$ 14,540,707
Annuity product charges	642,547	11,896	14,007
Net investment income	26,356,472	4,018,617	865,155
Realized gains on investments	426,782	-	-
	-----	-----	-----
Total revenues	37,953,909	15,455,420	15,419,869
Benefits and expenses:			
Insurance policy benefits and change in future policy benefits	6,084,893	7,440,080	8,787,700
Interest credited to account balances	15,837,912	2,129,686	77,831
Interest expense on notes payable	788,770	979,826	493,801
Interest expense on amounts due under repurchase agreements	1,528,718	291,547	-
Amortization of deferred policy acquisition costs and value of insurance in force acquired	3,946,133	1,143,032	879,916
Amortization of goodwill	70,000	70,000	17,500
Other operating costs and expenses	8,692,813	8,160,863	6,302,094
	-----	-----	-----
Total benefits and expenses	36,949,239	20,215,034	16,558,842
	-----	-----	-----
Income (loss) before income taxes	1,004,670	(4,759,614)	(1,138,973)
Income tax benefit (expense):			
Current	(5,311,080)	(2,565,057)	-
Deferred	4,550,597	3,955,283	-
	-----	-----	-----
	(760,483)	1,390,226	-
	-----	-----	-----
Net income (loss)	\$ 244,187	\$ (3,369,388)	\$ (1,138,973)
	=====	=====	=====
Basic earnings per common share	\$0.05	\$ (2.11)	\$ (1.90)
	=====	=====	=====
Diluted earnings per common share	\$0.05	\$ (2.11)	\$ (1.90)
	=====	=====	=====

See accompanying notes.

American Equity Investment Life Holding Company

Consolidated Statements of Changes in Stockholders' Equity

	Preferred Stock
	-----
Balance at January 1, 1996	\$ --
Comprehensive loss:	
Net loss for year	--
Change in net unrealized depreciation of available-for-sale fixed maturity securities	--
Total comprehensive loss	
Issuance of 1,000 shares of common stock (pre-split)	--
Stock split effective May 29, 1996 (100 for 1)	--
Issuance of 780,000 shares of common stock (post split), less issuance expenses of \$306,950	--
	-----
Balance at December 31, 1996	
Comprehensive loss:	
Net loss for year	--
Change in net unrealized appreciation of available-for-sale fixed maturity securities	--
Total comprehensive loss	
Issuance of 574,414 shares of common stock, less issuance expenses of \$628,563	--
Issuance of 2,666,250 shares of common stock, less issuance expenses of \$2,299,930	--
Issuance of 200 shares of stock under employee stock option plan	--
Compensation expense related to issuance of stock options and warrants (Note 9)	--
	-----
Balance at December 31, 1997	
Comprehensive income:	
Net income for year	--
Change in net unrealized appreciation of available-for-sale fixed maturity securities	--
Total comprehensive income	
Issuance of 160,398 shares of common stock, less issuance expenses of \$329,700	--
Issuance of 625,000 shares of 1998 Series A Participating Preferred Stock, less issuance expenses of \$31,930	625,000
Issuance of 700 shares of stock under employee stock option plan	--
	-----
Balance at December 31, 1998	\$625,000
	=====

See accompanying notes.

Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained-Earnings Deficit	Total Stockholders' Equity
-----	-----	-----	-----	-----
\$ 3,000	\$ 2,997,000	\$ -	\$ (15,419)	\$ 2,984,581
-	-	-	(1,138,973)	(1,138,973)
-	-	(201,556)	-	(201,556)
				-----
				(1,340,529)
1,000	999,000	-	-	1,000,000
396,000	(396,000)	-	-	-
780,000	6,713,050	-	-	7,493,050
-----	-----	-----	-----	-----
1,180,000	10,313,050	(201,556)	(1,154,392)	10,137,102
-	-	-	(3,369,388)	(3,369,388)
-	-	411,856	-	411,856
				-----
				(2,957,532)
574,414	5,681,995	-	-	6,256,409
2,666,250	37,693,820	-	-	40,360,070
200	1,800	-	-	2,000
-	628,000	-	-	628,000
-----	-----	-----	-----	-----
4,420,864	54,318,665	210,300	(4,523,780)	54,426,049
-	-	-	244,187	244,187
-	-	209,735	-	209,735
				-----
				453,922
160,398	1,113,882	-	-	1,274,280
-	9,343,070	-	-	9,968,070
700	7,500	-	-	8,200
-----	-----	-----	-----	-----
\$4,581,962	\$64,783,117	\$420,035	\$ (4,279,593)	\$66,130,521
=====	=====	=====	=====	=====

American Equity Investment Life Holding Company

Consolidated Statements of Cash Flows

	Year ended December 31		
	1998	1997	1996
	-----	-----	-----
Operating activities			
Net income (loss)	\$ 244,187	\$ (3,369,388)	\$ (1,138,973)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Adjustments related to interest sensitive products:			
Interest credited to account balances	15,837,912	2,129,686	77,831
Charges for mortality and administration	(642,547)	(11,896)	(14,007)
Increase in traditional life insurance and accident and health reserves	1,629,777	287,197	439,216
Policy acquisition costs deferred	(26,073,266)	(4,142,926)	(245,226)
Amortization of deferred policy acquisition costs	3,672,039	761,032	6,995
Amortization of discount and premiums on available-for-sale fixed maturity securities and derivative instruments	(12,975,476)	(997,853)	36,148
Provision for depreciation and other amortization	991,569	913,168	982,794
Compensation expense related to issuance of stock options and warrants	--	628,000	--
Realized gains on investments	(426,782)	--	--
Deferred income taxes	(4,550,597)	(3,955,283)	--
Change in other operating assets and liabilities:			
Federal income taxes payable	(913,920)	2,562,742	--
Accrued investment income	(1,184,172)	(1,347,769)	(345,194)
Other policy funds and contract claims	3,960,442	1,279,542	225,000
Other liabilities	4,309,326	2,282,475	1,112,347
Other	(72,751)	(271,762)	(327,230)
	-----	-----	-----
Net cash provided by (used in) operating activities	(16,194,259)	(3,253,035)	809,701
Investing activities			
Maturities or repayments of investments:			
Available-for-sale fixed maturity securities	222,745,031	22,591,487	3,779,185
Policy loans	--	--	12,580
	-----	-----	-----
	222,745,031	22,591,487	3,791,765
Acquisitions of investments:			
Available-for-sale fixed maturity securities	(602,830,456)	(200,181,267)	(19,223,611)
Derivative instruments	(11,539,179)	(1,815,674)	--
Policy loans	(8,831)	(26,830)	(169,103)
	-----	-----	-----
	(614,378,466)	(202,023,771)	(19,392,714)
Cash received pursuant to reinsurance assumption agreements	--	--	3,805,969
Proceeds from sale of property	2,094,619	--	--
Purchases of property, furniture and equipment	(625,567)	(1,123,129)	(2,199,329)
Acquisition of Century Life Insurance Company, net of cash equivalents received	--	--	(885,837)
Other	--	--	386,113
	-----	-----	-----
Net cash used in investing activities	(390,164,383)	(180,555,413)	(14,494,033)

American Equity Investment Life Holding Company  
Consolidated Statements of Cash Flows (continued)

	Year ended December 31		
	1998	1997	1996
Financing activities			
Receipts from interest sensitive products credited to policyholder account balances	\$377,917,332	\$141,853,600	\$ 2,456,054
Return of policyholder account balances on interest sensitive products	(23,637,290)	(2,419,197)	(217,532)
Financing fees incurred and deferred	-	-	(418,448)
Proceeds from notes payable	-	-	10,000,000
Repayments of notes payable	-	-	(4,000,000)
Change in amounts due under repurchase agreements	49,000,000	-	-
Net proceeds from sale of preferred stock	9,968,070	-	-
Net proceeds from issuance of common stock	1,282,480	46,618,479	8,493,050
	414,530,592	186,052,882	16,313,124
Net cash provided by financing activities			
Increase in cash and cash equivalents	8,171,950	2,244,434	2,628,792
Cash and cash equivalents at beginning of year	7,719,829	5,475,395	2,846,603
Cash and cash equivalents at end of year	\$ 15,891,779	\$ 7,719,829	\$ 5,475,395
Supplemental disclosures of cash flow information			
Cash paid during year for:			
Interest	\$ 1,995,789	\$ 1,113,886	\$ 16,500
Income taxes	6,225,000	2,315	-
Non-cash financing and investing activities:			
Bonus interest deferred as policy acquisition costs	5,909,679	1,035,325	-
Assets and liabilities acquired pursuant to reinsurance assumption agreements:			
Premiums due and uncollected			(41,284)
Value of insurance in force acquired			(1,097,921)
Universal life and annuity policy reserves			871,580
Traditional life and accident and health policy reserves			3,982,118
Policy and contract claims			91,476
			\$ 3,805,969

See accompanying notes.

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements

December 31, 1998

1. Organization and Significant Accounting Policies

Organization

American Equity Investment Life Holding Company (the Company), through its wholly-owned subsidiary, American Equity Investment Life Insurance Company, is licensed to sell insurance products in 39 states and the District of Columbia at December 31, 1998. The Company offers a broad array of insurance products including single premium deferred annuities, flexible premium deferred annuities, interest-sensitive life insurance products and traditional life insurance products. In 1998, the Company began offering variable life and variable annuity products.

Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: American Equity Investment Life Insurance Company, American Equity Capital, Inc. (formed in 1998) and American Equity Investment Properties, L.C. All significant intercompany accounts and transactions have been eliminated.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are utilized in the calculation of value of insurance in force acquired, deferred policy acquisition costs, policyholder liabilities and accruals and valuation allowances on investments. It is reasonably possible that actual experience could differ from the estimates and assumptions utilized.

Certain amounts in the 1997 and 1996 consolidated financial statements have been reclassified to conform to the 1998 financial statement presentation.

Investments

The Company has classified all of its fixed maturity securities (bonds) as available-for-sale. Available-for-sale securities are reported at market value and unrealized gains and losses, if any, on these securities are included directly in a separate component of stockholders' equity, net of certain adjustments. Premiums and discounts are amortized/accrued using methods which result in a constant yield over the securities' expected lives. Amortization/accrual of premiums and discounts on mortgage and asset-backed securities incorporate prepayment assumptions to estimate the securities' expected lives.

1. Organization and Significant Accounting Policies (continued)

The carrying values of all the Company's investments are reviewed on an ongoing basis for credit deterioration, and if this review indicates a decline in market value that is other than temporary, the Company's carrying value in the investment is reduced to its estimated realizable value and a specific writedown is taken. Such reductions in carrying value are recognized as realized losses and charged to income. Realized gains and losses on sales are determined on the basis of specific identification of investments.

Market values, as reported herein, of publicly-traded fixed maturity securities are based on the latest quoted market prices, or for those not readily marketable, at values which are representative of the market values of issues of comparable yield and quality.

Derivative Instruments

The Company sells deferred annuity products with an additional benefit provision based on the increase, if any, in the Standard & Poor's 500 Index. The Company has analyzed the characteristics of these benefits and has purchased one-year option contracts with similar characteristics to hedge these risks. The underlying cost of the option is amortized over the life of the contracts and is recorded, net of proceeds received upon expiration, as a component of net investment income.

These options are reported at fair value in the consolidated balance sheets. The options are purchased at the time the related annuity policies are issued, with similar maturity dates and benefit features that fluctuate as the value of the options change. Accordingly, changes in the unrealized appreciation of the options (\$8,061,627 and \$839,359 during the years ended December 31, 1998 and 1997, respectively) are offset by changes to the policy benefit liabilities in the consolidated statements of operations.

The Company's hedging strategy attempts to mitigate any potential risk of loss under these agreements through a regular monitoring process which evaluates the program's effectiveness. The Company is exposed to risk of loss in the event of nonperformance by the counterparties and, accordingly, the Company purchases its option contracts from multiple counterparties and evaluates the creditworthiness of all counterparties prior to purchase of the contracts.

Policy Loans

Policy loans are reported at unpaid principal.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

1. Organization and Significant Accounting Policies (continued)

Deferred Policy Acquisition Costs and Value of Insurance In Force Acquired

To the extent recoverable from future policy revenues and gross profits, certain costs of acquiring new insurance business, principally commissions, first-year bonus interest and other expenses related to the production of new business, have been deferred. The value of insurance in force acquired is an asset that arose with the acquisition of two blocks of business discussed in Note 3. The initial values are determined by an actuarial study using expected future profits as a measurement of the net present value of the insurance acquired. Interest accrues on the unamortized balance at a rate of 6%.

For annuity products, these costs are being amortized generally in proportion to expected gross profits from surrender charges and investment, mortality, and expense margins. That amortization is adjusted retrospectively when estimates of future gross profits/margins (including the impact of investment gains and losses) to be realized from a group of products are revised. For traditional life and accident and health insurance, such costs are being amortized over the premium-paying period of the related policies in proportion to premium revenues recognized, principally using the same assumptions for interest, mortality and withdrawals that are used for computing liabilities for future policy benefits subject to traditional "lock-in" concepts.

Intangibles

Intangibles consist of deferred debt costs and the excess of the purchase price paid over net assets acquired (goodwill) in connection with the purchase of Century Life Insurance Company (see Note 3). Deferred debt costs are being amortized over the life of the related loan agreement, three years using the interest method. Goodwill is being amortized over 10 years using a straight-line method.

Property, Furniture and Equipment

Property, furniture and equipment, comprised primarily of office furniture and equipment, data processing equipment and capitalized software costs, are reported at cost less allowances for depreciation. Depreciation expense is compiled primarily using the straight-line method over the estimated useful lives of the assets.

Separate Accounts

The separate account assets and liabilities reported in the accompanying consolidated balance sheets represent funds that are separately administered, principally for the benefit of variable life and variable annuity policyholders who bear the underlying investment risk. The separate account assets and liabilities are carried at fair value. Revenues and expenses related to the separate account assets and liabilities, to the extent of benefits paid or provided to the separate account policyholders, are excluded from the amounts reported in the consolidated statements of operations. The Company receives various fees that are included in the consolidated statements of operations.

1. Organization and Significant Accounting Policies (continued)

Future Policy Benefits

Future policy benefit reserves for annuity products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policy account balances. Interest crediting rates for annuity products ranged from 3.0% to 12.0% in 1998, from 3.0% to 12.4% in 1997 and from 3.0% to 8.4% in 1996. A portion of this amount (\$5,909,679 and \$1,035,325 during the years ended December 31, 1998 and 1997, respectively) represents an additional interest credit on first-year premiums payable until the first contract anniversary date (first-year bonus interest). Such amounts have been offset against interest credited to account balances and deferred as policy acquisitions costs.

The liability for future policy benefits for traditional life insurance is based on net level premium reserves, including assumptions as to interest, mortality, and other assumptions underlying the guaranteed policy cash values. Reserve interest assumptions are level and range from 3.0% to 6.0%. The liabilities for future policy benefits for accident and health insurance are computed using a net level premium method, including assumptions as to morbidity and other assumptions based on the Company's experience, modified as necessary to give effect to anticipated trends and to include provisions for possible unfavorable deviations. Policy benefit claims are charged to expense in the period that the claims are incurred.

Unpaid claims include amounts for losses and related adjustment expenses and are determined using individual claim evaluations and statistical analysis. Unpaid claims represent estimates of the ultimate net costs of all losses, reported and unreported, which remain unpaid at December 31 of each year. These estimates are necessarily subject to the impact of future changes in claim severity, frequency and other factors. In spite of the variability inherent in such situations, management believes that the unpaid claim amounts are adequate. The estimates are continuously reviewed and as adjustments to these amounts become necessary, such adjustments are reflected in current operations.

Certain policies of the Company include provisions for refunds of premiums based upon annual experience of the underlying business. The Company has recorded a liability for expected refunds based on experience.

Deferred Income Taxes

Deferred income tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. Deferred income tax expenses or credits are based on the changes in the asset or liability from period to period.

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Stockholders' Equity

During 1997, the Company increased the number of authorized shares from 2,500,000 to 10,000,000. In connection with the issuance of the Company's common stock under certain private placement offerings, the Company issued warrants to purchase one additional share of common stock for every five shares that were purchased. In addition, warrants to purchase 80,000 shares of the Company's common stock were issued in 1997 in connection with the amendment of the Stock Option Agreement with the Company's chairman (see Note 9). During 1998, 157,398 warrants were exercised at a price of \$10.00. At December 31, 1998, the Company had warrants for 262,333 shares outstanding with the following attributes:

Number	Expiration Date	Exercise Price
-----	-----	-----
114,083	April 30, 1999	\$12.00
68,250	April 30, 2000	12.00
80,000	April 30, 2000	10.00
-----		
262,333		
=====		

During 1998, the Company issued 625,000 shares of 1998 Series A Participating Preferred Stock, at par, under a private placement offering in exchange for cash of \$10,000,000. These shares have participating dividend rights with shares of the Company's common stock, when and as such dividends are declared. These shares are convertible into shares of the Company's common stock on a one-for-one basis and have no voting rights.

Recognition of Premium Revenues and Costs

Revenues for annuity and separate account products consist of surrender charges assessed against policyholder account balances during the period. Expenses related to these products include interest credited to policyholder account balances (annuity products only) and benefit claims incurred in excess of policyholder account balances.

Life and accident and health premiums are recognized as revenues over the premium-paying period. Future policy benefits and policy acquisition costs are recognized as expenses over the life of the policy by means of the provision for future policy benefits and amortization of deferred policy acquisition costs.

All insurance-related revenues, benefits, losses and expenses are reported net of reinsurance ceded.

1. Organization and Significant Accounting Policies (continued)

Earnings Per Share

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 128, Earnings Per Share. SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is similar to the previously reported fully diluted earnings per share, except in determining the number of dilutive shares outstanding for options and warrants. Under SFAS No. 128, diluted earnings per share assumes the proceeds that would be received upon the exercise of all dilutive options and warrants would be used to repurchase the Company's common shares at the average market price of such stock during the period. Under prior rules, the higher of the average market price or ending market price was used. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the requirements of SFAS No. 128.

Comprehensive Income

On January 1, 1998, the Company adopted SFAS No. 130, Reporting Comprehensive Income, and restated prior years' financial statements to conform to the new reporting standard. SFAS No. 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of this Statement had no impact on the Company's net income or stockholders' equity. Comprehensive income includes all changes in stockholders' equity during a period except those resulting from investments by and distributions to stockholders.

Other comprehensive income excludes net realized investment gains (losses) included in net income which merely represent transfers from unrealized to realized gains and losses. These amounts totaled \$35,886 in 1998. Such amounts, which have been measured through the date of sale, are net of adjustments to deferred policy acquisition costs and income taxes totaling \$115,864 in 1998.

Pending Accounting Change

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Accounting for gains or losses resulting from changes in the values of those derivatives is dependent on the use of the derivative and whether it qualifies for hedge accounting. The Statement is effective for the Company in the year 2000, with earlier adoption encouraged. The Company has not yet estimated the effect that this new Statement will have on earnings or the financial position of the Company.

2. Fair Values of Financial Instruments

SFAS No. 107, Disclosures About Fair Value of Financial Instruments, requires disclosure of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. SFAS No. 107 also excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements and allows companies to forego the disclosures when those estimates can only be made at excessive cost. Accordingly, the aggregate fair value amounts presented herein are limited by each of these factors and do not purport to represent the underlying value of the Company.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

**Fixed Maturity Securities:** Fair values for fixed maturity securities are based on quoted market prices, when available, or price matrices for securities which are not actively traded, developed using yield data and other factors relating to instruments or securities with similar characteristics.

**Derivative Instruments:** Fair values for derivative instruments are based on quoted market prices from related counterparties.

**Policy Loans:** The Company has not attempted to determine the fair values associated with its policy loans, as management believes any differences between the Company's carrying value and the fair values afforded these instruments are immaterial to the Company's financial position and, accordingly, the cost to provide such disclosure is not worth the benefit to be derived.

**Cash and Cash Equivalents:** The carrying amounts reported in the consolidated balance sheets for these instruments approximate their fair values.

**Separate Account Assets and Liabilities:** Separate account assets and liabilities are reported at estimated fair value in the Company's consolidated balance sheets.

**Annuity Policy Reserves:** Fair values of the Company's liabilities under contracts not involving significant mortality or morbidity risks (principally deferred annuities), are stated at the cost the Company would incur to extinguish the liability (i.e., the cash surrender value). The Company is not required to and has not estimated the fair value of its liabilities under other contracts.

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

2. Fair Values of Financial Instruments (continued)

Notes Payable and Amounts Due Under Repurchase Agreements: As all agreements carry variable interest rate provisions, the carrying amounts reported in the consolidated balance sheets for these instruments approximate their fair values.

The following sets forth a comparison of the fair values and carrying amounts of the Company's financial instruments:

	December 31		December 31	
	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>				
Available-for-sale fixed maturity securities	\$601,897,562	\$601,897,562	\$202,315,960	\$202,315,960
Derivative instruments	16,171,621	16,171,621	2,065,549	2,065,549
Policy loans	192,184	192,184	183,353	183,353
Cash and cash equivalents	15,891,779	15,891,779	7,719,829	7,719,829
Separate account assets	151,450	151,450	-	-
<b>Liabilities</b>				
Annuity policy reserves	529,765,023	458,253,796	146,310,889	129,660,303
Notes payable	10,000,000	10,000,000	10,000,000	10,000,000
Amounts due under repurchase agreements	49,000,000	49,000,000	-	-
Separate account liabilities	151,450	151,450	-	-

3. Purchase of Business and Reinsurance Assumption Agreements

On September 30, 1996, the Company purchased Century Life Insurance Company, an inactive life insurance company licensed to transact business in 22 states and the District of Columbia for \$5,900,047. The transaction was accounted for as a purchase and the excess of the purchase price over the fair value of the net assets received, generally attributed to the licenses received and other intangibles, aggregated \$700,000 and has been allocated to goodwill. Goodwill will be amortized on the straight-line method over ten years. The following summarizes the assets and liabilities received in connection with the purchase:

Available-for-sale fixed maturity securities	\$ 155,837
Cash equivalents	5,014,210
Accrued investments income	30,000
Intangibles	700,000
Other assets	6,785
Other liabilities	(6,785)
Net purchase price	\$5,900,047
	=====

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

3. Purchase of Business and Reinsurance Assumption Agreements (continued)

Concurrent with the purchase, the Company merged American Equity Investment Life Insurance Company into Century Life Insurance Company and renamed the merged entity American Equity Investment Life Insurance Company.

On December 31, 1995, the Company acquired a block of individual and group insurance policies from American Life and Casualty Insurance Company, pursuant to a reinsurance agreement. Under the agreement, the Company received cash of \$3,132,880, of which \$2,746,767 had been received prior to December 31, 1995, and assumed the related assets and liabilities, including the value of insurance in force acquired in the amount of \$1,500,000.

On January 2, 1996, the Company acquired an additional block of individual life business from American Life and Casualty Insurance Company pursuant to a second reinsurance agreement. Under this agreement, the Company received cash of \$3,805,969, and assumed the related assets and liabilities, including the value of insurance in force acquired in the amount of \$1,097,921.

The consolidated statements of operations includes results of the acquired company and for the acquired blocks of business subsequent to their purchase dates.

4. Investments

Fixed Maturity Securities

The following table contains amortized cost and market value information on available-for-sale fixed maturities at December 31, 1998:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
	-----	-----	-----	-----
Bonds:				
United States Government and agencies	\$385,393,461	\$ 854,292	\$ (23,637)	\$386,224,116
State, municipal and other governments	4,227,231	-	(3,231)	4,224,000
Public utilities	9,869,720	194,810	-	10,064,530
Corporate securities	191,393,819	1,036,268	(525,097)	191,904,990
Mortgage and asset-backed securities	9,416,331	64,400	(805)	9,479,926
	-----	-----	-----	-----
	\$600,300,562	\$2,149,770	\$ (552,770)	\$601,897,562
	=====	=====	=====	=====

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

4. Investments (continued)

At December 31, 1997, available-for-sale fixed maturity securities, which consisted entirely of bonds, were comprised entirely of United States Government and agencies obligations. Net unrealized appreciation on bonds of \$691,595 included gross unrealized appreciation of \$736,523 and gross unrealized depreciation of \$44,928 for the year ended December 31, 1997.

The carrying value and estimated fair value of available-for-sale fixed maturity securities at December 31, 1998, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
	-----	-----
Due after one year through five years	\$111,095,370	\$111,096,900
Due after five years through ten years	6,174,732	6,241,955
Due after ten years through twenty years	208,864,193	209,270,079
Due after twenty years	264,749,936	265,808,702
	-----	-----
	590,884,231	592,417,636
 Mortgage-backed and asset-backed securities	 9,416,331	 9,479,926
	-----	-----
Total	\$600,300,562	\$601,897,562
	=====	=====

The unrealized appreciation or depreciation on available-for-sale fixed maturity securities is reported as a separate component of stockholders' equity, reduced by adjustments to deferred policy acquisition costs that would have been required as a charge or credit to income had such amounts been realized, and a provision for deferred income taxes. Net unrealized appreciation of available-for-sale fixed maturity securities as reported were comprised of the following:

	December 31	
	1998	1997
	-----	-----
Unrealized appreciation on available-for-sale fixed maturity securities	\$1,597,000	\$ 691,595
Adjustments for assumed changes in amortization pattern of deferred policy acquisition costs	(960,583)	(372,959)
Related deferred income taxes	(216,382)	(108,336)
	-----	-----
Net unrealized appreciation of available-for-sale fixed maturity securities	\$ 420,035	\$ 210,300
	=====	=====

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

4. Investments (continued)

Net Investment Income

Components of net investment income are as follows:

	Year ended December 31		
	1998	1997	1996
Available-for-sale fixed maturity securities	\$28,304,437	\$5,131,361	\$ 913,636
Derivative instruments	(1,767,580)	(589,484)	-
Policy loans	8,338	12,281	9,849
Cash and cash equivalents	331,530	124,393	70,442
Other invested assets	55,109	-	-
	26,931,834	4,678,551	993,927
Less investment expenses	(575,362)	(659,934)	(128,772)
Net investment income	\$26,356,472	\$4,018,617	\$ 865,155

Realized and Unrealized Gains and Losses

An analysis of sales, maturities, and principal repayments of the Company's fixed maturities portfolio for the year ended December 31, 1998 is as follows:

	Amortized Cost	Gross Realized Gains	Gross Realized Losses	Proceeds from Sale
Year ended December 31, 1998:				
Scheduled principal repayments, calls and tenders	\$157,731,977	\$ -	\$ -	\$157,731,977
Sales	64,861,304	163,865	(12,115)	65,013,054
Total	\$222,593,281	\$163,865	\$ (12,115)	\$222,745,031

For the year ended December 31, 1998, realized gains of \$426,782 consist of gains on sales of fixed maturities of \$151,750 and gains on the sale of properties of \$275,032. The Company did not have any realized gains for the years ended December 31, 1997 and 1996.

The changes in unrealized appreciation/depreciation on investments, which are entirely attributable to available-for-sale fixed maturity securities, aggregated \$905,405, \$893,151 and \$(201,556) for the years ended December 31, 1998, 1997 and 1996, respectively. The change in net unrealized appreciation/depreciation is recorded net of adjustments to deferred policy acquisition costs and deferred income taxes totaling \$695,670 in 1998 and \$481,295 in 1997.

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

4. Investments (continued)

Repurchase Agreements

As part of its investment strategy, the Company enters into securities lending programs to increase its return on investments and improve liquidity. These transactions are accounted for as amounts due under repurchase agreements. These amounts are collateralized by investment securities with fair values approximately equal to the amount due. At December 31, 1998, amounts outstanding aggregated \$49,000,000. At December 31, 1997, no amounts were outstanding.

Other

At December 31, 1998, affidavits of deposits covering fixed maturity securities and short-term investments with a carrying value of \$602,089,746 (1997 - \$201,494,229) were on deposit with state agencies to meet regulatory requirements.

At December 31, 1998, the following investments in any person or its affiliates (other than bonds issued by agencies of the United States Government) exceeded 10% of stockholders' equity: corporate bonds with carrying values of \$12,161,587 issued by Nationsbank and \$6,860,000 issued by Unocal Corp.

5. Value of Insurance In Force Acquired

The value of insurance in force acquired is an asset that represents the present value of future profits on business acquired. An analysis of the value of insurance in force acquired for the years ended December 31, 1998, 1997 and 1996 is as follows:

	Year ended December 31		
	1998	1997	1996
	-----	-----	-----
Balance at beginning of year	\$1,343,000	\$1,725,000	\$ 1,500,000
Acquired during the year	-	-	1,097,921
Accretion of interest during the year	71,000	91,000	130,000
Amortization of asset	(345,094)	(473,000)	(1,002,921)
	-----	-----	-----
Balance at end of year	\$1,068,906	\$1,343,000	\$ 1,725,000
	=====	=====	=====

Amortization of the value of insurance in force acquired for the next five years ending December 31 is expected to be as follows: 1999 - \$318,000; 2000 - \$232,000; 2001 - \$104,000; 2002 - \$104,000; and 2003 - \$103,000.

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

6. Reinsurance and Policy Provisions

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance enterprises or reinsurers. Reinsurance coverages for life insurance vary according to the age and risk classification of the insured. The Company does not use financial or surplus relief reinsurance.

Reinsurance contracts do not relieve the Company of its obligations to its policyholders. To the extent that reinsuring companies are later unable to meet obligations under reinsurance agreements, the Company's life insurance subsidiaries would be liable for these obligations, and payment of these obligations could result in losses to the Company. To limit the possibility of such losses, the Company evaluates the financial condition of its reinsurers, and monitors concentrations of credit risk. Insurance premiums have been reduced by \$567,027, \$722,545 and \$742,088 and insurance benefits have been reduced by \$375,592, \$503,154 and \$455,472 during the years ended December 31, 1998, 1997 and 1996, respectively, as a result of cession agreements.

No allowance for uncollectible amounts has been established against the Company's asset for amounts due from other insurance companies since none of the receivables are deemed by management to be uncollectible.

During 1998, the Company entered into a modified coinsurance agreement to cede 70% of its variable life and variable annuity business to an insurance company that has an equity position in the Company. Amounts paid pursuant to this arrangement were immaterial during 1998.

Unpaid claims on accident and health insurance include amounts for losses and related adjustment expense and are estimates of the ultimate net costs of all losses, reported and unreported. These estimates are subject to the impact of future changes in claim severity, frequency and other factors. The activity in the liability for unpaid claims and related adjustment expense for the years ended December 31, 1998, 1997 and 1996, net of reinsurance, is summarized as follows:

	Unpaid Claims Liability at Beginning of Year	Claims Reserve Assumed	Claims Incurred	Claims Paid	Unpaid Claims Liability at End of Year
	-----	-----	-----	-----	-----
Year ended December 31, 1998					
1998	\$ -	\$ -	\$ 580,845	\$318,507	\$ 262,338
1997 and prior	667,287	-	(133,100)	123,864	410,323
	-----	-----	-----	-----	-----
	667,287	\$ -	\$ 447,745	\$442,371	672,661
		=====	=====	=====	
Active life reserve	1,406,694				1,518,222
	-----				-----
Total accident and health reserves	\$2,073,981				\$2,190,883
	=====				=====

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

6. Reinsurance and Policy Provisions (continued)

	Unpaid Claims Liability at Beginning of Year	Claims Reserve Assumed	Claims Incurred	Claims Paid	Unpaid Claims Liability at End of Year
	-----	-----	-----	-----	-----
Year ended December 31, 1997					
1997	\$ -	\$ -	\$ 556,302	\$296,060	\$ 260,242
1996 and prior	629,651	-	(107,471)	115,135	407,045
	-----	-----	-----	-----	-----
	629,651	\$ -	\$ 448,831	\$411,195	667,287
		=====	=====	=====	
Active life reserve	1,350,132				1,406,694
	-----				-----
Total accident and health reserves	\$1,979,783				\$2,073,981
	=====				=====
Year ended December 31, 1996					
1996	\$ -	\$ -	\$421,841	\$ 90,844	\$ 330,997
1995 and prior	-	501,589	44,347	247,282	298,654
	-----	-----	-----	-----	-----
	-	\$501,589	\$466,188	\$338,126	629,651
		=====	=====	=====	
Active life reserve	-				1,350,132
	-----				-----
Total accident and health reserves	\$ -				\$1,979,783
	=====				=====

7. Income Taxes

The Company and each of its subsidiaries file separate federal income tax returns. American Equity Investment Properties, L.C. is taxed as a partnership and, as such, all taxable income is distributed to its owners, principally American Equity Investment Life Holding Company.

Deferred income taxes are established by the Company and its subsidiaries based upon the temporary differences among financial reporting and tax bases of assets and liabilities within each entity, the reversal of which will result in taxable or deductible amounts in future years when the related asset or liability is recovered or settled, measured using the enacted tax rates. Prior to 1997, no deferred taxes were provided since timing differences were not sufficient to offset operating loss carryforwards.

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

7. Income Taxes (continued)

The effective tax rate on income (loss) before income taxes is different than the prevailing federal income tax rate, as follows:

	Year ended December 31		
	1998	1997	1996
	-----	-----	-----
Income (loss) before income taxes	\$1,004,670	\$ (4,759,614)	\$ (1,138,973)
	=====	=====	=====
Tax effect at federal statutory rate (34%)	\$ (341,588)	\$ 1,618,269	\$ 387,251
Tax effect (decrease) of:			
State income taxes	59,000	129,000	38,000
Small company deduction	-	331,000	-
Change in valuation allowance	(397,000)	(707,000)	(427,000)
Other	(80,895)	18,957	1,749
	-----	-----	-----
Income tax benefit (expense)	\$ (760,483)	\$ 1,390,226	\$ -
	=====	=====	=====

The tax effect of individual temporary differences and the amount of the related valuation allowance established against the Company's deferred income tax assets at December 31, 1998 and 1997, is as follows:

	December 31	
	1998	1997
	-----	-----
Deferred income tax assets:		
Policy benefit reserves	\$17,810,000	\$ 5,239,000
Provision for experience rating refunds	283,000	182,000
Deferred compensation	350,000	368,000
Net operating loss carryforwards	1,182,000	769,000
Other	66,000	68,000
	-----	-----
	19,691,000	6,626,000
Deferred income tax liabilities:		
Unrealized appreciation of fixed maturity securities	(216,382)	(108,336)
Deferred policy acquisition costs	(8,939,000)	(727,000)
Value of insurance in force acquired	(363,000)	(457,000)
Other	(346,119)	(346,717)
	-----	-----
	(9,864,501)	(1,639,053)
Valuation allowance on deferred income tax assets	(1,537,000)	(1,140,000)
	-----	-----
Deferred income tax asset	\$ 8,289,499	\$ 3,846,947
	=====	=====

7. Income Taxes (continued)

The Company regularly reviews its needs for a valuation allowance against its deferred income tax assets. During the year ended December 31, 1997, the Company's life insurance company became taxable and it is expected that it will continue to pay federal income taxes in the foreseeable future. As a result, the valuation allowance pertaining to deferred income tax assets at this subsidiary was removed at December 31, 1997. The Company continues to carry a valuation allowance against deferred income tax assets of the non-life insurance entities due to the uncertainty of future income estimates.

American Equity Investment Life Holding Company has net operating loss carryforwards for tax purposes of \$2,942,000 at December 31, 1998, which expire in 2010 through 2013.

8. Notes Payable

On October 18, 1996, the Company borrowed \$10 million from two banks under a variable rate revolving credit agreement with a maximum borrowing level of \$10 million. The notes bear interest (7.56% at December 31, 1998) at LIBOR plus 2.25% and interest is payable quarterly. Principal and accrued interest is due and payable on October 17, 1999, with an option for a one-year extension. Under the agreement, the Company is required to maintain minimum capital and surplus levels at American Equity Investment Life Insurance Company and meet certain other financial and operating ratio requirements.

9. Retirement and Stock Compensation Plans

During 1996, the Company adopted a contributory defined contribution plan which is qualified under Section 401(k) of the Internal Revenue Service Code. The plan covers substantially all full-time employees of the Company, subject to minimum eligibility requirements. Employees can contribute up to 15% of their annual salary (with a maximum contribution of \$10,000 in 1998 and \$9,500 in 1997) to the plan. The Company contributes an additional amount, subject to limitations, based on the voluntary contribution of the employee. Further, the plan provides for additional employer contributions based on the discretion of the Board of Directors. The Company's related expenses were \$25,231 and \$19,434 with respect to this plan during the years ended December 31, 1998 and 1997, respectively. No contributions were made during 1996 to the plan.

9. Retirement and Stock Compensation Plans (continued)

The Company has entered into deferred compensation arrangements with certain officers, directors, and consultants, whereby these individuals have agreed to take common stock of the Company at a future date in lieu of current cash payments. The common stock is to be issued in conjunction with a "trigger event", as that term is defined in the individual agreements. At December 31, 1998, these individuals have earned, and the Company has reserved for future issuance, 96,958 shares of common stock pursuant to these arrangements. The Company has also accrued \$1,017,333 as an other liability at December 31, 1998, representing the value associated with the shares earned.

During 1997, the Company established the American Equity Investment NMO Deferred Compensation Plan whereby agents can earn common stock in addition to their normal commissions. Awards are calculated using formulas determined annually by the Company's Board of Directors and are generally based upon new annuity deposits. For the years ended December 31, 1998 and 1997, agents earned the right to receive 83,861 and 13,131 shares, respectively. These shares will be awarded at the end of the vesting period, 4 years for the 1998 program and 3 years for the 1997 program. A portion of the awards may be subject to forfeiture if certain production levels are not met over the remaining vesting period. The Company recognizes commission expense as the awards vest. For the year ended December 31, 1998, agents vested in 25,342 shares of common stock and the Company recorded commission expense (which was subsequently capitalized as deferred policy acquisition costs) of \$295,354 with respect to this plan. Amounts accrued are reported as other liabilities until the stock has been issued. The Company has reserved 96,992 shares for future issuance under the plan.

On January 3, 1996, the Company entered into a Stock Option Agreement with its chairman (and owner of 8.9% of the Company's outstanding common stock at December 31, 1998) pursuant to which the chairman will be entitled to maintain ownership of at least 51% of all outstanding shares of common stock of the Company. During 1997, the Stock Option Agreement was amended and the number of options and warrants to purchase shares of the Company's common stock was fixed at 400,000. Certain of these options and warrants have an exercise price of \$10.00 per share and expire in 2000 (80,000 warrants) and 2007 (200,000 options). The remaining 120,000 options can be exercised at anytime at fair value and expire in 2007. In connection with the 1997 amendment, the Company recorded compensation expense of \$628,000.

During 1996, the Company also adopted the 1996 Stock Option Plan which authorizes the grants of options to officers, directors and employees for up to 400,000 shares of the Company's common stock. All options granted have 10 year terms, and vest and become fully exercisable immediately. The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related Interpretations in accounting for its employee stock options because, as discussed below,

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

9. Retirement and Stock Compensation Plans (continued)

the alternative fair value accounting provided for under SFAS No. 123, Accounting for Stock-Based Compensation, requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the fair value of the underlying stock on the date of grant, no compensation expense is recognized.

Information relating to the stock options during the years ended December 31, 1998, 1997 and 1996, excluding the 120,000 options described above exercisable at fair value, is as follows:

	Number of Shares	Weighted- Average Exercise Price per Share	Total Exercise Price
	-----	-----	-----
Shares granted during 1996 and under option at December 31, 1996	612,000	\$10.00	\$ 6,120,000
Granted during 1997	341,700	10.98	3,750,400
Canceled during 1997	(412,000)	10.00	(4,120,000)
Exercised during 1997	(200)	10.00	(2,000)
Forfeited during 1997	(5,800)	10.00	(58,000)
	-----	-----	-----
Shares under option at December 31, 1997	535,700	10.62	5,690,400
Granted during 1998	38,500	16.00	616,000
Canceled during 1998	(16,500)	10.18	(168,000)
Exercised during 1998	(700)	11.71	(8,200)
	-----	-----	-----
Shares under option at December 31, 1998	557,000	\$11.01	\$ 6,130,200
	=====	=====	=====
Exercisable options:			
December 31, 1996	612,000	\$10.00	\$ 6,120,000
December 31, 1997	535,700	10.62	5,690,400
December 31, 1998	557,000	11.01	6,130,200

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

9. Retirement and Stock Compensation Plans (continued)

Information regarding stock options outstanding at December 31, 1998 is as follows:

	Outstanding		
	Number	Weighted-Average Remaining Contractual Life (in Years)	Currently Exercisable (Number)
Exercise prices:			
\$10.00	381,500	8.17	381,500
\$12.00	123,200	8.55	123,200
\$16.00	52,300	9.74	52,300
	557,000	8.40	557,000
Fair value	120,000	8.33	120,000
	677,000	8.39	677,000

At December 31, 1998 and 1997, the Company had 142,100 and 164,100 shares, respectively, available for grant as additional awards under the 1996 Stock Option Plan.

On December 1, 1997, in connection with a rights offering and a private offering of shares of the Company's common stock, the Company issued subscription rights to purchase an aggregate of 719,125 shares of the Company's common stock to certain officers and directors. The subscription rights have an exercise price of \$16.00 per share, were fully exercisable immediately, and expire on December 1, 2002.

Pro forma information regarding net income is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options and subscription rights under the fair value method of that statement. The fair value for these options was estimated at the date of grant using a minimum value option pricing model (which is used for non-public companies) with the following weighted-average assumptions:

	Year ended December 31		
	1998	1997	1996
Risk-free interest rate	5.40%	6.50%	6.50%
Dividend yield	0%	0%	0%
Weighted-average expected life	3 years	3 years	3 years

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

9. Retirement and Stock Compensation Plans (continued)

The minimum value option pricing model is similar to the Black-Scholes option valuation model (which is primarily used for public companies) except that it excludes an assumption for the expected volatility of market price. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma net earnings and earnings per common share were as follows:

	Year ended December 31		
	1998	1997	1996
Net income (loss), as reported	\$244,187	\$ (3,369,388)	\$ (1,138,973)
Net income (loss), pro forma	189,000	(4,903,000)	(2,222,000)
Basic earnings per common share, as reported	0.05	(2.11)	(1.90)
Basic earnings per common share, pro forma	0.04	(3.07)	(3.71)
Diluted earnings per common share, as reported	0.05	(2.11)	(1.90)
Diluted earnings per common share, pro forma	0.04	(3.07)	(3.71)

The pro forma impact is likely to increase in future years as additional options are granted and amortized ratably over the vesting period.

10. Stockholder's Equity of Life Insurance Subsidiary

Capital Restrictions of Subsidiary

Iowa Insurance Laws require domestic insurers to maintain a minimum of \$5.0 million capital and surplus.

Prior approval of statutory authorities is required for the payment of dividends to the Company's stockholder which exceed an annual limitation.

10. Stockholder's Equity of Life Insurance Subsidiary (continued)

Statutory Accounting Policies

The financial statements of American Equity Investment Life Insurance Company included herein differ from related statutory-basis principally as follows: (a) the bond portfolio is segregated into held-for-investment (carried at amortized cost), available-for-sale (carried at fair value), and trading (reported at fair value) classifications rather than generally being carried at amortized cost; (b) acquisition costs of acquiring new business are deferred and amortized over the life of the policies rather than charged to operations as incurred; (c) the excess of purchase price over net assets acquired in business combinations is allocated to identifiable intangibles such as value of insurance in force acquired, rather than being entirely attributable to goodwill (a portion of which may be non-admitted); (d) policy reserves on traditional life and accident and health products are based on reasonable assumptions of expected mortality, morbidity, interest and withdrawals which include a provision for possible adverse deviation from such assumptions which may differ from reserves based on statutory mortality rates and interest; (e) future policy benefit reserves on certain universal life and annuity products are based on full account values, rather than discounting methodologies utilizing statutory interest rates; (f) reinsurance amounts are shown as gross amounts, net of an allowance for uncollectible amounts, on the consolidated balance sheet rather than netted against the corresponding receivable or payable; (g) deferred income taxes are provided for the difference between the financial statement and income tax bases of assets and liabilities; (h) net realized gains or losses attributed to changes in the level of interest rates in the market are recognized as gains or losses in the statement of operations when the sale is completed rather than deferred and amortized over the remaining life of the fixed maturity security or mortgage loan; (i) declines in the estimated realizable value of investments are charged to the statement of operations for declines in value, when such declines in value are judged to be other than temporary rather than through the establishment of a formula-determined statutory investment reserve (carried as a liability), changes in which are charged directly to surplus, (j) agents' balances and certain other assets designated as "non-admitted assets" for statutory purposes are reported as assets rather than being charged to surplus; (k) revenues for universal life and annuity products consist of policy charges for the cost of insurance, policy administration charges, amortization of policy initiation fees and surrender charges assessed rather than premiums received; and (l) pension income or expense is recognized in accordance with SFAS No. 87, Employers' Accounting for Pensions, rather than in accordance with rules and regulations permitted by the Employee Retirement Income Security Act of 1974; (m) surplus notes are reported as a liability rather than as a component of capital and surplus; and (n) assets and liabilities are restated to fair values when a change in ownership occurs, rather than continuing to be presented at historical cost.

10. Stockholder's Equity of Life Insurance Subsidiary (continued)

Net income for the life insurance subsidiary as determined in accordance with statutory accounting practices was \$4,803,545, \$4,470,284 and \$1,174,811 in 1998, 1997 and 1996, respectively, and total statutory capital and surplus of the life insurance subsidiary was \$80,947,913 and \$64,709,809 at December 31, 1998 and 1997, respectively.

In 1998, the NAIC adopted codified statutory accounting principles (Codification). Codification will likely change, to some extent, prescribed statutory accounting practices and may result in changes to the accounting practices that the Company uses to prepare its statutory-basis financial statements. Codification will require adoption by the various states before it becomes the prescribed statutory basis of accounting for insurance companies domiciliated within those states. Accordingly, before Codification becomes effective for the Company, the State of Iowa must adopt Codification as the prescribed basis of accounting on which domestic insurers must report their statutory-basis results to the Insurance Division, Department of Commerce, of the State of Iowa. At this time it is unclear whether the State of Iowa will adopt Codification. However, based on current guidance, management believes that the impact of Codification will not be material to the Company's statutory-basis financial statements.

11. Commitments and Contingencies

The Company has a General Agency Commission and Servicing Agreement with American Equity Investment Service Company (the Service Company), wholly-owned by the Company's chairman, whereby, the Service Company acts as a national supervisory agent with responsibility for paying commissions to agents of the Company. Under the terms of the original agreement, the Service Company was required to pay the greater of (a) 5% of the premiums collected by the Company on the sale of certain annuity products, or (b) 50% of the agent's commissions payable by the Company on the sale of those same policies. In return, the Company agreed to pay quarterly renewal commissions to the Service Company equal to .3875% of the premiums received by the Company on policies that still remain inforce. In addition, the Company has agreed to pay supplemental commissions should lapses in any quarter exceed 1.88%, or certain other circumstances arise. The Agreement terminates on January 31, 2005.

On December 31, 1997, the Service Company and the Company amended the Agreement to provide for the payment of 100% of the agents' commissions by the Service Company for policies issued from July 1, 1997 through December 31, 1997. In return, the Company agreed to pay the Service Company quarterly renewal commissions of .7% of the premiums received by the Company before January 1, 1998 that still remain inforce, and .325% for inforce amounts received thereafter. The revised quarterly renewal commission schedule commenced December 31, 1997.

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

11. Commitments and Contingencies (continued)

During the years ended December 31, 1998 and 1997, the Service Company paid \$19,933,480 and \$11,470,576, respectively, to agents of the Company and the Company paid renewal commissions to the Service Company of \$6,781,288 and \$1,360,410, respectively. At December 31, 1998 and 1997, accounts payable to the Service Company aggregated \$2,438,600 and \$985,194, respectively, and is included in other liabilities.

The Company leases its home office space and certain other equipment under operating leases which expire through June 2004. During the years ended December 31, 1998, 1997 and 1996, rent expense totaled \$335,382, \$341,982 and \$147,662, respectively. At December 31, 1998, minimum rental payments due under all noncancelable operating leases with initial terms of one year or more are:

Year ending December 31:	
1999	\$ 434,000
2000	422,000
2001	420,000
2002	413,000
2003	405,000
Thereafter, through June 2004	189,000
	-----
	\$2,283,000
	=====

Assessments are, from time to time, levied on the Company by life and health guaranty associations by most states in which the Company is licensed to cover losses to policyholders of insolvent or rehabilitated companies. In some states, these assessments can be partially recovered through a reduction in future premium taxes. Given the short period since inception, management believes that assessments against the Company for failures known to date will be minimal.

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements (continued)

12. Earnings Per Share

The following table sets forth the computation of basic earnings per common share and diluted earnings per common share:

	Year ended December 31		
	1998	1997	1996
Numerator:			
Net income (loss)	\$ 244,187	\$ (3,369,388)	\$ (1,138,973)
Numerator for basic and dilutive earnings per common share - income available to common stockholders	\$ 244,187	\$ (3,369,388)	\$ (1,138,973)
Denominator:			
Denominator for basic earnings per common share - weighted-average shares	4,464,912	1,598,695	598,740
Effect of dilutive securities:			
Preferred stock	3,425	-	-
Warrants	117,370	-	-
Stock options	114,788	-	-
Deferred compensation agreements	13,533	-	-
Denominator for diluted earnings per share - adjusted weighted-average shares	4,714,028	1,598,695	598,740
Basic earnings per common share	\$0.05	\$ (2.11)	\$ (1.90)
Diluted earnings per common share	\$0.05	\$ (2.11)	\$ (1.90)

13. Impact of Year 2000 (Unaudited)

The Company has developed a plan to assess its information technology needs to be ready for the Year 2000. During 1996, the Company purchased a new policy administration system which the vendor has represented and have tested it to be Year 2000 compliant. Additionally, the Company has begun converting any remaining non-compliant data processing systems. The Company currently expects the project to be substantially completed by early 1999 and does not expect the cost to modify systems used in the normal course of business to be significant. While additional testing will be conducted on its systems through the Year 2000, the Company does not expect this project to have a significant effect on operating activities.

13. Impact of Year 2000 (Unaudited) (continued)

The Company also recognizes there are outside influences and dependencies relative to its Year 2000 effort, over which it has little or no control. The Company is putting effort into ensuring these considerations will have minimal impact. This includes the continued availability of certain resources, assessing third-party modification plans and developing contingency/recovery plans aimed at ensuring the continuity of critical business functions before and after December 31, 1999. However, there can be no assurances that these steps will be sufficient to avoid any adverse impact to the Company's business or its consolidated financial statements.

Schedule I

Summary of Investments - Other Than

Investments in Related Parties

American Equity Investment Life Holding Company

December 31, 1998

Column A	Column B	Column C	Column D
Type of Investment	Cost (1)	Value	Amount at Which Shown in the Balance Sheet
Fixed maturities, available-for-sale:			
Bonds:			
United States Government and agencies	\$385,393,461	\$386,224,116	\$386,224,116
State, municipal and other governments	4,227,231	4,224,000	4,224,000
Public utilities	9,869,720	10,064,530	10,064,530
Corporate securities	191,393,819	191,904,990	191,904,990
Mortgage and asset-backed securities	9,416,331	9,479,926	9,479,926
Total fixed maturities, available-for-sale	600,300,562	\$601,897,562 =====	601,897,562
Derivative financial instruments	7,270,635		16,171,621
Policy loans	192,184		192,184
Short-term investments	45,000		45,000
Total investments	\$607,808,381 =====		\$618,306,367 =====

(1) On the basis of cost adjusted for repayments and amortization of premiums and accrual of discounts for fixed maturities.

## Schedule II

## Condensed Financial Information of Registrant

(Parent Company)

American Equity Investment Life Holding Company

## Condensed Balance Sheets

	December 31	
	1998	1997
	-----	-----
Assets		
Cash and cash equivalents	\$ 2,212,159	\$ 3,585,886
Receivable from subsidiary (eliminated in consolidation)	-	126,775
Property, furniture and equipment, less accumulated depreciation of \$453,927 in 1998 and \$173,866 in 1997	518,079	602,023
Intangibles, less accumulated amortization of \$314,805 in 1998 and \$193,242 in 1997	103,642	225,205
Other assets	27,699	2,042
	-----	-----
	2,861,579	4,541,931
Investment in and advances to subsidiaries (eliminated in consolidation)	74,712,974	60,863,595
	-----	-----
Total assets	\$77,574,553	\$65,405,526
	=====	=====
Liabilities and stockholders' equity		
Liabilities:		
Notes payable	\$10,000,000	\$10,000,000
Payable to subsidiaries (eliminated in consolidation)	-	17,247
Other liabilities	1,444,032	962,230
	-----	-----
Total liabilities	11,444,032	10,979,477
Commitments and contingencies		
Stockholders' equity:		
Series Preferred Stock	625,000	-
Common Stock	4,581,962	4,420,864
Additional paid-in capital	64,783,117	54,318,665
Accumulated other comprehensive income	420,035	210,300
Retained-earnings deficit	(4,279,593)	(4,523,780)
	-----	-----
Total stockholders' equity	66,130,521	54,426,049
	-----	-----
Total liabilities and stockholders' equity	\$77,574,553	\$65,405,526
	=====	=====

See accompanying note to condensed financial statements.

## Schedule II

## Condensed Financial Information of Registrant (continued)

(Parent Company)

American Equity Investment Life Holding Company

## Condensed Statements of Operations

	Year ended December 31		
	1998	1997	1996
	-----	-----	-----
Revenues:			
Net investment income	\$ 154,307	\$ 50,161	\$ 8,140
Surplus note interest from subsidiary (eliminated in consolidation)	157,788	134,077	41,266
	-----	-----	-----
Total revenues	312,095	184,238	49,406
Expenses:			
Interest expense on notes payable	910,372	979,826	493,802
Other operating costs and expenses	697,180	1,281,776	165,080
	-----	-----	-----
Total expenses	1,607,552	2,261,602	658,882
	-----	-----	-----
Loss before equity in undistributed income of subsidiaries	(1,295,457)	(2,077,364)	(609,476)
Equity in undistributed income (loss) of subsidiaries (eliminated in consolidation)	1,539,644	(1,292,024)	(529,497)
	-----	-----	-----
Net income (loss)	\$ 244,187	\$ (3,369,388)	\$ (1,138,973)
	=====	=====	=====

See accompanying note to condensed financial statements.

## Schedule II

## Condensed Financial Information of Registrant (continued)

(Parent Company)

American Equity Investment Life Holding Company

## Condensed Statements of Cash Flows

	Year ended December 31		
	1998	1997	1996
Operating activities			
Net income (loss)	\$ 244,187	\$ (3,369,388)	\$ (1,138,973)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Provision for depreciation and amortization	401,624	306,082	61,027
Compensation expense related to issuance of stock options and warrants	-	628,000	-
Equity in undistributed loss (income) of subsidiaries	(1,539,644)	1,292,024	529,497
Changes in operating assets and liabilities:			
Receivable from subsidiaries	126,775	(85,509)	(41,266)
Other assets	(25,657)	(2,042)	-
Payable to subsidiaries	(17,247)	(733,313)	750,560
Other liabilities	481,802	128,634	818,596
Net cash provided by (used in) operating activities	(328,160)	(1,835,512)	979,441
Investing activities			
Capital contributions to subsidiaries	(6,600,000)	(42,500,000)	(10,476,235)
Issuance of surplus notes to subsidiary	(5,500,000)	-	(2,500,000)
Purchases of property, furniture and equipment	(196,117)	(514,269)	(261,620)
Net cash used in investing activities	(12,296,117)	(43,014,269)	(13,237,855)
Financing activities			
Financing fees incurred and deferred	-	-	(418,448)
Proceeds from notes payable	-	-	10,000,000
Repayments of notes payable	-	-	(4,000,000)
Net proceeds from sale of preferred stock	9,968,070	-	-
Net proceeds from issuance of common stock	1,282,480	46,618,479	8,493,050
Net cash provided by financing activities	11,250,550	46,618,479	14,074,602
Increase (decrease) in cash and cash equivalents	(1,373,727)	1,768,698	1,816,188
Cash and cash equivalents at beginning of year	3,585,886	1,817,188	1,000
Cash and cash equivalents at end of year	\$ 2,212,159	\$ 3,585,886	\$ 1,817,188
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	\$ 467,111	\$ 840,344	\$ 440,042

See accompanying note to condensed financial statements.

Schedule II

Condensed Financial Information of Registrant

(Parent Company)

American Equity Investment Life Holding Company

Note to Condensed Financial Statements

December 31, 1998

1. Basis of Presentation

The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto of American Equity Investment Life Holding Company.

In the parent company-only financial statements, the Company's investment in and advances (which consists of surplus notes issued to the Company's life insurance subsidiary) subsidiaries is stated at cost plus equity in undistributed income (losses) of subsidiaries since the date of acquisition and net unrealized gains/losses on the subsidiaries' investments classified as "available-for-sale" in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities.

See Note 8 to the consolidated financial statements for a description of the Company's notes payable.

## Schedule III

## Supplementary Insurance Information

## American Equity Investment Life Holding Company

December 31, 1998

Column A	Column B	Column C	Column D	Column E	Column F
Segment	Deferred Policy Acquisition Costs	Future Policy Benefits, Losses, Claims and Loss Expenses	Unearned Revenue Reserve	Other Policy Claims and Benefits Payable	Insurance Premiums and Charges
Year ended December 31, 1998:					
Life insurance	\$32,005,772	\$541,082,179	\$ -	\$6,315,598	\$11,170,655
Year ended December 31, 1997:					
Life insurance	4,282,491	155,998,268	-	2,355,156	11,436,803
Year ended December 31, 1996:					
Life insurance	238,231	11,846,566	-	1,075,614	14,554,714

Column A	Column G	Column H	Column I	Column J	Column K
Segment	Net Investment Income	Benefits Claims, Losses and Settlement Expenses	Amortization of Deferred Policy Acquisition Costs	Other Operating Expenses	Premiums Written
Year ended December 31, 1998:					
Life insurance	\$26,356,472	\$21,922,805	\$3,672,039	\$11,354,395	\$ -
Year ended December 31, 1997:					
Life insurance	4,018,617	9,569,766	761,032	9,884,236	-
Year ended December 31, 1996:					
Life insurance	865,155	8,865,531	6,995	7,686,316	-

## Schedule IV

## Reinsurance

## American Equity Investment Life Holding Company

Column A	Column B	Column C	Column D	Column E	Column F
	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
At December 31, 1998:					
Life insurance in force	\$ 1,407,000	\$ -	\$2,398,544,000	\$2,399,951,000	99.9%
Insurance premiums and other considerations:					
Annuity product charges	\$ 642,547	\$ -	\$ -	\$ 642,547	-%
Traditional life insurance and accident and health insurance premiums	19,174	567,027	11,075,961	10,528,108	105.2%
	\$ 661,721	\$567,027	\$ 11,075,961	\$ 11,170,655	99.2%
At December 31, 1997:					
Life insurance in force	\$ -	\$ -	\$2,427,796,000	\$2,427,796,000	100.0%
Insurance premiums and other considerations:					
Annuity product charges	\$ 11,896	\$ -	\$ -	\$ 11,896	-%
Traditional life insurance and accident and health insurance premiums	-	722,545	12,147,452	11,424,907	106.3%
	\$ 11,896	\$722,545	\$ 12,147,452	\$ 11,436,803	106.2%
At December 31, 1996:					
Life insurance in force	\$ -	\$ -	\$2,912,219,000	\$2,912,219,000	100.0%
Insurance premiums and other considerations:					
Annuity product charges	\$ 14,007	\$ -	\$ -	\$ 14,007	-%
Traditional life insurance and accident and health insurance premiums	98,722	742,088	15,184,073	14,540,707	104.4%
	\$ 112,729	\$742,088	\$ 15,184,073	\$ 14,554,714	104.3%

EXHIBIT INDEX

Exhibit Number - - - - -	Description - - - - -
3.1	Articles of Incorporation, including Articles of Amendment
3.2	Bylaws
4.1	Agreement dated December 4, 1997 between American Equity Investment Life Holding Company and Farm Bureau Life Insurance Company re Right of First Refusal
4.2	Stockholders' Agreement dated April 30, 1997 among American Equity Investment Life Holding Company, David J. Noble, Twenty Services, Inc., Sanders Morris Mundy Inc. and stockholders
4.3	Registration Rights Agreement dated April 30, 1997 between American Equity Investment Life Holding Company and stockholders
	The Company agrees to furnish the commission upon its request a copy of any instrument defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries
9	Voting Trust Agreement dated December 30, 1997 among American Equity Investment Life Holding Company, Farm Bureau Life Insurance Company and David J. Noble, David S. Mulcahy and Debra J. Richardson (Voting Trustees)
10.1	Restated and Amended General Agency Commission and Servicing Agreement dated June 30, 1997 between American Equity Investment Life Insurance Company and American Equity Investment Service Company
10.2	1996 Stock Option Plan
10.3	Restated and Amended Stock Option and Warrant Agreement dated April 30, 1997 between American Equity Investment Life Holding Company and D.J. Noble
10.4	Warrant to Purchase Common Stock dated May 12, 1997 issued to Sanders Morris Mundy Inc.
10.5	Deferred Compensation Agreements between American Equity Investment Life Holding Company and (a) James M. Gerlach dated June 6, 1996 (b) Terry A. Reimer dated November 11, 1996 (c) David S. Mulcahy dated December 31, 1997
21	Subsidiaries of American Equity Investment Life Holding Company
27	Financial Data Schedule

Articles of Incorporation filed with the Iowa Secretary of State at 10:26 a.m., on December 18, 1997 as Document No. W165867.

ARTICLES OF INCORPORATION

OF

NEWCO IOWA, INC.

TO THE SECRETARY OF STATE  
OF THE STATE OF IOWA:

The undersigned, acting as incorporator of a corporation under the Iowa Business Corporation Act, adopts the following Articles of Incorporation for such corporation:

ARTICLE I

The name of the corporation is NewCo Iowa, Inc.

ARTICLE II

The name and address of the incorporator of this corporation is:

Wendy L. Carlson  
317 Sixth Avenue, Suite 1200  
Des Moines, Iowa 50309-4195

ARTICLE III

The street address of the corporation's initial registered office in Iowa and the name of its initial registered agent at that office is:

Debra J. Richardson  
5000 Westown Parkway, Suite 440  
West Des Moines, Iowa 50266

ARTICLE IV

The total number of shares that may be issued by this Corporation is 12,000,000 shares of which 2,000,000 shares of the par value of \$1 per share shall be designated Series Preferred Stock and 10,000,000 shares of the par value of \$1 per share shall be designated Common Stock.

A. Common Shares. Each holder of Common Stock shall have one vote for each share of Common Stock held by such holder. Subject to the rights of the holders of any outstanding Series Preferred Stock, the holders of Common Stock shall be entitled to receive dividends from the remaining surplus of the Corporation, when and as such dividends shall be declared by the Board of Directors. Subject to the rights of the holders of any outstanding Series Preferred Stock, upon the dissolution of the Corporation or upon its liquidation otherwise, or upon any distribution of its assets by way of return of capital, the holders of Common Stock shall be entitled to receive and be paid all the remaining assets of the Corporation.

B. Series Preferred Shares. The following is (i) a statement of the designations, voting powers, preferences and rights and the qualifications, limitations or restrictions of the

Series Preferred Stock except as the designations, voting powers, preferences and rights and qualifications, limitations or restrictions thereof of any series of Series Preferred Stock may be stated and expressed in a resolution or resolutions providing for the issuance of such series pursuant to authority herein expressly vested in the Board of Directors of the Corporation; and (ii) a statement of the authority referred to above expressly vested in the Board of Directors.

(1) The Series Preferred Stock may be issued from time to time in one or more series of any number of shares; provided that the aggregate number of shares outstanding of all such series shall not exceed the total number of shares of Series Preferred Stock authorized by this Article IV. Each series of Series Preferred Stock shall be distinctively designated. Except as otherwise provided by the resolutions creating the series of Series Preferred Stock, all series of Series Preferred Stock shall rank equally and be identical in all respects.

(2) Except as otherwise provided by the resolutions creating any series of Series Preferred Stock, holders of such Series Preferred Stock shall not have any right to vote for election of directors or on any other matter or any right to notice of any meeting of stockholders.

(3) In the event of any complete, or substantially complete, voluntary or involuntary, liquidation, dissolution or winding up of the Corporation, before any distribution or payment shall be made to the holders of the Common Stock, if one or more series of Series Preferred Stock has been created as authorized in this Article IV, all of the assets of the Corporation shall be paid and distributed among the shareholders of the Corporation as provided in the resolution or resolutions creating such series.

Neither the merger nor consolidation of the Corporation into or with any other corporation, nor the merger of any corporation into the Corporation, nor the sale or transfer by the Corporation of all or any part of its assets shall be deemed a liquidation, dissolution or winding up of the Corporation for the purposes of this subsection (3).

(4) Authority is hereby vested in the Board of Directors from time to time to authorize the issuance of Series Preferred Stock of any series and to state and express, in the resolution or resolutions creating and providing for the issue of shares of any series, the designations, voting powers, if any, preferences and relative participating, optional or other special rights and the qualifications, limitations and restrictions thereof of such series to the full extent nor or hereafter permitted by the laws of the State of Delaware in respect of the matters set forth in the following clauses (a) through (h), inclusive.

(a) The designation of the series and the number of shares which shall constitute such series, which number may be altered from time to time by like action of the Board of Directors in respect of shares then unissued.

(b) The annual dividend rate on the shares of that series, the conditions upon which the time or times when such dividends are payable, the preference to, or the relation to, the payment of the dividends payable on shares of such series to the dividends payable on shares of any other class or classes or any other series of stock, whether such dividends shall be cumulative or noncumulative and, if cumulative, the dates from which dividends on shares of such series shall be cumulative.

(c) The redemption price or prices, if any, and the time or times at which the terms and conditions upon which shares of such series shall be redeemable.

(d) The rights of shares of such series upon the liquidation, dissolution or winding up of, or upon any distribution of the assets of, the Corporation and the preference to, or the relation to, such rights of shares of such series to the rights on any other class or classes or any other series of stock of the Corporation.

(e) The voting rights, if any, of such series in addition to the voting rights prescribed by law, and the terms of exercise of such voting rights.

(f) The rights, if any, of the holders of such shares of such series to convert such shares into, or to exchange such shares for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation and the price or prices or the rates of exchange and the adjustments at which such shares shall be convertible or exchangeable, and any other terms and conditions of such conversion or exchange.

(g) The requirement of any sinking or purchase fund or funds to be applied to the purchase or redemption of shares of such series and, if so, the amount of such fund or funds and the manner of application.

(h) Any other preferences and relative participating, optional or other special rights of shares of such series and qualifications, limitations or restrictions thereof.

#### ARTICLE V

No director shall have any personal liability to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director provided that nothing in this Article shall eliminate or limit the liability of a director for breach of the director's duty of loyalty to the corporation or its shareholders for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law for a transaction from which the director derives an improper personal benefit, or for an unlawful distribution to the shareholders.

/s/ Wendy L. Carlson

-----  
Wendy L. Carlson  
317 Sixth Avenue, Suite 1200  
Des Moines, Iowa 50309-4195

INCORPORATOR

-----  
Exhibit 3.1, Part 2, Articles of Merger, filed with the Iowa Secretary of State  
on January 5, 1998.  
-----

ARTICLES OF MERGER  
OF  
AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

TO THE SECRETARY OF STATE OF THE STATE OF IOWA:

Pursuant to Section 1105 of the Iowa Business Corporation Act, the undersigned corporation adopts the following Articles of Merger.

ARTICLE I

The plan of merger is set forth in the Agreement of Merger dated December 4, 1997 by and between NewCo Iowa, Inc., an Iowa corporation, and American Equity Investment Life Holding Company, a Delaware insurance corporation, a true and correct copy of which is attached hereto as Exhibit "A".

ARTICLE II

The Articles of Incorporation of NewCo Iowa, Inc. shall be amended to change the name of NewCo Iowa, Inc. to "American Equity Investment Life Holding Company."

ARTICLE III

The designation, number of outstanding shares, number of votes entitled to be cast by each voting group entitled to vote separately on the plan as to each corporation, and the total number of shares cast for and against the plan are as follows:

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Designation of Group	Shares Outstanding	Votes Entitled to be Cast on Amendment	Votes for	Votes Against
-----	-----	-----	-----	-----
Common	1,754,414	1,754,414	1,275,664	10,000

NEWCO IOWA, INC.

Designation of Group	Shares Outstanding	Votes Entitled to be Cast on Amendment	Votes for	Votes Against
-----	-----	-----	-----	-----
Common	100	100	100	0

ARTICLE IV

The merger plan includes the authorization of NewCo capital stock consisting of 10,000,000 shares of common stock and 2,000,000 shares of Series Preferred Stock.

AMERICAN EQUITY INVESTMENT  
LIFE HOLDING COMPANY

By: /s/ Wendy L. Carlson

-----  
Wendy L. Carlson, Assistant Secretary

PLAN AND AGREEMENT OF MERGER

PLAN AND AGREEMENT OF MERGER made and entered into this 4th day of December, 1997, by and between Newco, Inc., a corporation organized and existing under the laws of the State of Iowa (hereinafter called "Sub") and American Equity Investment Life Holding Company, an insurance corporation organized and existing under the laws of the State of Delaware (hereinafter called "Company");

WHEREAS, Sub is a corporation duly organized and existing under the laws of the State of Iowa and has authorized capital stock consisting of 10,000,000 shares of common stock of the par value of \$1 per share of which 100 shares are now issued and outstanding, and 2,000,000 shares of Series Preferred Stock, none of which are currently issued and outstanding; and

WHEREAS, Company is organized and existing under the laws of the State of Delaware and has authorized capital stock consisting of 4,000,000 shares of common stock of \$1 par value and 2,000,000 shares of Series Preferred Stock of which 1,762,500 shares of common stock and no shares of Series Preferred Stock are now issued and outstanding; and

WHEREAS, Company and Sub, hereinafter sometimes called "Constituent Corporations," deem it desirable to merge pursuant to the applicable statutes of the States of Iowa and Delaware in accordance with the terms and conditions hereinafter set forth, wherein Sub will be the surviving corporation;

NOW, THEREFORE, Company and Sub do hereby agree with each other that Company shall be merged with and into Sub as the surviving corporation pursuant to the applicable statutes of the States of Iowa and Delaware, subject to the following terms and conditions:

ARTICLE I  
Effectiveness and Procedure of Merger

1.1 Subject in all respects to the receipt of required approvals if any, from all applicable regulatory officials, this Agreement shall be effective after (i) it has been approved by Sub in accordance with the procedures prescribed by Iowa law and, (ii) it has been approved by Company in accordance with the procedures prescribed by Delaware law and (iii) the execution and filing of such documents with the respective Secretaries of the States of Iowa and Delaware as may be required to complete the merger under the applicable law (hereinafter referred to as the "Effective Time").

1.2 Sub shall succeed to and possess all of the rights, privileges, powers, immunities, franchises (whether of a public or private nature) of the Constituent Corporations which, together with all property (real, personal and mixed) of the Constituent Corporations, shall be vested in Sub without further act or deed and thereafter shall be the rights, privileges,

powers, immunities, franchises and property of Sub to the full extent of the interest therein of the Constituent Corporations, and the title of any real estate vested by deed or otherwise in either Company or Sub shall not revert to or be in any way impaired by reason of the merger.

1.3 Any claim existing or action or proceeding pending by or against either Constituent Corporation may be prosecuted by or against it as if the merger had not taken place.

## ARTICLE II

### Articles of Incorporation, Bylaws and Continuing Directors and Officers of Surviving Corporation

2.1 The corporation resulting from this merger is and shall be Sub, a corporation organized and existing under the laws of the State of Iowa. Except for the amendment to the articles of incorporation set forth in Section 2.3 below, the articles of incorporation and bylaws of Sub in effect immediately prior to the merger shall remain unchanged and shall continue to be its articles of incorporation and bylaws after the merger.

2.2 After completion of the merger, the directors and officers of Sub shall continue to hold such offices in the same capacities in which they presently serve.

2.3 Upon the effective date of the merger, the articles of incorporation of Sub shall be amended to change the name of Sub to "American Equity Investment Life Holding Company."

## ARTICLE III

### Conversion of Stock of the Constituent Corporations

The manner and basis of converting the shares of Company and Sub into shares of Sub and/or the cancellation of shares shall be as follows:

3.1 The holders of the common stock of Company will convert each such share into shares of common stock of Sub on a one-for-one basis. The shares of Sub stock will have the same terms as the shares of Company stock being converted.

3.2 The 100 shares of Sub stock issued and outstanding in the name of Company shall be cancelled and retired, and no payment shall be made in respect thereto, and such shares will resume the status of unauthorized and unissued shares of Sub common stock.

3.3 At and after the Effective Time, all of the outstanding certificates which immediately prior to the Effective Time represented shares of Company common stock, shall be deemed for all purposes to evidence ownership of, and to represent shares of Sub common stock into which the shares of Company common stock formerly represented by such certificates have been converted as herein provided. The registered owner on the books and records of Company or its transfer agent of any such outstanding stock certificates shall, until

such certificates shall have been surrendered for transfer or otherwise accounted for to Sub or its transfer agent, have and be entitled to exercise any voting or other rights with respect to and to receive dividends and other distributions upon the shares of Sub common stock evidenced by such outstanding certificate as provided above. Nothing herein shall be deemed to require the holder of any shares of Company common stock to surrender the certificate or certificates representing such shares in exchange for a certificate or certificates representing shares of Sub common stock.

3.4 Each right in and to, or option to purchase shares of Company common stock granted under any agreement of Company entered into prior to the date of the merger and which is outstanding immediately prior to the Effective Time, shall, by virtue of the merger and without action on the part of the holder thereof, be converted into and become a right in or to, an option or right to purchase at the same option or warrant price per share, the same number of shares of Company common stock, upon the same terms and conditions as set forth in the applicable agreement granting such options or warrants. The same number of shares of Sub common stock shall be reserved for purposes of the outstanding options and warrants as is equal to the number of shares of Company common stock so reserved as of the Effective Time. As of the Effective Time, Sub hereby assumes the obligations of Company under all such agreements.

3.5 As of the Effective Time, Sub hereby assumes all obligations of the Company under any and all benefit plans for employees or agents of Company or American Equity Investment Life Insurance Company in effect as of the Effective Time.

#### ARTICLE IV Representations and Warranties

Each of the Constituent Corporations hereby make to the other the following representations and warranties with respect to its organization, business and affairs:

##### 4.1 The respective corporation:

(a) is duly organized, validly existing and in good standing in the state of its domicile;

(b) has the corporate power to own its property now owned and to carry on its business as now being conducted; and

(c) is duly qualified to do business as a foreign corporation in all jurisdictions where the character of its property owned or the nature of its business conducted therein requires such qualification.

4.2 Company has furnished or will furnish to Sub and its stockholders its most recent financial statements.

4.3 Neither the execution nor delivery of this Agreement nor the consummation of the merger will violate or conflict with its corporate charter or bylaws or any law, regulation, decree or order of any governmental authority by which it is bound, or result in the breach of or constitute a default under any provision of any material contract or obligation to which either of the Constituent Corporations is a party or by which such corporation is bound.

4.4 The Board of Directors and shareholders of each of the Constituent Corporations by unanimous written consent and agreement have taken such action as is required by applicable law to approve the execution and delivery of this Agreement and to authorize the merger.

ARTICLE V  
Obligations and Restrictions Pending Merger

Each of the Constituent Corporations (except as otherwise indicated herein) respectively agrees with the other that, subject to the terms of this Agreement and except as may be otherwise consented to by the other in writing, it will, from the date of this Agreement to and including the effective date of the merger, take or refrain from taking, as the case may be, the following actions with respect to its own organization, business and affairs:

5.1 Each of the Constituent Corporations will conduct its business only in the usual and ordinary course, except for activities and transactions which in the aggregate are not material.

5.2 Except as contemplated by this Agreement, it shall not cause to occur any event, and shall use its best efforts to prevent the occurrence of any event within its sole control, which would cause its representations and warranties made herein to be untrue as of the effective date of the merger.

5.3 Each Constituent Corporation shall permit authorized representatives of the other Constituent Corporation to have access, during ordinary business hours, to its offices, properties, books and records in order that the other may make such investigation of its affairs as the other deems desirable; and it shall furnish, and shall cause its public accountants to furnish the other with such financial and other information concerning itself, its business and properties as the other may from time to time request, including (without limitation) information required for inclusion, or the preparation of, any information required in connection with the merger.

5.4 Each of the Constituent Corporations shall cause this Agreement to be submitted to its stockholder in a manner provided by applicable state law as promptly as is practicable after the date of this Agreement, and shall use its best efforts to obtain the necessary affirmative vote of its stockholders in favor of this Agreement as may be required to authorize this Agreement and the merger.

5.5 Neither of the Constituent Corporations will declare or pay any dividend in

cash, stock or property, or make any distribution on, or directly or indirectly redeem, purchase or otherwise acquire any shares of its outstanding capital stock or make any other distribution of assets to its stockholder.

5.6 Neither of the Constituent Corporations will issue or sell, grant options or issue warrants to purchase or the right to subscribe to any shares of its capital stock or any of its other securities, or make any other changes in its capital structure.

ARTICLE VI  
Termination and Abandonment

Anything in this Agreement to the contrary notwithstanding, this Agreement may be terminated and the merger abandoned (in which case the Constituent Corporations shall notify their respective stockholders in accordance with applicable law, at any time, whether before or after approval by stockholders and notwithstanding favorable stockholder action prior to the effective date of the merger) by the mutual consent of the Board of Directors of the Constituent Corporations.

ARTICLE VII  
Miscellaneous

7.1 For the convenience of the parties, and to facilitate the filing hereof with appropriate governmental authorities, this Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original.

7.2 All notices which are required or may be given pursuant to this Agreement or in respect of the merger shall be in writing and directed to the Constituent Corporation to be notified at its principal business office.

7.3 Any failure of either of the Constituent Corporations to comply with any obligation, covenant, agreement or condition herein may be expressly waived in writing by the other Constituent Corporation, but such waiver or failure to insist upon strict compliance with such obligations, covenant, agreement or condition shall not operate as a waiver of, or estopped with respect to, any subsequent or other failure.

7.4 All actual expenses and costs incident to proceedings under the provisions of this section shall be paid by the Surviving Corporation.

7.5 This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of Iowa to the extent permitted by law.

AMERICAN EQUITY INVESTMENT  
LIFE HOLDING COMPANY,  
a Delaware corporation

By: /s/ D. J. Noble  
-----  
D. J. Noble, President

NEWCO, INC..  
an Iowa corporation

By: /s/ D. J. Noble  
-----  
D. J. Noble, President

ARTICLES OF AMENDMENT  
OF  
AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

TO THE SECRETARY OF STATE  
OF THE STATE OF IOWA:

Pursuant to Sections 602 and 1006 of the Iowa Business Corporation Act, the undersigned Corporation adopts the following amendments to the Corporation's Articles of Incorporation.

1. The name of the Corporation is American Equity Investment Life Holding Company.

2. The Articles of Incorporation are amended by setting forth the following as the determination of the terms of a series of Series Preferred Stock.

Section 1. Designation of Class. The Series shall be designated as "1998 Series A Participating Preferred Stock" and shall consist of 625,000 shares of Series Preferred Stock, \$1 par value per share.

Section 2. Dividend Rights.

A. The holders of shares of 1998 Series A Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available for such a purpose, dividends payable in cash in an amount per share equal to the amount of all cash dividends or other cash distributions declared on each share of the Corporation's Common Stock, par value \$1 per share (the "Common Stock"). In the event the Corporation shall at any time after November 30, 1998 (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount payable to holders of shares of 1998 Series A Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. Such adjustments shall be made successively whenever any event listed above shall occur.

B. The Corporation shall declare a cash dividend or distribution on the 1998 Series A Participating Preferred Stock as provided in paragraph A above immediately after it declares a cash dividend or distribution on the Common Stock.

C. Dividends shall begin to accrue and be cumulative on all outstanding

shares of 1998 Series A Participating Preferred Stock from the date of declaration of such cash dividends or distributions. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of 1998 Series A Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all shares at the time outstanding. The Board of Directors may affix a record date for the determination of holders of shares of 1998 Series A Participating Preferred Stock entitled to receive a payment of a cash dividend or distribution declared thereon, which record date shall be no more than thirty days prior to the date fixed for payment thereof.

Section 3. Voting Rights. Except as otherwise provided in the Iowa Business Corporation Act, the holders of shares of the 1998 Series A Participating Preferred Stock shall not be entitled to voting rights. After conversion of any shares of 1998 Series A Participating Preferred Stock pursuant to Section 4 below, holders of shares of Common Stock received upon such conversion will be entitled to voting rights to the same extent as all other holders of shares of Common Stock.

#### Section 4. Conversion of Shares.

A. Subject to and upon compliance with the provisions of this Section 4, the holders of shares of the 1998 Series A Participating Preferred Stock shall have the right (the "Conversion Rights") to convert all or any portion of the shares of 1998 Series A Participating Preferred Stock into fully paid and nonassessable shares of Common Stock of the Corporation on a one-for-one basis without requirement of additional consideration or payment, subject to adjustment as hereinafter provided, upon the earlier of (i) the closing of Corporation's Initial Public Offering of its Common Stock pursuant to an effective registration statement filed with the Securities and Exchange Commission under Section 5 of the Securities Act of 1933, as amended; or (ii) December 31, 2003.

B. Notwithstanding any other provision of this Section 4, a holder of shares of 1998 Series A Participating Preferred Stock (a "Converting Shareholder") may not convert shares of 1998 Series A Participating Preferred Stock into shares of Common Stock unless one of the following conditions is satisfied:

1. The total number of shares of Common stock held by such Converting Shareholder aggregated with any shares of Common Stock held by any affiliate of such holder after giving effect to the proposed conversion, shall be less than 5% of the total shares of Common stock outstanding immediately after such conversion. For purposes of calculating the total number of shares of Common Stock held by the Converting Shareholder and its affiliates, shares of Common stock previously held by such Converting Shareholder or its affiliates shall be added to the sum of shares currently held by the Converting Shareholder and its affiliates, unless those shares were sold through a widely-dispersed public offering, sales in the public secondary market or through private placements in which no purchasers acquired individually or in concert with others, more than 2% of the shares of Common Stock then outstanding; or

2. A change in federal law permits a registered bank holding company to acquire in excess of 5% of the voting shares of the Corporation and, upon such an occurrence, a Converting Shareholder may convert its shares to Common Stock to the maximum extent permitted by then current federal law.

C. To exercise Conversion Rights, the converting holder shall notify the Corporation in writing of the holder's intent to exercise such right and the number of shares to be converted (a "Conversion Notice"). Within ten days after any Conversion Notice is received by the Corporation, subject to the surrender and delivery by the applicable holder of the shares to be converted, the Corporation shall deliver to the applicable holder, or such holder's nominee (i) one or more certificates representing the Common Stock issuable pursuant to such Conversion Notice; and (ii) one or more certificates representing the unconverted shares, if any, of the 1998 Series A Participating Preferred Stock. To the extent permitted by law, any such conversion shall be deemed to have been effected as of 5:00 p.m., Central Standard Time, on the date on which the shares of 1998 Series A Participating Preferred Stock to be converted are surrendered and delivered to the Corporation, and the applicable holder or such holder's nominee shall become the holder of record of the shares of Common Stock subject to the applicable Conversion Notice on such date (the "Conversion Date").

D. The Corporation shall pay all accrued, cumulative dividends on any shares of 1998 Series A Participating Preferred Stock which are converted pursuant to this Section 4 through and including the Conversion Date. The Corporation shall continue to pay dividends in accordance with Section 2 on the unconverted shares, if any, of the 1998 Series A Participating Preferred Stock.

E. In the event that, prior to any Conversion Date, the Corporation shall (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then, in each case, the number of shares of Common Stock into which each share of 1998 Series A Participating Preferred Stock may be converted shall be adjusted by multiplying the number of shares of 1998 Series A Participating Preferred Stock to be converted by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. Such adjustments shall be made successively whenever any event listed above shall occur.

#### Section 5. Certain Restrictions.

A. Whenever dividends or distributions payable on the 1998 Series A Participating Preferred Stock, as provided in Section 2 hereof, are in arrears, thereafter and until all accrued and unpaid dividends and distributions which have been declared on the shares of 1998 Series A Participating Preferred Stock shall have been paid in full, the Corporation shall not:

(i) declare or pay any dividends on or make any other distributions

or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the 1998 Series A Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions of any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the 1998 Series A Participating Preferred Stock, except dividends paid ratably on the 1998 Series A Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the 1998 Series A Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the 1998 Series A Participating Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of 1998 Series A Participating Preferred Stock, or any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the 1998 Series A Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective dividends and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

B. The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph A, of this Section 5, purchase or otherwise acquire such shares at any time and in any such manner.

Section 6. **Reacquired Shares.** Any shares of the 1998 Series A Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired promptly after the acquisition thereof. All such shares shall upon their retirement become authorized but unissued shares of Series Preferred Stock and may be reissued as a part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 7. **Liquidation, Dissolution or Winding Up.**

A. Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking

junior (either as to dividends or upon liquidation, dissolution or winding up) to the 1998 Series A Participating Preferred Stock unless, prior thereto, holders of shares of 1998 Series A Participating Preferred Stock shall have received an amount equal to the greater of (i) Sixteen Dollars (\$16.00) per share of the 1998 Series A Participating Preferred Stock, plus an amount equal to the accrued and unpaid dividends and distributions thereon which have been declared prior to the date of such payment, or (ii) amount per share payable to holders of Common Stock after giving effect to the requirements of this paragraph. In the event the Corporation shall at any time after November 30, 1998, (x) declare any dividend on the Common Stock payable in shares of Common Stock, (y) subdivide the outstanding Common Stock, or (z) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount determined under subclause (ii) in the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. Such adjustments shall be made successively whenever any event listed above shall occur.

B. In the event, however, that there are not sufficient assets available to permit payment in full of the Liquidation Preference of the 1998 Series A Participating Preferred Stock and all other series of Preferred Stock, if any, which rank on a parity with the 1998 Series A Participating Preferred Stock, then assets shall be distributed ratably to the holders of such parity shares in proportion to their respective Liquidation Preferences.

Section 8. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of 1998 Series A Participating Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share (subject to adjustment as hereinafter set forth) equal to the aggregate amount per share of stock, securities, cash and/or other property, as the case may be, into which or for which, each share of Common Stock is changed or exchanged; provided that, at the request of a holder of the 1998 Series A Participating Preferred Stock, a portion of any stock or securities issued to such holder in exchange for the 1998 Series A Participating Preferred Stock shall be nonvoting with the right to convert to voting on the same terms set forth in Section 4 hereof. In the event the Corporation shall at any time after November 30, 1998 (i) declare any dividends on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of 1998 Series A Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. Such adjustments shall be made successively whenever any event listed above shall occur.

Section 9. No Redemption. The shares of 1998 Series A Participating Preferred Stock shall not be redeemable.

Section 10. Rank. The shares of 1998 Series A Participating Preferred Stock shall rank on a parity with the Common Stock as to the payment of dividends and senior to the Common Stock as to the distribution of assets upon liquidation, dissolution or winding up. The shares of 1998 Series A Participating Preferred Stock shall rank junior to all other series of the Series Preferred Stock as to payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, unless the terms of any such series shall provide otherwise.

Section 11. Amendment. At any time that any shares of 1998 Series A Participating Preferred Stock are outstanding, the Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the 1998 Series A Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds of the outstanding shares of the 1998 Series A Participating Preferred Stock, voting separately as a class.

Section 12. Fractional Shares. The 1998 Series A Participating Preferred Stock may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional shares, to receive dividends, participate in distributions and to have the benefit of all other rights of the holders of the 1998 Series A Participating Preferred Stock.

Section 13. No Preemptive Rights. No holder of any outstanding shares of the 1998 Series A Participating Preferred Stock shall be entitled as a right to purchase or subscribe or otherwise acquire any shares of stock of any class, whether now or hereafter authorized by the Corporation.

3. The date of adoption of the amendment was December 15, 1998.

4. The amendment to the Articles was adopted by the Board of Directors without action by the shareholders.

Dated this 15th day of December, 1998.

AMERICAN EQUITY INVESTMENT  
LIFE HOLDING COMPANY

By: /s/ D. J. Noble  
-----  
D. J. Noble, President

BYLAWS

OF

NEWCO, INC.  
(an Iowa Corporation)

(hereinafter referred to as "Corporation")

ARTICLE 1

PRINCIPAL OFFICE

The principal office of the Corporation is at the location identified in the most recent annual report filed by the Corporation with the Iowa Secretary of State or such other location as may be designated by the Board of Directors.

ARTICLE 2

MEETINGS OF SHAREHOLDERS

Section 2.1 Annual Meeting. The annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held at such place, time and date as the board of directors shall each year fix, which date shall be within the earlier of the first six months after the end of the Corporation's fiscal year or fifteen (15) months after its last annual meeting.

Section 2.2 Special Meetings. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by law (meaning, here and hereinafter, as required from time to time by the Iowa Business Corporation Act or the Articles of Incorporation of the Corporation), may be called by the President or the board of directors, and shall be called by the board of directors upon the written demand, signed, dated and delivered to the Secretary, of the holders of at least ten percent of all the votes entitled to be cast on any issue proposed to be considered at the meeting. Such written demand shall state the purpose or purposes for which such meeting is to be called. The time, date and place of any special meeting shall be determined by the board of directors, or, at its direction, by the President.

Section 2.3 Notice of Meetings.

Notice of (i) the place, date and time of all meetings of shareholders; (ii) the initial authorization or issuance, subsequent to the next preceding shareholders' meeting, of shares for promissory notes or promises to render services in the future; (iii) any indemnification of a director required by law to be reported to shareholders; and, (iv) in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting to each shareholder entitled to vote

at such meeting and to such other shareholders as are required by law to be given such notice. The board of directors may establish a record date for the determination of shareholders entitled to notice, as provided in Section 5.9 of these bylaws. Notice of adjourned meetings need only be given if required by law or Section 2.6 of these bylaws.

#### Section 2.4 Waiver of Notice.

(a) A written waiver of notice of any meeting of the shareholders signed by any shareholder entitled to such notice, whether before or after the time stated in such notice for the holding of such meeting, shall be equivalent to the giving of such notice to such shareholder in due time as required by law and these bylaws.

(b) A shareholder's attendance at any shareholders' meeting, in person or by proxy, waives (i) giving of notice of such meeting and irregularities in any notice given, unless the shareholder at the beginning of the meeting or promptly upon the shareholder's arrival objects to holding the meeting or transacting business at the meeting, and (ii) objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

Section 2.5 Voting List. After fixing a record date for a meeting, the Secretary shall prepare an alphabetical list of the names of all shareholders who are entitled to notice of the shareholders' meeting. The list must be arranged by voting group and within each voting group by class or series of shares, and show the address of and number of shares held by each shareholder. The shareholders' list must be available for inspection by any shareholder beginning two business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder, or a shareholder's agent or attorney, is entitled on written demand to inspect and, subject to the requirements of law, to copy the list, during regular business hours and at the person's expense, during the period it is available for inspection. The Corporation shall make the shareholders' list available at the meeting, and any shareholder, or a shareholder's agent or attorney, is entitled to inspect the list at any time during the meeting or any adjournment.

Section 2.6 Quorum. At any meeting of the shareholders, a majority of the votes entitled to be cast on the matter by a voting group constitutes a quorum of that voting group for action on that matter, unless the representation of a different number is required by law, and in that case, the representation of the number so required shall constitute a quorum. If a quorum shall fail to attend any meeting, the chairperson of the meeting or a majority of the votes present may adjourn the meeting to another place, date or time.

When a meeting is adjourned to another place, date or time, notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than one hundred twenty (120) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, notice of the place, date and time of

the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

#### Section 2.7 Organization.

(a) Such person as the board of directors may have designated, or, in the absence of such a person, the President, or in his or her absence, such person as shall be designated by the holders of a majority of the shares present at the meeting, shall call meetings of the shareholders to order and shall act as chairperson of such meetings.

(b) The Secretary of the Corporation shall act as Secretary at all meetings of the shareholders, but in the absence of the Secretary at any meeting of the shareholders, the presiding officer may appoint any person to act as Secretary of the meeting.

#### Section 2.8 Voting of Shares.

(a) Every shareholder entitled to vote may vote in person or by proxy. Except as otherwise provided by law, each outstanding share regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders. Unless otherwise provided by law, at each meeting for election of directors, each shareholder entitled to vote shall be entitled to vote the number of shares owned by the shareholder for as many persons as there are directors to be elected and for whose election such shareholder has a right to vote, and directors shall be elected by a majority of the votes cast.

(b) The shareholders having the right to vote shares at any meeting shall only be those of record on the stock books of the Corporation, on the record date fixed pursuant to the provisions of Section 5.9 of these bylaws or by law.

(c) Absent special circumstances, the shares of the Corporation held by another corporation, if a majority of the shares entitled to vote for the election of directors of such other corporation is held by the Corporation, shall not be voted at any meeting.

(d) Voting by shareholders on any question or in any election may be viva voce unless the chairperson of the meeting shall order or any shareholder shall demand that voting be by ballot. On a vote by ballot, each ballot shall be signed by the shareholder voting, or in the shareholder's name by proxy, if there be such proxy, and shall state the number of shares voted by such shareholder.

(e) If a quorum exists, action on a matter, other than the election of directors, by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless a greater number is required by law.

#### Section 2.9 Voting by Proxy or Representative.

(a) At all meetings of the shareholders, a shareholder entitled to vote may vote in person

or by proxy appointed in writing. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. An appointment is valid for eleven months unless a longer period is expressly provided in the appointment form.

(b) Shares held by an administrator, executor, guardian, conservator, receiver, trustee, pledgee, or another corporation may be voted as provided by law.

Section 2.10 Inspectors. The board of directors in advance of any meeting of shareholders may (but shall not be obliged to) appoint inspectors to act at such meeting or any adjournment thereof. If inspectors are not so appointed, the officer or person acting as chairperson of any such meeting, and on the request of any shareholder or his proxy, shall make such appointment. In case any person appointed as inspector shall fail to appear or act, the vacancy may be filled by appointment made by the board of directors in advance of the meeting, or at the meeting by the officer or person acting as chairperson. The inspectors shall register proxies, determine the number of shares outstanding, the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes, ballots, assents or consents, hear and determine all challenges and questions in any way arising in connection with the vote, count and tabulate all votes, assents and consents, determine and announce the result, and do such acts as may appear proper to conduct the election or vote with fairness to all shareholders. The maximum number of such inspectors appointed shall be three, and no inspector whether appointed by the board of directors or by the officer or person acting as chairperson need be a shareholder.

Section 2.11 Consent of Shareholders in Lieu of Meeting. Any action required or permitted by law to be taken at a meeting of the shareholders, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by the holders of outstanding shares having not less than ninety percent of the votes entitled to be cast at a meeting at which all shares entitled to vote on the action were present and voted, and are delivered to the Corporation for inclusion in the minutes.

Section 2.12 Conduct of Business. The chairperson of any meeting of shareholders shall determine the order of business and procedure at the meeting, including such regulation of the manner of voting and the conduct of business as seem to him or her to be in order.

### ARTICLE 3

#### BOARD OF DIRECTORS

Section 3.1 Number of Directors. The number of directors shall be such number as the board of directors shall at the time have designated. In the absence of any such designation, such number shall be seven.

Section 3.2 Qualifications and General Powers. No director is required to be an officer or employee of the Corporation or a resident of the State of Iowa. The business and affairs of the

Corporation shall be managed by the board of directors. The board of directors may authorize any officer or officers, agent or agents, to enter into any contract or to execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 3.3 Increase in Number of Directors; Tenure. In case the number of directors be increased by thirty percent or less of the number of directors last approved by the shareholders, by amendment to these bylaws by the board of directors or by resolution of the board of directors, the directorships to be filled by reason thereof may be filled by the affirmative vote of a majority of the directors, though less than a quorum of the board of directors. Any director so elected shall serve only until the next election of directors by the shareholders. Each director shall hold office until the next succeeding annual meeting and until his successor shall have been elected and qualifies, or until his death, resignation or removal.

Section 3.4 Quorum and Manner of Acting. One-third of the number of directors then holding office shall constitute a quorum for the transaction of business; but if at any meeting of the board there be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. At all meetings of directors, a quorum being present, the act of the majority of the directors present at the meeting shall be the act of the board of directors.

Section 3.5 Resignation. Any director of the Corporation may resign at any time by giving written notice to the board of directors, its chairperson or the Corporation. The resignation of any director shall take effect upon delivery of notice thereof or at such later date as shall be specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.6 Removal. A director shall be subject to removal, with or without cause, at a meeting of the shareholders called for that purpose in the manner prescribed by law.

Section 3.7 Vacancies. Any vacancy occurring in the board of directors through death, resignation, removal or any other cause may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum of the board of directors. A director elected to fill a vacancy shall be elected only until the next election of directors by the shareholders.

Section 3.8 Compensation of Directors. The directors shall be entitled to be reimbursed for any expenses paid by them on account of attendance at any regular or special meeting of the board of directors and the board may fix the compensation of directors from time to time by resolution of the board.

Section 3.9 Place of Meetings, etc. The board of directors may hold its meetings and keep the books and records of the Corporation (except that the record of its shareholders must also be kept at the places described in Section 3.5 of these bylaws) at such place or places within or without the State of Iowa, as the board may from time to time determine. A director may participate in any meeting by any means of communication, including, but not limited to telephone

conference call, by which all directors participating may simultaneously hear each other during the meeting.

Section 3.10 Annual Meeting. Immediately after the final adjournment of each annual meeting of the shareholders for the election of directors, the board of directors shall meet, at the same place where said meeting of shareholders finally adjourned, for the purpose of organization, the election of officers and the transaction of other business. Notice of such meeting need not be given. Such meeting may be held at any other time or place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors or in a consent and waiver of notice thereof signed by all the directors, at which meeting the same matters shall be acted upon as is above provided.

Section 3.11 Regular Meetings. Regular meetings of the board of directors shall be held at such place and at such times as the board of directors shall by resolution fix and determine from time to time. No notice shall be required for any such regular meeting of the board.

Section 3.12 Special Meetings; Notice.

(a) Special meetings of the board shall be held whenever called by direction of the president, or one-third (1/3) of the directors at the time being in office.

(b) Notice of each such meeting shall be delivered to each director, at least two (2) days before the date on which the meeting is to be held, by mail, telegraph, cable, radio or wireless, or personally or by telephone. Each notice shall state the time and place of the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting. At any meeting at which every director shall be present, even without any notice, any business may be transacted.

Section 3.13 Substitutes for Notice. A written waiver of notice signed by a director, whether before or after the time of the meeting stated therein, shall be equivalent to the giving of such notice in due time as required by these bylaws. Attendance of a director at or participation in a meeting shall constitute a waiver of notice of such meeting, unless the director at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 3.14 Director's Assent Presumed. A director of the Corporation who is present at a meeting of its board of directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless the director's dissent shall be entered in the minutes of the meeting or unless the director shall file a written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered or certified mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 3.15 Order of Business.

(a) At meetings of the board of directors, business shall be transacted in such order as, from time to time, the board of directors may determine by resolution.

(b) At all meetings of the board, the chairperson or in his or her absence, vice chairperson, or in their absence the President, or in the president's absence the most senior Vice President present, or otherwise the person designated by the vote of a majority of the directors present shall preside.

Section 3.16 Action Without Meeting. Any action required or permitted by law to be taken at any meeting of the board of directors may be taken without a meeting if the action is taken by all members of the board and if one or more consents in writing setting forth the action so taken shall be signed by all of the directors then in office and included in the minutes.

#### Section 3.17 Committees.

(a) The board of directors, by resolution adopted by the affirmative vote of a majority of the number of directors then in office, may establish one or more committees, including an executive committee, each committee to consist of two (2) or more directors appointed by the board of directors. Any such committee shall serve at the will of the board of directors. Each such committee shall have the powers and duties delegated to it by the board of directors. The board of directors may elect one or more of its members as alternate members of any such committee who may take the place of any absent member or members at any meeting of such committee, upon request by the president or the chairperson of such committee. Each such committee shall fix its own rules governing the conduct of its activities as the board of directors may request.

(b) A committee of the board shall not: (i) authorize distributions by the Corporation; (ii) approve or propose to shareholders of the Corporation action that the law requires be approved by shareholders; (iii) fill vacancies on the board of directors of the Corporation or on any of its committees; (iv) amend the articles of incorporation of the Corporation; (v) adopt, amend or repeal bylaws of the Corporation; (vi) approve a plan of merger not requiring shareholder approval; (vii) authorize or approve reacquisition of shares by the Corporation, except according to a formula or method prescribed by the board of directors; or (viii) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the board of directors may authorize a committee or a senior executive officer of the Corporation to do so within limits specifically prescribed by the board of directors.

### ARTICLE 4

#### OFFICERS

Section 4.1 Generally. The officers of the Corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the board of directors), a Secretary, a Treasurer and such other officers as may from time to time be appointed by the board of

directors. One person may hold the offices and perform the duties of any two or more of said offices. In its discretion, the board of directors may delegate the powers or duties of any officer to any other officer or agents, notwithstanding any provision of these bylaws, and the board of directors may leave unfilled for any such period as it may fix, any office except those of President, Treasurer and Secretary. The officers of the Corporation shall be appointed annually by the board of directors at the annual meeting thereof. Each such officer shall hold office until the next succeeding annual meeting of the board of directors and until his successor shall have been duly chosen and shall qualify or until his death or until he shall resign or shall have been removed.

Section 4.2 Removal. Any officer may be removed by the board of directors, with or without cause, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4.3 Powers and Duties of the President. The President shall be the chief executive officer of the Corporation. Subject to the provisions of these bylaws and to the direction of the board of directors, he or she shall have the responsibility for the general management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of chief executive or which are delegated to him or her by the board of directors. He or she shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation.

Section 4.4 Powers and Duties of the Vice President(s). In the absence of the President or in the event of the death, inability or refusal to act of the President, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, the senior Vice President in length of service) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or Assistant Secretary, certificates for shares of the Corporation; and shall perform such other duties and have such authority as from time to time may be assigned to such Vice President by the President or by the board of directors.

Section 4.5 Powers and Duties of the Secretary. The Secretary shall (a) keep minutes of all meetings of the shareholders and of the board of directors; (b) authenticate records of the Corporation and attend to giving and serving all notices of the Corporation as provided by these bylaws or as required by law; (c) be custodian of the corporate seal (if any), the stock certificate books and such other books, records and papers as the board of directors may direct, and see that the corporate seal (if any) is affixed to all stock certificates and to all documents, the execution of which on behalf of the Corporation under its seal (if any) is duly authorized; (d) keep a stock record showing the names of all persons who are shareholders of the Corporation, their post office addresses as furnished by each such shareholder, and the number of shares of each class of stock held by them respectively, and at least ten (10) days before each shareholders' meeting, prepare a complete list of shareholders entitled to vote at such meeting arranged in alphabetical order; (e) sign with the President or a Vice President certificates for shares of the Corporation, the issuance

of which shall have been duly authorized; and (f) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the President or the board of directors.

Section 4.6 Powers and Duties of the Treasurer. The Treasurer shall (a) have custody of and be responsible for all monies and securities of the Corporation, shall keep full and accurate records and accounts in books belonging to the Corporation, showing the transactions of the Corporation, its accounts, liabilities and financial condition and shall see that all expenditures are duly authorized and are evidenced by proper receipts and vouchers; (b) deposit in the name of the Corporation in such depository or depositories as are approved by the directors, all moneys that may come into the Treasurer's hands for the Corporation's account; (c) render an account of the financial condition of the Corporation at least annually; and (d) in general, perform such duties as may from time to time be assigned to the Treasurer by the President or by the board of directors.

Section 4.7 Assistants. There shall be such number of Assistant Secretaries and Assistant Treasurers as the board of directors may from time to time authorize and appoint. The Assistant Secretaries and Assistant Treasurers in general, shall perform such duties as shall be assigned to them by the Secretary, or the Treasurer, respectively, or by the president or the board of directors. The board of directors shall have the power to appoint any person to act as assistant to any other officer, or to perform the duties of any other officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer so appointed shall have the power to perform all the duties of the office to which he or she is so appointed to be assistant, or as to which he or she is so appointed to act, except as such power may be otherwise defined or restricted by the board of directors.

## ARTICLE 5

### SHARES, THEIR ISSUANCE AND TRANSFER

Section 5.1 Consideration for Shares. The board of directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the Corporation, including cash, promissory notes, services performed, contracts for services to be performed, or other securities of the Corporation. Before the Corporation issues shares, the board of directors must determine that the consideration received or to be received for shares to be issued is adequate. If the Corporation issues or authorizes the issuance of shares for promissory notes or for promises to render services in the future, the Corporation shall report in writing to the shareholders the number of shares authorized or issued and the consideration received by the Corporation with or before the notice of the next shareholders' meeting.

Section 5.2 Certificates for Shares. Every shareholder of the Corporation shall be entitled to a certificate or certificates, to be in such form as the board of directors shall prescribe, certifying the number and class of shares of the Corporation owned by such shareholder.

Section 5.3 Execution of Certificates. The certificates for shares of stock shall be

numbered in the order in which they shall be issued and shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary of the Corporation, and may be sealed with the seal (if any) of the Corporation or a facsimile thereof. The signatures of the President or Vice President and the Secretary or Assistant Secretary or other persons signing for the Corporation upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the Corporation itself or an employee of the Corporation. In case any officer or other authorized person who has signed or whose facsimile signature has been placed upon such certificate for the Corporation shall have ceased to be such officer or employee or agent before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer or employee or agent at the date of its issue.

Section 5.4 Share Record. A record shall be kept by the Secretary, or by any other officer, employee or agent designated by the board of directors, of the names and addresses of all shareholders and the number and class of shares held by each represented by such certificates and the respective dates thereof and in case of cancellation, the respective dates of cancellation.

Section 5.5 Cancellation. Every certificate surrendered to the Corporation for exchange or transfer shall be cancelled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so cancelled, except in cases provided in Section 6.8 of these bylaws.

Section 5.6 Transfers of Stock. Transfers of shares of the capital stock of the Corporation shall be made only on the books of the Corporation by the record holder thereof, or by his or her attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and on surrender of the certificate or certificates for such shares properly endorsed and the payment of all taxes thereon. The person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation; provided, however, that whenever any transfer of shares shall be made for collateral security, and not absolutely, such fact, if known to the Secretary of the Corporation, shall be so expressed in the entry of transfer.

Section 5.7 Regulations. The board of directors may make such other rules and regulations as it may deem expedient, not inconsistent with law, concerning the issue, transfer and registration of certificates for shares of the stock of the Corporation.

Section 5.8 Lost, Destroyed, or Mutilated Certificates. In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the board of directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 5.9 Record Date. The board may fix, in advance, a date as the record date for any determination of shareholders for any purpose. such date in every case to be not more than seventy (70) days prior to the date on which the particular action or meeting, requiring such determination of shareholders, is to be taken or held. If no record date is so fixed for the determination of shareholders, the close of business on the day before the date on which the first

notice of a shareholders' meeting is delivered or the date on which the resolution of the board of directors declaring a share dividend or distribution (other than in connection with a repurchase or reacquisition of shares) is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, unless the board of directors selects a new record date or unless a new record date is required by law.

## ARTICLE 6

### MISCELLANEOUS PROVISIONS

Section 6.1 Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these bylaws, facsimile signatures of any officer or officers of the corporation may be used whenever and as authorized by the board of directors or a committee thereof.

Section 6.2 Corporate Seal. The board of directors may by resolution (but shall not be required to) provide for a corporate seal which, if provided, shall be circular in form and shall bear the name of the corporation and the words "Corporate Seal" and "Iowa." The Secretary shall be custodian of any such seal. The board of directors may also authorize a duplicate seal to be kept and used by any other officer.

Section 6.3 Fiscal Year. The fiscal year of the Corporation shall be determined by resolution of the board of directors.

Section 6.4 Voting of Stocks Owned by the Corporation. In the absence of a resolution of the board of directors to the contrary, the President of the Corporation or any Vice President acting within the scope of his or her authority as provided in Section 5.4 of these bylaws, are authorized and empowered on behalf of the Corporation to attend, vote, grant discretionary proxies to be used at any meeting of shareholders of any corporation in which this Corporation holds or owns shares of stock, and in that connection, on behalf of this Corporation, to execute a waiver of notice of any such meeting. The board of directors shall have authority to designate any officer or person as a proxy or attorney-in-fact to vote shares of stock in any other corporation in which this Corporation may own or hold shares of stock.

Section 6.5 Shareholders' Right to Information.

(a) A shareholder of the Corporation is entitled to inspect and copy, during regular business hours at the Corporation's principal office, any of the following records of the Corporation, if the shareholder gives the Corporation written notice of the shareholder's demand at least five business days before the date on which the shareholder wishes to inspect and copy:

(1) Articles or Restated Articles of Incorporation and all amendments currently in effect;

(2) Bylaws or Restated Bylaws and all amendments currently in effect;

(3) Resolutions adopted by the board of directors creating one or more classes or series of shares and fixing their relative rights, preferences and limitations, if shares issued pursuant to those resolutions are outstanding;

(4) Minutes of all shareholders' meetings and records of all action taken by shareholders without a meeting, for the past three years;

(5) All written communications to shareholders generally within the past three years, including the financial statement furnished for the past three years;

(6) A list of the names and business addresses of the Corporation's current directors and officers; and

(7) The Corporation's most recent annual report delivered to the Iowa Secretary of State.

(b) If (i) a shareholder makes a demand in good faith and for a proper purpose, (ii) the shareholder describes with reasonable particularity the shareholder's purpose and the records the shareholder desires to inspect, and (iii) the record requested is directly connected with the shareholder's stated purpose, the shareholder shall also be entitled to inspect and copy, during regular business hours at a reasonable location specified by the Corporation, any of the following records of the Corporation provided the shareholder gives the Corporation written notice of the shareholder's demand at least five business days before the date on which the shareholder wishes to inspect and copy any of the following:

(1) Excerpts from minutes of any meeting of the board of directors, records of any actions of a committee of the board of directors while acting in place of the board of directors on behalf of the Corporation, minutes of any meeting of the shareholders, and records of action taken by the shareholders or the board of directors without a meeting to the extent not subject to inspection under the preceding subparagraph;

(2) Accounting records of the Corporation; and

(3) The record of shareholders of the Corporation.

#### ARTICLE 7

#### INDEMNIFICATION OF DIRECTORS

Section 7.1 Mandatory Indemnity. Each individual who is or was a director of the Corporation (and the heirs, executors, personal representatives or administrators of such individual) who was or is made a party to, or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise ("Indemnitee"), shall be indemnified and held harmless by the Corporation to the fullest extent permitted by applicable law, as the same exists or may hereafter be amended. In addition to the indemnification conferred in this Article, the Indemnitee and any officer of the Corporation shall also be entitled to have paid directly by the Corporation the expenses reasonably incurred in defending any such proceeding against such Indemnitee, or any similar type of proceeding against such officer, in advance of its final disposition, to the fullest extent authorized by applicable law, as the same exists or may hereafter be amended. The right to indemnification conferred in this Article shall be a contract right.

Section 7.2 Non-Exclusivity of Rights. The rights to indemnification conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Articles of Incorporation or any agreement, vote of stockholders or disinterested directors or otherwise.

## ARTICLE 8

### AMENDMENTS TO BYLAWS

These bylaws may be amended or repealed by the board of directors or by the shareholders; provided, however, that the shareholders may from time to time specify particular provisions of the bylaws which shall not be amended or repealed by the board of directors.

## AGREEMENT

THIS AGREEMENT is entered into this 4th day of December, 1997, by and between American Equity Investment Life Holding Company, an Iowa corporation ("Company"), with its principal offices at 5000 Westtown Parkway, Suite 440, West Des Moines, Iowa 50266; and FARM BUREAU LIFE INSURANCE COMPANY, an Iowa corporation ("Investor"), with its principal offices at 5400 University Avenue, West Des Moines, Iowa 50266.

WHEREAS, Investor has agreed to subscribe for 1,562,500 shares of Company's Common Stock, \$1 par value (hereinafter referred to as "Common Stock"), pursuant to a private placement conducted by Company in December, 1997 (hereinafter referred to as the "Private Placement"), as described in the Private Placement Memorandum relating thereto, dated December 1, 1997 (the "Private Placement Memorandum");

WHEREAS, Company has agreed to grant Investor certain rights of refusal to acquire additional securities of Company pursuant to the terms and conditions set forth below such that Investor may maintain at least a twenty percent (20%) equity interest in the voting securities of Company.

NOW, THEREFORE, THE PARTIES AGREE, as follows:

1. Grant of Right of First Refusal.

(a) Company hereby grants Investor a right of first refusal to purchase up to that number of shares of Common Stock, and/or shares or units of any other voting or nonvoting equity securities or securities convertible into voting equity securities of Company (hereinafter referred to collectively as "Equity Securities"), which, when added to the number of shares owned by Investor at the time of any exercise of the right of first refusal equals 20% of all issued and outstanding Equity Securities at that time (hereinafter referred to as the "Right of First Refusal"). The Right of First Refusal may be exercised by Investor (i) in the event of any offering or other proposed issuance by Company of any Equity Securities which, upon closing of same, would cause Investor's aggregate ownership interest in the outstanding Equity Securities to fall below 20% (hereinafter referred to as an "Offering"); or (ii) upon the exercise of any options or warrants to purchase Equity Securities (hereinafter referred to as an "Option Exercise") or the conversion of any securities convertible into Equity Securities (hereinafter referred to as a "Conversion") which would cause Investor's aggregate ownership interest in the outstanding Equity Securities to fall below 20%. The purchase price for Equity Securities acquired by Investor pursuant to the Right of First Refusal shall be (i) in the event of an Offering, the price per share, or other pro rata price, at which Equity Securities are offered in the applicable Offering; or (ii) in the event of an Option Exercise or a Conversion, the price of \$16 per share.

(b) At least thirty (30) days prior to the initiation of any Offering, Company shall notify Investor in writing of the expected date on which the Offering shall begin (hereinafter referred to as the "Offering Date"), after which Investor may exercise the Right of First Refusal by giving written notice to Company on or before the Offering Date of the amount of Equity Securities Investor elects to purchase and delivering to Company at its principal offices, the full

purchase price by check payable to Company on or before the closing date of the applicable Offering.

(c) Upon any Option Exercise or Conversion, which, when aggregated with all other Option Exercises or Conversions during the then current fiscal year, results in the issuance of 1% or more of the Company's outstanding Equity Securities, Company shall notify Investor in writing of the Option Exercise or Conversion and of the total number of shares issued during the then current fiscal year in connection with Option Exercises or Conversions, after which Investor may exercise the Right of First Refusal by giving written notice to Company of the amount of Equity Securities Investor elects to purchase and delivering to Company at its principal offices the full purchase price by check payable to Company within thirty (30) days after the date of receipt of Company's notice.

(d) Notwithstanding anything in this Agreement to the contrary, Investor's obligation to close at any Offering in which Equity Securities are offered to other parties is conditional upon the receipt from such others which, when added to the proceeds to be received from Investor in such Offering, equal or exceed the minimum aggregate proceeds sufficient to complete the Offering as specified by Company in the applicable Offering instruments and/or documentation.

(e) The Right of First Refusal shall expire on December 31, 2007, whether or not Company has conducted any Offerings prior to that date, and whether or not any Option Exercises or Conversions have occurred, unless the parties agree in writing to an extension thereof.

2. Nontransferability. The Right of First Refusal may not be transferred or assigned in any manner, nor may the Right of First Refusal be pledged or hypothecated in any way or subject to execution, attachment or similar process except with the express consent of the Board of Directors of Company; provided, however, that Investor may transfer and/or assign the Right of First Refusal to any wholly-owned subsidiary of Investor, or to any affiliate under common control with Investor.

### 3. Adjustments.

(a) Whenever a stock split, stock dividend or other similar change in capitalization of Company occurs, and to the extent the Right of First Refusal is unexercised at that time, the amount of equity interest in Company which can thereafter be purchased pursuant to the Right of First Refusal, shall be appropriately adjusted to maintain the proportionate equity interest in Company which Investor may acquire thereunder.

(b) In the event of the dissolution or liquidation of Company, the Right of First Refusal shall terminate, and Investor's proportionate interest in the liquidation proceeds shall be based solely upon the equity interest actually owned by Investor on the date of dissolution without adjustment for the shares or other interests Investor could have but did not acquire pursuant to the Right of First Refusal.

(c) Adjustments and determinations under this paragraph 3 shall be made by Company's Board of Directors, whose decisions as to what adjustments or determinations shall be made, and the extent thereof, shall be final, binding and conclusive.

4. Notices. Each notice relating to this Agreement shall be in writing, addressed to the President of recipient and delivered in person or by certified mail to the recipient's address as set forth in the heading of this Agreement. Either party hereof may designate a new address by written notice to that effect.

5. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Iowa.

6. Amendment. This Agreement may be amended from time to time as mutually agreed upon by the parties. No amendment will be effective unless in writing and signed by both parties.

7. Invalid Provisions. The unenforceability or invalidity of any term, condition, or provision hereof, shall in no way affect the enforceability or validity of the remaining terms of this Agreement.

IN WITNESS WHEREOF, Company and Investor have caused this Agreement to be executed effective as of the day, month and year first above written.

AMERICAN EQUITY INVESTMENT  
LIFE HOLDING COMPANY

FARM BUREAU LIFE INSURANCE  
COMPANY

By: /s/ D. J. Noble

By: /s/ William J. Oddy

-----  
D. J. Noble, Chairman and President

-----  
William J. Oddy, Executive Vice  
President and General Manager

STOCKHOLDERS' AGREEMENT

THIS AGREEMENT dated as of April 30, 1997 (the "Agreement"), among AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY, a Delaware corporation (the "Company"), DAVID J. NOBLE, a resident of the State of Iowa ("Noble"), TWENTY SERVICES, INC., an Alabama corporation ("Twenty"), SANDERS MORRIS MUNDY INC., a Texas corporation ("SMM"), and the undersigned stockholders of the Company (the "Stockholders");

W I T N E S S E T H

WHEREAS, at the date of this Agreement, the authorized capital stock the Company, consists of 2,500,000 shares of common stock, \$1.00 par value (the "Common Stock"), of which 1,180,000 shares of Common Stock are issued and outstanding; and

WHEREAS, the Company has authorized the issuance of 100,000 common stock purchase warrants (the "Warrants") with an exercise price of \$12.00 per share subject to adjustment upon the occurrence of certain events; and

WHEREAS, the Company has issued SMM a common stock purchase warrant (the "SMM Warrant") to purchase 20 units each consisting of 2,500 shares of Common Stock and 500 detachable common stock purchase warrants with an exercise price of \$12.00 per share subject to adjustment upon the occurrence of certain events at an exercise price of \$30,000 per unit;

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

1. Definitions. For purposes of this Agreement.

(a) Addendum Agreement. The term "Addendum Agreement" means an agreement in substantially the form of Exhibit A attached hereto entered into between a person or entity (other than a Stockholder) who is acquiring Securities from an SMM Stockholder of the Company.

(b) Affiliate. The term "Affiliate" means:

(i) if such Stockholder is a corporation, any person that directly or indirectly controls or is controlled by or under common control with such Stockholder;

(ii) if such Stockholder is a trust, the beneficiary of such Stockholder, any trust created for the benefit of the beneficiary of such Stockholder, and any successor trustee or trustees of such Stockholder; and

(iii) if such Stockholder is an Individual Stockholder, any spouse, former spouse, or descendent of such Individual Stockholder, and any trust created for the benefit of such Individual Stockholder or for the benefit of any spouse, former spouse, or descendent of such Individual Stockholder.

(c) For purposes of paragraph (b) of this Section 1, the terms "controlling," "controlled by," and "under common control with" means possession, directly or indirectly, by a person of the power to direct or cause the direction of the management of another person or a group of persons, whether through the ownership of voting securities, by contract or otherwise.

(d) Disposition. The term "Disposition" means any sale, assignment, passage, gift, exchange, distribution, charge, pledge, mortgage, transfer, or other disposition of Securities (or any interest therein) whatsoever, whether voluntary or involuntary, and any transaction, whether voluntary or involuntary, occurring by operation of law or otherwise, or any transaction that has the purpose or effect of making one or more of the following changes:

(i) a change in the ownership of any Securities covered by this Agreement or any stock certificate or certificates representing such Securities; or

(ii) a change in the identity, ownership, or control of the holder or owner of the legal title to or the beneficial or equitable interest in any Securities covered by this Agreement or any stock certificate or certificates representing such Securities.

(e) Effective Date. The term "Effective Date" means the date on which (i) in the case of a purchase of Securities under Section 2 hereof, the Offering Notice referred to in Section 2(a) is sent in accordance with the provisions thereof.

(f) Individual Stockholder. The term "Individual Stockholder" means a Stockholder who is a natural person.

(g) Person. The term "person" means an individual, a corporation, a trust, a partnership, a joint stock association, a business trust or a government or agency or subdivision thereof, and shall include the singular and the plural.

(h) Securities. The term "Securities" means the Common Stock, the Warrants, and the SMM Warrant (whether presently or hereafter issued and outstanding and whether now owned or hereafter acquired), and any shares of Common Stock issuable upon exercise of the Warrants or the SMM Warrant. Moreover, all references herein to Securities owned by any Individual Stockholder include the community interest, if any, of the spouse of a Stockholder in such Securities.

(i) SMM Stockholders. The term "SMM Stockholders" means SMM, the Stockholders listed on Exhibit \_\_, the holders of Common Stock issued upon exercise of any of the Warrants, and any Affiliates of such persons to whom Securities may hereafter be transferred by such persons or by an affiliate of such persons in accordance with Section 5, and the respective executors, administrators, and successors of each such person.

(j) Stockholder. The term "Stockholder" means a holder of the Common Stock, the Warrants, or the SMM Warrant (or Common Stock issuable upon exercise of the Warrants or the SMM Warrant) (whether now owned or hereafter acquired) and shall include the heirs, executors, administrators, successors, and assigns of a Stockholder.

(k) Stockholder Representative. The term "Stockholder Representative" means the person named as the representative and agent of the SMM Stockholders pursuant to Section 9.

(l) Subsidiary. The term "Subsidiary" means any corporation controlled by the Company or any other Subsidiary.

2. Right of First Refusal on Securities. If any SMM Stockholder desires to make a Disposition of any Securities owned or held by such Stockholder, and all of the other SMM Stockholders do not consent to the Disposition or such Disposition is not otherwise permitted by this Agreement, then such SMM Stockholder (for purposes of this Section 2, the "Selling Stockholder"), prior to making such Disposition, shall first offer such Securities (for purposes of this Section 2, the "Option Securities") for sale to the other SMM Stockholders all in accordance with the following provisions of this Section 2.

(a) Option Price; Terms; Offering Notices. The price at which the Selling Stockholder shall be required to offer the Option Securities, and the terms of such offer, shall be the price at which and the terms upon which any proposed third party purchaser shall have offered to purchase the Option Securities from the Selling Stockholder and which the Selling Stockholder is prepared to accept (the "Option Price"). Each offer required to be made by the Selling Stockholder pursuant to this Section 2 shall be made by a written notice (for purposes of this Section 2, the "Offering Notice"), which shall state that the offer is being made pursuant to Section 2 of this Agreement and which shall set forth the number of Option Securities, the name or names of the proposed purchaser or purchasers of the Option Securities, the price offered by such proposed purchaser or purchasers for the Option Securities, the method of payment of the purchase price and the scheduled date of consummation of such proposed sale. A copy of any written offer from any proposed purchaser shall be attached to each Offering Notice. In connection with offers pursuant to Section 2(b), each Stockholder receiving an Offering Notice may elect to purchase all or any part of his proportionate part of the Option Securities, determined by multiplying the Option Securities by a fraction, the numerator of which shall be the number of shares of Common Stock (assuming the exercise of the Warrants and the SMM Warrant) owned by such Stockholder and the denominator of which shall be the number of shares of Common Stock (assuming all the Warrants and the SMM Warrant are exercised) owned, for purposes of Section 2(b), by all of the SMM Stockholders other than the Selling Stockholder.

(b) Offer to the Other SMM Stockholders. The Selling Stockholder shall first offer the Option Securities to the other SMM Stockholders by delivering an Offering Notice to such persons. Subject to the provisions of paragraph (d) of this Section 2, each other

SMM Stockholders shall then have the option for a period of 15 days from the Effective Date of the Offering Notice to elect to purchase all or any part of his or her proportionate share of the Option Securities, such election to be evidenced by a written reply notice given by the Stockholder Representative to the Selling Stockholder within such 15-day period of time. Upon the expiration of such 15-day period, if the other SMM Stockholders have not elected to purchase all of the Option Securities, the Selling Stockholder shall promptly notify each of the other SMM Stockholders who has elected to purchase his or her full proportionate part of the Option Securities of such fact and of the number of Option Securities (the "Balance Securities") with respect to which an option to purchase was not made during the initial 15-day period. The other SMM Stockholders who elected to purchase their proportionate part of the Option Securities during the initial 15-day period shall then have an additional 15 days from the expiration of the initial 15-day period within which to elect to purchase their respective proportionate part of the Balance Securities, such proportionate part to be determined by multiplying the Balance Shares by a fraction, the numerator of which shall be the number of shares of Common Stock (assuming the exercise of the Warrants and the SMM Warrant) owned by the electing SMM Stockholders and the denominator of which shall be the total number of shares of Common Stock owned by all of the electing SMM Stockholders. Each of the other electing the SMM Stockholders who desires to purchase his or her proportionate part of the Balance Securities shall then notify the Selling Stockholder by delivering a reply notice to the Selling Stockholder within no more than 30 days after the effective date of the Offering Notice. If by such reply notices one or more SMM Stockholders accept the offer made by the Selling Stockholder, subject only to the provisions of paragraph 4(e) of this Section 2, the reply notice shall constitute an agreement binding on the Selling Stockholder and such other electing Stockholder to sell and purchase the Option Securities specified in such reply notices at the Option Price.

(c) Lapse of Options. If the other SMM Stockholders do not elect to purchase all of the Option Securities pursuant to the provisions of paragraph (b) of this Section 2, the Selling Stockholder shall then have the right either to (i) elect to sell to the other Stockholders, whatever number of the Option Securities the other Stockholders have elected to purchase pursuant to paragraph (b) of this Section 2, or (ii) withdraw all offers under this Section 2 and either retain the Option Securities or, within 90 days from the effective date of the Offering Notice delivered by the Selling Stockholder pursuant to paragraph (a) of this Section 2, sell all of the Option Securities to the proposed purchaser at the Option Price; provided, however, that (i) no sale of all or a part of the Option Securities shall be made at any price lower than the Option Price or on terms different from those specified in the Offering Notice or to any person or persons other than the person or persons specified in the Offering Notices, and (ii) the person or persons to whom the Option Securities are to be transferred enters into an Addendum Agreement in substantially the form of Appendix A hereto pursuant to which such person or persons agrees to be bound by all the terms and provisions of this Agreement. If after the lapse of the 90-day period the Option Securities shall not have been sold, all the provisions of this Agreement, including the provisions of this Section 2 shall apply to any future Disposition of Securities owned by the Selling Stockholder.

(d) Consummation of Purchases. Each transaction of purchase and sale of Option Securities pursuant to this Section 2 shall be completed by delivery of the certificates representing such Option Securities endorsed in blank, or accompanied by duly executed stock powers, and by actual registration of the transfer of the Option Securities on the books of the Company upon payment of the purchase price to the Selling Stockholder in a lump sum payment in cash or on the terms specified in the Offering Notice if different. Any such transaction shall be closed at such time and place as shall be agreed upon by the parties thereto, or, if no such agreement is reached, at the principal office of the Company on the 15th day following the date of delivery of the last reply notice given in connection with such transaction or, if such day shall not be a business day, on the first business day thereafter during normal business hours.

3. Transfers to Other Stockholders. Notwithstanding the provisions of Section 2, any SMM Stockholder may transfer all or any Securities owned or held by such Stockholder to any other Stockholder or Stockholders; provided that, (i) if such SMM Stockholder proposes to transfer any Securities to a Stockholder that is not a SMM Stockholder, such SMM Stockholder shall first offer such Securities to the other SMM Stockholders in accordance with the provisions of Section 2(b) and (ii) prior notice of any transfer made pursuant to this Section 3 is given by the Stockholder making the transfer to all other Stockholders and the Company.

4. Transfer Within SMM Group. Notwithstanding the provisions of Section 2, any SMM Stockholder may transfer all or any Securities owned or held by such Stockholder to any other SMM Stockholder; provided, that, prior notice of any transfer made pursuant to this Section 4 is given by the Stockholder making the transfer to all other Stockholders and the Company.

5. Transfers to Affiliates. Notwithstanding the provisions of Section 2, Securities owned by any SMM Stockholder may be transferred in whole by such Stockholder to any Affiliate of such Stockholder, provided that (i) prior notice of the transfer is given to all other SMM Stockholders and the Company by the Stockholder making the transfer, (ii) the Affiliate to whom Securities are to be transferred enters into an Addendum Agreement in substantially the form of Appendix A hereto pursuant to which such Affiliate agrees to be bound by all the terms and provisions of this Agreement, and (iii) such transfer is exempt from registration under the Securities Act of 1933, as amended, and applicable state securities law. The intent of this Section 5 is to allow Stockholders to make transfers of Securities that do not and will not affect, and which do not have as their purpose, any change in the person or group of related persons who, prior to any such transfer, directly or indirectly, control or derive the ultimate economic benefit from the transferred shares. Any transfer of Securities which is inconsistent with the intent of this Section 5 or that has as its purpose a change in the person or related persons who, prior to any such transfer, directly or indirectly, control or derive the ultimate economic benefit from such shares shall not be permitted by this Section 5.

6. Transfers by Pledge. Notwithstanding the provisions of Section 2, any SMM Stockholder may pledge or mortgage any Securities owned or held by such Stockholder in connection with a bona fide transaction and as security for an obligation of such Stockholder that such Stockholder fully intends to perform. Any permitted pledge or mortgage may be made at any

time without the consent of the other SMM Stockholders; provided that, any Disposition of Securities upon foreclosure of such pledge or mortgage shall be subject to the provisions of this Agreement including Section 2.

7. Transfers by SMM. Notwithstanding the provisions of Section 2, SMM may transfer a portion of the SMM Warrant or Securities that may be issued upon exercise of the SMM Warrant to any Additional Agents (as defined in the Placement Agent Agreement between the Company and SMM), and officers, directors, or employees of SMM; provided that (i) prior notice of the transfer is given to all other Stockholders and the Company by SMM and (ii) the recipient to whom the Warrant or Securities are transferred enters into an Addendum Agreement in substantially the form of Appendix A hereto pursuant to which the recipient agrees to be bound by all the terms and provisions of this Agreement.

8. Co-Sale Obligations. (a) If Noble or Twenty (for purposes of this Section 8, a "Selling Stockholder") propose to make any Disposition of any shares of Common Stock, the Selling Stockholder shall deliver a written notice to each of the other Stockholders (the "Co-Sale Obligees") notifying each Co-Sale Obligee of such proposed Disposition and permit the Co-Sale Obligees or any of them, as each Co-Sale Obligee may elect, to participate in such Disposition as set forth in this Section 8. Such election shall be exercised, if at all, by written notice (the "Co-Sale Notice") given by each of the electing Co-Sale Obligees to the Selling Stockholder and the other Co-Sale Obligees within 15 days after the notice from the Selling Stockholder to the Co-Sale Obligees has been effectively given to the Co-Sale Obligees. The Co-Sale Notice shall state the number of shares the Co-Sale Obligee giving such Co-Sale Notice wishes to sell to the proposed purchaser ("Offeror").

(b) Following receipt of any Co-Sale Notice, the Selling Stockholder shall use its best efforts to interest the Offeror in purchasing all of the Securities that the Co-Sale Obligees desire to sell, together with the Securities of the Selling Stockholder. If the Offeror does not wish to purchase the full amount of such shares, each electing Co-Sale Obligee shall be entitled to sell to the Offeror his pro rata share of the total Securities to be purchased. The pro rata share will be that fraction of the total Securities to be purchased, the numerator of which is the number of Securities such electing Co-Sale Obligee desires to sell and the denominator of which is the total number of Securities the Selling Stockholder and the electing Co-Sale Obligees desire to sell, all calculated on an as-converted basis.

(c) Absent any material change in the terms or conditions of Disposition from the terms or conditions specified in the notice referred to in paragraph (a) of this Section 8, the Selling Stockholder shall be entitled to complete the Disposition of all the Securities of the Selling Stockholder if no Co-Sale Obligee notifies the Selling Stockholder in writing by the end of the 15-day period referred to in paragraph (a) of this Section 8, or, if the Selling Stockholder does receive a Co-Sale Notice within such 15-day period, at the same time as the electing Co-Sale Obligee(s) complete(s) the sale of Securities in connection with the valid exercise of the co-sale rights pursuant to this Section 8.

(d) The Selling Stockholder shall keep the electing Co-Sale Obligees fully informed of the progress of each Disposition and shall use his best efforts to assist each electing Co-Sale Obligee in completing such Disposition. If any Co-Sale Obligee elects not to participate in such Disposition and thereafter the terms or conditions of such Disposition materially change from the terms or conditions specified in the notice referred to in paragraph (a) of this Section 8, or if the Selling Stockholder fails to consummate his Disposition to the Offeror within 75 days following the expiration of the 15-day period referred to in paragraph (a) of this Section 8, the Selling Stockholder shall again offer the Co-Sale Obligees the ability to participate in such Disposition in accordance with this Section 8.

(e) Notwithstanding the foregoing, the Co-Sale Obligees' right of co-sale shall not apply to:

(i) any Disposition by a Selling Stockholder of less than 20,000 shares of Common Stock or 5,000 Warrants so long as no more than an aggregate of 20,000 shares of Common Stock or 5,000 Warrants have been sold, transferred or otherwise disposed of by such Selling Stockholder in the prior 12-month period; or

(ii) any involuntary Disposition by Noble as the result of his death or permanent disability or any Disposition by Noble that would be permitted pursuant to Section 5 if Noble was a Stockholder.

9. Appointment of Stockholder Representative. Each of the SMM Stockholders hereby appoints Sanders Morris Mundy Inc., as his or its representative and agent (herein called the "Stockholder Representative") through whom all actions of the Stockholders, described in this Agreement are to be taken and to whom all communications to such Stockholders may be directed. This appointment of the Stockholder Representatives shall be irrevocable, except that the Stockholder Representative may resign or be removed in which case a successor to such Stockholder Representative shall be appointed and notice of such successor Stockholder Representative shall be given to all parties to the Agreement. Any proposal to remove the Stockholder Representative, or to appoint a successor, must be approved by a written instrument signed and acknowledged by the Stockholder owning two-thirds of the Common Stock owned by all the Stockholders. The Stockholder Representative or any successor shall have full power and authority to act in the name and on behalf of each of the Stockholder Stockholders in all matters relating to the Agreement and the transactions contemplated hereby, as though the Stockholder Representative or such successor were such Stockholder, and all such actions taken by the Stockholder Representative or such successor shall be binding upon such Stockholders; provided, however, that all rights inherent in the ownership of capital stock of the Company (e.g. voting rights, rights to receive dividends and rights upon liquidation) shall be retained in and exercised by the individual Stockholders.

10. Legend on Share Certificates. Each of the SMM Stockholders hereby agrees that the following legend shall be written, printed or stamped on all certificates representing Securities:

"The securities represented by this certificate are subject to the terms and conditions of a Stockholders' Agreement dated as of April 30, 1997, among certain of the holders of Common Stock of the Corporation, a copy of which may be obtained from the Corporation or from the holder of this certificate. No transfer of such securities will be made on the books of the Corporation unless accompanied by evidence of compliance with the terms of such Agreement."

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state (collectively, the "Acts"). Neither the securities nor any interest therein may be offered, sold, transferred, pledged or otherwise disposed of in the absence of an effective registration statement with respect thereto under all of the applicable Acts, or an opinion of counsel satisfactory to the Company to the effect that such registrations are not required."

11. Notices. All notices (including Offering Notices and notices accepting or rejecting offers made by Offering Notices), requests, consents and other communications under this Agreement shall be in writing and shall be deemed to have been delivered and shall be deemed effective for all purposes hereunder, on the date mailed, postage prepaid, by certified mail, return receipt requested, or on the date personally delivered or telegraphed and confirmed:

(i) if to SMM, to Sanders Morris Mundy Inc., 3100 Texas Commerce Tower, Houston, Texas 77002 Attn: Ben T. Morris;

(ii) if to Noble or Twenty, to D. J. Noble, c/o American Equity Investment Life Holding Company, 5000 Westown Parkway, West Des Moines, Iowa 50266

(iii) if to the Company, to American Equity Investment Life Holding Company, 5000 Westown Parkway, West Des Moines, Iowa 50266; and

(iv) if to a Stockholder to the address set forth next to his signature on the signature page hereof.

Any party hereto may designate a different address by notice to the other parties.

12. Joinder of Spouses. The spouse of each Individual SMM Stockholder, who is a resident of the State of Texas or another community property state, by such spouse's execution of this Agreement, acknowledges that such spouse is fully aware of, understands and agrees to the provisions of this Agreement and its binding effect upon any interest, community or otherwise, such spouse may at any time have in any Securities, and by such execution such spouse agrees that the termination of such spouse's marriage to such Stockholder for any reason shall not have the effect of removing any Securities otherwise subject to this Agreement from the coverage hereof.

13. Miscellaneous Provisions.

(a) Governing Law. This Agreement shall be subject to and governed by the laws of the Delaware without consideration of its conflict of laws provisions.

(b) Binding Effect. This Agreement shall be binding upon the Stockholders and their successors and assigns.

(c) Amendment. This Agreement may be amended from time to time by an instrument in writing signed by Stockholders holding a two-thirds majority of the Securities who are parties to this Agreement at the time of such amendment.

(d) Termination. This Agreement shall terminate automatically upon (i) the occurrence of any event which reduces the number of Stockholders to one, (ii) the dissolution of the Company, (iii) the vote of holders of 50% or more of the shares of Common Stock covered by this Agreement owned by the SMM Stockholders and the agreement of Noble, (iv) the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market System, or (v) the fifth anniversary of the execution of this Agreement (provided, however, that any transaction subject to the provisions of Section 2 or 8 at the time of termination of this Agreement pursuant to clause (iv) shall remain subject to such Sections notwithstanding the termination of the Agreement).

(e) Attempted Breaches. Any attempted Disposition in breach of this Agreement shall be void and of no effect. All Securities which are the subject matter of any such attempted Disposition shall continue to be subject to this Agreement, and such attempted Disposition shall constitute an offer made by the Stockholder attempting or making any such Disposition, and the provisions of Section 2 shall be deemed to be in effect upon such attempted Disposition and an Offering Notice or other required offer or Notice shall be deemed to have been delivered in connection therewith; provided, however, that the date of delivery of the first Offering Notice or other offer for purposes of Section 2, shall be deemed to be the date as of which the party to whom such Offering Notice or other written offer shall have been deemed to be sent has actual knowledge of such attempted Disposition. The party to whom such Offering Notice or other written offer shall have been deemed to be sent shall, upon obtaining actual knowledge of such attempted Disposition, deliver a notice of such attempted Disposition to the other Stockholders. Each party hereto acknowledges that a remedy at law for any breach or attempted breach of Sections 2 through and including 10 shall be inadequate, agrees that each other party hereto shall be entitled to specific performance and injunctive and other equitable relief in case of any such breach or attempted breach and further agrees to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief.

(f) Sale of Securities. Any Stockholder who sells all of its Securities shall cease to be a party to this Agreement and shall thereafter have no further rights hereunder.

(g) Partial Invalidity. If any term or provision contained in this Agreement is or is hereafter found to be inconsistent with, contrary to, or invalid or unenforceable, under any law or official rule, regulation or order, this Agreement shall be deemed to be modified

accordingly and the remaining terms and provisions of this Agreement shall not be affected thereby and shall continue in full force and effect.

(h) Sales of Securities. No SMM Stockholder shall sell any Securities to any Person who is not already a party hereto unless such Person and the spouse of such Person agree to become parties to this Agreement contemporaneously with the sale of such Securities. Any such person and the spouse of such Person shall become parties to this Agreement by the execution of an Addendum Agreement, which Addendum Agreement shall bind them to, and grant them the benefits of, this Agreement as though they were original parties hereto.

(i) Power of Attorney. The Stockholder Representative is hereby granted a power of attorney to act as attorney-in-fact for each of the Stockholders for the purpose of executing any Addendum Agreements required hereunder. Such power of attorney shall be irrevocable, be deemed to be coupled with an interest and shall survive the death, disability or other incapacity of each SMM Stockholder.

(j) Counterparts. This Agreement may be signed by each party hereto upon a separate copy, in which event all of such copies shall constitute a single agreement. This Agreement may be executed in two or more counterparts with the same effect as if signatures thereto and hereto were upon the same instrument, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple counterparts, each of which shall be deemed an original, on the date and year first above written.

AMERICAN EQUITY INVESTMENT LIFE  
HOLDING COMPANY

By: /s/ D. J. Noble  
-----  
D. J. Noble, President

/s/ David J. Noble  
-----  
DAVID J. NOBLE

TWENTY SERVICES, INC.

By: D. J. Noble  
-----  
D. J. Noble, President

SANDERS MORRIS MUNDY INC.

By: /s/ Charles L. Davis

-----  
Charles L. Davis, Vice President

11

## REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement ("Agreement") is entered into as of April 30, 1997, by and between American Equity Investment Life Holding Company (the "Company"), and persons set forth on Exhibit A attached hereto (the "Stockholders"), and evidences that for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties hereto agree as follows:

## ARTICLE 1. INTRODUCTION

Section 1. 1. Recitals. The Company and Stockholders have entered into Subscription Agreements between the Company and each of the Stockholders dated of even date (the "Subscription Agreements"), to issue and sell up to 233 units to the Stockholders each consisting of 2,500 shares of common stock, \$.1.00 par value ("Common Stock"), of the Company and 500 stock purchase warrants (the "Warrants") pursuant to which the registered holder may purchase one share of Common Stock at a price of \$12.00 per share This Agreement shall become effective upon the issuance of such securities to Stockholders pursuant to the Subscription Agreements. Certain capitalized terms used in this Agreement are defined in Article VI hereof; references to sections shall be to sections of this Agreement.

## ARTICLE II. DEMAND REGISTRATION

Section 2. 1. Request. From and after the initial public offering of the Company's Common Stock, upon the written request of the Initiating Holders, requesting that the Company effect the registration under the Securities Act of such Initiating Holders' Registrable Securities and specifying the intended method of disposition thereof, the Company will promptly give written notice of such requested registration to the Stockholder Representative who shall notify any other holders of Registrable Securities of the proposed filing, and thereupon the Company will use its best efforts to effect the registration under the Securities Act of the following:

(a) the Registrable Securities which the Company has been requested to register by such Initiating Holders for disposition in accordance with the intended method of disposition stated in such request;

(b) all other Registrable Securities the holders of which shall have made a written request to the Company for registration thereof within 30 days after the giving of such written notice by the Company; and

(c) all shares of Common Stock which the Company may elect to register in connection with the offering of Registrable Securities pursuant to this Article II;

all to the extent requisite to permit the disposition (in accordance with the intended method of disposition) of the Registrable Securities and the additional shares of Common Stock, if any, to be registered; provided, however, that the provisions of this Article II shall not require the Company to effect more than one registration of Registrable Securities; and, provided, further,

that if the Company is engaged in negotiations in respect of a merger, acquisition, combination or other business opportunity and in the good faith judgment of the Board of Directors of the Company such transaction would be adversely affected by such registration, the Company shall be entitled to postpone the filing of such registration statement until such transaction would not be adversely affected by such filing but, in any event, for a period not to exceed 180 days.

Section 2.2. Registration Statement Form. Registrations under this Article II shall be on an appropriate registration form of the Commission (i) as shall be selected by the Company and (ii) as shall permit the disposition of such Registrable Securities in continuous sales in the over-the-counter market or in accordance with the intended method of disposition specified in their request for such registration. The Company agrees to include in any such registration statement all information which the Stockholders Representative shall reasonably request.

Section 2.3. Expenses. The Company will pay all Registration Expenses in connection with any registration requested pursuant to this Article II.

Section 2.4. Effective Registration Statement. A registration requested pursuant to this Article II shall not be deemed to have been effected (i) unless a registration statement with respect thereto has become effective; provided, that a registration which does not become effective after the Company has filed a registration statement with respect thereto solely by reason of the refusal to proceed of the Initiating Holders (other than a refusal to proceed based upon the advice of counsel relating to a matter with respect to the Company) shall be deemed to have been effected by the Company at the request of such Initiating Holders unless the Initiating Holders shall have elected to pay all Registration Expenses in connection with such registration, (ii) if, after it has become effective, such registration is withdrawn by the Company (other than at the request of a majority of the Initiating Holders), interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason prior to the expiration of a 180-day period following such registration statement effectiveness (or, in the case of a Shelf Registration, the time period provided in Section 2.8), or (iii) the conditions to closing specified in any purchase agreement or underwriting agreement entered into in connection with such registration are not satisfied, other than due solely to some act or omission by such Initiating Holders.

Section 2.5. Selection of Underwriters. If a requested registration pursuant to this Article II involves an underwritten offering, the underwriter or underwriters thereof shall be selected by the Company; provided, however, that the Company shall advise the Stockholder Representative of the proposed underwriter or underwriters who shall advise the holders of Registrable Securities of the names of such underwriter or underwriters and such holders shall have 30 days to submit to the Company in writing any objections to the proposed underwriter or underwriters.

Section 2.6. Priority in Requested Registrations. If a requested registration pursuant to this Article II involves an underwritten offering, and the managing underwriter shall advise the Company in writing (with a copy to the Stockholder Representative) that, in its opinion, the number of securities requested to be included in such registration (including securities of the Company which are not Registrable Securities) exceeds the number which can be sold in such offering within a price range reasonably acceptable to the Company and to the Stockholder Representative, the Company

will include in such registration, to the extent of the number which the Company is so advised can be sold in such offering, (i) first, Registrable Securities requested to be included in such registration pro rata among the holders thereof requesting such registration as provided in Section 2.1 on the basis of the number of such securities requested to be included in such registration by the holder or holders of Registrable Securities, and (ii) second, other securities of the Company included in such registration in any manner and amount selected by the Company; provided, however, if the proposed price range is not acceptable to the Stockholder Representative and the holders of Registrable Securities do not wish to sell any of their securities in the offering, but the Company wishes to proceed with the offering of the securities of the Company included in such registration, such registration shall not count as the one-time registration that holders of Registrable Securities are entitled to under this Article II; and provided, however, that notwithstanding the allocation provisions of the first sentence of this Section 2.6, the managing underwriter advises the Company (with a copy to the Stockholder Representative) that, in its opinion, the number of securities requested to be included in such registration by the holders of Registrable Securities is too large in proportion to the number of other securities to be offered by the Company and the holders of Registrable Securities consent to a reduction in the number of Registrable Securities to be included in the offering in order to permit the Company to sell the other securities offered by the Company, such registration shall not count as the one-time registration that holders of Registrable Securities are entitled to under Article II.

Section 2.7. Shelf-Registration. A request by an Initiating Holder pursuant to Section 2.1 may specify that the intended method of disposition is a "shelf offering" ("Shelf Offering Request"). In addition to the other obligations of the Company set forth herein, in connection with a Shelf Offering Request, the Company will file a "shelf" registration statement on an appropriate form pursuant to Rule 415 under the Securities Act or any similar rule that may be adopted by the Commission with respect to all Registrable Securities the Company is required to effect the registration of under this Article II (a "Shelf Registration"). The Company shall keep the Shelf Registration continuously effective for a period of at least 365 days following the date on which the Shelf Registration is declared effective (or such shorter period that terminates on the earlier of (i) a date specified by the holders of a majority (by number of shares) of the Registrable Securities covered by such statement or (ii) the date on which all Registrable Securities covered by such Shelf Registration have been sold or withdrawn, but in no case prior to the expiration of the 90-day period referred to in Section 4(3) of the Securities Act and Rule 174 thereunder, if applicable); provided, however, that such period shall be extended by the period of time that the holders of Registrable Securities are unable to sell Registrable Securities because of a "lock-up" imposed by an underwriter in connection with any underwritten offering by the Company. The Company shall supplement or make amendments to the Shelf Registration, if required by the registration form used by the Company, the instructions thereto, the Securities Act or the rules and regulations of the Commission, or if reasonably requested by the Stockholder Representative. The Company will furnish the Stockholder Representative a copy of all such supplements or amendments at least one business day prior to filing such supplement or amendment.

#### ARTICLE III. "PIGGYBACK" REGISTRATION

Section 3.1. Right to Include Registrable Securities. If the Company at any time proposes to file a registration statement under the Securities Act covering any of its securities other than (i) a registration on Form S-8, or any successor or similar forms, (ii) a shelf registration under Rule 415 under the Securities Act for the sole purpose of registering shares to be issued in connection with the acquisition of assets, and (iii) pursuant to Article II, whether or not for sale for its own account, it will each such time give prompt written notice to the Stockholder Representative of its intention to do so and the Stockholder Representative shall provide written notice to the holders of Registrable Securities and of such proposed filing and of such holders' rights under this Article III. Upon the written request of any such holder made within 30 days after the receipt of any such notice (which request shall specify the Registrable Securities intended to be disposed of by such holder), the Company will use its best efforts to effect the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the holders thereof, to the extent requisite to permit the disposition (in accordance with the Company's intended methods of disposition) of the Registrable Securities requesting registration, by inclusion of such Registrable Securities in the registration statement which covers the securities which the Company proposes to register; provided, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason either not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to the Stockholder Representative and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such piggyback registration (but not from its obligation to pay the Registration Expenses in connection therewith), without prejudice, however, to the rights of the Initiating Holders of Registrable Securities to request on a one-time basis that such registration be effected as a registration under Article II and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities, for the same period as the delay in registering such other securities. No registration effected under this Article III shall relieve the Company of its obligation to effect a registration upon request of the Initiating Holders under Article II. The Company will pay all Registration Expenses incurred by holders by Registrable Securities in connection with each registration of Registrable Securities requested pursuant to this Article III.

Section 3.2. Priority in Piggy-Back Registrations. If (i) a registration pursuant to this Article III involves an underwritten offering of the securities being registered, whether or not for sale for the account of the Company, to be distributed (on a firm commitment basis) by or through one or more underwriters of recognized standing under underwriting terms appropriate for such a transaction, and (ii) the managing underwriter of such underwritten offering shall inform the Company and the Stockholder Representative by letter of its belief that the distribution of all or a specified number of such Registrable Securities concurrently with the securities being distributed by such underwriters would interfere with the successful marketing of the securities being distributed by such underwriters (such writing to state the basis of such belief and the approximate number of such Registrable Securities which may be distributed without such effect), then the Company may, upon written notice to the Stockholder Representative, reduce pro rata (if and to the extent stated by

such managing underwriter to be necessary to eliminate such effect) the number of such Registrable Securities and securities proposed to be sold by any person other than the Company the registration of which shall have been requested by each holder of Registrable Securities and each person other than the Company so that the resultant aggregate number of such Registrable Securities so included in such registration shall be equal to the number of shares stated in such managing underwriter's letter.

#### ARTICLE IV. REGISTRATION PROCEDURES

Section 4. 1. Preparation of Filings. If and whenever the Company is required to use its best efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Articles II or III, the following shall apply:

(a) Registration Statement. The Company shall promptly prepare and file (in the case of a registration pursuant to Article II, such filing to be made within 90 days after the initial request of the Initiating Holders of Registrable Securities or in any event as soon after such request as possible) with the Commission the requisite registration statement to effect such registration (including such audited financial statements as may be required by the Securities Act or the rules and regulations promulgated thereunder) and thereafter use its best efforts to cause such registration statement to become and remain effective; provided, however, that the Company may withdraw any registration of its securities which are not Registrable Securities (and, under the circumstances specified in Section 3.2, its securities which are Registrable Securities) at any time prior to the effective date of the registration statement relating thereto; provided further, that before filing such registration statement or any amendments thereto, the Company will furnish to the Stockholder Representative and its counsel copies of all such documents proposed to be filed, which documents will be subject to the review and reasonable approval of the Stockholder Representative and its counsel.

(b) Amendments. The Company shall prepare and file with the Commission such amendments, post-effective amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for the following time periods: (i) in the case of a Shelf Registration under Article 11, the time period specified in Section 2.8; (ii) in the case of a registration under Article II other than a Shelf Registration, 30 days or such shorter period as all Registrable Securities have been sold in accordance with the intended method of disposition specified by the Initiating Holders thereof; and (iii) in the case of a registration under Article III, such period of time as the Company determines.

(c) Copies of Documents. The Company shall furnish to the Stockholder Representative a conformed copy of such registration statement and of each amendment and supplement thereto (in each case including all exhibits to such Registration Statement), and

a of copy of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed pursuant to Rule 424 under the Securities Act.

(d) Blue-Sky. The Company will use its best efforts to register or qualify all Registrable Securities under the securities laws or blue sky laws of the jurisdictions as the Stockholder Representative shall reasonably request, to keep such registrations or qualifications in effect for so long as such registration statement remains in effect, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this subsection (d) be obligated to be so qualified, or to consent to general service of process in any such jurisdiction.

(e) Other Approvals. The Company will use its best efforts to cause all Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the intended disposition of such Registrable Securities.

(f) Opinions, Comfort Letters. The Company shall furnish to the Stockholder Representative a signed counterpart, addressed to the Stockholder Representative, (and the underwriters, if any) of

(i) an opinion of counsel for the Company, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, an opinion dated the date of the closing under the underwriting agreement), reasonably satisfactory in form and substance to the Stockholder Representative, and

(ii) a "comfort" letter, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, a letter dated the date of the closing under the underwriting agreement), signed by the independent public accountants who have certified the Company's financial statements included in such registration statement,

covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of the accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to the underwriters in underwritten public offerings of securities and, in the case of the accountants' letter, such other financial matters, and, in the case of the legal opinion, such other legal matters, as the Stockholder Representative (or the underwriters, if any) may reasonably request.

(g) Notice of Events. The Company will notify the Stockholder Representative at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon the Company's discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and at the request of the Stockholder Representative promptly prepare and furnish to the Stockholder Representative and each underwriter, if any, a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made.

(h) Earnings Statement. The Company will otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, but not more than eighteen months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act, and will furnish to the Stockholder Representative at least five business days prior to the filing thereof a copy of any amendment or supplement to such registration statement or prospectus.

(i) Listing. The Company will cause all Registrable Securities covered by the registration statement to be listed on each securities exchange or traded or quoted on each market on which the same class of securities issued by the Company are then listed, traded or quoted.

(j) Transfer Agent. The Company will provide a transfer agent, registrar and a CUSIP number for all Registrable Securities no later than the effective date of such Registration Statement.

(k) Access. The Company will make available for inspection by the Stockholder Representative, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by the Stockholder Representative (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such registration statement; provided that records which the Company determines, in good faith, to be confidential and which it notifies the Inspectors are confidential shall not

be disclosed to the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction; provided, further, that any decision not to disclose information pursuant to clause (i) shall be made after consultation with counsel for the Company and counsel for the Stockholder Representative; and the Stockholder Representative agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Company and allow the Company at its expense, to undertake appropriate action and to prevent disclosure of the Records deemed confidential.

Section 4.2. Data from Holders of Registrable Securities. The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish the Company such information regarding such seller and the distribution of such securities as the Company may from time to time reasonably request in writing.

Section 4.3. Discontinuance of Use of Prospectus. Each holder of Registrable Securities agrees by acquisition of such Registrable Securities that, upon receipt of any written notice from the Company of the occurrence of any event of the kind described in Section 4.1(g), such holder will forthwith discontinue such holder's offer of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 4.1(g) and, if so directed by the Company, will deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such holder's possession of the prospectus relating to such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the period mentioned in Section 4.1(b) shall be extended by the length of the period from and including the date when each seller of any Registrable Securities covered by such registration statement shall have received such notice to the date on which each such seller has received the copies of the supplemented or amended prospectus contemplated by Section 4.1(g).

Section 4.4. Underwritten Offerings. If requested by the underwriters for any underwritten offering by holders of Registrable Securities pursuant to a registration requested under Article II, the Company will enter into an underwriting agreement with such underwriters for such offering, such agreement to be reasonably satisfactory in form and substance to the Company and the underwriters, and to contain such representations and warranties by the Company and such other terms as are generally prevailing in agreements of this type, including, without limitation, indemnities to the effect and to the extent provided in Section 5.1. The holders of Registrable Securities to be distributed by such underwriters shall be parties to such underwriting agreement and shall make such representations and warranties to or agreements with the Company or the underwriters, as they may reasonably request, including

representations, warranties or agreements regarding such holder, such holder's Registrable Securities, such holder's intended method of distribution and any other representation required by law, and indemnities to the effect and to the extent provided in Section 5.2.

Section 4.5. Holdback Agreements. The Company agrees (i) if so required by a managing underwriter of an offering of Registrable Securities not to effect any public sale or distribution of its equity securities or securities convertible into or exchangeable or exercisable for any of such securities during the seven days prior to and the 90 days after any underwritten registration pursuant to Articles II or III has become effective, except as part of such underwritten registration and except pursuant to registrations on Form S-8, or any successor or similar forms thereto, and (ii) to cause each holder of its securities or any securities convertible into or exchangeable or exercisable for any of such securities, in each case purchased directly from the Company at any time after the date of this Agreement (other than in a public offering) to agree not to effect any such public sale or distribution of such securities during such period except as part of such underwritten registration.

#### ARTICLE V. INDEMNIFICATION

Section 5.1. Indemnification by the Company. In the event of any registration of any securities of the Company under the Securities Act, the Company will, and hereby does, indemnify and hold harmless in the case of any registration statement filed pursuant to Articles II and III, the holder of any Registrable Securities covered by such registration statement, its directors and officers, each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls such holder or any such underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such holder or any such director or officer or underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company will reimburse such holder and each such director, officer, underwriter and controlling person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding; provided that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such holder and, provided further that the Company shall not be liable to any Person who participates as an

underwriter, in the offering or sale of Registrable Securities or to any other Person, if any, who controls such underwriter within the meaning of the Securities Act, in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of such Person's failure to send or give a copy of the final prospectus, as the same may be then supplemented or amended, within the time required by the Securities Act to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such Person if such statement or omission was corrected in such final prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such holder, any such director, officer, underwriter or controlling person and shall survive the transfer of such securities by such holder.

Section 5.2. Indemnification by the Sellers. The Company may require, as a condition to including any Registrable Securities in any registration statement filed pursuant to Articles II or III, that the Company shall have received an undertaking satisfactory to it from the prospective seller of Registrable Securities, to indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 5.1) the Company, each director of the Company, each officer of the Company and each other person, if any, who controls the Company within the meaning of the Securities Act, with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such seller specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement; provided, that such Sellers' liability under such indemnification shall be limited to the net sales proceeds actually received by such seller from the sale of the Company's securities pursuant to such Registration Statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement. Such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of the Company or any such director, officer or controlling person and shall survive the transfer of such securities by such seller.

Section 5.3. Notices of Claims, etc. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in Sections 5.1 or 5.2, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action, provided that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under Sections 5.1 or 5.2, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, the indemnifying party shall be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified, to the extent that the indemnifying party may wish,

with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the consent of the indemnified party, consent to entry of any judgment or enter into any settlement of any such action which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability, or a covenant not to sue, in respect to such claim or litigation. No indemnified party shall consent to entry of any judgment or enter into any settlement of any such action the defense of which has been assumed by an indemnifying party without the consent of such indemnifying party.

Section 5.4. Other Indemnification. Indemnification similar to that specified in Sections 5.1 and 5.2 (with appropriate modifications) shall be given by the Company and each seller of Registrable Securities with respect to any required registration or other qualification of securities under any federal or state law or regulation of any governmental authority, other than the Securities Act.

Section 5.5. Indemnification Payments. The indemnification required by this Article V shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

#### ARTICLE VI. DEFINITIONS

As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

Commission: The Securities and Exchange Commission or any other Federal agency at the time administering the Securities Act.

Common Stock: The Common Stock, \$1.00 par value, of the Company.

Company: As defined in the introductory paragraph of this Agreement.

Exchange Act: The Securities Exchange Act of 1934, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Exchange Act of 1934 shall include a reference to the comparable section, if any, of any such similar federal statute.

Initiating Holders: Any holder or holders of at least 66-2/3 % of the Registrable Securities by number of shares at the time outstanding and initiating a request pursuant to Section 2.1 for the registration of all or part of such holder's or holders' Registrable Securities.

Person: A corporation, an association, a partnership, an organization, business, an individual, a governmental or political subdivision thereof or a governmental agency.

Registrable Securities: (a) any shares of Common Stock constituting a portion of the 500,000 shares of Common Stock offered by the Company pursuant to the Private Placement Memorandum dated April 21, 1997 (the "Memorandum"), (b) any shares of Common Stock constituting a portion of the 100,000 shares of Common Stock issued or issuable pursuant to the Warrants offered by the Company pursuant to the Memorandum, (c) any shares constituting a portion of the shares of Common Stock issued or issuable to Sanders Morris Mundy Inc. pursuant to the warrant to purchase units of the Company expiring April 30, 2000, and (d) any securities issued or issuable with respect to any Common Stock referred to in the foregoing subdivision by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise. As to any particular Registrable Securities, once issued such securities shall cease to be Registrable Securities when (a) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (b) they shall have been resold to the public pursuant to Rule 144 (or any successor provision) under the Securities Act, (c) they shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of them shall not require registration or qualification of them under the Securities Act or any similar state law then in force, or (d) they shall have ceased to be outstanding.

Registration Expenses: All expenses incident to the Company's performance of or compliance with Article II or III, including, without limitation, all registration, filing, listing, and NASD fees, all fees and expenses of complying with securities or blue sky laws, all word processing, duplicating, printing and engraving expenses, messenger and delivery expenses, the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, premiums and other costs of policies of insurance against liabilities arising out of the public offering of the Registrable Securities being registered and any fees and disbursements of underwriters customarily paid by issuers or sellers of securities, but excluding underwriting discounts and commissions and transfer taxes, if any.

Securities Act: The Securities Act of 1933, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as of the same shall be in effect at the time. References to a particular section of the Securities Act of 1933 shall include a reference to the comparable section, if any, of any such similar Federal statute.

Stockholders: As defined in Section I of this Agreement.

Stockholder Representative: Sanders Morris Mundy Inc., a Texas corporation.

ARTICLE VII. RULE 144

Section 7.1. Rule 144. After the earliest of (i) the closing of the sale of securities of the Company pursuant to a registration statement under the Securities Act, (ii) the registration by the Company of a class of securities under Section 12 of the Exchange Act, or (iii) the issuance by the Company of an offering circular pursuant to Regulation A under the Securities Act, the Company shall timely file the reports required to be filed by it under the Securities Act and the Exchange Act (including but not limited to the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c)(1) of Rule 144 adopted by the Securities and Exchange Commission under the Securities Act) and the rules and regulations adopted by the Commission thereunder. Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such requirements.

ARTICLE VIII. MISCELLANEOUS

Section 8.1. No Inconsistent Agreements. Without the written consent of the Stockholder Representative, the Company will not on or after the date of this Agreement enter into any agreement with respect to its securities which is inconsistent with the rights granted to the holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the holders of Registrable Securities hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under any agreements previously entered into by the Company.

Section 8.2. Assignment. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns. In addition, and whether or not any express assignment shall have been made, the provisions of this Agreement which are for the benefit of the parties hereto other than the Company shall also be for the benefit of and enforceable by any subsequent holder of any Registrable Securities.

Section 8.3. Descriptive Headings. The descriptive headings of the several sections and paragraphs of this Agreement are inserted for reference only and shall not limit or otherwise affect the meaning hereof.

Section 8.4. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF DELAWARE WITHOUT REFERENCE TO THE PRINCIPLES OF CONFLICTS OF LAWS.

Section 8.5. Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

Section 8.6. Entire Agreement. This Agreement embodies the entire agreement and understanding between the Company and each other party hereto and supersedes all prior agreements and understandings relating to the subject matter hereof.

Section 8.7. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

Section 8.8. Amendments and Waivers. This Agreement may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act, of the holder or holders of 51 % or more of the shares of Registrable Securities. Each holder of any Registrable Securities at the time or thereafter outstanding shall be bound by any consent authorized by this section 5, whether or not such Registrable Securities shall have been marked to indicate such consent.

Section 8.9. Nominees for Beneficial Owners. In the event that any Registrable Securities are held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, at its election, be treated as the holder of such Registrable Securities for purposes of any request or other action by any holder or holders of Registrable Securities pursuant to this Agreement or any determination of any number or percentage of shares of Registrable Securities held by any holder or holders of Registrable Securities contemplated by this Agreement. If the beneficial owner of any Registrable Securities so elects, the Company may require assurances reasonably satisfactory to it of such owner's beneficial ownership of such Registrable Securities.

Section 8.10. Notices. Except as otherwise provided in this Agreement, all communications provided for hereunder shall be in writing and sent by first-class mail, postage prepaid, and (a) if addressed to any holder of Registrable Securities, at the address that such holder shall have furnished to the Company in writing, or, until any such other holder so furnishes to the Company an address, then to and at the address of the last holder of such Registrable Securities who has furnished an address to the Company, (b) if addressed to the Company, American Equity Investment Life Holding Company, 5000 Westown Parkway, Suite 440, Des Moines, Iowa 50266, to the attention of its President, or (c) if addressed to the Stockholder Representative, Sanders Morris Mundy Inc., 3100 Texas Commerce Bank, Houston, Texas 77002, or at such other address, or to the attention of such other officer, as the Company shall have furnished to each holder of Registrable Securities at the time outstanding.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

AMERICAN EQUITY INVESTMENT LIFE  
HOLDING COMPANY

By: /s/ D. J. Noble

-----  
D. J. Noble, President

=====

VOTING TRUST AGREEMENT

AMONG

AMERICAN EQUITY INVESTMENT  
LIFE HOLDING COMPANY  
(COMPANY)

FARM BUREAU LIFE INSURANCE COMPANY  
(TRANSFEROR)

AND

DAVID J. NOBLE  
DAVID S. MULCAHY  
DEBRA J. RICHARDSON  
(VOTING TRUSTEES)

=====

December 30, 1997

THIS VOTING TRUST AGREEMENT is entered into this 30th day of December, 1997 by and among AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (the "Company"); FARM BUREAU LIFE INSURANCE COMPANY (the "Transferor"); and DAVID J. NOBLE, DAVID S. MULCAHY, and DEBRA J. RICHARDSON (the "Voting Trustees").

WHEREAS, the Company is conducting a private placement of shares of its Common Stock, par value \$1 per share (the "Shares") pursuant to a private placement memorandum dated December 1, 1997;

WHEREAS, subject to certain terms and conditions, including the establishment of a Voting Trust pursuant to this Agreement, Transferor has subscribed to purchase 1,562,500 Shares;

WHEREAS, the parties deem it in the best interests of the Company and of themselves to act together concerning the direction of the affairs of the Company in order to secure continuity and stability of policy and management, to provide constructive administration, to promote the continuous and uninterrupted development of business policies and to that end to vest a portion of the voting power held by Transferor in the Voting Trustees as hereinafter provided;

WHEREAS, for accounting purposes Transferor desires to retain the voting power on that part of its Shares which represents a 20% ownership interest in the voting securities of the Company;

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth, the parties agree as follows:

1. Definitions. For purposes of this Agreement, the following definitions shall apply:

A. "Adjustment Shares" shall have the meaning set forth in Section 3.A.

B. "Common Stock" shall mean the authorized and outstanding shares of Common Stock, par value \$1 per share, of the Company, and any other class or series of shares now or hereafter authorized and outstanding which have the right to vote at regular meetings of the shareholders.

C. "Initial Share Certificate" shall mean the certificate evidencing the purchase of 1,562,500 shares of Common Stock to be issued to Transferor.

D. "Retained Interest" shall mean that portion of the total number of shares of Common Stock beneficially owned by Transferor which is equal to twenty percent (20%) of the total number of shares of Common Stock outstanding on any date of determination.

E. "Subscription Shares" shall have the meaning set forth in Section 6.

F. "Voting Trust Certificates" shall mean the certificate(s) evidencing the shares of Common Stock held by the Voting Trustees hereunder which shall be substantially in the form of Exhibit A attached hereto.

G. "Voting Trust Interest" shall mean that number of shares of Common Stock equal to the difference between the total number of such shares beneficially owned by Transferor and the number of shares representing the Retained Interest, as redetermined from time to time in accordance with Section 3 below.

## 2. Deposit of Voting Trust Shares.

A. Initial Deposit. Upon the execution of this Agreement, Transferor shall deposit with the Voting Trustees the Initial Share Certificate, which shall be endorsed or shall be accompanied by such instruments of transfer as to enable the Voting Trustees to cause shares representing the Voting Trust Interest to be transferred into the names of the Voting Trustees and to cause shares representing the Retained Interest to be reissued to the Transferor. In exchange for the receipt of the Initial Share Certificate, the Voting Trustees shall issue and deliver to the Transferor a Voting Trust Certificate for the shares representing the Voting Trust Interest.

B. Reissuance of Share Certificates. The Voting Trustees shall surrender the Initial Share Certificate to the Company for cancellation and reissuance. Company shall thereupon reissue (i) a certificate representing the Voting Trust Interest in the names of the Voting Trustees and (ii) a certificate representing the Retained Interest in the name of the Transferor.

## 3. Required Annual Adjustments.

A. Recalculation of Retained Interest. Thirty days before the record date of any meeting of Company's shareholders, and on December 1 of each year during the term of this Agreement, the Voting Trustees shall determine the percentage equal to the quotient of (i) the number of shares then owned of record by Transferor divided by (ii) the total number of shares of Common Stock outstanding on such date. If such percentage is less than twenty percent (20%), then the Voting Trustees shall determine the number of shares of Common Stock which must be added to the numerator of the fraction described in the preceding sentence to cause the percentage derived from such fraction to equal twenty percent (20%) (the "Adjustment Shares").

B. Transfer of Adjustment Shares. On or before such record date, or December 31 of each year during the term of this Agreement, respectively, the Voting Trustees shall cause the number of Adjustment Shares, if any, to be withdrawn from this Voting Trust and retransferred to the Transferor by delivering the certificate representing the Voting Trust Interest to the Company along with written instructions for the cancellation and reissuance of the shares evidenced thereby. Company shall thereupon reissue (i) a certificate in the names of the Voting Trustees representing that number of shares equal to the difference between the number of shares surrendered and the Adjustment Shares and (ii) a certificate in the name of the Transferor representing the Adjustment Shares.

C. Replacement of Voting Trust Certificate. Simultaneously with the delivery of the Adjustment Shares to Transferor, Transferor shall surrender any existing Voting Trust Certificates to the Trustees and the Trustees shall reissue to Transferor a Voting Trust Certificate for the number of shares then held by the Trustees.

#### 4. Rights of Voting Trustees.

A. Voting Rights. Until this Agreement is terminated in accordance with Section 10 below and all Voting Trust Certificates shall have been surrendered by Transferor to the Voting Trustees, the Voting Trustees shall exercise, in person or by proxy, all voting rights and powers, and may take part in and consent to any corporate or stockholders' action of any kind whatsoever, in respect of the shares of Common Stock held by the Voting Trustees. The right to vote shall include, without limitation, the right to vote for the election of directors; the right to vote in favor of or against any resolution or proposed action of any character whatsoever, which may be presented at any meeting or require the consent of the Company's stockholders; and the right to vote in favor of or against any consolidation, merger, reorganization, recapitalization or transfer of any interest in the assets of the Company.

B. Manner of Acting. Any act, decision or vote of the Voting Trustees shall be conclusive and binding if a majority of the Voting Trustees concur in such act decision or vote, and the Voting Trustees shall keep a written account of all such actions, decisions and votes.

C. Compensation. The Voting Trustees shall serve without compensation but shall be entitled to reimbursement from the Company for their reasonable out-of-pocket costs and expenses incurred in connection with the performance of their duties hereunder upon submission of written receipts or other written substantiation of such costs and expenses.

D. Waiver of Liability. Transferor hereby releases Voting Trustees from and holds each of them harmless from any claims, demands, damages and/or liability of any kind for any action taken or omitted to be taken by Voting Trustees in connection with this Agreement, other than as a result of their gross negligence or willful misconduct.

#### 5. Dividends.

A. Cash Dividends. In the event the Company declares a cash dividend on outstanding shares of Common Stock, Company shall pay directly to Transferor the amount of such dividends payable on the shares held by the Voting Trustees as well as shares held of record by Transferor.

B. Stock Dividends - Voting. In the event the Company declares a dividend payable in shares of Common Stock or other voting securities, the Company shall distribute to the Voting Trustees all certificates for such dividends distributable with respect to the shares then held by the Voting Trustee. Shares of Common Stock or other voting securities received by the Voting Trustees as dividends shall be subject to all terms and conditions of this Agreement, and the Voting Trustees shall issue to Transferor a Voting Trust Certificate representing the number of such shares.

C. Stock Dividends - Non Voting. In the event the Company declares a dividend payable in shares of nonvoting securities of the Company, Company shall distribute to the Transferor all certificates for such dividends distributable with respect to the shares held by the Voting Trustees as well as shares held of record by the Transferor.

6. Subscription Rights. If any shares of Common Stock or other securities of the Company are offered for subscription to the holders of its Common Stock (hereinafter referred to as "Subscription Shares") the Voting Trustees, within ten (10) days after receipt of notice of such offer of subscription rights, shall mail a copy thereof to Transferor. If Transferor desires to exercise such subscription rights, Transferor shall timely comply with all requirements thereof and shall make payment therefore directly to the Company. If the Subscription Shares consist of Common Stock or other voting securities of Company, Company shall deliver the certificates for all Subscription Shares to which Transferor is beneficially entitled to the Voting Trustees, who shall hold such shares subject to all terms and conditions of this Agreement, and who shall issue to Transferor a Voting Trust Certificate representing the number of Subscription Shares. If the Subscription Shares consist of nonvoting securities of the Company, Company shall deliver directly to Transferor the certificates for all such shares to which Transferor is beneficially entitled.

7. Extraordinary Events.

A. Merger or Sale of Assets. In the event Company (i) is merged into or consolidated with and into another entity, (ii) transfers all or substantially all of its assets to another entity or entities, the consideration payable with respect to the shares of Common Stock held by the Voting Trustees shall be payable directly to Transferor. If the Voting Trustees shall receive all or any part of such consideration, Voting Trustees shall promptly remit same to Transferor.

B. Change of Control. In the event of a change of control, as hereinafter defined, of Company or its subsidiary, American Equity Investment Life Insurance Company ("AEI Life"), subject to the prior approval of the Iowa Insurance Division, upon the written request of the Transferor, the Voting Trustees shall transfer to the Transferor all shares then held in this Trust all of which shall be endorsed or shall be accompanied by such instruments necessary to effectuate the transfer to Transferor. A "change of control" shall be deemed to have occurred when:

(1) any person, organization or association of persons or organizations acting in concert, excluding affiliates of the Company itself, shall acquire more than ten percent (10%) of the outstanding voting stock of the Company or AEI Life;

(2) any person, organization or association of persons or organizations acting in concert shall succeed in electing two or more directors in any one election in opposition to those proposed by management; or

(3) David J. Noble shall cease to be an officer, director or shareholder of the Company for any reason.

In the event such transfer is not approved by the Iowa Insurance Division, Transferor may sell the shares in a transaction described in paragraph C below, subject to the conditions set forth in such paragraph.

C. Sale of Shares by Transferor. In the event Transferor sells the shares held in the Trust in a registered offering to the public pursuant to the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to Rule 144 promulgated by the Securities and Exchange Commission under the Securities Act, subject to the approval of the Iowa Insurance Division, if required with respect to such sale, and subject to the approval of the Voting Trustees if the sale is made under Rule 144, the Voting Trustees shall transfer to the Transferor all shares then held in this Trust all of which shall be endorsed or shall be accompanied by such instruments necessary to effectuate the transfer to Transferor.

8. Transfer of Voting Trust Certificate. The Voting Trust Certificate may be transferred on the books of the Voting Trustees upon the surrender of such Certificate, properly endorsed by the Transferor or other registered holder. Title to the Voting Trust Certificate when duly endorsed shall, to the extent permitted by law, be transferable with the same effect as in the case of negotiable instruments. Every transferee of a trust certificate shall by the acceptance of such certificate become a party with like effect as though an original party hereto, and all references to the Transferor herein shall be deemed to embrace any such transferee.

9. Regulatory Approvals. Notwithstanding anything herein to the contrary, the Trustees shall make no transfer of the shares held in this Trust to the Transferor or to any other party, whether upon termination of this Trust under Section 11 below or under any other circumstances, unless and until the Iowa Insurance Division has been notified of such proposed transfer and has given any approval required by applicable law or regulations.

10. Successor Trustees. Any Voting Trustee may resign upon thirty days prior written notice to the Transferor and the remaining Voting Trustees. In such event, or upon the death or disability of a Voting Trustee, the following individuals shall be requested to serve as successors for each of the initial Voting Trustees, and shall become a successor Voting Trustee effective upon his or her written acceptance of this Trust:

David J. Noble .....	John Anderson
David S. Mulcahy .....	A. J. Strickland, III
Debra J. Richardson .....	James M. Gerlach

In the event one of the successors named above is unable or unwilling to serve as a Voting Trustee hereunder, the remaining Voting Trustees shall by their unanimous consent select the successor Voting Trustee effective upon his or her written acceptance of this Trust.

11. Term.

A. Initial Term. This Voting Trust shall have an initial term of ten (10) years, and, accordingly, will terminate on December 31, 2007, unless earlier terminated upon (i) the unanimous written consent of the Transferor and the Voting Trustees or (ii) upon the exchange or liquidation of all of the shares of Common Stock held by the Voting Trustees in connection with a transaction described in Section 7 above.

B. Extended Duration. At any time within 180 days prior to December 31, 2007, the Transferor, by written notice to the Voting Trustees and subject to their written consent, may extend the term of this Trust for an additional period not to exceed ten (10) years.

12. Delivery of Documents. Pursuant to Section 490.730 of the Iowa Code (1997), a copy of this Agreement together with an instrument stating the Transferor's name, and address, and the number and class of shares transferred to this Trust shall be delivered to the Company's principal office upon execution hereof. In the event of any extension of the duration of this Trust under Section 10.B above, a copy of the written extension agreement and a list of beneficial owners of the shares then held by the Voting Trustees shall be delivered to the Company' principal office upon execution thereof.

13. Notices. Any notice required to be given to any party pursuant to any provision of this Agreement shall be in writing, shall be given by certified mail, return receipt requested, or sent by fax, or delivered by hand, and, if mailed, shall be deemed received one day after having been deposited in a receptacle for United States mail, postage prepaid, addressed as follows, or, if sent by fax, shall be deemed received on the date of confirmation of transmission to the following fax numbers:

If to Company: American Equity Investment Life Holding Company  
Attention: D.J. Noble, President  
5000 Westown Parkway, Suite 440  
Des Moines, IA 50266  
Fax No. (515) 221-9947

If to Transferor: Farm Bureau Life Insurance Company  
Attention: Thomas R. Gibson, CEO  
5400 University Avenue  
West Des Moines, IA 50266  
Fax. No. (515) 225-5604

If to Voting Trustees: D. J. Noble  
David S. Mulcahy  
Debra J. Richardson  
5000 Westown Parkway, Suite 440  
Des Moines, IA 50266  
Fax No. (515) 221-9947

Any party may change his/its address for giving of notice or fax number by giving notice to the other parties to this Agreement in accordance with the provisions hereof.

13. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument. This Agreement may be executed by the parties hereto by the sending of a facsimile executed copy of this Agreement to the other parties to this Agreement so long as an original signature is provided within seven (7) calendar days thereafter.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa. This Agreement shall be deemed to have been negotiated and entered into in Polk County, Iowa.

15. Severability. In case any one or more of the provisions hereof is determined to be invalid, illegal or unenforceable in any respect, the validity of the remaining provisions will in no way be affected, prejudiced or disturbed thereby.

16. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof, and supersedes all negotiations, preliminary agreements and all prior and contemporaneous discussions and understandings of the parties in connection with the subject matters hereof. Except as otherwise provided herein, no covenant, representation or condition not expressed in this Agreement, or in an amendment hereto, shall be binding upon the parties hereto or shall affect or be effective to interpret, change or restrict the provisions of this Agreement.

17. Amendments. No amendment, change or modification of any of the terms, provisions or conditions of this Agreement shall be effective unless made in writing and signed by the party against whom such amendment, change or modification is sought to be enforced. Waiver of any provision of this Agreement shall not be deemed a waiver of future compliance therewith and such provisions shall remain in full force and effect.

AMERICAN EQUITY INVESTMENT  
HOLDING COMPANY

By: /s/ D. J. Noble  
-----  
D. J. Noble, President

FARM BUREAU LIFE INSURANCE COMPANY

By: /s/ William J. Oddy  
-----  
William J. Oddy, Executive Vice  
President and General Manager

VOTING TRUSTEES:

/s/ D. J. Noble

-----  
D. J. Noble

/s/ David S. Mulcahy

-----  
David S. Mulcahy

/s/ Debra J. Richardson

-----  
Debra J. Richardson

VOTING TRUST CERTIFICATE

This certifies that Farm Bureau Life Insurance Company (the "Holder") is entitled to all the benefits arising from the deposit with the Voting Trustees under the Voting Trust Agreement hereinafter mentioned, of certificates for 680,367 shares of the Common Stock, \$1 par value (the "Trust Shares"), of American Equity Investment Life Holding Company, an Iowa corporation (the "Company"), as provided in such Trust Agreement and subject to the terms thereof.

This Certificate is issued, received, and held under, and the rights of the Holder hereof are subject to, the terms of a Voting Trust Agreement dated December 30, 1997, by and among, the Company, and Holder and the Voting Trustees named therein. Copies of the Voting Trust Agreement, and of every agreement amending or supplementing it, are on file in the Company's principal office in Des Moines, Iowa, and shall be open to the inspection of the Company's stockholders daily during business hours.) The Holder of this Certificate, by acceptance hereof, assents and is bound to all the provisions of the Voting Trust Agreement.

The Voting Trustees shall possess and be entitled to exercise all rights and powers of an absolute owner of such stock, including the right to vote thereon for every purpose, and to execute consents in respect thereof for every purpose, it being expressly stipulated that no voting right passes to the Holder hereof, or assigns, under this Certificate or any agreement, expressed or implied.

The Holder, or assigns, is entitled to receive payment equal to the amount of cash dividends, if any, received by the Voting Trustees upon the Trust Shares. Dividends received by the Voting Trustees in the Company's common or other stock having general voting powers shall be payable in voting trust certificates, in form similar hereto. In the event the Voting Trustees receives any dividend or distribution other than in cash or Company stock having general voting powers, the Voting Trustees shall distribute the same to the Holder on the date of such distribution. In the event of the dissolution or total or partial liquidation of the Company, the monies, securities, or property received by the Voting Trustees in respect of the Trust Shares shall be distributed to the Holder.

Subject to all terms and conditions of the Voting Trust Agreement, this Certificate is transferable on the books of the Voting Trustees at Voting Trustees's office in Des Moines, Iowa (or elsewhere as designated by the Voting Trustees), by the Holder hereof, either in person or by attorney duly authorized, in accordance with the rules established for that purpose by the Voting Trustees and on surrender of this Certificate properly endorsed. Title to this certificate when duly endorsed shall, to the extent permitted by law, be transferable with the same effect as in the case of a negotiable instrument.

IN WITNESS WHEREOF, the Voting Trustees have signed this certificate on the 30th day of December, 1997.

/s/ D. J. Noble  
-----  
D.J. Noble

/s/ Debra J. Richardson  
-----  
Debra J. Richardson

/s/ David Mulcahy  
-----  
David Mulcahy

=====

RESTATED AND AMENDED

GENERAL AGENCY COMMISSION AND SERVICING AGREEMENT

dated as of June 30, 1997

between

AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY

and

AMERICAN EQUITY INVESTMENT SERVICE COMPANY

=====

TABLE OF CONTENTS

This Table of Contents is not part of the Agreement to which it is attached but is inserted for convenience only.

	Page
Section 1. Definitions.....	1
1.01 Definitions.....	1
Section 2. Sales Agent Commissions.....	2
2.01 Obligation to Pay Sales Agent Commissions.....	2
2.02 Conditions for Payments of AEISC Amounts.....	3
2.03 Replacement Contracts.....	3
Section 3. Payment of General Agency Commissions.....	3
3.01 General Agency Current Commissions.....	3
3.02 General Agency Supplemental Commissions.....	3
3.03 General Agency Reimbursement Commissions .....	3
3.04 Termination of Commission Obligations.....	4
3.05 Payment of Commissions.....	4
3.06 Excess Commissions.....	5
Section 4. Servicer.....	5
4.01 Appointment.....	5
4.02 The Servicing Functions.....	5
4.03 Outside Professionals and Others.....	5
4.04 Standard of Care.....	5
Section 5. Representations and Warranties of American Equity.....	6
5.01 Corporate Existence.....	6
5.02 Financial Condition and Other Information.....	6
5.03 Litigation; Observance of Statutes, Regulations and Orders.....	6
5.04 No Breach.....	7
5.05 Corporate Action.....	7
5.06 Approvals.....	7
5.07 ERISA.....	7
5.08 Taxes.....	8
5.09 Investment Company Act.....	8
5.10 Public Utility Holding Company Act .....	8

Section 6.	Representations and Warranties of AEISC.....	8
6.01	Corporate Existence.....	8
6.02	Financial Condition.....	8
6.03	Litigation.....	9
6.04	No Breach.....	9
6.05	Corporate Action.....	9
6.06	Approvals.....	9
6.07	Insurance Agency Licenses .....	9
Section 7.	Certain Covenants of AEISC.....	9
7.01	Delivery of Information, Etc.....	9
7.02	Corporate Existence, Etc.....	10
7.03	Insurance.....	10
7.04	Prohibition of Fundamental Changes .....	10
Section 8.	Certain Covenants of American Equity.....	10
8.01	Delivery of Information.....	10
8.02	Litigation.....	11
8.03	Corporation Existence, Etc.....	11
8.04	Insurance.....	12
8.05	Correction of Errors.....	12
8.06	Amendment of Contract Forms.....	12
Section 9.	American Equity Option.....	12
Section 10.	Termination.....	12
Section 11.	Miscellaneous.....	12
11.01	Waiver.....	12
11.02	Notices.....	12
11.03	Amendments, Etc.....	13
11.04	Successors and Assigns.....	13
11.05	Assignments.....	13
11.06	Captions.....	13
11.07	Counterparts.....	13
11.08	Governing Law; Submission to Jurisdiction.....	13
11.09	Waiver of Jury Trial.....	13

SCHEDULES

- 1.01(a) - Eligible Contracts
- 1.01(b) - Gross Agent Commission Schedule

RESTATED AND AMENDED GENERAL AGENCY COMMISSION AND SERVICING AGREEMENT, dated as of June 30, 1997, between: AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY, an Iowa insurance corporation ("American Equity"), and AMERICAN EQUITY INVESTMENT SERVICE COMPANY, an Iowa corporation ("AEISC").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the parties hereto agrees as follows:

Section 1. Definitions.

1.01 Definitions. As used herein, the following terms shall have the following meanings (all terms defined in this Section 1.01 or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Account Surrender Value" shall mean the Accumulated Value of any Eligible Contract (or portion thereof) that has been terminated (whether in whole or in part or by surrender, withdrawal or death).

"Accumulated Value" shall mean, with respect to any Eligible Contract as at any date of determination thereof, the accumulated value as defined in such Eligible Contract.

"AEISC Amount" shall mean, with respect to any Eligible Contract, the greater of (i) 5% of the Premium collected by American Equity in respect of the sale of such Eligible Contract and (ii) 50% of the Sales Agent Commission payable with respect to such Eligible Contract.

"Affiliate " of American Equity shall mean any other person controlling or controlled by or under common control with American Equity. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling and "controlled" have meanings correlative to the foregoing.

"Annual Statement" shall have the meaning assigned thereto in Section 5.02 hereof.

"Commission Accumulated Value" shall mean, as at any Commission Payment Date an amount equal to the aggregate of the Accumulated Values of all Eligible Contracts that are in force on such Commission Payment Date.

"Commission Agreement": An agreement between American Equity and any Person (other than the Borrower) the terms of which govern the rights and obligations of such Person with American Equity in respect of such Person's acting as an agent of American Equity for the sale of Eligible Contracts.

"Commission Payment Dates" shall mean the last day of each calendar quarter beginning with the second calendar quarter of 1997.

"Eligible Contract" shall mean a deferred contract issued by American Equity and sold by a Sales Agent to a person in a jurisdiction in which American Equity and AEISC (or its duly-appointed representative) are duly licensed to issue such contracts or act as an insurance agency therein, as applicable, and that is a category of deferred contracts specified in Schedule 1.01(a) hereto, and any Replacement Contract issued in respect of any such contract.

"Gross Agent Commission Schedule" shall mean the Gross Agent Commission Schedule in effect with respect to Eligible Contracts as of the date hereof as set forth on Schedule 1.02 hereto.

"Order" shall mean any order, writ, injunction, decree, judgment, award or determination.

"Person": Any natural person, corporation, partnership, joint venture, firm, association, trust, unincorporated organization, government or governmental agency or political subdivision or any other entity, whether acting in an individual, fiduciary or other capacity.

"Replacement Contract" shall mean any individual annuity contract with respect to which a Sales Agent earns a commission and which is (i) issued by American Equity or an Affiliate to an insured coincident with, or within six months (or such longer period as American Equity may determine in accordance with its normal business procedures) after, the termination for any reason of an Eligible Contract with the same insured, or (ii) any other individual annuity contract issued by American Equity to an insured that American Equity in good faith in accordance with its normal business procedures considers to be a replacement for a terminated Eligible Contract with the same insured.

"Sales Agent" shall mean each person (other than American Equity or AEISC) who is a party to a Commission Agreement.

"Sales Agent Commission": With respect to the initial sale of any Eligible Contract, the commission payable by American Equity in connection with such sale to the Agent who sold such Eligible Contract, which commission shall not exceed, in respect of such Eligible Contract, the greater of 10% or the commission rate indicated on the Gross Agent Commission schedule.

"SAP" shall mean those accounting practices required or permitted by the Division of Insurance, Department of Commerce of the State of Iowa consistently applied throughout the specified period and in the immediately prior comparable period.

Section 2. Sales Agent Commissions.

2.01 Obligation to Pay Sales Agent Commissions. Subject to Section 2.02 below, AEISC shall pay, or cause to be paid, the AEISC Amount on each Eligible Contract to the Sales Agent entitled to the Sales Agent Commission thereon at the time such Sales Agent Commission is to be paid pursuant to the terms of such Sales Agent's Commission Agreement.

2.02 Conditions for Payments of AEISC Amounts. AEISC's obligation to pay the AEISC Amount under Section 2.01 hereof with respect to any Eligible Contract is subject to the satisfaction of the following conditions:

(a) the presentment to AEISC by American Equity no later than 10:00 a.m., Central Standard Time, on the Business Day next preceding the Business Day on which such AEISC Amount is to be paid (but no more frequently than two times in any calendar week) of a Disbursement Certificate in respect of such AEISC Amount, together with a copy of the requisite disbursement schedule attached thereto duly completed;

(b) receipt by AEISC of evidence satisfactory to each of them that the portion of such Sales Agent Commission to be funded by American Equity has been made available by American Equity for payment to the Sales Agent entitled to such Sales Agent Commission;

(c) no Event of Default shall have occurred and be continuing.

(d) American Equity shall have a rating of "A-" or better by A.M. Best & Company.

2.03 Replacement Contracts. AEISC shall have no obligation to pay a AEISC Amount in respect of any Replacement Contract.

### Section 3. Payment of General Agency Commissions.

3.01 General Agency Current Commissions. American Equity shall pay to AEISC general agency current commissions ("Current Commissions") no later than 10:00 a.m., Central Standard Time, on each Commission Payment Date in an amount equal to .3875% of the Commission Accumulated Value determined as of the preceding Commission Payment Date.

### 3.02 General Agency Supplemental Commissions.

(a) American Equity shall pay to AEISC general agency supplemental commissions ("Supplemental Commissions"), no later than 10:00 a.m., Central Standard Time, on each Commission Payment Date in an amount equal to the following percentages of the Account Surrender Value of each Eligible Contract (or portion thereof) that has been terminated (whether in whole or in part or by surrender, withdrawal or death) during the calendar quarter immediately preceding the Commission Payment Date:

- (i) For Eligible Contracts terminated during the first year after the end of the calendar quarter in which such Eligible Contracts were initially issued.....5%
- (ii) For Eligible Contracts terminated during the second year after the end of the calendar quarter in which such Eligible Contracts were initially issued.....4%
- (iii) For Eligible Contracts terminated during the third year after the end of the calendar quarter in which such Eligible Contracts were initially issued.....3%
- (iv) For Eligible Contracts terminated during the fourth year after the end of the calendar quarter in which such Eligible Contracts were initially issued.....2%
- (v) For Eligible Contracts terminated during the fifth year after the end of the calendar quarter in which such Eligible Contracts were initially issued.....1%
- (vi) For Eligible Contracts terminated after the fifth year after the end of the calendar quarter in which such Eligible Contracts were initially issued.....0%

(b) American Equity shall pay to AEISC additional Supplemental Commissions in an amount equal to .05% of the Commission Accumulated Value; provided that no Supplemental Commissions shall be payable on any Commission Payment Date unless (A) on such Commission Payment Date an Event of Default has occurred and/or is continuing; (B) on such Commission Payment Date or on any date prior thereto, American Equity has ceased to remain actively engaged in the business of issuing Eligible Contracts; or (C) on such Commission Payment Date or on any date prior thereto, American Equity, directly or indirectly, unreasonably limits, impedes, hampers or restricts the ability of the Sales Agents to sell Eligible Contracts.

3.03 General Agency Reimbursement Commissions. American Equity shall pay to AEISC general agency reimbursement commissions ("Reimbursement Commissions") with respect to all Voided Eligible Contracts (as defined below) no later than 10:00 a.m., Central Standard Time, on each Commission Payment Date in an amount equal to the aggregate of the AEISC Amounts of such Voided Eligible Contracts. For the purposes of this Section 3.04, a "Voided Eligible Contract" shall mean, as at any Commission Payment Date, any Eligible

Contract which was voided during the calendar quarter ending on the preceding Commission Payment Date because the owner of such Eligible Contract returned such Eligible Contract to American Equity during the examination period therefor in accordance with the terms of such Eligible Contract entitling such owner to a refund of the premium paid thereon and with respect to which AEISC paid the AEISC Amount.

3.04 Termination of Commission Obligations. On January 31, 2005, no further Current Commissions, Supplemental Commissions, or Reimbursement Commissions will be due from American Equity to AEISC.

3.05 Payment of Commissions.

(a) American Equity's obligation to make all payments referred to in this Section 3, when such payments shall become due and payable in accordance herewith, shall be absolute and unconditional and shall not be subject to any abatement or diminution by set-off, deduction, claim, counterclaim, recoupment, agreement, defense, suspension, deferment, interruption or otherwise.

(b) American Equity shall have no right to be released, relieved or discharged from its obligation to make such payments for any reason whatsoever, including, without limitation, (i) any default, misrepresentation, negligence, misconduct or other action or inaction of any kind by AEISC, whether under or in connection with this or any other agreement to which AEISC is a party; (ii) the invalidity, unenforceability, impossibility of performance, illegality, termination or amendment of, or any allegation or contest of invalidity, unenforceability, impossibility of performance, illegality of, any agreement to which AEISC is a party; (iii) any applicable law now or hereafter in force; (iv) the occurrence or continuance of an event of default or any default or event of default under any agreement to which AEISC is a party; (v) the compromise, settlement, release, modification, amendment (whether material or otherwise) or termination of any or all of the obligations, conditions, covenants or agreements of any Person under or arising out of any agreement to which AEISC is a party (other than any modification or amendment of this Agreement made in accordance with the terms hereof); (vi) the failure by any Person to give notice to American Equity of the occurrence of any default or event of default under any agreement to which AEISC is a party; (vii) the waiver of the payment, performance or observance of any of the obligations, conditions, covenants or agreements of any Person contained in any agreement to which AEISC is a party (including, without limitation, any waiver of such obligations under this Agreement made in accordance with the provisions hereof); (viii) the taking or the omission to take any of the actions referred to in any agreement to which AEISC is a party; or (ix) any other cause or circumstance foreseen or unforeseen, whether similar or dissimilar to any of the foregoing.

(c) American Equity shall pursue any claims which it may now or hereafter have against AEISC or any other Person independently of the rights of AEISC to receive payments from American Equity pursuant to this Section 3.

[3.06 Excess Commissions. To the extent that American Equity pays to AEISC, on any Commission Payment Date, general agency commissions in an amount in excess of the aggregate of all amounts (whether denominated as commissions or otherwise) required to be paid to AEISC pursuant to all provisions of this Agreement on such Commission Payment Date, such excess shall be deemed to be paid as Current Commissions; payments of such excess amounts shall not reduce American Equity's obligation to pay any other amounts required to be paid pursuant to this Agreement on any subsequent date].

#### Section 4. Servicer.

4.01 Appointment. AEISC hereby, to the exclusion of any other Person except to the extent provided in the Security Agreement, appoints the Servicer to perform the Servicing Functions in the name and on behalf of AEISC, and the Servicer hereby accepts such appointment, all upon the terms and conditions set forth in this Section 4.

4.02 The Servicing Functions . The Servicing Functions to be performed by the Servicer on behalf of AEISC at no cost to AEISC shall be the management and administrative functions that are described below:

(a) the preparation and delivery of any payment, notice, instrument, form, document, agreement, invoice or other item required to be delivered to any Person pursuant to the terms of the this Agreement and the accurate maintenance of all financial, business and corporate records of AEISC; and

(b) all other administrative obligations, duties, and functions of AEISC.

AEISC shall be entitled, upon request, to full access to and use of all computer programs and software, training manuals, data, records, forms correspondence, files, and other materials used by the Servicer in performing the Servicing Functions.

4.03 Outside Professionals and Others. The Servicer shall be entitled, in its sole discretion, to engage, at the expense of the Servicer, such outside legal counsel, accountants, actuaries, consultants, other professionals, and other Persons as the Servicer shall, from time to time, deem necessary or appropriate in the performance of the Servicing Functions (collectively, the "Outside Workers"). Such Outside Workers may, in the sole discretion of the Servicer, be Outside Workers who perform such or similar functions for the Servicer, and no conflict shall be deemed to exist on account thereof. In lieu of or in addition to engaging Outside Workers, the Servicer may employ its own or its affiliates' employees for purposes of the foregoing, and no conflict shall be deemed to exist on account thereof.

4.04 Standard of Care. The Servicer will exercise and give the same care and attention to its obligations hereunder as it gives to all other corporate obligations of a comparable nature, provided it shall not be held responsible for any losses arising from any action taken by it in good faith absent misconduct or negligence.

Section 5. Representations and Warranties of American Equity. American Equity represents and warrants to AEISC as of the date hereof as follows:

5.01 Corporate Existence. American Equity: (a) is an insurance corporation duly organized and validly existing under the laws of the State of Iowa; (b) has all requisite corporate power, and has all governmental licenses and authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and (c) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualifications necessary.

5.02 Financial Condition and Other Information.

(a) American Equity has delivered to AEISC a copy of: (i) the annual statement of American Equity submitted to the Iowa Division of Insurance (the "Annual Statement") for the year ended December 31, 1995 and (ii) the affirmative certification of its actuary as to the adequacy of the reserves for liabilities determined in accordance with SAP reflected on the Annual Statement for the year ended December 31, 1995. The Annual Statement and Actuarial Certification described above in this paragraph (a) are hereinafter collectively called the "Financial Statements." The Financial Statements (including in each case, without limitation, the related schedules and notes) fairly present the financial condition of American Equity. The Financial Statements described in clause (i) have been prepared in accordance with SAP consistently applied by American Equity throughout the periods involved.

(b) There are no material liabilities, contingent or otherwise, of American Equity as of December 31, 1995 not reflected in the Annual Statement of American Equity as of said date referred to in clause (i) of paragraph (a). Since said date, there has been no change in the financial condition, operations, business or prospects of American Equity from that set forth in the Financial Statements as at said date, other than changes in the ordinary course of business which have not, either individually or in the aggregate, been materially adverse to the financial condition, operations, business or prospects of American Equity.

(c) American Equity has prior to the execution and delivery of this Agreement delivered to AEISC a copy of the forms of the Commission Agreements and the Eligible Contracts.

5.03 Litigation; Observance of Statutes, Regulations and Orders. There are no legal or arbitral proceedings or any proceedings by or before any court, arbitrator or Governmental Body, now pending or (to the knowledge of American Equity) threatened against American Equity which, if adversely determined, could be expected to have a material adverse effect on the financial condition, operations, business or prospects of American Equity.

American Equity is not in default under any Order of any court, arbitrator or Governmental Body. American Equity is not in violation of any statute or other rule or

regulation of any Governmental Body the violation of which could be expected to have a material adverse effect on the financial condition, operation, business or prospects of American Equity.

5.04 No Breach. Neither the execution and delivery of this Agreement, the consummation of the transactions herein contemplated nor the compliance with the terms and provisions hereof will conflict with or result in a breach of, or require any consent under, the charter or by-laws of American Equity, or any statute, other rule or regulation or any Order of any Governmental Body, or any agreement or instrument to which American Equity is a party or by which it is bound or to which it is subject, or constitute a default under any such agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of American Equity pursuant to the terms of any such agreement or instrument.

5.05 Corporate Action. American Equity has all necessary corporate power and authority to execute, deliver and perform its obligations under this Agreement; the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate action on its part, and this Agreement has been duly and validly executed and delivered by American Equity and constitutes its legal, valid and binding obligation, enforceable in accordance with its terms.

5.06 Approvals. Except for the reports required under Chapter 521A of the Iowa Code (1995) applicable to Insurance Holding Company Systems, no authorization, approvals or consents of, and no filings or registrations with, any Governmental Body are necessary for the execution, delivery or performance by American Equity of this Agreement or for the validity and enforceability thereof.

5.07 ERISA. No employee benefit plan established or maintained by American Equity or to which American Equity has made contributions, which is subject to Part 3 of Subtitle B of Title 1 of ERISA, or Section 412 of the Code, including, without limitation, to the knowledge of American Equity, any Multiemployer Plan, has an accumulated funding deficiency (as such term is defined in Section 302 of ERISA or Section 412 of the Code), or had such a deficiency as of the last day of the most recent fiscal year of such plan heretofore ended, and each such plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and any applicable federal or state law. No liability to PBGC (other than required insurance premiums, all of which have been paid when due) has been incurred with respect to any such plan and there has not been any reportable event within the meaning of ERISA, or any other event or condition, which presents a material risk of termination of any such plan by PBGC. To the knowledge of American Equity after due inquiry, neither any such plan nor any trust created thereunder, nor any trustee or administrator thereof, has engaged in a prohibited transaction (as such term is defined in Section 4975 of the Code) nor will the transactions contemplated by this Agreement constitute such a prohibited transaction, in any such case that could subject any such plan, trust, trustee (to the extent indemnified by American Equity), administrator or American Equity to any tax or penalty on prohibited transactions imposed under Section 4975 or ERISA or by Section 502(i) of ERISA which could have a material adverse effect on the business, operations or properties of American Equity. No liability has been incurred by American Equity with respect to any Multiemployer Plan, within the meaning of Section 4001(a)(3) of ERISA as a result of the complete or partial withdrawal by American Equity from such Multiemployer Plan under Section 4201 or 4204 of ERISA that could have a material adverse effect on the business, operations or

properties of American Equity; nor has American Equity been notified by any such Multiemployer Plan that such Multiemployer Plan is in reorganization or insolvency under and within the meaning of Section 4241 or 4245 of ERISA or that such Multiemployer Plan intends to terminate or has been terminated under Section 4041A or ERISA.

5.08 Taxes. American Equity has filed all United States Federal income tax returns and all other tax returns that are required to have been filed in any jurisdiction. American Equity has paid all taxes due pursuant to such returns before they have become delinquent and pursuant to any assessment received by American Equity. The charges, accruals and reserves on the books of American Equity in respect of taxes and other governmental charges are, in the opinion of American Equity, adequate.

5.09 Investment Company Act. American Equity is not an "investment company", or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

5.10 Public Utility Holding Company Act. American Equity is not a "holding company," or an "affiliate" of a "holding company" or a "subsidiary company" of "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 6. Representations and Warranties of AEISC. AEISC represents and warrants to American Equity as of the date hereof as follows:

6.01 Corporate Existence. Subject, in the case of clauses (a) and (b) hereof, to Section 6.07 hereof, AEISC: (a) is a corporation duly organized and validly existing under the laws of the State of Iowa; (b) has all requisite corporate power, and has all governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and (c) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary. The Company has no Subsidiaries.

6.02 Financial Condition. The balance sheet of AEISC as at December 31, 1996 heretofore furnished to American Equity, is complete and correct and fairly presents the financial condition of AEISC as at said date, all in accordance with generally accepted accounting principles and practices. AEISC did not have on said date any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in said balance sheet as at said date. Since December 31, 1996, there has been no material adverse change in the financial condition, operations, business or prospects of AEISC from that set forth in said financial statement as at said date. AEISC has not paid any salary or any

other form of compensation for services to any Person; incurred any obligation, contractually or otherwise, to any Person except as was necessary or advisable for the compliance with Section 6.01 hereof; or created or maintained any Plan or been a participant in any Multiemployer Plan.

6.03 Litigation. There are no legal or arbitral proceedings or any proceedings by or before any court, arbitrator or Governmental Body, now pending or (to the knowledge of AEISC) threatened against AEISC.

6.04 No Breach. None of the execution and delivery of this Agreement, the consummation of the transactions herein contemplated and compliance with the terms and provisions hereof will conflict with or result in a breach of, or require any consent under, the charter or by-laws of AEISC, or any applicable statute, other rule or regulation, or any Order of any Governmental Body, or any agreement or instrument to which AEISC is a party or by which it is bound or to which it is subject, or constitute a default under any such agreement or instrument, or (except for the Liens created pursuant to the Security Documents) result in the creation or imposition of any Lien upon any other revenues or assets of AEISC pursuant to the terms of any such agreement or instrument.

6.05 Corporate Action. AEISC has all necessary corporate power and authority to execute, deliver and perform its obligations under this Agreement; the execution, delivery and performance by AEISC of this Agreement has been duly authorized by all necessary corporate action on its part; and this Agreement has been duly and validly executed and delivered by AEISC and constitutes, when executed and delivered, its legal, valid and binding obligation, enforceable in accordance with its terms.

6.06 Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any Governmental Body are necessary for the execution, delivery or performance by AEISC of this Agreement or for the validity or enforceability thereof, except as provided in Section 6.07 hereof.

6.07 Insurance Agency Licenses. AEISC has made application to the appropriate state authorities in each jurisdiction in which it anticipates it will conduct business to enable it or its duly appointed representative to act as a licensed insurance agency in such jurisdiction.

#### Section 7. Certain Covenants of AEISC.

7.01 Delivery of Information, Etc. AEISC will:

(a) furnish to American Equity, its counsel, accountants and other representatives full access to all of its properties, books, contracts, commitments, reports and records and shall furnish American Equity with all information concerning its business and affairs as American Equity may request; and

(b) pay and otherwise perform fully and in a timely manner all of its obligations under this Agreement.

7.02 Corporate Existence, Etc. AEISC will:

(a) preserve and maintain its corporate existence and all of its material rights, privileges and franchises;

(b) comply with the requirements of all applicable statutes, other rules and regulations and Orders of any court, arbitrator or Governmental Body if failure to comply with such requirements would not adversely affect the financial condition, operations, business or prospects of AEISC;

(c) pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained;

(d) maintain all of its properties used or useful in its business in good working order and condition, ordinary wear and tear excepted; and

(e) permit representatives of American Equity, during normal business hours, to examine, copy and make extracts from its books and records, to inspect its properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by American Equity.

7.03 Insurance. AEISC will keep insured, by financially sound and reputable insurers, all property of a character usually insured by corporations engaged in the same or similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such corporations and carry such other insurance as is usually carried by such corporations.

7.04 Prohibition of Fundamental Changes. AEISC will not enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution). AEISC will not acquire any business or assets from, or capital stock of, or be a party to any acquisition of, any Person. AEISC will not convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or a substantial part of its business or assets, whether now owned or hereafter acquired.

Section 8. Certain Covenants of American Equity.

8.01 Delivery of Information. American Equity will furnish to AEISC:

(a) on or prior to the last day of each Calendar Quarter, a Settlement Statement in form and content satisfactory to the parties;

(b) within 60 days after the end of each of American Equity's fiscal years, copies of the Annual Statement of American Equity;

(c) within 60 days after the end of each of American Equity's fiscal quarters, copies of the quarterly financial statements of American Equity prepared in accordance with SAP as filed with the Iowa Division of Insurance for such accounting period;

(d) as soon as available and in any event within 120 days after each calendar year, a report of Ernst & Young or other independent accountants of recognized national standing selected by American Equity and reasonably satisfactory to AEISC, which shall indicate that based upon a review by such auditors of appropriate American Equity financial records all amounts due from American Equity to AEISC hereunder were properly computed and paid;

(e) at any time and from time to time upon the request of AEISC, a report of an independent actuarial firm of recognized national standing selected by American Equity and reasonably satisfactory to AEISC containing a comparison of the actuarial experience with respect to Eligible Contracts during any given calendar period with the assumptions with respect thereto; and

(f) such other documentation and information relating to Eligible Contracts as AEISC shall reasonably request.

8.02 Litigation. American Equity will promptly give to AEISC notice of all legal or arbitral proceedings, and of all proceedings by or before any court, arbitrator or Governmental Body affecting American Equity except proceedings which, if adversely determined, would not have a material adverse effect on the financial condition, operations, business or prospects of American Equity and any material development in respect of such legal or other proceedings.

8.03. Corporate Existence, Etc. American Equity will: preserve and maintain its corporate existence and all rights, privileges and franchises; comply with the requirements of all applicable statutes, other rules and regulations and orders of any court, arbitrator or Governmental Body if failure to comply with such requirements would adversely affect the financial condition, operations, business or prospects of American Equity; pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained; maintain all of its properties used or useful in its business in good working order and condition, ordinary wear and tear excepted; and permit representatives of AEISC during normal business hours to examine, copy and make extracts from its books and records (which shall be maintained at the office of American Equity and shall include all records that are necessary to comply with all of American Equity's obligations under the Basic Documents, including manually maintained list, computer generated printouts that identify all of the Eligible Contracts to inspect its properties, and to discuss its business and affairs with its officers, all

to the extent reasonably requested by AEISC. American Equity will not default or permit any event of default to occur or be continuing under any indebtedness for borrowed money of American Equity or its parent company, American Equity Investment Life Holding Company, a Delaware corporation.

8.04 Insurance. American Equity will keep insured by financially sound and reputable insurers all property of a character usually insured by corporations engaged in the same or similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such corporations and carry such other insurance as is usually carried by such corporations.

8.05 Correction of Errors. As soon as reasonably practicable after becoming aware of an error in any Settlement Statement previously delivered to AEISC pursuant to Section 8.01(a) hereof, the effect of which error is that American Equity shall have defaulted in the payment when due and payable of any amount payable by it under this Agreement, American Equity will correct any such error by making such payment in the prescribed manner.

8.06 Amendment of Contract Forms. American Equity will not, without the prior written approval of AEISC (which consent shall not be unreasonably withheld), amend, modify, supplement, terminate or waive any of the provisions of the forms of Eligible Contracts as such forms exist on the date hereof.

Section 9. American Equity Option. Notwithstanding anything in this Agreement to the contrary, in the event of a default by AEISC under this Agreement or any other agreement to which AEISC is a party, American Equity shall have the right (but not the obligation) to take such action, on behalf of AEISC or on its own behalf or otherwise, as it deems necessary or desirable to cure such default.

Section 10. Termination. The obligations of AEISC and American Equity shall terminate on December 31, 2002.

Section 11. Miscellaneous.

11.01 Waiver. No failure on the part of either party to this Agreement to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

11.02 Notices. All notices and other communications provided for herein (including, without limitation, any modifications of, or waivers or consents under, this Agreement) shall be given or made by telex, telecopy, telegraph, cable or in writing and telexed, telecopied, telegraphed, cabled, mailed or delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as

otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telex or telecopier, delivered to the telegraph or cable office or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as aforesaid.

11.03 Amendments, Etc. No provision of this Agreement may be amended or modified except by an instrument in writing and signed by AEISC and American Equity.

11.04 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.05 Assignments. Neither party to this Agreement may assign its rights or obligations hereunder without the prior written consent of the other party.

11.06 Captions. The table of contents and captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

11.07 Counterparts. This Agreement may be executed in any number of counterparts, all of which all of taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

11.08 Governing Law; Submission to Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the law of the State of Iowa.

11.09 Waiver of Jury Trial. EACH OF AEISC AND AMERICAN EQUITY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

AMERICAN EQUITY INVESTMENT  
LIFE INSURANCE COMPANY

AMERICAN EQUITY INVESTMENT  
SERVICE COMPANY

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

FIRST AMENDMENT TO  
RESTATED AND AMENDED GENERAL AGENCY  
COMMISSION AND SERVICING AGREEMENT

THIS FIRST AMENDMENT (this "First Amendment") dated as of December 31, 1997, amends and modifies a certain Restated and Amended General Agency Commission and Servicing Agreement, dated as of June 30, 1997 (as so amended, the "General Agency Agreement") between: AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY, an Iowa insurance corporation ("American Equity"), and AMERICAN EQUITY INVESTMENT SERVICE COMPANY, an Iowa corporation ("AEISC"). Terms not otherwise expressly defined herein shall have the meanings set forth in the General Agency Agreement.

FOR VALUE RECEIVED, the American Equity and AEISC agree that the General Agency Agreement is amended as follows:

ARTICLE I - AMENDMENTS TO THE GENERAL AGENCY AGREEMENT

1.1 Definitions. Section 1.01 is amended as follows:

(A) The term "Premium Value" shall be inserted alphabetically within Section 1.01 and shall state as follows:

"Premium Value" shall mean, with respect to any Eligible Contract as at any date of determination thereof, the gross amount of the initial premium deposit made in connection with such Eligible Contract.

(B) The term "Aggregate Premium Value" shall be inserted alphabetically within Section 1.01 and shall state as follows:

"Aggregate Premium Value" shall mean, as at any Commission Payment Date an amount equal to the aggregate of the Premium Values of all Eligible Contracts that are in force on such Commission Payment Date.

(C) The term "Modified AEISC Amount" shall be inserted alphabetically within Section 1.01 and shall state as follows:

"Modified AEISC Amount" shall mean, with respect to all Eligible Contracts for which Sales Agent Commissions were paid during the third and fourth calendar quarters of 1997, an amount equal to the difference between 100% of such Sales Agent Commissions and the AEISC Amount previously paid with respect to such

Eligible Contracts; provided, however, that the sum of the Modified AEISC Amount and the AEISC Amount with respect to such Eligible Contracts shall not exceed \$11,500,000.

1.2 Amendment of AEISC Obligations. The obligations of AEISC to pay the AEISC amount are hereby amended by deleting Section 2.01 of the General Agency Agreement in its entirety and inserting in lieu thereof the following:

2.01 Obligation to Pay Sales Agent Commissions. Subject to Section 2.02 below, AEISC shall pay, or cause to be paid: (i) the AEISC Amount on each Eligible Contract to the Sales Agent entitled to the Sales Agent Commission thereon at the time such Sales Agent Commission is to be paid pursuant to the terms of such Sales Agent's Commission Agreement; and (ii) the Modified AEISC Amount to American Equity on the date of the First Amendment to this General Agency Agreement.

1.3 Amendment of Current Commission Requirements. The obligations of American Equity to pay Current Commissions to AEISC pursuant to Section 3.01 of the General Agency Agreement are hereby amended by deleting Section 3.01 of the General Agency Agreement in its entirety and inserting in lieu thereof the following:

3.01 General Agency Current Commissions. American Equity shall pay to AEISC general agency current commissions ("Current Commissions") no later than 10:00 a.m., Central Standard Time, on each Commission Payment Date in an amount equal to .325% of the Aggregate Premium Value determined as of the preceding Commission Payment Date. Notwithstanding the preceding sentence, with respect to the Aggregate Premium Value of all Eligible Contracts produced during all calendar quarters of 1996 and 1997, American Equity shall pay to AEISC Current Commissions no later than 10:00 a.m. Central Standard Time, on each Commission Payment Date beginning with March 31, 1998 and continuing through and including the Commission Payment Date on December 31, 2002, in an amount equal to .7% of the Aggregate Premium Value for such Eligible Contracts.

1.3 Amendment of Supplemental Commission Requirements. The obligations of American Equity to pay Supplemental Commissions to AEISC pursuant to Section 3.02 of the General Agency Agreement are hereby amended by deleting Section 3.02 of the General Agency Agreement in its entirety and inserting in lieu thereof the following:

3.02 General Agency Supplemental Commissions.

(a) If the aggregate amount of the Account Surrender Values of each Eligible Contract (or portion thereof) that has been terminated (whether in whole or in part or by surrender, withdrawal or death) during the calendar quarter immediately preceding the Commission Payment Date equals or exceeds an amount equal to 1.88% of the

Commission Accumulated Value, American Equity shall pay to AEISC general agency supplemental commissions ("Supplemental Commissions"), no later than 10:00 a.m., Central Standard Time, on each Commission Payment Date in an amount equal to 50% of the surrender charges paid to American Equity with respect to each such Eligible Contract (or portion thereof) that has been terminated (whether in whole or in part or by surrender, withdrawal or death) during such calendar quarter.

(b) American Equity shall pay to AEISC additional Supplemental Commissions in an amount equal to .05% of the Commission Accumulated Value; provided that no Supplemental Commissions shall be payable on any Commission Payment Date unless (A) on such Commission Payment Date an Event of Default has occurred and/or is continuing; (B) on such Commission Payment Date or on any date prior thereto, American Equity has ceased to remain actively engaged in the business of issuing Eligible Contracts; or (C) on such Commission Payment Date or on any date prior thereto, American Equity, directly or indirectly, unreasonably limits, impedes, hampers or restricts the ability of the Sales Agents to sell Eligible Contracts.

(c) American Equity shall pay to AEISC other Supplemental Commissions no later than 10:00 a.m., Central Standard Time, on each Commission Payment Date in an amount equal to \$25,000.

1.4 Correction of Termination Date. Section 10 of the General Agency Agreement is hereby corrected by inserting the date "January 31, 2005" in lieu of "December 31 2002" as the termination date of the General Agency Agreement.

#### ARTICLE II - REPRESENTATIONS AND WARRANTIES

Each of the parties hereto warrants and represents to the other that it is duly authorized to execute and deliver this Amendment and to perform its respective obligations under the General Agency Agreement as amended hereby, and that this Amendment constitutes the legal, valid and binding obligation of such party enforceable in accordance with its terms.

#### ARTICLE III - CONDITIONS PRECEDENT

This Amendment shall be come effective on the date first set forth above, provided, however, that the effectiveness of this Amendment is subject to the satisfaction of each of the following conditions precedent:

3.1 Warranties. After giving effect to this Amendment, the representations and warranties in Sections 5 and 6 of the General Agency Agreement shall be true and correct as though made on the date hereof, except for changes that are permitted by the terms of the General Agency Agreement.

3.2 No Breach. After giving effect to this Amendment, no material breach by either party shall have occurred and be continuing under the General Agency Agreement. .

3.3 Execution and Delivery. This Amendment shall have been executed and delivered by American Equity and AEISC.

ARTICLE IV - GENERAL

4.2 Counterparts. This Amendment may be executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed on original but all such counterparts shall constitute but one and the same instrument.

4.3 Severability. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provisions in any other jurisdiction.

4.4 Governing Law. This Amendment shall be a contract made under the laws of the State of Iowa, which laws shall govern all the rights and duties hereunder.

4.5 Successors; Enforceability. This Amendment shall be binding upon the parties and shall inure to the benefit of the parties their respective successors and assigns. Except as hereby amended, the General Agency Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed at West Des Moines, Iowa by their respective officers thereunto duly authorized as of the date first written above.

AMERICAN EQUITY INVESTMENT  
LIFE INSURANCE COMPANY

AMERICAN EQUITY INVESTMENT  
SERVICE COMPANY

By: /s/ D.J. Noble  
-----  
D. J. Noble, President

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

SECOND AMENDMENT TO  
RESTATED AND AMENDED GENERAL AGENCY  
COMMISSION AND SERVICING AGREEMENT

THIS SECOND AMENDMENT (this "Second Amendment"), dated as of April 24, 1998, amends and modifies a certain Restated and Amended General Agency Commission and Servicing Agreement, dated as of June 30, 1997 (as so amended, the "General Agency Agreement") between: AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY, an Iowa insurance corporation ("American Equity"), and AMERICAN EQUITY INVESTMENT SERVICE COMPANY, an Iowa corporation ("AEISC"). Terms not otherwise expressly defined herein shall have the meanings set forth in the General Agency Agreement.

FOR VALUE RECEIVED, American Equity and AEISC agree that the General Agency Agreement is amended as follows:

ARTICLE I - AMENDMENTS TO THE GENERAL AGENCY AGREEMENT

1.1 Definitions. Section 1.1 is amended as follows:

(A) The term "AEISC Amount" shall mean, with respect to any Eligible Contract, 50% of the Sales Agent Commission payable with respect to such Eligible Contract.

ARTICLE II - REPRESENTATIONS AND WARRANTIES

Each of the parties hereto warrants and represents to the other that it is duly authorized to execute and deliver this Amendment and to perform its respective obligations under the General Agency Agreement as amended hereby, and that this Amendment constitutes the legal, valid and binding obligation of such party enforceable in accordance with its terms.

ARTICLE III - CONDITIONS PRECEDENT

This Amendment shall be come effective on the date first set forth above; provided, however, that the effectiveness of this Amendment is subject to the satisfaction of each of the following conditions precedent:

3.1 Warranties. After giving effect to this Amendment, the representations and warranties in Sections 5 and 6 of the General Agency Agreement shall be true and correct as though made on the date hereof, except for changes that are permitted by the terms of the General Agency Agreement.

3.2 No Breach. After giving effect to this Amendment, no material breach by either party shall have occurred and be continuing under the General Agency Agreement.

3.3 Execution and Delivery. This Amendment shall have been executed and delivered by American Equity and AEISC.

ARTICLE IV - GENERAL

4.2 Counterparts. This Amendment may be executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same instrument.

4.3 Severability. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provisions in any other jurisdiction.

4.4 Governing Law. This Amendment shall be a contract made under the laws of the State of Iowa, which laws shall govern all the rights and duties hereunder.

4.5 Successors; Enforceability. This Amendment shall be binding upon the parties and shall inure to the benefit of the parties, their respective successors and assigns. Except as hereby amended, the General Agency Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be executed at West Des Moines, Iowa by their respective officers thereunto duly authorized as of the date first written above.

AMERICAN EQUITY INVESTMENT  
LIFE INSURANCE COMPANY

AMERICAN EQUITY INVESTMENT  
SERVICE COMPANY

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

THIRD AMENDMENT TO  
RESTATED AND AMENDED GENERAL AGENCY  
COMMISSION AND SERVICING AGREEMENT

THIS THIRD AMENDMENT (this "Third Amendment"), dated as of October 31, 1998, amends and modifies a certain Restated and Amended General Agency Commission and Servicing Agreement, dated as of June 30, 1997 (as so amended, the "General Agency Agreement") between: AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY, an Iowa insurance corporation ("American Equity"), and AMERICAN EQUITY INVESTMENT SERVICE COMPANY, an Iowa corporation ("AEISC"). Terms not otherwise expressly defined herein shall have the meanings set forth in the General Agency Agreement.

FOR VALUE RECEIVED, American Equity and AEISC agree that the General Agency Agreement is amended as follows:

ARTICLE I - AMENDMENTS TO THE GENERAL AGENCY AGREEMENT

1.1 Definitions. Section 1.1 is amended as follows:

(A) The term "Eligible Contract" shall mean a Deferred Contract issued by American Equity and sold by a Sales Agent to a person in a jurisdiction in which American Equity and AEISC (or its duly-appointed representative) are duly licensed to issue such contracts or act as an insurance agency therein, as applicable, and is in a category of Deferred Contract specified on Schedule 1 attached hereto, and any Replacement Contract issued with respect of any such contract.

(B) The term "Gross Agent Commission Schedule" shall mean the Gross Agent Commission Schedule in effect with respect to Eligible Contracts as of the date hereof as set forth on Schedule 1 hereto.

ARTICLE II - REPRESENTATIONS AND WARRANTIES

Each of the parties hereto warrants and represents to the other that it is duly authorized to execute and deliver this Amendment and to perform its respective obligations under the General Agency Agreement as amended hereby, and that this Amendment constitutes the legal, valid and binding obligation of such party enforceable in accordance with its terms.

ARTICLE III - CONDITIONS PRECEDENT

This Amendment shall become effective on the date first set forth above; provided, however, that the effectiveness of this Amendment is subject to the satisfaction of each of the following conditions precedent:

3.1 Warranties. After giving effect to this Amendment, the representations and warranties in Sections 5 and 6 of the General Agency Agreement shall be true and correct as

though made on the date hereof, except for changes that are permitted by the terms of the General Agency Agreement.

3.2 No Breach. After giving effect to this Amendment, no material breach by either party shall have occurred and be continuing under the General Agency Agreement.

3.3 Execution and Delivery. This Amendment shall have been executed and delivered by American Equity and AEISC.

ARTICLE IV - GENERAL

4.2 Counterparts. This Amendment may be executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same instrument.

4.3 Severability. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provisions in any other jurisdiction.

4.4 Governing Law. This Amendment shall be a contract made under the laws of the State of Iowa, which laws shall govern all the rights and duties hereunder.

4.5 Successors; Enforceability. This Amendment shall be binding upon the parties and shall inure to the benefit of the parties, their respective successors and assigns. Except as hereby amended, the General Agency Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be executed at West Des Moines, Iowa by their respective officers thereunto duly authorized as of the date first written above.

AMERICAN EQUITY INVESTMENT  
LIFE INSURANCE COMPANY

AMERICAN EQUITY INVESTMENT  
SERVICE COMPANY

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

Agency Amendment No. 3 -- Commissions Schedule is attached to Paper Copy

-----

AMERICAN EQUITY INVESTMENT  
1996 STOCK OPTION PLAN

WHEREAS, the Board of Directors of the Company deems it in the best interest of the Company that certain employees and officers of the Company and its Subsidiary be given an opportunity to acquire an interest in the operation and growth of the Company as a means of assuring their maximum effort and continued association with the Company; and

WHEREAS, the Board believes that the Company can best obtain these and other benefits by granting incentive or nonqualified stock options to employees and officers designated from time to time, pursuant to this Plan; and

WHEREAS, the Board has determined to grant certain directors of the Company compensation in the form of nonqualified stock options pursuant to separate provisions within this Plan;

NOW, THEREFORE, the Board does hereby adopt this Stock Option Plan, subject to approval, within twelve (12) months of the date of adoption, by at least a majority of the shares voting at a shareholder's meeting, and subject to any necessary authorizations from any governmental authority.

ARTICLE I  
GENERAL

1.01 Purpose. American Equity Investment 1996 Stock Option Plan (the "Plan") is intended to advance the interests of American Equity Investment Life Holding Company (the "Company"), its shareholders and its Subsidiary by encouraging and enabling selected employees and officers upon whose judgment, initiative and effort the Company is largely dependent for the successful conduct of its business, to acquire and retain a proprietary interest in the Company by ownership of its stock. The Plan also contains separate provisions under which directors are entitled to acquire stock ownership through options granted on a formula basis.

1.02 Definitions.

(a) "Board" means the Board of Directors of the Company.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Committee" means the body administering the Plan.

(d) "Common Stock" means shares of common stock, \$1 par value, of the Company.

(e) "Date of Grant" means the date on which an option is granted under the Plan.

(f) "Incentive Stock Option" means an option granted under Article II of the Plan. Incentive Stock Options granted under the Plan are intended to be options which meet the requirements of Section 422A of the Internal Revenue Code of 1986 (the "Code"), as amended.

(g) "Option" means any option granted under the Plan.

(h) "Optionee" means a person to whom an Option, which has not expired, has been granted under the Plan.

(i) "Participant" means a person to whom one or more Options have been granted that have not been forfeited or terminated under the Plan.

(j) "Nonqualified Stock Option" means an option granted under Article III of the Plan.

(k) "Subsidiary" or "Subsidiaries" means a subsidiary corporation or corporations of the Company as defined in Section 424 of the Code.

(l) All personal pronouns used herein are intended to be gender neutral.

#### 1.03 Administration of Plan.

(a) The Plan shall be administered by the Board, if all members of the Board are disinterested persons, as hereinafter defined, or by a Committee of two or more members of the Board, each of whom is a disinterested person. If the Plan is administered by a Committee, it shall report all action taken by it to the Board. The Committee shall have full and final authority in its discretion, subject to the provisions of the Plan, to determine the individuals to whom and the time or times at which Options shall be granted; to determine the number of shares and the purchase price of the Common Stock covered by each such Option; to construe and interpret the Plan; to determine the terms and provisions of the Option agreements, which need not be identical, including, but without limitation, the time and manner in which each Option shall be exercisable, and the terms covering the payment of the Option price; and to make all other determinations and take all other actions deemed necessary or advisable for the proper administration of the Plan. All such actions and determinations shall be conclusively binding for all purposes and upon all persons.

(b) For purposes of this Agreement, the term "disinterested person" shall mean a member of the Board who was not, during the one-year period prior to service as an administrator of the Plan, or during such service, granted or awarded equity securities pursuant to the Plan or any other plan of the Company, or any of its affiliates, except that:

(i) participation in a formula plan meeting the conditions of Rule

16b-3(c)(2)(ii) (formula awards) promulgated by the Securities and Exchange Commission ("SEC") shall not disqualify a director from being a disinterested person;

(ii) participation in an ongoing securities acquisition plan meeting the conditions of Rule 16b-3(d)(2)(i) (thrift and savings plans) shall not disqualify a director from being a disinterested person;

(iii) an election to receive an annual retainer fee either in cash or in an equivalent amount of securities, or partly in cash and partly in securities, shall not disqualify a director from being a disinterested person;

(iv) administering another plan that does not permit participation by members of the Board shall not disqualify a director from administering this Plan.

The foregoing definition of a "disinterested person" is intended to comply with the requirements of Rule 16b-3(c)(2) and shall be deemed automatically amended to comply with any changes in such Rule which may hereafter be adopted by the SEC.

(c) Administration of the Plan by the Committee is applicable only to grants and awards of Options made pursuant to Articles II and III below. Directors who are not otherwise employed by the Company are not entitled to participate in grants and awards made under such Articles.

1.04 Stock Subject to Options. The maximum number of shares of Common Stock which may be issued upon the exercise of Options granted under the Plan shall be 400,000, subject to adjustment under the provisions of Section 5.03. The shares of Common Stock to be issued upon the exercise of Options may be authorized but unissued shares, shares issued and reacquired by the Company or shares bought on the market for the purposes of the Plan. In the event any Option shall, for any reason, terminate or expire or be surrendered without having been exercised in full, the shares subject to such Option but not purchased thereunder shall again be available for Options to be granted under the Plan.

1.05 Participants. Except with respect to Directors Options granted pursuant to Article IV below, Participants in the Plan shall be selected by the Committee from the officers and other key employees of the Company and/or its Subsidiaries who occupy responsible managerial or professional positions and who have the capability of making a substantial contribution to the success of the Company. In making this selection and in determining the form and amount of awards, the Committee shall consider any factors deemed relevant, including the individual's functions, responsibilities, value of services to the Company in the past and potential contributions to the Company's profitability and sound growth. The Committee's determinations under the Plan (including without limitation determinations of the persons to receive awards, the form, amount and timing of such awards, the terms and provisions of such awards and the agreements evidencing same) need not be uniform and may be made by it selectively among persons who receive or are eligible to receive awards under the Plan whether or not such persons are similarly

situated.

1.06 Types of Awards under Plan. Awards under the Plan may be in the form of any one or more of the following:

- (a) Incentive Stock Options as described in Article II;
- (b) Nonqualified Stock Options as described in Article III;

The formula grant of Options to Directors under Article IV shall be treated as a separate part of this Plan.

## ARTICLE II INCENTIVE STOCK OPTIONS

2.01 Award of Incentive Stock Options. The Committee may, from time to time and subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, grant to any Participant in the Plan one or more Incentive Stock Options (intended to qualify as such under the provisions of Section 422A of the Code) to purchase the number of shares of Common Stock designated in the Options allotted by the Committee. Any Option granted pursuant to this Article II shall be designated as an "Incentive Stock Option."

2.02 Terms and Conditions of Incentive Stock Options. Any Incentive Stock Option granted under the Plan shall be evidenced by an agreement executed by the Company and the applicable employee and shall contain such terms and be in such form as the Committee may from time to time approve, subject to the following limitations and conditions:

(a) Option Price. The option price per share with respect to each Incentive Stock Option shall be determined by the Committee but shall in no instance be less than 100% of the fair market value of a share of Common Stock on the Date of Grant and shall be paid in either cash or Common Stock. For the purpose hereof, fair market value shall be the last sale price on any national exchange or quotation system on the Date of Grant or, if the shares are not so traded, a similar measure of value as may be determined by the Committee in its sole discretion.

(b) Exercise of Options. An Option shall be exercised by a Participant by giving written notification to the Secretary of the Company (or other person designated by the Committee to receive such notice) of the Participant's exercise of such Option. Such notice shall specify the number of shares and the Date of Grant of the Option being exercised.

(c) Option Term. Options may be granted for a ten (10) year term. Each Option may be exercisable from time to time over a period commencing six (6) months after the Date of Grant and ending ten (10) years after the Date of Grant.

(d) Limitation on Exercise of Options. No Option may be exercised for less than ten (10) shares, subject to adjustment under Section 5.03. The aggregate fair market value (determined as of the time the Option is granted) of all shares of Common Stock which may be acquired upon the exercise of Options which first become exercisable in any calendar year pursuant to the terms of an Incentive Stock Option granted to an Optionee under the Plan or any other incentive stock option plan of the Company, shall not exceed \$100,000, as set forth in ss. 422A of the Code, as amended. In addition, the Committee may, in its discretion, set additional restrictions with respect to the exercise of Options.

(e) Nontransferability of Options. No Option shall be transferable or assignable by an Optionee, otherwise than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code. Each Option shall be exercisable, during the Optionee's lifetime, only by the Optionee, his guardian or legal representative. No Option shall be pledged or hypothecated in any way and no Option shall be subject to execution, attachment or similar process except with the express consent of the Committee.

(f) Termination of Employment. Upon termination of an Optionee's employment with the Company, or the relevant Subsidiary, his or her Option privileges, shall be limited to the shares purchasable by him or her as of the date that his or her employment was terminated, and such Option privileges shall expire sixty (60) days from the date that his or her employment was terminated. Nothing contained herein shall be construed to extend the ultimate term of the Option beyond the period of time as set out above in Section 2.02(c).

(g) Disability or Death of Optionee. If an Optionee's employment with the Company is terminated because of his death or disability, his Option privileges shall expire unless exercised within one (1) year after the date that his employment was terminated. In the event of the death of the Optionee, his Options may be exercised by the Optionee's designated beneficiary. Nothing contained herein shall be construed to extend the ultimate term of the Option beyond the period of time as set out above in Section 2.02(c).

### ARTICLE III NONQUALIFIED STOCK OPTIONS

3.01 Award of Nonqualified Stock Options. The Committee may, from time to time, and subject to the provisions of the Plan, and such other terms and conditions as the Committee may prescribe, grant to any Participant in the Plan one or more Nonqualified Stock Options to purchase the number of shares of Common Stock designated in the Options allotted by the Committee. Any Option granted pursuant to this Article III shall be designated as a "Nonqualified Stock Option."

3.02 Terms and Conditions of Nonqualified Stock Options. Any Nonqualified Stock Option granted under the Plan shall be evidenced by an agreement executed by the Company and

the applicable employee and shall contain such terms and be in such form as the Committee may from time to time approve, subject to the following limitations and conditions:

(a) Option Price. The option price per share with respect to each Option shall be determined by the Committee but shall in no instance be less than 100% of the fair market value of a share of Common Stock on the Date of Grant and shall be paid in either cash or Common Stock. For the purpose hereof, fair market value shall be the last sale price on any national exchange or quotation system on the Date of Grant or, if the shares are not so traded, a similar measure of value as may be determined by the Committee in its sole discretion.

(b) Exercise of Options. An Option shall be exercised by a Participant by giving written notification to the Secretary of the Company (or other person designated by the Committee to receive such notice) of the Participant's exercise of such Option. Such notice shall specify the number of shares and the Date of Grant of the Option being exercised.

(c) Option Term. Options may be granted for a ten (10) year term. Each Option may be exercisable from time to time over a period commencing six (6) months after the Date of Grant and ending ten (10) years after the Date of Grant.

(d) Limitation on Exercise of Options. No Option may be exercised for less than ten (10) shares, subject to adjustment under Section 5.03. In addition, the Committee may, in its discretion, set additional restrictions with respect to the exercise of the Options.

(e) Nontransferability of Options. No Option shall be transferable or assignable by an Optionee, otherwise than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code. Each Option shall be exercisable, during the Optionee's lifetime, only by the Optionee, his guardian or legal representative. No Option shall be pledged or hypothecated in any way and no Option shall be subject to execution, attachment or similar process except with the express consent of the Committee.

(f) Termination of Employment. Upon termination of an Optionee's employment with the Company, or the relevant Subsidiary, his Option privileges, shall be limited to the shares purchasable by him as of the date that his employment was terminated, and such Option privileges shall expire sixty (60) days from the date that his employment was terminated. Nothing contained herein shall be construed to extend the ultimate term of the Option beyond the period of time as set out above in Section 3.02(c).

(g) Disability or Death of Optionee. If an Optionee's employment with the Company is terminated because of his death or disability, his Option privileges shall expire unless exercised within one (1) year after the date that his employment was terminated. In the event of the death of the Optionee, his Options may be exercised by the Optionee's designated beneficiary. Nothing contained herein shall be construed to extend

the ultimate term of the Option beyond the period of time as set out above in Section 3.02(c).

ARTICLE IV  
DIRECTORS OPTIONS

4.01 Grant of Options to Directors. Any person who is a Director of the Company but not also an employee of the Company shall be entitled to receive a grant of nonqualified stock options for -0- shares of Common Stock per year, subject to adjustment under Section 5.03. Each grant of such Options shall be made on the first business day of the month following the month in which the Company's Annual Meeting of Stockholders is held.

4.02 Terms and Conditions of Options. Any Option granted under the Plan shall be evidenced by an agreement executed by the Company and the applicable Director and shall contain the following limitations and conditions:

(a) Option Price. The option price per share with respect to each Option shall be the fair market value of a share of the Common stock on the Date of Grant and shall be paid in either cash or Common Stock. For the purpose hereof, fair market value shall be the last sale price on any national exchange or quotation system on the Date of Grant or, if not so traded, a similar measure of value as determined by the Committee in its sole discretion.

(b) Option Term. Options may be granted for a ten (10) year term. Each Option may be exercisable from time to time over a period commencing six (6) months after the Date of Grant and ending ten (10) years after the Date of Grant.

(c) Limitation on Exercise of Options. No Option may be exercised for less than ten (10) shares.

(d) Nontransferability of Option. No Option shall be transferable or assignable by an Optionee, otherwise than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code. Each Option shall be exercisable, during the Optionee's lifetime, only by the Optionee, his guardian or legal representative. No Option shall be pledged or hypothecated in any way and no Option shall be subject to execution, attachment or similar process except with the express consent of the Board.

(e) Termination of Directorship. Upon termination of an Optionee's directorship with the Company for any reason, including without limitation the Optionee's death or disability, his Option privileges shall expire one (1) year from such date. In the event of the death of the Optionee, his Options may be exercised by Optionee's designated beneficiary. Nothing contained herein shall be construed to extend the ultimate term of the Option beyond the period of time as set out above in Section 4.02(b).

ARTICLE V  
MISCELLANEOUS

5.01 Acceleration of Vesting.

(a) If an Option contains a vesting schedule or has not become totally exercisable as of the date of any of the following events, such vesting schedule may be accelerated, and/or any other restrictions to exercise may be removed upon delivery to the Committee of a written election of such acceleration by the Optionee (or the designated beneficiary of a deceased Optionee):

- (i) The death of the Optionee;
- (ii) The disability of the Optionee;
- (iii) A "change of control" as hereinafter defined.

(b) For purposes of this Agreement, a "change in control" shall be deemed to have occurred on such date if:

(i) any person, organization or association of persons or organizations acting in concert, excluding affiliates of the Company itself, shall acquire more than twenty percent (20%) of the outstanding voting stock of the Company in whole or in part by means of an offer made publicly to the holders of all or substantially all of the outstanding shares of any one or more classes of the voting securities of the Company to acquire such shares for cash, other property or a combination thereof; or

(ii) any person, organization or association of persons or organizations acting in concert shall succeed in electing two or more directors in any one election in opposition to those proposed by management; or

(iii) the Company transfers all or substantially all of its operating properties and assets to another person, organization or association of persons or organizations, excluding affiliates of the Company itself; or

(iv) the Company shall consolidate with or merge into any person, firm or corporation unless the Company or a Subsidiary shall be the continuing corporation or the successor corporation;

5.02 Individuals With More than 10% Ownership. No Option will be granted to an individual who at the time of the grant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company.

### 5.03 Adjustments.

(a) In the event that the outstanding shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation, by reason of a recapitalization, reclassification, stock split-up, combination of shares, reorganization, tender offer or dividend or other distribution payable in capital stock, appropriate adjustment shall be made by the Committee in the number and kind of shares on which Options may be granted under the Plan, including without limitation, the number of shares on which Options are to be granted annually to Directors under Section 4.01. In addition, the Committee shall make appropriate adjustment in the number and kind of shares as to which Options, or portions thereof are then unexercised, to the end that the proportionate interest of the holder of the Option shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustment in outstanding Options shall be made without change in the total price applicable to the unexercised portion of the Option but with a corresponding adjustment in the Option price per share.

(b) In the event of the dissolution or liquidation of the Company, any Option granted under the Plan shall terminate as of a date to be fixed by the Committee, provided that not less than thirty (30) days written notice of the date so fixed shall be given to each Optionee and each such person shall have the right during such period to exercise his Options as to all or any part of the shares covered thereby including shares as to which such Options would not otherwise be exercisable by reason of an insufficient lapse of time.

(c) Adjustments and determinations under this Section 5.03 shall be made by the Committee, whose decisions as to what adjustments or determinations shall be made, and the extent thereof, shall be final, binding and conclusive.

5.04 Restrictions on Issuing Shares. The exercise of each Option shall be subject to the condition that if at any time the Company shall determine in its discretion that the satisfaction of withholding tax or other withholding liabilities, or that the listing, registration or qualification of any securities exchange or under any state or federal law, or that the consent or approval of any regulatory body, is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of shares pursuant thereto, then in any such event, such exercise shall not be effective unless such withholding, listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

5.05 Use of Proceeds. The proceeds received by the Company from the sale of Common Stock pursuant to the exercise of Options granted under the Plan shall be added to the Company's general funds and used for general corporate purposes. If stock is received, it shall be held in the treasury and used as the Company decides.

5.06 Right to Terminate Employment. Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any Participant the right to continue in the employment of the Company or to affect any right which the Company may have to terminate the

employment of such Participant.

5.07 Amendment, Suspension and Termination of Plan. The Board may at any time suspend or terminate the Plan or may amend it from time to time in such respects as the Board may deem advisable in order that the Options granted thereunder may conform to any changes in the law or in any other respect which the Board may deem to be in the best interests of the Company; provided, however, that the Plan may not be amended more than once during any six-month period, except if necessary to comply with the Code or ERISA, and that, without approval by the shareholders of the Company representing a majority of the voting power present at a duly called meeting, no such amendment shall (a) except as specified in Section 5.03, increase or decrease the number of shares for which Options may be granted under the Plan; (b) change the provisions of Section 1.05 relating to whom may be granted Options; (c) change the provisions of Sections 1.02(a), 1.02(k), 2.02(a) and 3.02(a) relating to the establishment of the Option price; (d) change the provisions of Sections 2.02(c) or 3.02(b) relating to the expiration date of each Option; (e) change the provisions of this Section relating to the term of this Plan, or (f) otherwise materially increase the benefits accruing to Participants under the Plan. Unless the Plan shall theretofore have been terminated by the Board, the Plan shall terminate on the 18th day of January, 2006. No Option may be granted during any suspension or after the termination of the Plan. No amendment, suspension, or termination of the Plan shall, without a Participant's consent, alter or impair any of the rights or obligations under any Option theretofore granted to such Participant under the Plan.

5.08 Cash or Property Bonus. The Board, in its sole and absolute discretion, may at any time including but not limited to the time of exercise, authorize a taxable cash or property bonus to be paid a Participant who is not a Director. The amount of the bonus, if any, shall be determined by the Board. The property transferred at exercise is subject to Section 61 and Section 83 of the Code, as amended.

5.09 Effective Date of Plan and Shareholder Approval. The effective date of the Plan is the 18th day of January, 1996, the date of its approval by the Board; however, if the Plan is not approved and ratified by the shareholders of the Company within twelve (12) months from the date the Plan was adopted and approved by the Board, the Plan shall terminate and any Options granted thereunder shall be void and have no force or effect.

Dated this 18th day of January, 1996.

By: /s/ D.J. Noble

-----  
D.J. Noble, President

ATTEST:

/s/ Wendy L. Carlson

-----

RESTATED AND AMENDED  
STOCK OPTION AND WARRANT AGREEMENT

THIS RESTATED AND AMENDED STOCK OPTION AND WARRANT AGREEMENT is entered into this 30th day of April, 1997, by and between American Equity Investment Life Holding Company, a Delaware corporation ("Company"), 5000 Westown Parkway, Suite 440, West Des Moines, Iowa 50266, and D. J. Noble ("Noble"), 5461 Gulf of Mexico Drive, #204, Longboat Key, Florida 34228.

WHEREAS, the parties entered into that certain Stock Option Agreement, dated as of January 3, 1996, pursuant to which Noble, as the founding shareholder of the Company, received an option to maintain an ownership interest of up to 51% of the issued and outstanding shares of Common Stock of the Company, par value \$1 per share (the "Common Stock");

WHEREAS, the parties have agreed to restate and amend the Stock Option Agreement to specify the number of shares which Noble may acquire upon exercise of the option, and, in consideration of such limitation, to grant Noble a warrant to acquire up to 80,000 shares upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, THE PARTIES AGREE, as follows:

1. Grant of Option. The Company hereby grants Noble an option ("Option") to acquire 320,000 shares (the "Option Shares") of the Common Stock of the Company upon the terms and conditions hereinafter set forth. This Option may be exercised in whole or in part at any time or from time to time by Noble. This Option is granted for a ten-year term and may not be exercised after the expiration of ten years from the date of this Agreement.

2. Exercise Price. The exercise price payable by Noble for each share of Common Stock as to which this Option may be exercised is as follows:

- (i) the exercise price for 200,000 of the Option Shares shall be \$10 per share, subject to adjustment under Section 4 below;
- (ii) the exercise price for 120,000 of the Option Shares shall be the fair value per share of the Common Stock on the date of exercise as determined by the Company's Board of Directors on the basis of the prices of shares of Stock sold to unaffiliated third parties within the 180-day period prior to the date or dates of exercise of the Option, as applicable;

3. Method of Exercise. This Option shall be exercisable by written notice given by Noble to Company which shall:

- (i) State the number of shares in respect of which the Option is being exercised;

(ii) Set forth any representations and agreements as to Noble's investment intent with respect to such shares of Common Stock as may be satisfactory to Company's counsel; and

(iii) Bear Noble's signature.

Payment of the purchase price of any shares with respect to which the Option is being exercised shall be by certified or bank cashier's check delivered with the notice of exercise.

#### 4. Adjustments.

(i) Whenever a stock split, stock dividend or other similar change in capitalization of the Company occurs, the number of shares that can thereafter be purchased and the Option price per share under this Option that has been granted and not exercised shall be appropriately adjusted to maintain the proportionate interest in the Common Stock which Noble may acquire under the Option at an aggregate price equivalent to that which would have been payable prior to the applicable change in capitalization.

(ii) In the event of the dissolution or liquidation of the Company, any Option granted hereunder shall terminate as of a date to be fixed by the Company's Board of Directors, provided that not less than 30 days' written notice of the date so fixed shall be given to Noble and Noble shall have the right during such period to exercise Noble's Option as to all or any part of the shares covered thereby, including shares as to which such Option would not otherwise be exercisable by reason of an insufficient lapse of time.

(iii) Adjustments and determinations under this paragraph 4 shall be made by the Company's Board of Directors, whose decisions as to what adjustments or determinations shall be made, and the extent thereof, shall be final, binding and conclusive.

5. Warrant Agreement. Concurrently with the execution of this Agreement, the parties shall enter into a Warrant Agreement substantially in the form of Exhibit A hereto, pursuant to which Noble may acquire up to 80,000 shares of Common Stock at an exercise price of \$10 per share, subject to adjustment as provided in the Warrant Agreement.

6. Substitution for Stock Option Agreement. This Restated and Amended Stock Option and Warrant Agreement shall supersede and replace the Stock Option Agreement in its entirety.

7. Notices. Each notice relating to this Agreement shall be in writing and delivered in person or by certified mail to the proper address, and shall be deemed to have been given on

the date it is received. Each notice to the Company shall be addressed to it at its principal office, attention of the Secretary. Each notice to Noble shall be addressed to Noble or such other person or persons at Noble's address set forth in the heading of this Agreement. Either party hereof may designate a new address by written notice to that effect.

7. Benefits of Agreement. This Agreement shall inure to the benefit of and be binding upon each successor of the Company. All obligations imposed upon Noble and all rights granted to the Company under this Agreement shall be binding upon Noble's heirs, legal representatives and successors. This Agreement shall be the sole and exclusive source of any and all rights which Noble, Noble's heirs, legal representatives, or successors may have hereunder or any options or Stock granted or issued hereunder whether to Noble or to any other person.

IN WITNESS WHEREOF, the Company and Noble have caused this Agreement to be executed effective as of the day, month and year first above written.

AMERICAN EQUITY INVESTMENT  
LIFE HOLDING COMPANY

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

ATTEST:

/s/ Debra J. Richardson  
-----  
Debra J. Richardson, Secretary

/s/ D.J. Noble  
-----  
D.J. Noble, Optionee

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE (COLLECTIVELY, THE "ACTS"). NEITHER THIS WARRANT NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT WITH RESPECT HERETO UNDER ALL OF THE APPLICABLE ACTS, OR AN OPINION OF COUNSEL SATISFACTORY TO AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY TO THE EFFECT THAT SUCH REGISTRATIONS ARE NOT REQUIRED.

WARRANT

to Purchase Common Stock of

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Expiring on April 30, 2000

THIS IS TO CERTIFY THAT, for value received, D. J. NOBLE, or permitted assigns, is entitled to purchase from AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY, a Delaware corporation (the "Company"), at the place where the Warrant Office designated pursuant to Section 2.1 is located, at a purchase price of \$10.00 per share (as adjusted pursuant to the terms of this Warrant, the "Exercise Price"), and 80,000 shares of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock, \$1.00 par value, of the Company (the "Common Stock"), and is entitled also to exercise the other appurtenant rights, powers and privileges hereinafter set forth. The number of shares of the Common Stock purchasable hereunder and the Exercise Price are subject to adjustment in accordance with Article III hereof. This Warrant shall expire at 5:00 p.m., E.S.T., on April 30, 2000.

Certain Terms used in this Warrant are defined in Article IV.

ARTICLE I  
Exercise of Warrant

1.1 Method of Exercise. This Warrant may be exercised as a whole or in part from time to time. To exercise this Warrant, the holder hereof or permitted assignees of all rights of the registered owner hereof shall deliver to the Company, at the Warrant Office designated in Section 2.1, (a) a written notice in the form of the Subscription Notice attached as an exhibit hereto, stating therein the election of such holder or such permitted assignees of the holder to exercise this Warrant in the manner provided in the Subscription Notice, (b) payment in full of the Exercise Price (in the manner described below) for all Warrant Shares purchased hereunder, and (c) this Warrant. Subject to compliance with Section 3.1(a)(vi), this Warrant shall be deemed to be exercised on the date of receipt by the Company of the Subscription Notice, accompanied by payment for the Warrant Shares and surrender of this Warrant, as aforesaid, and such date is referred to herein as the "Exercise Date". Upon such exercise (subject as aforesaid), the Company shall issue and deliver to such holder certificate(s) for the full number of the Warrant Shares purchasable by such holder hereunder, against the receipt by the Company of the total Exercise Price payable hereunder for all the Warrant Shares, (a) in cash or by certified or cashier's check or (b) by surrendering Warrant Shares having a Current Market value equal to the Exercise Price for all the Warrant Shares, so purchased. The Person in whose name the certificate(s) for Common Stock is to be issued shall be deemed to have become a holder of record of such Common Stock on the Exercise Date.

1.2 Fractional Shares. In lieu of any fractional shares of Common Stock which would otherwise be issuable upon exercise of this Warrant, the Company shall issue a certificate for the next

higher number of whole shares of Common Stock for any fraction of a share which is one-half or greater. No shares will be issued for less than one-half a share.

ARTICLE II  
Warrant Office; Transfer

2.1 Warrant Office. The Company shall maintain an office for certain purposes specified herein (the "Warrant Office"), which office shall initially be the Company's office at 5000 Westown Parkway, Suite 440, Des Moines, Iowa 50266 and may subsequently be such other office of the Company or of any transfer agent of the Common Stock in the continental United States as to which written notice has previously been given to the holder of this Warrant. The Company shall maintain, at the Warrant Office, a register for the Warrant, in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each permitted assignee of the rights of the registered owner hereof.

2.2 Ownership of Warrant. The Company may deem and treat the person in whose name this Warrant is registered as the holder and owner hereof (notwithstanding any notations of ownership or writing hereon made by anyone other than the Company) for all purposes and shall not be affected by any notice to the contrary, until presentation of this Warrant for registration of transfer as provided in this Article II.

2.3 Transfer of Warrants. The Company agrees to maintain at the Warrant Office books for the registration and transfer of this Warrant. The Company, from time to time, shall register the transfer of this Warrant in such books upon surrender of this Warrant at the Warrant Office properly endorsed or accompanied by appropriate instruments of transfer and written instructions for transfer satisfactory to the Company. Upon any such transfer, a new Warrant shall be issued to the transferee and the surrendered Warrant shall be canceled by the Company. The registered holder of this Warrant shall pay all taxes and all other expenses and charges payable in connection with the transfer of Warrants pursuant to this Section 2.3.

2.4 Required Registration. The registered holder of this Warrant shall be entitled to all of the rights and benefits of a shareholder under the Registration Rights Agreement dated April 30, 1997 (the "Registration Rights Agreement") between the Company and certain of its shareholders. The Warrant Shares shall be considered Registrable Securities under the Registration Rights Agreement. The terms of the Registration Rights Agreement are hereby incorporated herein by reference for all purposes and shall be considered a part of this warrant as if they had been fully set forth herein.

2.5 Acknowledgment of Rights. The Company will, at the time of the exercise of this Warrant in accordance with the terms hereof, upon the request of the registered holder hereof, acknowledge in writing its continuing obligation to afford to such holder any rights (including without limitation, any right to registration of the Warrant Shares) to which such holder shall continue to be entitled in accordance with the provisions of this Warrant, provided that if the holder of this Warrant shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such holder any such rights.

2.6 Expenses of Delivery of Warrants. The Company shall pay all expenses, taxes (other than securities and transfer taxes) and other charges payable in connection with the preparation, issuance and delivery of Warrants and related Warrant Shares hereunder.

2.7 Compliance with Securities Laws. The holder hereof understands and agrees that the following restrictions and limitations shall be applicable to all Warrant Shares and resales or other transfers of such Shares or Warrants pursuant to the Securities Act:

(a) The holder hereof agrees that the Warrant Shares shall not be sold or otherwise transferred unless the Warrant Shares are registered under the Securities Act and state securities laws or are exempt therefrom.

(b) A legend in substantially the following form has been or will be placed on the certificate(s) evidencing the Warrant Shares:

"The securities represented by this certificate have not been registered under the Securities Act of 1933 or any state securities act. The securities have been acquired for investment and may not be sold, transferred, pledged or hypothecated unless (i) they shall have been registered under the Securities Act of 1933 and any applicable state securities act, or (ii) the corporation shall have been furnished with an opinion of counsel, satisfactory to counsel for the corporation that registration is not required under any of such acts."

(c) Stop transfer instructions have been or will be imposed with respect to the Warrant Shares so as to restrict resale or other transfer thereof, subject to this Section 2.7.

### ARTICLE III Anti-Dilution Provisions

3.1 Adjustment of Exercise Price and Number of Warrant Shares. The Exercise Price shall be subject to adjustment from time to time as hereinafter in this Article m provided. Upon each adjustment of the Exercise Price, except pursuant to 3. 1(a) (v), the registered holder of the Warrant shall thereafter be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of shares of the Common Stock (calculated to the nearest whole share pursuant to Section 1.2) obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares of the Common Stock purchasable pursuant hereto immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.

(a) Exercise Price Adjustments. The Exercise Price shall be subject to adjustment from time to time as follows:

(i) Issuances of Common Stock. If, at any time, the Company shall issue any Common Stock other than Excluded Stock (as hereinafter defined) without consideration or for a consideration per share less than the Exercise Price applicable immediately prior to such issuance, the Exercise Price in effect immediately prior to each such issuance shall immediately (except as provided below) be adjusted by reducing such Exercise Price to an amount equal to the greater of (A) the result obtained by dividing (x) the consideration, if any, received by the Company upon such issuance by (y) the total number of shares of Common Stock issued by the Company and (B) \$1.00.

For the purpose of any adjustment of the Exercise Price pursuant to this clause (i) of this Section 3. 1(a), the following provisions shall be applicable:

(A) Cash. In the case of the issuance of Common Stock for cash, the amount of the consideration received by the Company shall be deemed to be the amount of the cash proceeds received by the Company for such Common Stock before deducting therefrom any reasonable discounts, commissions, taxes or other expenses allowed, paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof.

(B) Consideration Other Than Cash. In the case of the issuance of Common Stock (otherwise than upon the conversion of shares of capital stock or other securities of the Company) for a consideration in whole or in part other than cash, including securities acquired in exchange therefor (other than securities by their terms so exchangeable), the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors in good faith, irrespective of any accounting treatment; provided, however, that such fair value as determined by the Board of Directors shall not exceed the aggregate Current Market Price of the shares of Common Stock being issued as of the date the Board of Directors authorizes the issuance of such shares.

(C) Options and Convertible Securities, etc. In case, at any time, the Company shall issue any (i) options, warrants or other rights to purchase or acquire Common Stock other than Excluded Stock (whether or not at the time exercisable), (ii) securities by their terms convertible into or exchangeable for Common Stock (whether or not at the time so convertible or exercisable), or (iii) options, warrants or rights to purchase such convertible or exchangeable securities (whether or not at the time exercisable), the Exercise Price in effect immediately prior to each such issuance shall immediately (except as provided below) be reduced to the price determined in accordance with Section 3.1(a)(i) and the following:

(1) the aggregate maximum number of shares of Common Stock deliverable upon exercise of such options, warrants or other rights to purchase or acquire Common Stock shall be deemed to have been issued at the time such options, warrants or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subclauses (A) and (B) above), if any, received by the Company upon the issuance of such options, warrants or rights plus the minimum purchase price provided in such options, warrants or rights for the Common Stock covered thereby;

(2) the aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities, or upon the exercise of options, warrants or other rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof, shall be deemed to have been issued at the time such securities were issued or such options, warrants or rights were issued and for a consideration equal to the consideration, if any, received by the Company for any such securities and related options, warrants or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration, if any, to be received by the Company upon the conversion or exchange of such securities and the exercise of any related options, warrants or rights (the consideration in each case to be determined in the manner provided in subclauses (A) and (B) above);

(3) on any change in the number of shares of Common Stock deliverable upon exercise of any such options, warrants or rights or conversion or of exchange for such convertible or exchangeable securities or any change in the consideration to be received by the Company upon such exercise, conversion or exchange, including, but not limited to, a change

resulting from the anti-dilution provisions thereof, the Exercise Price as then in effect shall forthwith be readjusted to such Exercise Price as would have been obtained had an adjustment been made upon the issuance of such options, warrants or rights not exercised prior to such change, or securities not converted or exchanged prior to such change, on the basis of such change;

(4) on the expiration or cancellation of any such options, warrants or rights, or the termination of the right to convert or exchange such convertible or exchangeable securities, if the Exercise Price shall have been adjusted upon the issuance thereof, the Exercise Price shall forthwith be readjusted to such Exercise Price as would have been obtained had an adjustment been made upon the issuance of such options, warrants, rights or securities on the basis of the issuance of only the number of shares of Common Stock actually issued upon the exercise of such options, warrants or rights, or upon the conversion or exchange of such securities; and

(5) if the Exercise Price shall have been adjusted upon the issuance of any such options, warrants, rights or convertible or exchangeable securities, no further adjustment of the Exercise Price shall be made for the actual issuance of Common Stock upon the exercise, conversion or exchange thereof; provided, however, that no increase in the initial Exercise Price shall be made pursuant to this Section 3.1(a)(i)(C).

(ii) Excluded Stock. "Excluded Stock" shall mean shares of Common Stock issued or reserved for issuance by the Company (A) upon exercise of any stock purchase warrant issued by the Company prior to April 30, 1997, (B) upon exercise of any options or warrants issued to officers, directors or employees of the Company pursuant to a stock option incentive plan approved by the Board of Directors of the Company (provided that the aggregate number of shares of Common Stock which may be issued under any employee stock option incentive plans shall not exceed 20% of the issued and outstanding shares of Common Stock of the company), (C) upon exercise of this Warrant, (D) pursuant to the terms of any deferred compensation plan instituted by the Company for the benefit of certain national marketing organizations acting on behalf of the Company or certain of fixers of the Company or its subsidiaries which plan is approved by the Board of Directors of the Company, or (1;) pursuant to a stock dividend, subdivision or split-up covered by clause (iv) of this Section 3.1(a).

(iii) Stock Dividends. If the number of shares of Common Stock outstanding at any time after the date of this Warrant is increased by a stock dividend payable in shares of Common Stock or by a subdivision or split-up of shares of Common Stock, then immediately after the record date fixed for the determination of holders of Common Stock entitled to receive such stock dividend or the effective date of such subdivision or split-up, as the case may be, the Exercise Price shall be appropriately adjusted so that the adjusted Exercise Price shall bear the same relation to the Exercise Price in effect immediately prior to such adjustment as the total number of shares of Common Stock outstanding immediately prior to such action shall bear to the total number of shares of Common Stock outstanding immediately after such action.

(iv) Combination of Stock. If the number of shares of Common Stock outstanding at any time after the date of issuance of this Warrant is decreased by a combination of the outstanding shares of Common Stock, then, immediately after the effective date of such combination, the Exercise Price shall be appropriately adjusted so that the adjusted Exercise Price shall bear the same relation to the Exercise Price in effect immediately prior to such adjustment

as the total number of shares of Common Stock outstanding immediately prior to such action shall bear to the total number of shares of Common Stock outstanding immediately after such action.

(v) Reorganizations, etc. In case of any capital reorganization of the Company, or of any reclassification of the Common Stock, or in case of the consolidation of the Company with or the merger of the Company with or into any other Person or of the sale, lease or other transfer of all or substantially all of the assets of the Company to any other Person, this Warrant shall, after such capital reorganization, reclassification, consolidation, merger, sale, lease or other transfer, be exercisable for the number of shares of stock or other securities or property to which the Common Stock issuable (at the time of such capital reorganization, reclassification, consolidation, merger, sale, lease or other transfer) upon exercise of this Warrant would have been entitled to receive upon such capital reorganization, reclassification, consolidation, merger, sale, lease or other transfer if such exercise had taken place; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the holder of this Warrant shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities or property thereafter deliverable on the exercise of this Warrant. In case of any distribution by the Company of any security (including rights or warrants to subscribe for any such securities, evidences of its indebtedness, cash or other assets to all of the holders of its Common Stock, then in each such case the Exercise Price in effect thereafter shall be determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction the numerator of which shall be the total number of outstanding shares of Common Stock multiplied by the Current Market Price on the record date mentioned below, less the fair market value (as determined in good faith by the Board of Directors) of the securities, evidences of its indebtedness, cash or other assets distributed by the Company and the denominator of which shall be the total number of outstanding shares of Common Stock multiplied by the Current Market Price; such adjustment shall become effective as of the record date for the determination of stockholders entitled to receive such distribution. The subdivision or combination of shares of Common Stock issuable upon exercise of this Warrant at any time outstanding into a greater or lesser number of shares of Common Stock (whether with or without par value) shall not be deemed to be a reclassification of the Common Stock of the Company for the purposes of this clause (v).

(vi) Rounding of Calculations: Minimum Adjustment. All calculations under this Section 3.1(a) and under Section 3.1(b) shall be made to the nearest cent or to the nearest whole share (as provided in Section 1.2) share, as the case may be. Any provision of this Section 3.1 to the contrary notwithstanding, no adjustment in the Exercise Price shall be made if the amount of such adjustment would be less than one percent, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate one percent or more.

(vii) Timing of Issuance of Additional Common Stock Upon Certain Adjustments. In any case in which the provisions of this Section 3.1(a) shall require that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event issuing to the holder of this Warrant after such record date and before the occurrence of such event the additional shares of Common Stock or other property issuable or deliverable upon exercise by reason of the adjustment required by such event over and above the shares of Common Stock or other property issuable or deliverable upon such exercise before giving effect to such adjustment; provided, however, that the Company upon request shall

deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares or other property, and such cash, upon the occurrence of the event requiring such adjustment.

(b) Current Market Price. The Current Market Price shall mean, as of any date, 5 % of the sum of the average, for each of the 20 consecutive Trading Days immediately prior to such date, of either: (i) the high and low sales prices of the Common Stock on such Trading Day as reported on the composite tape for the principal national securities exchange on which the Common Stock may then be listed, or (ii) if the Common Stock shall not be so listed on any such Trading Day, the high and low sales prices of Common Stock in the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotations System ("NASDAQ") for National Market Issues, or (iii) if the Common Shares shall not be included in the NASDAQ National Market System on any such Trading Day, the representative bid and asked prices at the end of such Trading Day in such market as reported by NASDAQ, or (iv) if there be no such representative prices reported by NASDAQ, the lowest bid and highest asked prices at the end of such Trading Day in the over-the-counter market as reported by the National Quotation Bureau, Inc., or any successor organization. For purposes of determining Current Market Price, the term "Trading Days shall mean a day on which an amount greater than zero can be calculated with respect to the Common Stock under any one or more of the foregoing categories (i), (ii), (iii) and (iv), and the "end" thereof, for the purposes of categories (iii) and (iv), shall mean the exact time at which trading shall end on the New York Stock Exchange. If the Current Market Price cannot be determined under any of the foregoing methods, Current Market Price shall mean the fair value per share of Common Stock on such date determined by the Board of Directors in good faith, irrespective of any accounting treatment.

(c) Statement Regarding Adjustments. Whenever the Exercise Price shall be adjusted as provided in Section 3.1(a), and upon each change in the number of shares of the Common Stock issuable upon exercise of this Warrant, the Company shall forthwith file, at the office of any transfer agent for this Warrant and at the principal office of the Company, a statement showing in detail the facts requiring such adjustment and the Exercise Price and new number of shares issuable that shall be in effect after such adjustment, and the Company shall also cause a copy of such statement to be given to the holder of this Warrant. Each such statement shall be signed by the Company's chief financial or accounting officer. Where appropriate, such copy may be given in advance and may be included as part of a notice required to be mailed under the provisions of Section 3.1(d).

(d) Notice to Holders. In the event the Company shall propose to take any action of the type described in clause (iii), (iv), or (v) of Section 3.1(a), the Company shall give notice to the holder of this Warrant, in the manner set forth in Section 6.6, which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

(e) Treasury Stock. For the purposes of this Section 3.1, the sale or other disposition of any Common Stock of the Company theretofore held in its treasury shall be deemed to be an issuance thereof.

3.2 Costs. The registered holder of this Warrant shall pay all documentary, stamp, transfer or other transactional taxes attributable to the issuance or delivery of shares of Common Stock of the Company upon exercise of this Warrant; provided further, and not in limitation of the foregoing, that the Company shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares. The holder of this Warrant shall reimburse the Company for any such taxes assessed against the Company.

3.3 Reservations of Shares. The Company shall reserve at all times so long as this Warrant remains outstanding, free from preemptive rights, out of its treasury Common Stock or its authorized but unissued shares of Common Stock, or both, solely for the purpose of effecting the exercise of this Warrant, sufficient shares of Common Stock to provide for the exercise hereof.

3.4 Valid Issuance. All shares of Common Stock which may be issued upon exercise of this Warrant will upon issuance by the Company be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issuance thereof attributable to any act or omission by the Company, and the Company shall take no action which will cause a contrary result (including without limitation, any action which would cause the Exercise Price to be less than the par value, if any, of the Common Stock).

#### ARTICLE IV Terms Defined

As used in this Warrant, unless the context otherwise requires, the following terms have the respective meanings set forth below or in the Section indicated:

"Board of Directors" -- the Board of Directors of the Company.

"Common Stock" -- the Company's authorized Common Stock, \$1.00 par value per share.

"Company" -- American Equity Investment Life Holding Company, a Delaware corporation, and any other corporation assuming or required to assume the obligations undertaken in connection with this Warrant.

"Current Market Price" -- Section 3.1(b).

"Outstanding" -- when used with reference to Common Stock at any date, all issued shares of Common Stock (including, but without duplication, shares deemed issued pursuant to Article E) at such date, except shares then held in the treasury of the Company.

"NASDAQ" -- Section 3.1(b).

"Person" -- any individual, corporation, partnership, trust, organization, association or other entity or individual.

"Securities Act" -- the Securities Act of 1933 and the rules and regulations thereunder, all as the same shall be in effect at the time.

"Trading Day" -- Section 3.1(b).

"Warrant" --- this Warrant and any successor or replacement Warrant delivered in accordance with Section 2.3 or 6.8.

"Warrant Office" --- Section 2.1.

"Warrant Shares" --- shall mean the shares of Common Stock purchased or purchasable by the registered holder of this Warrant or the permitted assignees of such holder upon exercise thereof pursuant to Article I hereof.

ARTICLE V  
Covenant of the Company

The Company covenants and agrees that this Warrant shall be binding upon any corporation succeeding to the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets.

ARTICLE VI  
Miscellaneous

6.1 Entire Agreement. This Warrant contains the entire agreement between the holder hereof and the Company with respect to the shares which it can purchase upon exercise hereof and the related transactions and supersedes all prior arrangements or understanding with respect thereto.

6.2 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware.

6.3 Waiver and Amendment. Any term or provision of this Warrant may be waived at any time by the party which is entitled to the benefits thereof and any term or provision of this Warrant may be amended or supplemented at any time by agreement of the holder hereof and the Company, except that any waiver of any term or condition, or any amendment or supplementation, of this Warrant must be in writing. A waiver of any breach or failure to enforce any of the terms or conditions of this Warrant shall not in any way affect, limit or waive a party's rights hereunder at any time to enforce strict compliance thereafter with every term or condition of this Warrant.

6.4 Illegality. In the event that any one or more of the provisions contained in this Warrant shall be determined to be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in any other respect and the remaining provisions of this Warrant shall not, at the election of the party for whom the benefit of the provision exists, be in any way impaired.

6.5 Copy of Warrant. A copy of this Warrant shall be filed among the records of the Company.

6.6 Notice. Any notice or other document required or permitted to be given or delivered to the holder hereof shall be delivered at, or sent by certified or registered mail to such holder at, the last address shown on the books of the Company maintained at the Warrant Office for the registration of this Warrant or at any more recent address of which the holder hereof shall have notified the Company in writing. Any notice or other document required or permitted to be given or delivered to the Company, other than such notice or documents required to be delivered to the Warrant Office, shall be delivered at, or sent by

certified or registered mail to, the office of the Company at 500 Westown Parkway, Des Moines, Iowa 50266 or such other address within the continental United States of America as shall have been furnished by the Company to the holder of this Warrant.

6.7 Limitation of Liability: Not Stockholders. No provision of this Warrant shall be construed as conferring upon the holder hereof the right to vote, consent, receive dividends or receive notices other than as herein expressly provided in respect of meetings of stockholders for the election of directors of the Company or any other matter whatsoever as a stockholder of the Company. No provision hereof, in the absence of affirmative action by the holder hereof to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the holder hereof, shall give rise to any liability of such holder for the purchase price of any shares of Common Stock or as a stockholder of the Company, whether such Liability is asserted by the Company or by creditors of the Company.

6.8 Exchange, Loss, Destruction, etc. of Warrant. Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of this Warrant, and in the case of any such loss, theft or destruction upon delivery of a bond of indemnity in such form and amount as shall be reasonably satisfactory to the Company, or in the event of such mutilation upon surrender and cancellation of this Warrant, the Company will make and deliver a new Warrant of like tenor, in lieu of such lost, stolen, destroyed or mutilated Warrant; provided, however, that the original recipient of this Warrant shall not be required to provide any such bond of indemnity and may in lieu thereof provide his agreement of indemnity. Any Warrant issued under the provisions of this Section 6.8 in lieu of any Warrant alleged to be lost, destroyed or stolen, or in lieu of any mutilated Warrant, shall constitute an original contractual obligation on the part of the Company. This Warrant shall be promptly canceled by the Company upon the surrender hereof in connection with any exchange or replacement. The registered holder of this Warrant shall pay all taxes (including securities transfer taxes) and all other expenses and charges payable in connection with the preparation, execution and delivery of Warrants pursuant to this Section 6.8.

6.9 Assignment: Binding Effect. Subject to the provisions of Section 2.3 and Article V, this Agreement shall be binding upon and inure to benefit of the Company and the holder of this Warrant and their respective heirs, executors, administrators, successors, and assigns.

6.10 Headings. The Article and Section and other headings herein are for convenience only and are not a part of this Warrant and shall not affect the interpretation thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed in its name.

Dated: April 30, 1997

AMERICAN EQUITY INVESTMENT LIFE  
HOLDING COMPANY

By: /s/ James M. Gerlach  
-----  
Title: Executive Vice President  
-----

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE (COLLECTIVELY, THE "ACTS"). NEITHER THIS WARRANT NOR ANY INTEREST THEREIN MAY BE OFFERED- SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT WITH RESPECT HERETO UNDER ALL OF THE APPLICABLE ACTS, OR AN OPINION OF COUNSEL SATISFACTORY TO AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY TO THE EFFECT THAT SUCH REGISTRATIONS ARE NOT REQUIRED.

WARRANT

to Purchase Common Stock of  
AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY  
Expiring on April 30, 2000

THIS IS TO CERTIFY THAT, for value received, SANDERS MORRIS MUNDY INC., a Texas corporation, or permitted assigns, is entitled to purchase from AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY, a Delaware corporation (the "Company"), at the place where the Warrant Office designated pursuant to Section 2.1 is located, at a purchase price per unit of \$30,000 (as adjusted pursuant to the terms of this Warrant, the "Exercise Price"), 22.75 units (the "Units") each consisting of 2,500 shares of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock, \$1.00 par value, of the Company (the "Common Stock"), and 500 common stock purchase warrants (the "Unit Warrants") with an exercise price of \$12.00 per Unit, and is entitled also to exercise the other appurtenant rights, powers and privileges hereinafter set forth. The number of shares of the Common Stock purchasable hereunder and the Exercise Price are subject to adjustment in accordance with Article III hereof. This Warrant shall expire at 5:00 p.m., E.S.T., on April 30, 2000.

Certain Terms used in this Warrant are defined in Article IV.

ARTICLE I

Exercise of Warrant

1.1 Method of Exercise. This Warrant may be exercised as a whole or in part from time to time. To exercise this Warrant, the holder hereof or permitted assignees of all rights of the registered owner hereof shall deliver to the Company, at the Warrant Office designated in Section 2.1, (a) a written notice in the form of the Subscription Notice attached as an exhibit hereto, stating therein the election of such holder or such permitted assignees of the holder to exercise this Warrant in the manner provided in the Subscription Notice, (b) payment in full Of the Exercise Price (in the manner described below) for all Warrant Shares and Unit Warrants purchased hereunder, and (c) this Warrant. Subject to compliance with Section 3.1(a)(vi), this Warrant shall be deemed to be exercised on the date of receipt by the Company of the Subscription Notice, accompanied by payment for the Warrant Shares and Unit Warrants and surrender of this Warrant, as aforesaid, and such date is referred to herein as the "Exercise Date." Upon such exercise (subject as aforesaid), the Company shall issue and deliver to such holder certificate(s) for the full number of the Warrant Shares and Unit Warrants purchasable by such

holder hereunder, against the receipt by the Company of the total Exercise Price payable hereunder for all the Warrant Shares, (a) in cash or by certified or cashier's check or (b) by surrendering Warrant Shares having a Current Market value equal to the Exercise Price for all the Warrant Shares, so purchased. The Person in whose name the certificate(s) for Common Stock is to be issued shall be deemed to have become a holder of record of such Common Stock on the Exercise Date.

1.2 Fractional Shares. In lieu of any fractional shares of Common Stock which would otherwise be issuable upon exercise of this Warrant, the Company shall issue a certificate for the next higher number of whole shares of Common Stock for any fraction of a share which is one-half or greater. No shares will be issued for less than one-half a share.

## ARTICLE II

### Warrant Office; Transfer

2.1 Warrant Office. The Company shall maintain an office for certain purposes specified herein (the "Warrant Office"), which office shall initially be the Company's office at 5000 Westown Parkway, Suite 440, Des Moines, Iowa 50266 and may subsequently be such other office of the Company or of any transfer agent of the Common Stock in the continental United States as to which written notice has previously been given to the holder of this Warrant. The Company shall maintain, at the Warrant Office, a register for the Warrant, in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each permitted assignee of the rights of the registered owner hereof.

2.2 Ownership of Warrant. The Company may deem and treat the person in whose name this Warrant is registered as the holder and owner hereof (notwithstanding any notations of ownership or writing hereon made by anyone other than the Company) for all purposes and shall not be affected by any notice to the contrary, until presentation of this Warrant for registration of transfer as provided in this Article II.

2.3 Transfer of Warrants. The Company agrees to maintain at the Warrant Office books for the registration and transfer of this Warrant. The Company, from time to time, shall register the transfer of this Warrant in such books upon surrender of this Warrant at the Warrant Office properly endorsed or accompanied by appropriate instruments of transfer and written instructions for transfer satisfactory to the Company. Upon any such transfer, a new Warrant shall be issued to the transferee and the surrendered Warrant shall be canceled by the Company. The registered holder of this Warrant shall pay all taxes and all other expenses and charges payable in connection with the transfer of Warrants pursuant to this Section 2.3.

2.4 Required Registration. The registered holder of this Warrant shall be entitled to all of the rights and benefits of a shareholder under the Registration Rights Agreement, dated April 30, 1997 (the "Registration Rights Agreement"), between the Company and certain of its shareholders. The Warrant Shares shall be considered Registrable Securities under the Registration Rights Agreement. The terms of the Registration Rights Agreement are hereby

incorporated herein by reference for all purposes and shall be considered a part of this warrant as if they had been fully set forth herein.

2.5 Acknowledgment of Rights. The Company will, at the time of the exercise of this Warrant in accordance with the terms hereof, upon the request of the registered holder hereof, acknowledge in writing its continuing obligation to afford to such holder any rights (including without limitation, any right to registration of the Warrant Shares) to which such holder shall continue to be entitled in accordance with the provisions of this Warrant, provided that if the holder of this Warrant shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such holder any such rights.

2.6 Expenses of Delivery of Warrants. The Company shall pay all expenses, taxes (other than securities and transfer taxes) and other charges payable in connection with the preparation, issuance and delivery of Warrants and related Warrant Shares hereunder.

2.7 Compliance with Securities Laws. The holder hereof understands and agrees that the following restrictions and limitations shall be applicable to all Warrant Shares and Unit Warrants and resales or other transfers of such Shares or Warrants pursuant to the Securities Act:

(a) The holder hereof agrees that the Warrant Shares and Unit Warrants shall not be sold or otherwise transferred unless the Warrant Shares or Unit Warrants are registered under the Securities Act and state securities laws or are exempt therefrom.

(b) A legend in substantially the following form has been or will be placed on the certificate(s) evidencing the Warrant Shares and the Unit Warrants:

"The securities represented by this certificate have not been registered under the Securities Act of 1933 or any state securities act. The securities have been acquired for investment and may not be sold, transferred, pledged or hypothecated unless (i) they shall have been registered under the Securities Act of 1933 and any applicable state securities act, or (ii) the corporation shall have been furnished with an opinion of counsel, satisfactory to counsel for the corporation that registration is not required under any of such acts."

(c) Stop transfer instructions have been or will be imposed with respect to the Warrant Shares and the Unit Warrants so as to restrict resale or other transfer thereof, subject to this Section 2.7.

### ARTICLE III

#### Anti-Dilution Provisions

3.1 Adjustment of Exercise Price and Number of Warrant Shares. The Exercise Price shall be subject to adjustment from time to time as hereinafter in this Article III provided. Upon each adjustment of the Exercise Price, except pursuant to 3.1(a)(v), the registered holder of the Warrant shall thereafter be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of shares of the Common Stock (calculated to the nearest whole share

pursuant to Section 1.2) obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares of the Common Stock purchasable pursuant hereto immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.

(a) Exercise Price Adjustments. The Exercise Price shall be subject to adjustment from time to time as follows:

(i) Issuances of Common Stock. If, at any time, the Company shall issue any Common Stock other than Excluded Stock (as hereinafter defined) without consideration or for a consideration per share less than the Exercise Price applicable immediately prior to such issuance, the Exercise Price -in effect immediately prior to each such issuance shall immediately (except as provided below) be adjusted by reducing such Exercise Price to an amount equal to the greater of (A) the result obtained by dividing (x) the consideration, if any, received by the Company upon such issuance by (y) the total number of shares of Common Stock issued by the Company and (B) \$1.00.

For the purpose of any adjustment of the Exercise Price pursuant to this clause (i) of this Section 3.1(a), the following provisions shall be applicable:

(A) Cash. In the case of the issuance of Common Stock for cash, the amount of the consideration received by the Company shall be deemed to be the amount of the cash proceeds received by the Company for such Common Stock before deducting therefrom any reasonable discounts, commissions, taxes or other expenses allowed, paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof.

(B) Consideration Other Than Cash. In the case of the issuance of Common Stock (otherwise than upon the conversion of shares of capital stock or other securities of the Company) for a consideration in whole or in part other than cash, including securities acquired in exchange therefor (other than securities by their terms so exchangeable), the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors in good faith, irrespective of any accounting treatment; provided, however, that such fair value as determined by the Board of Directors shall not exceed the aggregate Current Market Price of the shares of Common Stock being issued as of the date the Board of Directors authorizes the issuance of such shares.

(C) Options and Convertible Securities, etc. In case, at any time, the Company shall issue any (i) options, warrants or other rights to purchase or acquire Common Stock other than Excluded Stock (whether or not at the time exercisable), (ii) securities by their terms convertible into or exchangeable for Common Stock (whether or not at the time so convertible or exercisable), or (iii) options, warrants or rights to purchase such convertible or exchangeable securities (whether or not at the time exercisable), the Exercise Price in effect immediately prior to each such issuance shall immediately (except as provided below) be reduced to the price determined in accordance with Section 3.1(a)(i) and the following:

(1) the aggregate maximum number of shares of Common Stock deliverable upon exercise of such options, warrants or other rights to purchase or acquire Common Stock shall be deemed to have been issued at the time such options, warrants or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subclasses (A) and (B) above), if any, received by the Company upon the issuance of such options, warrants or rights plus the minimum purchase price provided in such options, warrants or rights for the Common Stock covered thereby;

(2) the aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities, or upon the exercise of options, warrants or other rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof, shall be deemed to have been issued at the time such securities were issued or such options, warrants or rights were issued and for a consideration equal to the consideration, if any, received by the Company for any such securities and related options, warrants or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration, if any, to be received by the Company upon the conversion or exchange of such securities and the exercise of any related options, warrants or rights (the consideration in each case to be determined in the manner provided in subclauses (A) and (B) above);

(3) on any change in the number of shares of Common Stock deliverable upon exercise of any such options, warrants or rights or conversion or of exchange for such convertible or exchangeable securities or any change in the consideration to be received by the Company upon such exercise, conversion or exchange, including, but not limited to, a change resulting from the anti-dilution provisions thereof, the Exercise Price as then in effect shall forthwith be readjusted to such Exercise Price as would have been obtained had an adjustment been made upon the issuance of such options, warrants or rights not exercised prior to such change, or securities not converted or exchanged prior to such change, on the basis of such change;

(4) on the expiration or cancellation of any such options, warrants or rights, or the termination of the right to convert or exchange such convertible or exchangeable securities, if the Exercise Price shall have been adjusted upon the issuance thereof, the Exercise Price shall forthwith be readjusted to such Exercise Price as would have been obtained had an adjustment been made upon the issuance of such options, warrants, rights or securities on the basis of the issuance of only the number of shares of Common Stock actually issued upon the exercise of such options, warrants or rights, or upon the conversion or exchange of such securities; and

(5) if the Exercise Price shall have been adjusted upon the issuance of any such options, warrants, rights or convertible or exchangeable securities, no further adjustment of the Exercise Price shall be made for the actual issuance of Common Stock upon the exercise, conversion or exchange thereof; provided, however, that no increase in the initial Exercise Price shall be made pursuant to this Section 3. 1(a) (i) (C).

(ii) Excluded Stock. "Excluded Stock" shall mean shares of Common Stock issued or reserved for issuance by the Company (A) upon exercise of any stock purchase warrant issued by the Company prior to April 30, 1997 (B) upon exercise of any options or warrants issued to officers, directors or employees of the Company pursuant to a stock option incentive plan approved by the Board of Directors of the Company (provided that the aggregate number of shares of Common Stock which may be issued under any employee stock option incentive plans shall not exceed 20 % of the issued and outstanding shares of Common Stock of the company), (C) upon exercise of this Warrant, (D) to David J. Noble pursuant to the terms of the Stock Option Agreement dated as of \_\_\_\_\_, 199\_, (E) pursuant to the terms of any deferred compensation plan instituted by the Company for the benefit of certain national marketing organizations acting on behalf of the Company or certain officers of the Company or its subsidiaries which plan is approved by the Board of Directors of the Company, or (F) pursuant to a stock dividend, subdivision or split-up covered by clause (iv) of this Section 3. 1(a).

(iii) Stock Dividends. If the number of shares of Common Stock outstanding at any time after the date of this Warrant is increased by a stock dividend payable in shares of Common Stock or by a subdivision or split-up of shares of Common Stock, then immediately after the record date fixed for the determination of holders of Common Stock entitled to receive such stock dividend or the effective date of such subdivision or split-up, as the case may be, the Exercise Price shall be appropriately adjusted so that the adjusted Exercise Price shall bear the same relation to the Exercise Price in effect immediately prior to such adjustment as the total number of shares of Common Stock outstanding immediately prior to such action shall bear to the total number of shares of Common Stock outstanding immediately after such action.

(iv) Combination of Stock. If the number of shares of Common Stock outstanding at any time after the date of issuance of this Warrant is decreased by a combination of the outstanding shares of Common Stock, then, immediately after the effective date of such combination, the Exercise Price shall be appropriately adjusted so that the adjusted Exercise Price shall bear the same relation to the Exercise Price in effect immediately prior to such adjustment as the total number of shares of Common Stock outstanding immediately prior to such action shall bear to the total number of shares of Common Stock outstanding immediately after such action.

(v) Reorganizations, etc. In case of any capital reorganization of the Company, or of any reclassification of the Common Stock, or in case of the consolidation of the Company with or the merger of the Company with or into any other Person or of the sale, lease or other transfer of all or substantially all of the assets of the Company to any other Person, this Warrant shall, after such capital reorganization, reclassification, consolidation, merger, sale, lease or other transfer, be exercisable for the number of shares of stock or other securities or property to which the Common Stock issuable (at the time of such capital reorganization, reclassification, consolidation, merger, sale, lease or other transfer) upon exercise of this Warrant would have been entitled to receive upon such capital reorganization, reclassification, consolidation, merger, sale, lease or other transfer if such exercise had taken place; and in any such case, if necessary, the

provisions set forth herein with respect to the rights and interests thereafter of the holder of this Warrant shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities or property thereafter deliverable on the exercise of this Warrant. In case of any distribution by the Company of any security (including rights or warrants to subscribe for any such securities, evidences of its indebtedness, cash or other assets to all of the holders of its Common Stock, then in each such case the Exercise Price in effect thereafter shall be determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction the numerator of which shall be the total number of outstanding shares of Common Stock multiplied by the Current Market Price on the record date mentioned below, less the fair market value (as determined in good faith by the Board of Directors) of the securities, evidences of its indebtedness, cash or other assets distributed by the Company and the denominator of which shall be the total number of outstanding shares of Common Stock multiplied by the Current Market Price; such adjustment shall become effective as of the record date for the determination of stockholders entitled to receive such distribution. The subdivision or combination of shares of Common Stock issuable upon exercise of this Warrant at any time outstanding into a greater or lesser number of shares of Common Stock (whether with or without par value) shall not be deemed to be a reclassification of the Common Stock of the Company for the purposes of this clause (v).

(vi) Rounding of Calculations; Minimum Adjustment. All calculations under this Section 3.1(a) and under Section 3.1(b) shall be made to the nearest cent or to the nearest whole share (as provided in Section 1.2) share, as the case may be. Any provision of this Section 3.1 to the contrary notwithstanding, no adjustment in the Exercise Price shall be made if the amount of such adjustment would be less than one percent, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate one percent or more.

(vii) Timing of Issuance of Additional Common Stock Upon Certain Adjustments. In any case in which the provisions of this Section 3.1(a) shall require that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event issuing to the holder of this Warrant after such record date and before the occurrence of such event the additional shares of Common Stock or other property issuable or deliverable upon exercise by reason of the adjustment required by such event over and above the shares of Common Stock or other property issuable or deliverable upon such exercise before giving effect to such adjustment; provided, however, that the Company upon request shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares or other property, and such cash, upon the occurrence of the event requiring such adjustment.

(b) Current Market Price. The Current Market Price shall mean, as of any date, 5 % of the sum of the average, for each of the 20 consecutive Trading Days immediately prior to such date, of either: (i) the high and low sales prices of the Common Stock on such Trading Day as reported on the composite tape for the principal national securities exchange on

which the Common Stock may then be listed, or (ii) if the Common Stock shall not be so listed on any such Trading Day, the high and low sales prices of Common Stock in the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotations System ("NASDAQ") for National Market Issues, or (iii) if the Common Shares shall not be included in the NASDAQ National Market System on any such Trading Day, the representative bid and asked prices at the end of such Trading Day in such market as reported by NASDAQ, or (iv) if there be no such representative prices reported by NASDAQ, the lowest bid and highest asked prices at the end of such Trading Day in the over-the-counter market as reported by the National Quotation Bureau, Inc., or any successor organization. For purposes of determining Current Market Price, the term "Trading Day" shall mean a day on which an amount greater than zero can be calculated with respect to the Common Stock under any one or more of the foregoing categories (i), (ii), (iii) and (iv), and the "end" thereof, for the purposes of categories (iii) and (iv), shall mean the exact time at which trading shall end on the New York Stock Exchange. If the Current Market Price cannot be determined under any of the foregoing methods, Current Market Price shall mean the fair value per share of Common Stock on such date determined by the Board of Directors in good faith, irrespective of any accounting treatment.

(c) Statement Regarding Adjustments. Whenever the Exercise Price shall be adjusted as provided in Section 3.1(a), and upon each change in the number of shares of the Common Stock issuable upon exercise of this Warrant, the Company shall forthwith file, at the office of any transfer agent for this Warrant and at the principal office of the Company, a statement showing in detail the facts requiring such adjustment and the Exercise Price and new number of shares issuable that shall be in effect after such adjustment, and the Company shall also cause a copy of such statement to be given to the holder of this Warrant. Each such statement shall be signed by the Company's chief financial or accounting officer. Where appropriate, such copy may be given in advance and may be included as part of a notice required to be made under the provisions of Section 3.1(d).

(d) Notice to Holders. In the event the Company shall propose to take any action of the type described in clause (iii), (iv), or (v) of Section 3.1(a), the Company shall give notice to the holder of this Warrant, in the manner set forth in Section 6.6, which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

(e) Treasury Stock. For the purposes of this Section 3.1, the sale or other disposition of any Common Stock of the Company theretofore held in its treasury shall be deemed to be an issuance thereof.

3.2 Costs. The registered holder of this Warrant shall pay all documentary, stamp, transfer or other transactional taxes attributable to the issuance or delivery of shares of Common Stock of the Company upon exercise of this Warrant; provided further, and not in limitation of the foregoing, that the Company shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares. The holder of this Warrant shall reimburse the Company for any such taxes assessed against the Company.

3.3 Reservations of Shares. The Company shall reserve at all times so long as this Warrant remains outstanding, free from preemptive rights, out of its treasury Common Stock or its authorized but unissued shares of Common Stock, or both, solely for the purpose of effecting the exercise of this Warrant and the Unit Warrants, sufficient shares of Common Stock to provide for the exercise hereof.

3.4 Valid Issuance. All shares of Common Stock and Unit Warrants which may be issued upon exercise of this Warrant will upon issuance by the Company be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issuance thereof attributable to any act or omission by the Company, and the Company shall take no action which will cause a contrary result (including without limitation, any action which would cause the Exercise Price to be less than the par value, if any, of the Common Stock).

#### ARTICLE IV

##### Terms Defined

As used in this Warrant, unless the context otherwise requires, the following terms have the respective meanings set forth below or in the Section indicated:

Board of Directors - the Board of Directors of the Company.

Common Stock - the Company's authorized Common Stock, \$1.00 par value per share.

Company - American Equity Investment Life Holding Company, a Delaware corporation, and any other corporation assuming or required to assume the obligations undertaken in connection with this Warrant.

Current Market Price - Section 3.1(b).

Outstanding - when used with reference to Common Stock at any date, all issued shares of Common Stock (including, but without duplication, shares deemed issued pursuant to Article III) at such date, except shares then held in the treasury of the Company.

NASDAQ -- Section 3.1(b).

Person - any individual, corporation, partnership, trust, organization, association or other

entity or individual.

Securities Act - the Securities Act of 1933 and the rules and regulations thereunder, all as the same shall be in effect at the time.

Trading Day -- Section 3. 1(b).

Units -- the investment units each consisting of 2,500 shares of Common Stock of the Company and 500 Unit Warrants.

Unit Warrants - the common stock purchase warrants issued by the Company entitling the holder thereof to purchase shares of the Common Stock of the Company at an exercise price of \$12.00 per share for a term of two years from their date of issuance.

Warrant - this Warrant and any successor or replacement Warrant delivered in accordance with Section 2.3 or 6.8.

Warrant Office - Section 2. 1.

Warrant Shares - shall mean the shares of Common Stock purchased or purchasable by the registered holder of this Warrant or the permitted assignees of such holder upon exercise thereof pursuant to Article I hereof.

#### ARTICLE V

##### Covenant of the Company

The Company covenants and agrees that this Warrant shall be binding upon any corporation succeeding to the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets.

#### ARTICLE VI

##### Miscellaneous

6.1 Entire Agreement. This Warrant contains the entire agreement between the holder hereof and the Company with respect to the shares which it can purchase upon exercise hereof and the related transactions and supersedes all prior arrangements or understanding with respect thereto.

6.2 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware.

6.3 Waiver and Amendment. Any term or provision of this Warrant may be waived at any time by the party which is entitled to the benefits thereof and any term or provision of this Warrant may be amended or supplemented at any time by agreement of the holder hereof and the

Company, except that any waiver of any term or condition, or any amendment or supplementation, of this Warrant must be in writing. A waiver of any breach or failure to enforce any of the terms or conditions of this Warrant shall not in any way affect, limit or waive a party's rights hereunder at any time to enforce strict compliance thereafter with every term or condition of this Warrant.

6.4 Illegality. In the event that any one or more of the provisions contained in this Warrant shall be determined to be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in any other respect and the remaining provisions of this Warrant shall not, at the election of the party for whom the benefit of the provision exists, be in any way impaired.

6.5 Copy of Warrant. A copy of this Warrant shall be filed among the records of the Company.

6.6 Notice. Any notice or other document required or permitted to be given or delivered to the holder hereof shall be delivered at, or sent by certified or registered mail to such holder at, the last address shown on the books of the Company maintained at the Warrant Office for the registration of this Warrant or at any more recent address of which the holder hereof shall have notified the Company in writing. Any notice or other document required or permitted to be given or delivered to the Company, other than such notice or documents required to be delivered to the Warrant Office, shall be delivered at, or sent by certified or registered mail to, the office of the Company at 5000 Westown Parkway, Des Moines, Iowa 50266 or such other address within the continental United States of America as shall have been furnished by the Company to the holder of this Warrant.

6.7 Limitation of Liability; Not Stockholders. No provision of this Warrant shall be construed as conferring upon the holder hereof the right to vote, consent, receive dividends or receive notices other than as herein expressly provided in respect of meetings of stockholders for the election of directors of the Company or any other matter whatsoever as a stockholder of the Company. No provision hereof, in the absence of affirmative action by the holder hereof to purchase shares of Common Stock, and no mere enumeration herein of the rights or privileges of the holder hereof, shall give rise to any liability of such holder for the purchase price of any shares of Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

6.8 Exchange, Loss, Destruction, etc. of Warrant. Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of this Warrant, and in the case of any such loss, theft or destruction upon delivery of a bond of indemnity in such form and amount as shall be reasonably satisfactory to the Company, or in the event of such mutilation upon surrender and cancellation of this Warrant, the Company will make and deliver a new Warrant of like tenor, in lieu of such lost, stolen, destroyed or mutilated Warrant; provided, however, that the original recipient of this Warrant shall not be required to provide any such bond of indemnity and may in lieu thereof provide his agreement of indemnity. Any Warrant issued under the provisions of this Section 6.8 in lieu of any Warrant alleged to be lost, destroyed or stolen, or in lieu of any mutilated Warrant, shall constitute an original contractual obligation on the part of the Company. This Warrant shall be promptly cancelled by the Company upon the

surrender hereof in connection with any exchange or replacement. The registered holder of this Warrant shall pay all taxes (including securities transfer taxes) and all other expenses and charges payable in connection with the preparation, execution and delivery of Warrants pursuant to this Section 6.8.

6.9 Assignment; Binding Effect. Subject to the provisions of Section 2.3 and Article V, this Agreement shall be binding upon and inure to benefit of the Company and the holder of this Warrant and their respective heirs, executors, administrators, successors, and assigns.

6.10 Headings. The Article and Section and other headings herein are for convenience only and are not a part of this Warrant and shall not affect the interpretation thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed in its name.

Dated: May 12, 1997

AMERICAN EQUITY INVESTMENT LIFE  
HOLDING COMPANY

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

SUBSCRIPTION NOTICE

The undersigned, the holder of the foregoing Warrant, hereby elects to exercise purchase rights represented by said Warrant for, and to purchase thereunder shares of the Common Stock covered by said Warrant and herewith makes payment in full therefor pursuant to Section 1.1 of such Warrant, and requests (a) that certificates for such shares (and any securities or other property issuable upon such exercise) be issued in the name of, and delivered to, \_\_\_\_\_ and (b) if such shares shall not include all of the shares issuable as provided in said Warrant, that a new Warrant of like tenor and date for the balance of the shares issuable thereunder be delivered to the undersigned.

-----

Dated: \_\_\_\_\_, 1999

ASSIGNMENT

For value received, \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ the within Warrant, together with all right, title and interest therein and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney, to transfer said Warrant on the books of the Company, with full power of substitution.

-----

Dated: \_\_\_\_\_, 1999

DEFERRED COMPENSATION AGREEMENT

THIS AGREEMENT is made as of the 6th day of June, 1996, by and between American Equity Investment Life Holding Company, a corporation organized under the laws of the State of Delaware (the "Company"), and James Gerlach, an individual residing in West Des Moines, Iowa (the "Employee"). As used in this Agreement, the term "Company" includes all wholly-owned subsidiaries of American Equity Investment Life Holding Company.

WHEREAS, Employee is employed by the Company and the parties wish to further define the employment relationship including Employee's rights with respect to deferred compensation:

NOW, THEREFORE, the parties hereby state their mutual understandings, as follows:

1. Employment. The Company agrees to continue to employ the Employee and the Employee agrees to serve the Company in such capacity as its Board of Directors (the "Board") may designate from time to time from the date hereof and continuing until this Agreement is terminated by either party.

2. Salary/Stock Compensation.

(a) The Company shall pay the Employee from the date hereof, and continuing during the term of this Agreement, annual compensation of \$120,000 payable as set forth below.

(b) For the period from the date of this Agreement through May 30, 1997, all of Employee's compensation, except amounts advanced in cash during such period, shall be payable in shares of Common Stock, par value \$1 per share, of the Company (hereinafter referred to as "Stock"), the issuance and delivery of which shall be deferred pursuant to Section 3 below. The parties agree and acknowledge that the aggregate amount of deferred compensation hereunder shall be \$120,000 less cash advances of \$39,054; that the fair value of the Stock is \$10 per share; and that the aggregate number of shares of Stock to be delivered hereunder is 8,095 shares.

(c) Beginning on June 1, 1997, and continuing until this Agreement is terminated, Employee shall receive all compensation in cash.

(d) The Employee has the status of a general unsecured creditor of the Company with respect to Employee's right to receive deferred compensation hereunder and this Agreement constitutes a mere promise by the Company to deliver Stock in the future. The Stock shall consist of authorized but unissued shares and the Company's promise to deliver the Stock shall remain unfunded until and only to the extent the Stock is issued to Employee or his nominee.

3. Deferred Compensation.

(a) Employee hereby elects to defer all his/her salary pursuant to the terms of this Agreement. Upon execution hereof, Company agrees to maintain a reserve of authorized but unissued shares of its Common Stock which shall include, and/or shall be increased on a quarterly basis to include, that number of shares of Stock equal to the total amount of compensation then earned by Employee but deferred pursuant hereto.

(b) Neither the Employee nor any beneficiary designated by him/her shall have any property interest whatsoever in the reserved shares until such time as the Stock becomes distributable in accordance with the terms hereof.

#### 4. Payment of Deferred Compensation.

(a) On the 10th business day after the occurrence of any of the following events (hereinafter referred to as "Trigger Events" or a "Trigger Event"), Company will issue and deliver to Employee the Stock reserved for his/her benefit pursuant to Section 3 above, provided, that, subject to and conditioned upon compliance with subparagraph (b) of this Section 4, the Employee may elect to receive the Stock over such later period as the Employee may designate in writing but not to exceed five (5) years:

(i) Action by the Board of Directors (either by majority vote at any meeting of the Board duly called and held or by unanimous written consent of the Board) releasing Employee's rights to receive the Stock representing his/her deferred compensation; provided, however, that no such action shall be taken by the Board unless and until a public trading market exists for purchase and sale of the Stock.

(ii) Receipt by the Board of Employee's written notification of his/her resignation of employment with the Company.

(iii) The termination of the Employee's employment hereunder for any reason other than death, disability or resignation.

(iv) The Employee's disability, which shall be deemed to have occurred upon the Board's finding based on medical evidence satisfactory to it that Employee is and will be permanently and continuously disabled, either mentally or physically, such that he/she is unable to carry out the duties of his/her employment hereunder.

(v) The Employee's death, in which case the payment required under this Section shall be made to Employee's designated beneficiary, or in the absence of such designation, to the personal representative of his estate. The beneficiary referred to in this subparagraph may be designated or changed by the Employee (without the consent of any prior beneficiary) on a form provided by the Company and delivered to the Company before his/her death.

(b) Any election by Employee to defer receipt of the Stock after the occurrence of a Trigger Event must be made in a writing signed by Employee and delivered to the Secretary of the Company on or before the earlier of the 9th business day after the occurrence of a Trigger Event or the second anniversary date of this Agreement. The Employee may elect to receive the Stock in up to five (5) equal or specified unequal annual installments or to receive all of the Stock on a specified date within five years after the applicable Trigger Event. Should the Employee die before receiving all Stock to which he/she is entitled hereunder, the remainder of such Stock shall be delivered to the Employee's designated beneficiary.

5. Stock Dividends. After the occurrence of any Trigger Event, Employee shall be entitled to receive any and all dividends or other distributions on the Stock held for Employee's benefit when and as declared by the Board; provided, however, that dividends or other distributions payable in shares of Stock or in any form other than cash shall be reserved as unissued shares which shall be issued and delivered pursuant to Section 4 above. In the event cash dividends or distributions on the Company's Stock are made after the date of this Agreement, but prior to the occurrence of a Trigger Event, Company may elect to pay to Employee the amount in cash which the Employee would have received as if the Stock reserved for Employee hereunder had been issued and delivered, provided, that any such cash payments will be treated as additional compensation to Employee for services rendered.

6. Adjustments.

(a) Whenever a stock split, stock dividend or other relevant change in capitalization of the Company occurs, the number of shares of Stock reserved for Employee hereunder shall be appropriately adjusted to maintain his/her proportionate interest in the Stock.

(b) Adjustments and determinations under this Section 6 shall be made by the Company's Board of Directors, whose decisions as to what adjustments or determinations shall be made, and the extent thereof, shall be final, binding and conclusive.

7. Non-Assignability. The right of the Employee, his designated beneficiary, or any other person to payment of deferred compensation hereunder shall not be assigned, trans-deferred, pledged, or encumbered in any manner whatsoever except by Employee's last will and testament or by the laws of descent and distribution.

8. Payments for Incapacitated Persons. If the Board shall find that any person entitled to any payment hereunder is unable to care for his or her affairs due to mental or physical incapacity, any payment due (unless a prior claim therefor shall have been made by a duly appointed guardian, committee or other legal representative) may be paid to the spouse, a child, a parent, or to any person deemed by the Board to have incurred an expense for such person in such a manner and proportions as the Board may in its discretion determine. Any such payment shall discharge the liabilities of the Company hereunder to the extent of the payment.

9. No Definite Term of Employment. Nothing contained herein shall be construed as conferring on the Employee the right to continue in the employment of the Company as an executive or in any other capacity.

10. Discretion of Board. The Board may interpret, construe, and administer this Agreement in its discretion and no member of the Board shall be liable to any person for any action taken or omitted in connection herewith except for his own willful misconduct or lack of good faith.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Employee and his/her heirs and legal representatives.

12. Governing Law. This Agreement shall be construed with and governed by the laws of the State of Iowa.

13. Claims Procedures. The Board shall make all determinations as to the right of the Employee to payment of compensation hereunder. Any denial by the Board of a claim for payment under the Agreement shall be stated in writing by the Board and delivered or mailed to the Employee. Any such notice shall set forth the specific reasons for the denial in a clear, concise and non-technical manner. Further, the Board shall afford a reasonable opportunity to an employee whose claim for payment has been denied for a review of such denial. Notwithstanding anything to the contrary in this Amendment or the Agreement, the Board may pay Employee the full amount of his/her deferred compensation in accordance with Section 4 of the Agreement unless the Company is insolvent within the meaning of the Delaware Business Corporation Act. Except in the event of insolvency, a claim may be denied only if no event requiring payment under said Section 4 has occurred as the Board may reasonably determine.

14. Restrictive Covenant.

(a) Until the earlier of the date on which Employee receives all Stock reserved for his/her benefit hereunder or the date of forfeiture of any remaining benefits pursuant to subparagraph (b) of this Section 14, Employee shall not compete with the Company in any way, directly or indirectly, individually or as an officer, director, or employee or in any other capacity in any insurance company or in any business similar or related to the business of selling life insurance and/or annuities within the geographic area or areas where Employee conducted activities on behalf of Company.

(b) In the event Employee wrongfully competes with Company, Employee shall forfeit any and all Stock yet to be issued and delivered to Employee in accordance herewith.

(c) For purposes of this Agreement, the term "compete" shall include, but not be limited to, the following: (a) directly or indirectly owning, being employed by, consulting with or working on behalf of a business entity or person engaged in a business substantially similar to or competitive with Company; (b) directly or indirectly soliciting any past or current account, or customer for the benefit of any business entity or person engaged in a business substantially similar to or competitive with Company; (c) directly or indirectly using, employing, or recommending the use by any business entity or person engaged in a business substantially similar to or competitive with Company, of any business plan or practice used or employed by Company; and/or (d) directly or indirectly soliciting any employee of Company to become employed by, consult with or obtain an ownership interest in any business entity or person engaged in a business substantially similar to or competitive with Company.

15. Consulting Agreement. In the event of any Trigger Event caused by Employee's resignation or separation from service for any reason, Employee agrees to enter into a written consulting agreement in form and content satisfactory to Company pursuant to which Employee shall agree to provide consulting services to Company for a period not to exceed five (5) years after the date of the applicable Trigger Event. If Employee shall fail to enter into such a consulting agreement or if Employee should materially breach the terms and conditions of the consulting agreement, Employee shall forfeit any and all Stock yet to be issued and delivered to Employee in accordance herewith.

IN WITNESS WHEREOF, the parties hereto have subscribed their names effective as of the date and in the year first above written.

EMPLOYEE

AMERICAN EQUITY INVESTMENT  
LIFE HOLDING COMPANY

By: /s/ James M. Gerlach  
-----  
James M. Gerlach

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

EMPLOYEE'S Designated Beneficiary:

Julia E. Gerlach, Wife  
-----

## DEFERRED COMPENSATION AGREEMENT

THIS AGREEMENT is made as of the 11th day of November, 1996, by and between American Equity Investment Life Holding Company, a corporation organized under the laws of the State of Delaware (the "Company"), and Terry Reimer, an individual residing in West Des Moines, Iowa (the "Employee"). As used in this Agreement, the term "Company" includes all wholly-owned subsidiaries of American Equity Investment Life Holding Company.

WHEREAS, Employee is employed by the Company and the parties wish to further define the employment relationship including Employee's rights with respect to deferred compensation:

NOW, THEREFORE, the parties hereby state their mutual understandings, as follows:

1. Employment. The Company agrees to continue to employ the Employee and the Employee agrees to serve the Company in such capacity as its Board of Directors (the "Board") may designate from time to time from the date hereof and continuing until this Agreement is terminated by either party.

### 2. Salary/Stock Compensation.

(a) The Company shall pay the Employee from the date hereof, and continuing during the term of this Agreement, annual compensation of \$120,000 payable as set forth below.

(b) For the period from the date of this Agreement through June 30, 1997, all of Employee's compensation shall be payable in shares of Common Stock, par value \$1 per share, of the Company (hereinafter referred to as "Stock"), the issuance and delivery of which shall be deferred pursuant to Section 3 below. The parties agree and acknowledge that the aggregate amount of deferred compensation hereunder shall be \$66,154; that the fair value of the Stock is \$10 per share; and that the aggregate number of shares of Stock to be delivered hereunder is 6,615 shares.

(c) Beginning on July 1, 1997, and continuing until this Agreement is terminated, Employee shall receive all compensation in cash.

(d) The Employee has the status of a general unsecured creditor of the Company with respect to Employee's right to receive deferred compensation hereunder and this Agreement constitutes a mere promise by the Company to deliver Stock in the future. The Stock shall consist of authorized but unissued shares and the Company's promise to deliver the Stock shall remain unfunded until and only to the extent the Stock is issued to Employee or his nominee.

### 3. Deferred Compensation.

(a) Employee hereby elects to defer all his/her salary pursuant to the terms of this Agreement. Upon execution hereof, Company agrees to maintain a reserve of authorized but unissued shares of its Common Stock which shall include, and/or shall be increased on a quarterly basis to include, that number of shares of Stock equal to the total amount of compensation then earned by Employee but deferred pursuant hereto.

(b) Neither the Employee nor any beneficiary designated by him/her shall have any property interest whatsoever in the reserved shares until such time as the Stock becomes distributable in accordance with the terms hereof.

#### 4. Payment of Deferred Compensation.

(a) On the 10th business day after the occurrence of any of the following events (hereinafter referred to as "Trigger Events" or a "Trigger Event"), Company will issue and deliver to Employee the Stock reserved for his/her benefit pursuant to Section 3 above, provided, that, subject to and conditioned upon compliance with subparagraph (b) of this Section 4, the Employee may elect to receive the Stock over such later period as the Employee may designate in writing but not to exceed five (5) years:

(i) Action by the Board of Directors (either by majority vote at any meeting of the Board duly called and held or by unanimous written consent of the Board) releasing Employee's rights to receive the Stock representing his/her deferred compensation; provided, however, that no such action shall be taken by the Board unless and until a public trading market exists for purchase and sale of the Stock.

(ii) Receipt by the Board of Employee's written notification of his/her resignation of employment with the Company.

(iii) The termination of the Employee's employment hereunder for any reason other than death, disability or resignation.

(iv) The Employee's disability, which shall be deemed to have occurred upon the Board's finding based on medical evidence satisfactory to it that Employee is and will be permanently and continuously disabled, either mentally or physically, such that he/she is unable to carry out the duties of his/her employment hereunder.

(v) The Employee's death, in which case the payment required under this Section shall be made to Employee's designated beneficiary, or in the absence of such designation, to the personal representative of his estate. The beneficiary referred to in this subparagraph may be designated or changed by the Employee (without the consent of any prior beneficiary) on a form provided by the Company and delivered to the Company before his/her death.

(b) Any election by Employee to defer receipt of the Stock after the occurrence of a Trigger Event must be made in a writing signed by Employee and delivered to the Secretary of the Company on or before the earlier of the 9th business day after the occurrence of a Trigger Event or the second anniversary date of this Agreement. The Employee may elect to receive the Stock in up to five (5) equal or specified unequal annual installments or to receive all of the Stock on a specified date within five years after the applicable Trigger Event. Should the Employee die before receiving all Stock to which he/she is entitled hereunder, the remainder of such Stock shall be delivered to the Employee's designated beneficiary.

5. Stock Dividends. After the occurrence of any Trigger Event, Employee shall be entitled to receive any and all dividends or other distributions on the Stock held for Employee's benefit when and as declared by the Board; provided, however, that dividends or other distributions payable in shares of Stock or in any form other than cash shall be reserved as unissued shares which shall be issued and delivered pursuant to Section 4 above. In the event cash dividends or distributions on the Company's Stock are made after the date of this Agreement, but prior to the occurrence of a Trigger Event, Company may elect to pay to Employee the amount in cash which the Employee would have received as if the Stock reserved for Employee hereunder had been issued and delivered, provided, that any such cash payments will be treated as additional compensation to Employee for services rendered.

6. Adjustments.

(a) Whenever a stock split, stock dividend or other relevant change in capitalization of the Company occurs, the number of shares of Stock reserved for Employee hereunder shall be appropriately adjusted to maintain his/her proportionate interest in the Stock.

(b) Adjustments and determinations under this Section 6 shall be made by the Company's Board of Directors, whose decisions as to what adjustments or determinations shall be made, and the extent thereof, shall be final, binding and conclusive.

7. Non-Assignability. The right of the Employee, his designated beneficiary, or any other person to payment of deferred compensation hereunder shall not be assigned, trans- deferred, pledged, or encumbered in any manner whatsoever except by Employee's last will and testament or by the laws of descent and distribution.

8. Payments for Incapacitated Persons. If the Board shall find that any person entitled to any payment hereunder is unable to care for his or her affairs due to mental or physical incapacity, any payment due (unless a prior claim therefor shall have been made by a duly appointed guardian, committee or other legal representative) may be paid to the spouse, a child, a parent, or to any person deemed by the Board to have incurred an expense for such person in such a manner and proportions as the Board may in its discretion determine. Any such payment shall discharge the liabilities of the Company hereunder to the extent of the payment.

9. No Definite Term of Employment. Nothing contained herein shall be construed as conferring on the Employee the right to continue in the employment of the Company as an executive or in any other capacity.

10. Discretion of Board. The Board may interpret, construe, and administer this Agreement in its discretion and no member of the Board shall be liable to any person for any action taken or omitted in connection herewith except for his own willful misconduct or lack of good faith.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Employee and his/her heirs and legal representatives.

12. Governing Law. This Agreement shall be construed with and governed by the laws of the State of Iowa.

13. Claims Procedures. The Board shall make all determinations as to the right of the Employee to payment of compensation hereunder. Any denial by the Board of a claim for payment under the Agreement shall be stated in writing by the Board and delivered or mailed to the Employee. Any such notice shall set forth the specific reasons for the denial in a clear, concise and non-technical manner. Further, the Board shall afford a reasonable opportunity to an employee whose claim for payment has been denied for a review of such denial. Notwithstanding anything to the contrary in this Amendment or the Agreement, the Board may pay Employee the full amount of his/her deferred compensation in accordance with Section 4 of the Agreement unless the Company is insolvent within the meaning of the Delaware Business Corporation Act. Except in the event of insolvency, a claim may be denied only if no event requiring payment under said Section 4 has occurred as the Board may reasonably determine.

14. Restrictive Covenant.

(a) Until the earlier of the date on which Employee receives all Stock reserved for his/her benefit hereunder or the date of forfeiture of any remaining benefits pursuant to subparagraph (b) of this Section 14, Employee shall not compete with the Company in any way, directly or indirectly, individually or as an officer, director, or employee or in any other capacity in any insurance company or in any business similar or related to the business of selling life insurance and/or annuities within the geographic area or areas where Employee conducted activities on behalf of Company.

(b) In the event Employee wrongfully competes with Company, Employee shall forfeit any and all Stock yet to be issued and delivered to Employee in accordance herewith.

(c) For purposes of this Agreement, the term "compete" shall include, but not be limited to, the following: (a) directly or indirectly owning, being employed by, consulting with or working on behalf of a business entity or person engaged in a business substantially similar to or competitive with Company; (b) directly or indirectly soliciting any past or current account, or customer for the benefit of any business entity or person engaged in a business substantially similar to or competitive with Company; (c) directly or indirectly using, employing, or recommending the use by any business entity or person engaged in a business substantially similar to or competitive with Company, of any business plan or practice used or employed by Company; and/or (d) directly or indirectly soliciting any employee of Company to become employed by, consult with or obtain an ownership interest in any business entity or person engaged in a business substantially similar to or competitive with Company.

15. Consulting Agreement. In the event of any Trigger Event caused by Employee's resignation or separation from service for any reason, Employee agrees to enter into a written consulting agreement in form and content satisfactory to Company pursuant to which Employee shall agree to provide consulting services to Company for a period not to exceed five (5) years after the date of the applicable Trigger Event. If Employee shall fail to enter into such a consulting agreement or if Employee should materially breach the terms and conditions of the consulting agreement, Employee shall forfeit any and all Stock yet to be issued and delivered to Employee in accordance herewith.

IN WITNESS WHEREOF, the parties hereto have subscribed their names effective as of the date and in the year first above written.

EMPLOYEE

AMERICAN EQUITY INVESTMENT  
LIFE HOLDING COMPANY

By: /s/ Terry Reimer  
-----  
Terry Reimer

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

EMPLOYEE'S Designated Beneficiary:

Angella Reimer  
- -----

DEFERRED COMPENSATION AGREEMENT

THIS AGREEMENT is made this 31st day of December, 1997, by and between American Equity Investment Life Holding Company, a corporation organized under the laws of the State of Iowa (the "Company"), and David S. Mulcahy, an individual residing in Des Moines, Iowa (the "Consultant"). As used in this Agreement, the term "Company" includes all wholly-owned subsidiaries of American Equity Investment Life Holding Company.

WHEREAS, Consultant has been retained by the Company to provide accounting, tax and other consulting services as the Company deems practicable on an independent basis; and

WHEREAS, the Consultant wishes to defer receipt of his compensation for services provided pursuant to this Agreement, which compensation is to be paid in stock of the Company;

NOW, THEREFORE, the parties hereby state their mutual understandings, as follows:

1. Consulting Services. Consultant agrees to provide such accounting, tax and other consulting as the Company may reasonably request during the period from the date of this Agreement until this Agreement is terminated. Either party may terminate this Agreement by 30 days prior written notice to the other party.

2. Stock Compensation.

(a) The Company shall pay the Consultant compensation of \$150,000 for all services rendered by Consultant to Company hereunder. Such compensation shall be payable in shares of Common Stock, par value \$1 per share, of the Company (hereinafter referred to as "Stock"). The parties agree and acknowledge that the fair value of the Stock as of the date of this Agreement is \$16 per share and Consultant will be entitled to receive 9,375 shares of Stock, subject to deferral pursuant to Section 3 below.

(b) The Consultant has the status of a general unsecured creditor of the Company with respect to Consultant's right to receive deferred compensation hereunder and this Agreement constitutes a mere promise by the Company to deliver Stock in the future. The Stock shall consist of authorized but unissued shares and the Company's promise to deliver the Stock shall remain unfunded until and only to the extent the Stock is issued to Consultant or his/her nominee.

3. Deferred Compensation.

(a) Consultant hereby elects to defer all his/her salary pursuant to the terms of this Agreement. Upon execution hereof, Company agrees to maintain a reserve of 9,375 authorized but unissued shares of its Common Stock.

(b) Neither the Consultant nor any beneficiary designated by him/her shall have any property interest whatsoever in the reserved shares until such time as the Stock becomes distributable in accordance with the terms hereof.

4. Payment of Deferred Compensation. On the 10th business day after the occurrence of any of the following events (hereinafter referred to as "Trigger Events" or a "Trigger Event"), Company will issue and deliver to Consultant the Stock reserved for his/her benefit pursuant to Section 3 above:

(a) Action by the Board of Directors (either by majority vote at any meeting of the Board duly called and held or by unanimous written consent of the Board) releasing Consultant's rights to receive the Stock representing his/her deferred compensation.

(b) The Consultant's death, in which case the payment required under this Section shall be made to Consultant's designated beneficiary, or in the absence of such designation, to the personal representative of his estate. The beneficiary referred to in this subparagraph may be designated or changed by the Consultant (without the consent of any prior beneficiary) on a form provided by the Company and delivered to the Company before his death.

(c) The Consultant's disability, which shall be deemed to have occurred upon the Board's finding based on medical evidence satisfactory to it that Consultant becomes disabled due to injury or sickness in which he cannot perform each of the material duties of his regular occupation.

(d) The Consultant reaches age 65.

(e) A "change of control" of Company shall be deemed to have occurred when:

(A) any person, organization or association of persons or organizations acting in concert, excluding affiliates of the Company itself, shall acquire more than fifty percent (50%) of the outstanding voting stock of the Company in whole or in part by means of an offer made publicly to the holders of all or substantially all of the outstanding shares of any one or more classes of the voting securities of the Company to acquire such shares for cash, other property or a combination thereof; or

(B) any person, organization or association of persons or organizations acting in concert shall succeed in electing two or more directors in any one election in opposition to those proposed by management; or

(C) the Company transfers all or substantially all of its operating properties and assets to another person, organization or association of persons or organizations, excluding affiliates of the Company itself; or

(D) the Company shall consolidate with or merge into any person, form or corporation unless the Company or a wholly-owned subsidiary shall be the continuing corporation or the successor corporation.

5. Stock Dividends. After the occurrence of any Trigger Event, Consultant shall be entitled to receive any and all dividends or other distributions on the Stock held for Consultant's benefit when and as declared by the Board. In the event cash dividends or distributions on the Company's Stock are made after the date of this Agreement, but prior to the occurrence of a Trigger Event, Company may elect to pay to Consultant the amount in cash which the Consultant would have received as if the Stock reserved for Consultant hereunder had been issued and delivered, provided, that any such cash payments will be treated as additional compensation to Consultant for services rendered.

#### 6. Adjustments.

(a) Whenever a stock split, stock dividend or other relevant change in capitalization of the Company occurs, the number of shares of Stock reserved for Consultant hereunder shall be appropriately adjusted to maintain his/her proportionate interest in the Stock.

(b) Adjustments and determinations under this Section 6 shall be made by the Company's Board of Directors, whose decisions as to what adjustments or determinations shall be made, and the extent thereof, shall be final, binding and conclusive.

7. Non-Assignability. The right of the Consultant, his designated beneficiary, or any other person to payment of deferred compensation hereunder shall not be assigned, trans- deferred, pledged, or encumbered in any manner whatsoever except by Consultant's last will and testament or by the laws of descent and distribution.

8. Payments for Incapacitated Persons. If the Board shall find that any person entitled to any payment hereunder is unable to care for his or her affairs due to mental or physical incapacity, any payment due (unless a prior claim therefor shall have been made by a duly appointed guardian, committee or other legal representative) may be paid to the spouse, a child, a parent, or to any person deemed by the Board to have incurred an expense for such person in such a manner and proportions as the Board may in its discretion determine. Any such payment shall discharge the liabilities of the Company hereunder to the extent of the payment.

9. Discretion of Board. The Board may interpret, construe, and administer this Agreement in its discretion and no member of the Board shall be liable to any person for any action taken or omitted in connection herewith except for his own willful misconduct or lack of good faith.

10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Consultant and his/her heirs and legal representatives.

11. Governing Law. This Agreement shall be construed with and governed by the laws of the State of Iowa.

IN WITNESS WHEREOF, the parties hereto have subscribed their names on the date and in the year first above written.

CONSULTANT

AMERICAN EQUITY INVESTMENT  
LIFE HOLDING COMPANY

By: /s/ David S. Mulcahy  
-----  
David S. Mulcahy

By: /s/ D.J. Noble  
-----  
D.J. Noble, President

Consultant'S Designated Beneficiary:

Elizabeth A. Mulcahy  
-----

Subsidiaries of American Equity Investment Life Holding Company

State of  
Incorporation  
-----

Insurance Subsidiary:

American Equity Investment Life Insurance Company..... Iowa

Noninsurance Subsidiary:

American Equity Investment Properties, L.C..... Iowa



YEAR	DEC-31-1998	JAN-01-1998	DEC-31-1998
	601,897,562	0	0
	0	0	0
	618,261,367	15,891,779	0
	616,737	32,005,772	0
	683,011,836	541,082,179	0
	0	0	0
	6,315,598	59,000,000	0
	0	625,000	4,581,962
683,011,836	60,923,559	11,170,655	0
	26,356,472	151,750	275,032
	3,946,133	21,922,805	0
	8,692,813	1,004,670	760,483
	244,187	0	0
	0	0	0
	244,187	.05	.05
	580,845	667,287	0
	(133,100)	318,507	123,864
	318,507	123,864	672,661
(133,100)	672,661	0	0