

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

**American Equity Investment
Life Holding Company**
(Exact name of Registrant as specified in its charter)

Iowa
(State or other jurisdiction of incorporation or organization)

6311
(Primary standard industrial classification code number)

42-1447959
(I.R.S. Employer Identification No.)

David J. Noble
Chairman and Chief Executive Officer
American Equity Investment Life Holding Company
5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266
(515) 221-0002
(Address, including zip code, and telephone number,
including area code, of Registrant's principal executive offices)
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

**American Equity Capital
Trust III**
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

To be Applied For
(I.R.S. Employer Identification No.)

David J. Noble
Chairman and Chief Executive Officer
American Equity Investment Life Holding Company
5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266
(515) 221-0002
(Address, including zip code, and telephone number,
including area code, of Registrant's principal executive offices)
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement number for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, check the following box. / /

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Amount to be Registered (1) (2) | Proposed Maximum Offering Price per Unit | Proposed Maximum Aggregate Offering Price (2) | Amount of Registration Fee |
|---|------------------------------------|---|--|----------------------------|
| [•]% Trust Preferred Securities of American Equity Capital Trust III | 4,600,000 | \$25.00 | \$115,000,000 | \$28,750 |
| [•]% Junior Subordinated Debentures of American Equity Investment Life Holding Company (3)(4) | — | — | — | — |
| Guarantee of American Equity Investment Life Holding Company with respect to the [•]% Trust Preferred Securities (4)(5) | — | — | — | — |

(1) Includes shares of trust preferred securities which the Underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

(3) The junior subordinated debentures will be purchased by American Equity Capital Trust III with the proceeds of the sale of the trust preferred securities and the trust common securities. The junior subordinated debentures may later be distributed for no additional consideration to holders of the trust preferred securities and the trust common securities upon the dissolution of American Equity Capital Trust III and the distribution of its assets.

(4) This Registration Statement is deemed to cover the junior subordinated debentures of American Equity Investment Life Holding Company, the rights of holders of the junior subordinated debentures under the indenture, the rights of holders of the trust preferred securities under the declaration of trust and the rights of holders of the trust preferred securities under the guarantee of American Equity Investment Life Holding Company, which taken together, fully, irrevocably and unconditionally guarantee all of the obligations of American Equity Capital Trust III under the trust preferred securities. No separate consideration will be received for the guarantee. Pursuant to Rule 457, no separate fee is payable with respect to the guarantee and the junior subordinated debentures.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated November 7, 2001

4,000,000 Trust Preferred Securities

AMERICAN EQUITY CAPITAL TRUST III [LOGO]

[•]% Cumulative Trust Preferred Securities
(Liquidation Amount of \$25 per Trust Preferred Security)
Guaranteed as Described in this Prospectus by

AMERICAN EQUITY INVESTMENT LIFE
HOLDING COMPANY

- The trust preferred securities represent undivided beneficial interests in the assets of American Equity Capital Trust III. The trust will invest the proceeds of this offering of trust preferred securities in our [•]% junior subordinated debentures.
 - You will be entitled to quarterly cash distributions at an annual rate of [•]% beginning [•]. We may defer payment of the distributions at any time for up to 20 consecutive quarters, but not past the maturity date.
 - The trust preferred securities are effectively subordinated to all of our senior and subordinated indebtedness and that of our subsidiaries.
 - The debentures mature, and the trust preferred securities must be redeemed, by [•]. The trust may redeem the trust preferred securities at a redemption price of \$25 per trust preferred security, plus
- accrued and unpaid distributions, at any time on or after [•], or earlier under certain circumstances described in this prospectus.

 - We expect that the trust preferred securities will be approved for trading on the New York Stock Exchange under the symbol "[•]."
 - We will effectively guarantee, fully and unconditionally, the payment by the trust of amounts due on the trust preferred securities, but only if payments are first made on the debentures.
 - We will deposit into an escrow account zero coupon United States government or agency securities having an aggregate value at maturity of \$[•] and which mature on or before the maturity date of the debentures to secure our obligations to pay any amounts due on the debentures at maturity of the debentures.

This investment involves risk. See "Risk Factors" beginning on page 12.

| | Per Trust Preferred Security | Total |
|---|------------------------------|---------------|
| Public offering price | \$25.00 | \$100,000,000 |
| Underwriting commission paid by American Equity Investment Life Holding Company | \$[•] | \$[•] |
| Proceeds to the trust | \$25.00 | \$100,000,000 |

The underwriters have a 30-day option to purchase up to 600,000 additional trust preferred securities from American Equity Capital Trust III to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved of anyone's investment in these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

[Underwriter 2]

[Underwriter 3]

[Underwriter 4]

The date of this prospectus is [•].

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.

In this prospectus "we," "us," "our," "ours," or "our company" refer to American Equity Investment Life Holding Company and, where applicable, our life insurance subsidiary, American Equity Investment Life Insurance Company, and "the trust" refers to American Equity Capital Trust III.

FORWARD-LOOKING INFORMATION

From time to time, we may make statements regarding our assumptions, projections, expectations, intentions or beliefs about future events. All statements, trend analyses and other information contained in this prospectus and elsewhere (such as in filings by us with the Securities and Exchange Commission, press releases, presentations by us or our management or oral statements) relative to markets for our products and trends in our operations or financial results, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," and other similar expressions, are intended as forward-looking statements under the Private Securities Litigation Reform Act of 1995. We caution that these statements may and often do vary from actual results and the differences between these statements and actual results can be material. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. Factors that could contribute to these differences include those discussed in the section entitled "Risk Factors" and elsewhere in this prospectus.

SUMMARY

The items in the following summary are described in more detail later in this prospectus. This summary provides an overview of selected information and does not contain all the information you should consider. Therefore, you should also read the more detailed information set out in this prospectus, including the "Risk Factors" section and the consolidated financial statements and the other information incorporated by reference into the registration statement of which this prospectus forms a part.

Business of American Equity Investment Life Holding Company

We operate in one business segment to develop, market, issue and administer annuities and life insurance products through our insurance subsidiary, American Equity Investment Life Insurance Company. We are a full service underwriter of a broad array of annuity and insurance products. We are licensed to sell annuities and insurance products in 45 states and the District of Columbia and have applied, or anticipate applying, for licenses to sell our products in the remaining states. Our business consists primarily of the sale of fixed annuities, including equity-index and fixed rate annuities. We began selling annuities in November 1996 and our life insurance subsidiary achieved its current financial strength ratings of "A-" (Excellent) from A.M. Best Company in April 1997 and "A-" from Standard & Poor's in August 2001. From January 1997 to December 31, 2000, we have grown our annual gross deposits from the sale of new annuities from \$157.0 million to

\$843.3 million. For the six months ended June 30, 2001, our gross deposits from sales of new annuities reached a record of \$1.1 billion. As of June 30, 2001 our total consolidated assets exceeded \$3.8 billion.

Our annuity products include primarily fixed annuities, which may be either fixed rate or equity-index annuities, and to a lesser extent, variable annuities:

- *Fixed Rate Annuities.* Fixed rate annuities accounted for approximately 25% of the total annuity deposits that we collected during 2000 and approximately 67% for the six months ended June 30, 2001. These annuities generally have an interest rate, called the crediting rate, which is guaranteed for the first year and which we may adjust in subsequent years.
- *Equity-Index Annuities.* Equity-index annuities accounted for approximately 75% of the total annuity deposits that we collected during 2000 and approximately 33% for the six months ended June 30, 2001. These products allow policyholders to earn investment returns linked to the appreciation of an equity index without the risk of loss of principal.
- *Variable Annuity.* Variable annuities differ from equity-index fixed annuities in that the policyholder, rather than the insurance company, 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. Although our variable annuity product first became available for sale in the third quarter of 1998, variable annuities have not been our primary focus to date and account for less than 1% of total annuity deposits as of June 30, 2001.

In addition to our annuity products, we also provide traditional ordinary and term, universal life and other interest-sensitive life insurance products. As a result of the in-force life insurance business we purchased from American Life and Casualty Insurance Company in late 1995, we are now one of the largest life insurance carriers for members of the National Guard Association, with more than \$2.2 billion of life insurance in-force as of June 30, 2001. We intend to continue offering a complete line of life insurance products for individual and group markets. However, these products represented only 1.3% of our premiums and deposits in 2000, thus not reported as a separate business segment.

We market our products primarily to individuals in the United States ages 45-75 who are seeking to accumulate tax-deferred savings. The average age of our policyholders is approximately 67 years. Our products are particularly attractive to this group as a result of the guarantee of the principal and minimum interest, competitive crediting rates, tax-deferred accumulation of earnings and alternative payout options. We believe significant growth opportunities exist for annuity products because of favorable demographic and economic trends. According to the U.S. Census Bureau, there were 35.0 million Americans age 65 and older in 2000, representing 12% of the U.S. population. By 2030, this sector of the population is expected to increase to 22% of the total population.

We market our products through a network of in excess of 31,000 independent agents as of June 30, 2001. We aggressively recruit new independent agents and expect to continue to expand our independent agency force. In addition, we emphasize high quality service to our independent agents and policyholders. Approximately 95% of new annuity policies are issued within 48 hours of receipt by us of the application and the initial premium, and commissions to independent agents are paid weekly. We believe that these factors have been significant in building favorable relationships with our independent agency force. We also have favorable relationships with national marketing organizations, which have enabled us to efficiently sell through an expanded number of independent agents.

We have developed what we believe to be one of the most experienced management teams in the industry. Our senior management team is led by David Noble, Chairman, President and Chief Executive Officer. Mr. Noble and the rest of the senior management team have worked together in the life insurance industry for the past 15 years. Overall, our senior management team and board of directors have more than 250 combined years' experience in the life insurance, annuity, and financial services industries. Further, our executive officers and directors beneficially owned approximately 31% of our common stock as of September 30, 2001.

Strategy

Our business strategy is to focus primarily on our annuity business and earn predictable returns by managing investment spreads and controlling investment risk. Key elements of this strategy include the following:

- *Expand our current independent agency network.* We believe that our successful relationships with our national marketing organizations and in excess of 31,000 independent agents represent a significant competitive advantage. We intend to grow our core distribution channel by expanding our relationships with national marketing organizations and independent agents by listening and reacting to their product needs and by stressing the highest quality service possible.
- *Develop additional distribution channels.* To date, our products have been sold exclusively through a national network of independent insurance agents. We intend to build complementary distribution channels for the sale of our products. Additional distribution channels being pursued include the banking and broker-dealer networks. We believe that new product distribution channels represent a significant growth opportunity for us over the next few years.
- *Continue to introduce innovative and competitive products.* We intend to be at the forefront of the fixed annuity industry in offering our national marketing organizations, independent agents and policyholders innovative and competitive products. We were the first company to introduce an equity-index annuity which allowed purchasers to earn investment returns linked to the Dow Jones IndexSM and one of the first to offer an equity-index annuity with investment returns linked to the Russell 2000 IndexSM, all without risk of loss by purchasers of their principal. We believe that our continued

- *Optimize returns from our investment portfolio.* The return on our invested assets has contributed significantly to our earnings growth. We believe that the expertise of our investment team will enable us to maintain a high quality portfolio while diversifying our investments. As of June 30, 2001, 58% of our portfolio was invested in U.S. agency issues. To date, because of our consistent investment returns, we have never lowered base renewal rates on our annuities.
- *Maintain our profitable focus and operations.* We are committed to constantly improving our profitability by maintaining our singular focus on the insurance and annuity industry. We are constantly seeking out operating efficiencies within our business so that we can provide innovative products with outstanding value to our policyholders and independent agents. Further, we have implemented competitive incentive programs for our employees to maximize our revenues.
- *Expand the use of technology.* We have made substantial investments in technology improvements to our business including the development of a password-secure website, which allows our independent agents to receive confidential information on their customer accounts. We believe that these technological improvements combined with our conservative operating philosophies will lead to increased value for our company.

We were incorporated in the State of Delaware on December 15, 1995, and reincorporated in the State of Iowa on January 7, 1998. Our executive offices are located at 5000 Westown Parkway, Suite 440, West Des Moines, IA 50266, and our telephone number is (515) 221-0002. Our web site address is www.american-equity.com. Information contained on our website does not constitute part of this prospectus.

American Equity Capital Trust III

The trust is a statutory business trust formed under Delaware law by us, as sponsor, and the trustees of the trust. We formed the trust as a financing subsidiary. When the trust issues the trust preferred securities offered by this prospectus, the purchasers in this offering will own all of the issued and outstanding preferred securities of the trust. In exchange for our capital contribution to the trust, we will own all of the issued and outstanding common securities of the trust, which will equal at least 3% of the total capital of the trust. The trust exists exclusively for the following purposes:

- issuing the trust preferred securities to the public for cash;
- issuing the trust common securities to us;
- investing the proceeds from the sale of the trust preferred securities and trust common securities in an equivalent amount of the debentures issued by us; and
- engaging in activities that are necessary or incidental to those listed above.

The trust's address is 5000 Westown Parkway, Suite 440, West Des Moines, IA 50266, and its telephone number is (515) 221-0002.

The Offering

| | |
|--|---|
| The issuer | American Equity Capital Trust III, a statutory Delaware business trust. |
| Securities being offered | 4,000,000 trust preferred securities (or 4,600,000 if the over-allotment option is exercised in full), each of which represents a preferred undivided beneficial ownership interest in the assets of the trust. Those assets will consist solely of our debentures and interest paid on those debentures. |
| | The trust will sell the preferred securities to the public and its common securities to us. The trust will use the proceeds from those sales to buy from us a series of debentures with the same economic terms as the trust preferred securities. |
| Offering price | \$25.00 per trust preferred security. |
| Payment of distributions | If you purchase the trust preferred securities, you are entitled to receive cumulative cash distributions at an annual rate of [•]% of the stated liquidation amount of \$25.00 per trust preferred security. Distributions will accrue from [•] and will be paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year commencing [•]. As long as the trust preferred securities are represented by one or more global securities, the record date for the payment of distributions will be one business day before the relevant payment date. Please note that the trust may defer the payment of cash distributions as described below. |
| Maturity | The debentures will mature on [•], unless earlier redeemed as described below. |
| Redemption of the trust preferred securities is possible | The trust will redeem outstanding trust preferred securities when the debentures are paid either at maturity or upon early redemption of the debentures. |

We may redeem all or part of the debentures at any time on or after five years from

issuance. In addition, we may redeem, at any time, all but not part of the debentures if:

- the interest that we are required to pay on the debentures is no longer deductible by us for United States federal income tax purposes, the trust becomes subject to federal income tax or the trust becomes subject to certain other taxes or governmental charges, each of which we refer to as a "tax event"; or

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- existing laws or regulations change in a manner requiring the trust to register as an investment company under the Investment Company Act of 1940, an event we refer to as an "investment company event."

If the trust redeems the trust preferred securities, you will receive the liquidation amount of \$25 per trust preferred security, plus any accrued and unpaid distributions up to the date of redemption.

Escrow of zero coupon securities

At closing, we will deposit into an escrow account with [•], as escrow agent, zero coupon government securities we currently hold or will purchase having an aggregate value at maturity of \$100,000,000 and which mature on or before the maturity date of the debentures. The escrow agreement governing the escrow account will provide that in the event we fail to pay any amounts due on the debentures at maturity of the debentures, the escrow agent shall be instructed by the indenture trustee to sell all or a portion of the escrowed securities and use the net proceeds to pay those amounts. We have entered into agreements with our senior lenders and the holder of our 5% trust preferred securities, who have agreed to waive unconditionally their respective rights, claims and interests in the escrow account and any proceeds in respect thereof. Further, we have agreed not to incur any additional indebtedness for money borrowed unless the holders thereof have agreed to a similar waiver. However, notwithstanding such waivers and the segregation of the escrowed assets from our other assets, it is possible that if we became insolvent or became a debtor in a bankruptcy proceeding, the assets in the escrow account and any proceeds in respect thereof would be available to satisfy claims of our general unsecured creditors and would not be available exclusively to satisfy claims under the debentures. See "Risk Factors—Risk Factors Relating to the Trust Preferred Securities."

We have the option to extend the interest payment period

The trust will rely solely on payments made by us under the debentures to pay distributions on the trust preferred securities. So long as we are not in default under the indenture relating to the debentures, which we refer to as the indenture, we may, at one or more times, defer interest payments on the debentures for up to 20 consecutive quarters, but not beyond the

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maturity date. If we defer interest payments on the debentures:

- the trust will also defer distributions on the trust preferred securities;
- the distributions to which you are entitled will accrue; and
- these accrued distributions will earn interest at an annual rate of [•]%, compounded quarterly until paid, to the extent permitted by law.

At the end of any deferral period, we will pay to the trust all accrued and unpaid distributions under the debentures. The trust will then pay all accrued and unpaid distributions to you under the trust preferred securities.

Once we make all deferred interest payments on the debentures, we again can defer interest payments on the debentures as discussed above. As a result, there could be multiple periods of varying length during which you would not receive cash distributions.

We currently do not intend to defer interest on the debentures. If we defer interest payments however, we will generally not be permitted to:

- pay a dividend or make any other payment or distribution on our capital stock; or redeem, purchase or acquire or make a liquidation payment on any of our capital stock, other than in a few limited instances described in this prospectus;

| | |
|---|---|
| | <ul style="list-style-type: none"> make any principal, premium or interest payment, or repay, repurchase or redeem any of our debt securities, including guarantees, that rank equal with or junior to the debentures; or |
| | 6 |
| | <ul style="list-style-type: none"> make any guarantee payments with respect to any of the foregoing, other than pursuant to the guarantee of the trust preferred securities. |
| You will still be taxed if distributions on the trust preferred securities are deferred | If we defer interest payments on the debentures, you will be required to accrue interest income, as original issue discount, in respect of the deferred stated interest allocable to your share of the trust preferred securities for United States federal income tax purposes. As a result, you will need to include this income in gross income for United States federal income tax purposes prior to the receipt of any cash distributions. In addition, you will not receive cash from the trust related to this income if you dispose of your trust preferred securities prior to the record date on which distributions of those amounts are made. |
| Our guarantee of payment | We will irrevocably and unconditionally guarantee the trust preferred securities through a combination of our obligations: |
| | <ul style="list-style-type: none"> to make any payments on the debentures; |
| | <ul style="list-style-type: none"> under our guarantee of the trust preferred securities; and |
| | <ul style="list-style-type: none"> under the declaration of trust, which we refer to as the declaration. |
| | <p>However, the guarantee does not apply when the trust does not have sufficient funds to make payments required under the trust preferred securities. If we do not make payments on the debentures, the trust will not have sufficient funds to make the related payments on the trust preferred securities. In this event, your remedy is to institute a legal proceeding directly against us for enforcement of payments on the debentures, rely on the property trustee to enforce the trust's rights under the debentures or rely on the indenture trustee to enforce the escrow agreement.</p> |
| We may distribute the debentures directly to you | We, as the sponsor of the trust, may, only under certain circumstances described in this prospectus, dissolve the trust and distribute the debentures to you. If we distribute the debentures to you, we will use our best efforts to list them on a national securities exchange or comparable automated quotation system. |
| | 7 |
| How the trust preferred securities will rank in right of payment | <p>Our obligations under the trust preferred securities, the debentures and the guarantee are unsecured and will rank as follows with regard to the right of payment:</p> <ul style="list-style-type: none"> our obligations under the trust preferred securities rank on parity with our existing trust preferred securities and on parity with or senior to all other future trust preferred securities with respect to distributions; our obligations under the debentures and the trust preferred securities guarantee are subordinate and rank junior to all of our existing or future senior debt and rank equal to our existing or future trust-related securities, unless any of those obligations are specifically subordinated; and because we are a holding company, the debentures and the guarantee will effectively be subordinate to all existing and future liabilities of our subsidiaries. <p>See the discussion of the rights you will have under "Description of Securities—Certain Terms of the Debentures—Escrow of Zero Coupon Securities."</p> |
| Voting rights of the trust preferred securities | Except in limited circumstances described in this prospectus, you will have no voting rights. |
| New York Stock Exchange symbol | We will apply to have the trust preferred securities listed for trading on the New York Stock Exchange under the symbol "[•]". |
| You will not receive certificates | The trust preferred securities will be represented by one or more global securities that will be deposited with and registered in the name of The Depository Trust Company, New York, or its nominee. This means that you will not receive a certificate for the trust preferred securities. Instead, your beneficial ownership interests will be recorded through the DTC book-entry system. |

Use of proceeds

The trust will use all of the proceeds from the sale of the trust preferred securities and the trust common securities, which we refer to together as the trust securities, to purchase the debentures. We currently expect to use those proceeds, less the expenses of the offering, to directly or indirectly contribute to the capital and surplus of our life insurance subsidiary and purchase zero coupon securities to deposit in the escrow account. See "Use of Proceeds."

Risk Factors

See "Risk Factors" for a discussion of factors that you should carefully consider before you decide to purchase the trust preferred securities.

Summary Consolidated Financial and Other Data
(amounts in thousands, except per share data)

The following table sets forth our summary consolidated financial data. The summary consolidated statement of operations data for each of the five years ended December 31, 2000 is derived from our audited consolidated financial statements and related notes with 2000, 1999 and 1998 included elsewhere in this prospectus and 1997 and 1998 not included in this prospectus. The summary consolidated statement of operations and balance sheet data as of and for the six months ended June 30, 2001 and 2000 is derived from our unaudited consolidated financial statements which were prepared on the same basis as our audited financial statements and include, in our opinion, all adjustments necessary to present fairly the information presented for the interim periods. However, the results for past periods are not necessarily indicative of results that may be expected for future periods. The summary consolidated statement of operations data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included in this prospectus.

| | Six Months Ended June 30, 2001 | Six Months Ended June 30, 2000 | Year Ended December 31, | | | | |
|---|---|---|-------------------------|-----------------|---------------|-------------------|-------------------|
| | | | 2000 | 1999 | 1998 | 1997 | 1996 |
| CONSOLIDATED STATEMENTS OF OPERATIONS DATA: | | | | | | | |
| Revenues | | | | | | | |
| Insurance policy income | \$ 12,462 | \$ 9,472 | \$ 19,372 | \$ 13,746 | \$ 11,170 | \$ 11,437 | \$ 14,555 |
| Net investment income | 58,446 | 33,749 | 89,477 | 64,610 | 26,357 | 4,018 | 865 |
| Realized gains on investments | 739 | 6,196 | 5,766 | 1,454 | 427 | — | — |
| Unrealized gains on derivatives | 3,127 | — | — | — | — | — | — |
| Total revenues | 74,774 | 49,417 | 114,615 | 79,810 | 37,954 | 15,455 | 15,420 |
| Benefits and expenses | | | | | | | |
| Insurance policy benefits and change in future policy benefits | 4,592 | 4,103 | 8,728 | 7,232 | 6,085 | 7,440 | 8,788 |
| Interest credited to account balances | 35,515 | 24,589 | 56,529 | 41,727 | 15,838 | 2,130 | 78 |
| Change in market value of embedded derivatives | 6,487 | — | — | — | — | — | — |
| Interest expense on notes payable | 1,651 | 847 | 2,339 | 896 | 789 | 980 | 494 |
| Interest expense on General Agency Commission and Servicing Agreement | 3,062 | 2,800 | 5,958 | 3,861 | 1,652 | — | — |
| Interest expense on amounts due under repurchase agreements | 951 | 1,718 | 3,267 | 3,491 | 1,529 | 291 | — |
| Amortization of deferred policy acquisition costs and value of insurance in force acquired | 5,876 | 2,832 | 8,806 | 7,379 | 2,294 | 1,143 | 880 |
| Other operating costs and expenses | 7,568 | 7,405 | 14,370 | 12,129 | 8,763 | 8,231 | 6,319 |
| Total benefits and expenses | 65,702 | 44,294 | 99,997 | 76,715 | 36,950 | 20,215 | 16,559 |
| Income (loss) before income taxes, minority interest in earnings of subsidiaries and cumulative effect adjustment | 9,072 | 5,123 | 14,618 | 3,095 | 1,004 | (4,760) | (1,139) |
| Income tax (expense) benefit | (1,780) | (444) | (2,385) | 1,370 | (760) | 1,390 | — |
| Income (loss) before minority interest in earnings of subsidiaries and cumulative effect adjustment | 7,292 | 4,679 | 12,233 | 4,465 | 244 | (3,370) | (1,139) |
| Minority interest in earnings in subsidiaries: | | | | | | | |
| Dividends on company-obligated convertible mandatorily redeemable preferred securities of subsidiary trust I | (1,041) | (1,041) | (2,082) | (692) | — | — | — |
| Dividends on company-obligated redeemable preferred securities of subsidiary trust II | (2,683) | (2,683) | (5,367) | (1,330) | — | — | — |
| Cumulative effect of change in accounting for derivative instruments | (799) | — | — | — | — | — | — |
| Net income (loss) | \$ 2,769 | \$ 955 | \$ 4,784 | \$ 2,443 | \$ 244 | \$ (3,370) | \$ (1,139) |
| Basic earnings (loss) per common share | \$ 0.19 | \$ 0.07 | \$ 0.33 | \$ 0.17 | \$ 0.02 | \$ (0.70) | \$ (0.63) |
| Diluted earnings (loss) per common share | \$ 0.15 | \$ 0.05 | \$ 0.26 | \$ 0.14 | \$ 0.02 | \$ (0.70) | \$ (0.63) |
| Dividends declared per common share and preferred share | \$ — | \$ — | \$ 0.01 | \$ 0.02 | \$ — | \$ — | \$ — |

See note 13 to our audited consolidated financial statements for the determination of shares used in computing basic and diluted earnings (loss) per common share included in this prospectus.

| | As of and for the Six Months Ended June 30, 2001 | As of and for the Six Months Ended June 30, 2000 | As of and for the Year Ended December 31, | | | | |
|---|---|---|--|------------|-------------------------|-------------------------|-----------|
| | | | 2000 | 1999 | 1998 | 1997 | 1996 |
| OTHER DATA: | | | | | | | |
| Life subsidiary statutory capital and surplus | \$ 180,865 | \$ 140,855 | \$ 145,048 | \$ 139,855 | \$ 80,948 | \$ 64,710 | \$ 17,302 |
| Life subsidiary statutory net income (loss) | (2,353) | 2,273 | 10,420 | 17,837 | 4,804 | 4,470 | 1,175 |
| | | | | | At June 30, 2001 | At June 30, 2000 | |
| BALANCE SHEET DATA: | | | | | | | |
| Total assets | | | | | \$ 3,872,297 | \$ 2,105,660 | |
| Policy benefit reserves | | | | | 3,154,997 | 1,791,412 | |
| Notes payable | | | | | 44,000 | 32,100 | |
| Trust preferred securities | | | | | 99,764 | 99,242 | |
| Stockholders' equity | | | | | 70,553 | 22,928 | |

RISK FACTORS

Your investment in the trust preferred securities will involve certain risks. You should carefully consider the following discussion of risks, and the other information included in this prospectus, before deciding whether an investment in the trust preferred securities is suitable for you. The risks described below are not the only ones facing us and the trust. Additional risks that are presently unknown to us or that we currently deem immaterial may also impair our business. You should also note that by purchasing the trust preferred securities you are making an investment regarding the debentures because the trust will rely on the payments it receives on the debentures to fund all payments on the trust preferred securities and because the trust may distribute the debentures to you in exchange for the trust preferred securities.

Risk Factors Relating to Our Business

We face increased competition from companies that have greater financial resources, broader arrays of products, higher ratings and stronger financial performance, which may impair our ability to retain existing customers, attract new customers and maintain our profitability and financial strength.

We operate in a highly competitive industry. Most of our competitors are substantially larger and enjoy substantially greater financial resources, higher ratings by rating agencies, broader and more diversified product lines and more widespread agency relationships. Our annuity products compete with equity-index, fixed rate and variable annuities sold by other insurance companies and also with mutual fund products, traditional bank investments and other investment and retirement funding alternatives offered by asset managers, banks and broker-dealers. Our insurance products compete with those of other insurance companies, financial intermediaries and other institutions based on a number of factors, including premium rates, policy terms and conditions, service provided to distribution channels and policyholders, ratings by rating agencies, reputation and broker compensation.

Our ability to compete depends in part on our investment performance. We will not be able to accumulate and retain assets under management for certain of our products if our investment results underperform the market or the competition, since such underperformance likely would result in asset withdrawals and reduced sales.

We compete for distribution sources for our products. We believe that our success in competing for distributors depends on factors such as our financial strength and on the services we provide to, and the relationships we develop with, these distributors. Our distributors are generally free to sell products from whichever providers they wish, which makes it important for us to continually offer distributors products and services they find attractive. If our products or services fall short of distributors' needs, or we fail to offer competitive commission structures, we may not be able to establish and maintain satisfactory relationships with distributors of our life insurance, annuity and investment management products. Accordingly, our revenues and profitability would suffer.

Our ability to compete in the past has also depended in part on our ability to develop innovative new products and bring them to market more quickly than our competitors. In order for us to compete in the future, we will need to continue to bring innovative products to market in a timely fashion and, if we are unable to do so, our revenues and profitability could suffer.

National banks, with pre-existing customer bases for financial services products, may increasingly compete with insurers, as a result of recently enacted legislation removing restrictions on bank affiliations with insurers. This legislation, the Gramm-Leach-Bliley Act of 1999, permits mergers that combine commercial banks, insurers and securities firms under one holding company. Until passage of the Gramm-Leach-Bliley Act, prior legislation had limited the ability of banks to engage in securities-related businesses and had restricted banks from being affiliated with insurance companies. The ability

of banks to increase their securities-related business or to affiliate with insurance companies may materially and adversely affect sales of all of our products by substantially increasing the number and financial strength of our potential competitors.

A downgrade in our financial strength ratings may reduce new sales, adversely affect relationships with distributors, and increase policy surrenders and withdrawals.

Financial strength and claims paying ability ratings are important factors in establishing the competitive position of life insurance and annuity companies. A ratings downgrade, or the potential for a ratings downgrade, could have a number of adverse effects on our business. For example, distributors and sales agents for life insurance and annuity products use the ratings as one factor in determining which insurer's annuities to market. In addition, a ratings downgrade could materially increase the number of policy or contract surrenders we experience.

Our life subsidiary has received a financial strength rating of "A- (Excellent)" from A.M. Best Company and "A-" from Standard & Poor's. A.M. Best ratings currently range from "A++ (Superior)" to "F (In Liquidation)", and include 16 separate ratings categories. Within these categories, "A++ (Superior)" and

"A+ (Superior)" are the highest, followed by "A (Excellent)" and "A- (Excellent)". Publications of A.M. Best indicate that the "A" and "A-" ratings are assigned to those companies that, in A.M. Best's opinion, have demonstrated excellent overall performance when compared to the standards established by A.M. Best and have demonstrated a strong ability to meet their obligations to policyholders over a long period of time. Standard & Poor's insurer financial strength ratings currently range from "AAA" to "NR", and include 21 separate ratings categories. Within these categories, "AAA" and "AA" are the highest, followed by "A" and "BBB". Publications of Standard & Poor's indicate that an insurer rated "BBB" or higher is regarded as having financial security characteristics that outweigh any vulnerabilities, and is highly likely to have the ability to meet financial commitments. In addition, an insurer with a rating of "A-" is regarded as having strong financial security characteristics.

A.M. Best and Standard & Poor's review their 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 their judgment, circumstances so warrant. If our ratings were to be downgraded for any reason, we could experience a material adverse effect on the sales of our products and the persistency of our in-force business.

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 and are not recommendations to buy, sell or hold securities.

Changing interest rates and market volatility in general affect both the risks and the returns on both our products and our investment portfolio.

The market value of our investments and our investment performance, including yields and realization of gains or losses, may vary depending on economic and market conditions. Such conditions include the level of interest rates and the S&P 500 Index®, the Dow Jones IndexSM, the Russell 2000 IndexSM and the NASDAQ-100 Index® (the "Indexes"). Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products and the market value of our investments. In addition, we may, from time to time, for business or regulatory reasons, be required to sell certain of our investments at a time when their market value is less than the carrying value of these investments.

A key component of our operating income is the investment spread. A narrowing of investment spreads may adversely affect operating results. Although we have the right to adjust interest crediting rates (referred to as "participation" or "asset fee" rates for equity-index annuities) on most products, changes to 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 potential for increases in surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at levels necessary to avoid the narrowing of spreads under certain market conditions. Our policy structure generally provides for resetting of policy crediting rates at least annually and imposes withdrawal penalties for withdrawals during the first five to fifteen years a policy is in force.

Managing the investment spread on our equity-index annuities is more complex than it is for fixed rate annuity products. Equity-index products are credited with a percentage (known as the "participation rate") of gains in the Indexes. Some of our equity-index products also have an annual asset fee which is deducted from the amount credited to the policy. In addition, caps are set on some products to limit the maximum amount which may be credited on a particular product. To fund the earnings to be credited to the equity-index products, we purchase options on the Indexes. The price of such options increases with increases in the volatility in the Indexes and interest rates, which may either narrow the spread or cause us to lower participation rates. Thus, the volatility of the Indexes adds an additional degree of uncertainty to the profitability of the equity-index products. We believe we can adequately manage this risk through our ability to reset the participation rates and asset fees annually and to adjust the applicable caps.

Because we are a holding company, our ability to meet our payment obligations on the debentures is dependent upon distributions from our subsidiaries, but our subsidiaries' ability to make distributions is limited by law and certain of our contractual agreements.

We are a holding company and our principal assets are the shares of the capital stock and surplus notes of our life subsidiary. As a holding company without independent means of generating operating revenue, we depend on dividends and interest on surplus notes and other payments from our life insurance subsidiary to fund our obligations and meet our cash needs, including the debentures. Financial covenants under our existing or future loan agreements and reinsurance agreements, or provisions of the laws of the states where we or our subsidiaries are organized, may limit our subsidiaries' ability to make sufficient dividend or other payments to permit us to fund our obligations or meet our cash needs, including the debentures, in whole or in part.

In particular, the payment of dividends or distributions, including surplus note payments, by our life subsidiary is subject to regulation by the Iowa Insurance Division. Currently, our life subsidiary 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) our life subsidiary's net gain from operations (excluding net realized capital gains or losses) for the preceding calendar year, or (2) 10% of our statutory surplus at the preceding December 31. At June 30, 2001, up to \$13,505,000 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. Our life subsidiary had \$21,534,000 of earned surplus at December 31, 2000.

The transfer of funds by our life insurance subsidiary is also restricted by certain covenants in our loan agreements, which, among other things, require the life insurance subsidiary to maintain statutory capital and surplus (including asset valuation and interest maintenance reserves) equal to the greater of \$140,000,000 plus 25% of statutory net income and 75% of capital contributions to the life insurance

subsidiary for periods subsequent to December 31, 2000. Under the most restrictive of these limitations, \$14,479,000 of the life insurance subsidiary's earned surplus at June 30, 2001 was available for distribution by the life insurance subsidiary to us.

We must retain and attract key employees or else we may not grow or be successful.

We are dependent upon our executive management for the operation and development of our business. We do not have employment contracts with any of the members of our executive management team. Thus, there can be no assurance that these employees will remain with us for any particular period of time. We also do not maintain "key person" life insurance for any of our personnel.

If we do not manage our growth effectively, our financial performance could be adversely affected; our historical growth rates may not be indicative of our future growth.

We have experienced rapid growth since our formation in December 1995. Our annuity deposits have grown from approximately \$157 million in 1997 to \$843 million in 2000. For the six months ended June 30, 2001, our gross deposits from sales of new annuities were \$1.1 billion. Our work force has grown from approximately 30 employees and 4,400 independent agents to 160 employees and over 31,000 independent agents. We intend to continue to grow by recruiting new independent agents, increasing the productivity of our existing agents, increasing the size of our insurance brokerage distribution network by developing relationships with national and regional marketing organizations, making strategic acquisitions, developing new products, expanding into new product lines, becoming licensed in all 50 states and continuing to develop new incentives for our sales agents. Future growth will impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees, including management. There can be no assurance that our systems, procedures and controls will be adequate to support our operations as they expand. In addition, due to our rapid growth and resultant increased size, it may be necessary to expand the scope of our investing activities to asset classes in which we historically have not invested or have not had significant exposure. If we are unable to adequately manage our investments in these classes, our financial condition and operating results in the future could be less favorable than in the past. Our failure to manage growth effectively, or our inability to recruit, maintain and integrate additional qualified employees and independent agents, could have a material adverse effect on our business, financial condition and results of operations. In addition, due to our rapid growth, our historical growth rates are not likely to accurately reflect our future growth rates or our growth potential. We cannot assure you that our future revenues will increase or that we will continue to be profitable.

Changes in state and federal regulation may affect profitability.

We are subject to regulation under applicable insurance statutes, including insurance holding company statutes, in the various states in which our life subsidiary writes insurance. Insurance regulation is intended to provide safeguards for policyholders rather than to protect shareholders of insurance companies or their holding companies. Regulators oversee matters relating to trade practices, policy forms, claims practices, guaranty funds, types and amounts of investments, reserve adequacy, insurer solvency, minimum amounts of capital and surplus, transactions with related parties, changes in control and payment of dividends.

Although the federal government does not directly regulate the insurance business, 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. Recently, increased scrutiny has been placed upon the insurance regulatory

framework and a number of state legislatures have considered or enacted legislative proposals that alter, and in many cases increase, state authority to regulate insurance companies and holding company systems. In addition, legislation has been introduced in Congress which could result in the federal government assuming some role in the regulation of the insurance industry. Any changes in these laws and regulations could materially adversely affect our operations.

Reserves established for future policy benefits and claims may prove inadequate.

We face the risk that our reserves for future policy benefits and claims will prove inadequate, particularly as to our life insurance business. We establish and carry actuarially determined reserves which are calculated to meet our obligations for future policy benefits and claims. These reserves are computed at amounts that are expected to be sufficient to meet our policy obligations at their maturities and are based on a number of factors, including the amount of premiums we will receive in the future, rates of return on assets we purchase with premiums received, expected claims and persistency of business. The nature of the underlying risks and the high degree of uncertainty associated with these matters, particularly with determining the liability for unpaid policy benefits and claims prevent us from determining the amounts which will ultimately be paid to settle this liability precisely. If the reserves we originally established for future policy benefits prove inadequate, we would be required to increase our reserves, which may have a material adverse effect on our business, financial condition and results of operations.

Changes in federal income taxation of annuities may affect profitability.

The annuity products that we market generally offer tax advantages to the policyholders, as compared to other savings instruments such as certificates of deposit and taxable bonds. This tax preference is the deferral of income tax on the investment earnings during the accumulation period of the annuity as opposed to the current taxation of other savings instruments. From time to time, Congress has considered proposals to revise or eliminate this tax deferral. There is no such proposal currently pending in Congress, nor has the current Administration announced any consideration of such a proposal. Legislation eliminating the tax deferral for certain annuities would have a material adverse effect on our ability to sell non-qualified annuities. Non-qualified annuities are annuities that are sold to a purchaser other than an individual retirement account or other qualified retirement plan.

Risk Factors Relating to the Trust Preferred Securities

Our obligations under the debentures and the guarantee rank lower than our other indebtedness, and our holding company structure effectively subordinates any claims against us to those of our subsidiaries' creditors.

Our obligations under the debentures and the guarantee will rank junior in priority of payment to our existing and future senior indebtedness. This means that we may not make any payments of principal or interest on the debentures or the guarantee if we default on a payment on our senior indebtedness, or if any of our senior indebtedness has been accelerated because of a default. In addition, we may not make any payments on the debentures or guarantee if the maturity of the debentures is accelerated until all of our senior indebtedness has been paid. In the event of our bankruptcy, liquidation or dissolution, our assets would be available to pay obligations under the debentures and the guarantee only after all payments had been made on our senior indebtedness. Neither the debentures nor the guarantee will limit our ability or our subsidiaries' ability to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the debentures and the guarantee.

In addition, because we are a holding company, our right to participate in any distribution of assets from any of our subsidiaries upon a subsidiary's liquidation or reorganization or otherwise, and thus your ability to benefit indirectly from such a distribution as a holder of trust preferred securities, is subject to the prior claims of creditors of that subsidiary, except to the extent that we may ourselves be recognized as a creditor of that subsidiary. Accordingly, the trust preferred securities and the guarantee will be effectively subordinated to all existing and future liabilities of our subsidiaries and any future subsidiaries.

If we do not make payments on the debentures, the trust will be unable to pay distributions and liquidation amounts, and the guarantee will not apply because it covers payments only if the trust has funds available.

The ability of the trust to pay distributions on the trust preferred securities, the redemption price of the trust preferred securities and the liquidation amount of the trust preferred securities is solely dependent upon us making the related payments on the debentures when due. If we default on our obligation to pay principal (including redemption payments) or interest on the debentures, the trust will not have sufficient funds to pay distributions, the redemption price or the liquidation amount of each trust preferred security. In those circumstances, you will not be able to rely upon the guarantee for payment of those amounts because the guarantee covers those payments only when the trust has sufficient funds on hand but fails to make the payments. Instead you would have to rely on the property trustee to enforce the trust's rights under the debentures or assert your own right to bring action directly against us.

To the extent we must rely on dividends from our subsidiaries to make interest payments on the debentures, our available cash flow may be restricted.

Because we are a holding company, our ability to pay amounts due on the debentures is dependent, to a significant degree, on the ability of our subsidiaries to pay dividends and surplus note payments to us. Financial covenants under our existing or future loan agreements may restrict how our subsidiaries distribute their available cash flows. Furthermore, the jurisdiction of incorporation of our life insurance subsidiary places limitations on the amount of dividends or other distributions payable by it in order to protect its solvency. Because of these restrictions, we may be precluded from making interest payments on the debentures. If this were to occur, we would exercise our right to defer interest payments on the debentures, and the trust would not have funds available to make distributions on the trust preferred securities during that period. If we deferred payment on the debentures, the market price of the trust preferred securities would probably decline. We cannot assure you that our subsidiaries will be able to pay dividends in the future or that our regulators will not attempt to preclude us from making interest payments on the debentures.

Our ability to defer distributions may have tax consequences for you and may affect the trading price of your trust preferred securities.

As long as no event of default under the debentures has occurred and is continuing, we may, on one or more occasions, defer interest payments to the trust on the debentures for up to twenty consecutive quarters, but not beyond the maturity date of the debentures. If we defer interest payments on the debentures, the trust will defer distributions on the trust preferred securities and you will be required to accrue interest income as original issue discount or "OID" for United States federal income tax purposes on your proportionate share of the deferred interest. As a result, you would have to include that accrued interest in your gross income for United States federal income tax purposes before you actually receive any cash attributable to that income. In addition, you will not receive the cash distributions related to any accrued and unpaid interest from the trust if you sell your trust preferred

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securities before the record date for any deferred distributions, even if you held the trust preferred securities on the date that the payments would normally have been paid.

We have no current intention to exercise our right to defer payments of interest on the debentures. However, if we do exercise this right, the market price of the trust preferred securities may be adversely affected and the trust preferred securities may trade at a price that does not fully reflect the value of accrued but unpaid interest on the debentures. If you sell the trust preferred securities during an interest deferral period, you may not receive the same return on investment as someone else who continues to hold the trust preferred securities. In addition, because of our right to defer interest payments, the market price of the trust preferred securities may be more volatile than the market prices of other securities that are not subject to interest deferrals.

The trust preferred securities may be redeemed prior to maturity; you may be taxed on the proceeds and you may not be able to reinvest the proceeds at the same or a higher rate of return.

Generally, the debentures (and therefore the trust preferred securities) may not be redeemed prior to five years from issuance. We may redeem the debentures after five years from issuance if prevailing interest rates at the time are lower than the interest rate on the debentures. However, if certain special events occur relating to any changes in tax law or the trust's status under the Investment Company Act of 1940, then we will be able to redeem all of the debentures at a price equal to 100% of their principal amount plus any accrued and unpaid interest. If we redeem the debentures prior to maturity, the trust must use the cash it receives on the redemption to redeem an equivalent liquidation amount of the trust preferred securities and the trust common securities on a proportionate basis, unless an event of default under the declaration has occurred and is continuing (in which case the trust preferred securities will be redeemed before any trust common securities). Under current United States federal income tax law, the redemption of the trust preferred securities would be a taxable event to you. In addition, you may not be able to reinvest the money that you receive in the redemption at a rate that is equal to or higher than the rate of return on the trust preferred securities.

You must rely on the property trustee and indenture trustee to enforce your rights if there is an event of default under the indenture.

You may not be able to directly enforce your rights against us if an event of default occurs under the indenture relating to the debentures. If an event of default under the indenture occurs and is continuing, it will also be an event of default under the declaration of trust. In that case, you must rely on the enforcement by the property trustee of its rights as holder of the debentures against us and on the indenture trustee to enforce its rights under the escrow agreement. The holders of a majority of the trust preferred securities will have the right to direct the property trustee to enforce its rights. If the property trustee does not enforce its rights after an event of default and a request by the record holders to do so, any record holder may, to the extent permitted by applicable law, take action directly against us to enforce the property trustee's rights.

If an event of default occurs under the declaration of trust that is attributable to our failure to pay interest or principal on the debentures, or if we default under the guarantee, you may proceed directly against us. You will not be able to exercise directly any other remedies available to the holders of the debentures unless the property trustee fails to do so.

We have made only limited covenants in the indenture and the declaration of trust.

The indenture governing the debentures and the declaration of trust governing the trust do not require us to maintain any financial ratios or specified levels of net worth, revenues, income, cash flow or

liquidity. Therefore, they do not protect holders of the debentures or the trust preferred securities if we experience significant adverse changes in our financial condition or results of operations. In addition, they do not limit our ability or the ability of any of our subsidiaries to incur additional indebtedness, make additional guarantees or incur other liabilities that rank senior to the debentures or the trust preferred securities. Additionally, the indenture and the declaration of trust do not prohibit us or any of our subsidiaries from creating or assuming liens on our properties. We are also not precluded from entering into any merger, sale or other change of control transaction so long as the successor entity recognizes and assumes our liability under the debentures, the trust preferred securities and the guarantee. Therefore, you should not consider the provisions of these governing instruments as a significant factor in evaluating whether we will be able to comply with our obligations under the debentures or the guarantee.

We can dissolve the trust and distribute the debentures to you, which may have adverse tax consequences for you and which may adversely affect the market price of the trust preferred securities.

We have the right to dissolve the trust under certain circumstances that are discussed below under the heading "Description of Securities—Certain Terms of the Trust Preferred Securities—Liquidation Distribution upon Dissolution." If we exercise this right, the trust, after satisfying any creditors it has, will be liquidated by distributing the debentures to holders of the trust preferred securities and the trust common securities.

We currently have no intention of causing the dissolution of the trust and the distribution of the debentures. However, there are no restrictions on our ability to do so at any time. We anticipate that we would consider exercising this right in the event that expenses associated with maintaining the trust were substantially greater than we expected, such as if a tax event or an investment company event occurred. We cannot predict the other circumstances under which this right would be exercised.

Although we will use our best efforts to list the debentures on the New York Stock Exchange, or NYSE, (or any other exchange or organization on which the trust preferred securities are then listed) if they are distributed, we cannot assure you that the debentures will be approved for listing or that a liquid trading market for the debentures will be available.

We also cannot predict the market prices for the debentures that may be distributed to you in exchange for the trust preferred securities upon liquidation of the trust. The trust preferred securities, or the debentures that you may receive if the trust is liquidated, may trade at a discount to the price that you paid to purchase the trust preferred securities.

Because you may receive debentures, you should make an investment decision with regard to the debentures in addition to the trust preferred securities. You should carefully review all the information regarding the debentures contained in this prospectus. See "Material United States Federal Income Tax Consequences—Receipt of Debentures or Cash Upon Liquidation of the Trust" in this prospectus for more information.

As a holder of the trust preferred securities you will have limited voting rights.

You will have limited voting rights. In general, unless an event of default under the declaration has occurred and is continuing, only we, as holders of the trust's common securities, may elect or remove any of the trustees, and in no event may holders of the trust preferred securities remove the administrative trustees.

If we become insolvent or become a debtor in a bankruptcy proceeding, the assets in the escrow account and any proceeds in respect thereof may be available to satisfy claims of our other general unsecured creditors and therefore may not be available exclusively to satisfy claims under the debentures.

In the event that we become insolvent or become a debtor in a bankruptcy or reorganization case under Title 11 of the United States Code or any similar state or federal law or proceeding, it is possible that the assets in the escrow account would be available to satisfy claims of our general unsecured creditors. In such event, the assets in the escrow account and any proceeds in respect thereof would not be available exclusively to satisfy claims under the debentures but would be shared, on a pro rata basis, by the trust in respect of the debentures and all of our other general unsecured creditors. In addition, escrowed assets and any proceeds in respect thereof could be used to satisfy claims of any of our senior indebtedness or of any creditor having a lien on our assets prior to such assets or proceeds being available to satisfy claims under the debentures. Notwithstanding such fact, we have obtained the consent of our senior lenders and holders of our 5% trust preferred securities to waive unconditionally their respective rights, claims and interests in the escrow account and any proceeds in respect thereof. We have also agreed not to incur any additional indebtedness for money borrowed unless the holders thereof have agreed to similar waivers. See "Description of Securities—Certain Terms of the Debentures—Escrow of Zero Coupon Securities" in this prospectus.

There is no current public market for the trust preferred securities, and their market price may be subject to significant fluctuations.

There is currently no public market for the trust preferred securities, and the initial public offering price of the trust preferred securities equals their liquidation amount. We will apply to have the trust preferred securities listed for trading on the NYSE. However, there is no guarantee that an active or liquid trading market will develop for the trust preferred securities or that quotation of the trust preferred securities will continue on the NYSE. If an active trading market does not develop, the market price and liquidity of the trust preferred securities will be adversely affected. Even if an active public market does develop, there is no guarantee that the market price of the trust preferred securities following this offering will equal or exceed the price you paid for them. Future trading prices of the trust preferred securities may be subject to significant fluctuations in response to prevailing interest rates, our future operating results and financial condition, the market for similar securities and general economic and market conditions. The initial public offering price of the trust preferred securities will be set at the liquidation amount of the trust preferred securities and may be greater than the market price following this offering.

The market price for the trust preferred securities, or the debentures that you may receive in a distribution, is also likely to decline during any period that we are deferring interest payments on the debentures.

ACCOUNTING TREATMENT

The financial statements of the trust will be reflected in our consolidated financial statements, with the trust preferred securities shown as "Company-obligated mandatorily redeemable preferred securities of subsidiary trust III holding solely parent debentures" on our consolidated balance sheet. The distributions payable on the trust preferred securities will be recorded on our consolidated income statement under "Minority interest in earnings of subsidiaries: Earnings attributable to

company-obligated mandatorily redeemable preferred securities of subsidiary trusts." This line item will be shown on a pre-tax basis with the corresponding tax benefit being reported as a component of "Income tax (expense) benefit: Current." In a footnote to our audited consolidated financial statements, there will be a statement that the trust is wholly-owned by us and that the sole asset of the trust is the debentures (indicating the principal amount, interest rate and maturity date thereof).

CAPITALIZATION

The following table sets forth, as of June 30, 2001,

- our actual capitalization; and
- our capitalization as adjusted to give effect to the consummation of this offering of the trust preferred securities and the application of the proceeds thereof.

This information should be read in conjunction with our consolidated financial statements and the related notes appearing elsewhere in this prospectus.

| | June 30, 2001 | |
|---|--|-------------|
| | Actual | As Adjusted |
| | (amounts in thousands except per share data) | |
| Notes payable | \$ 44,000 | \$ 44,000 |
| Minority interest in subsidiaries: | | |
| Company-obligated convertible mandatorily redeemable preferred securities of subsidiary trust I holding solely parent debentures | 25,970 | 25,970 |
| Company-obligated redeemable preferred securities of subsidiary trust II holding solely parent debentures | 73,794 | 73,794 |
| Company-obligated mandatorily redeemable preferred securities of subsidiary trust III holding solely parent debentures ⁽¹⁾ | — | 100,000 |
| Stockholders' equity: | | |
| Series Preferred stock, \$1 par value per share, 2,000,000 shares authorized; 625,000 shares of Series A Participating Preferred Stock issued and outstanding | 625 | 625 |
| Common stock, \$1 par value per share, 75,000,000 shares authorized; 14,534,794 shares issued and outstanding | 14,535 | 14,535 |
| Additional paid-in capital | 57,606 | 57,606 |
| Accumulated other comprehensive loss | (7,777) | (7,777) |
| Retained earnings | 5,564 | 5,564 |
| Total stockholders' equity. | 70,553 | 70,553 |
| Total capitalization. | \$ 214,317 | \$ 314,317 |

- (1) As described in this prospectus, the sole assets of the trust will be the debentures with a principal amount of \$100 million, assuming the underwriter's over-allotment option is not exercised. Upon redemption of the debentures, the trust preferred securities will be mandatorily redeemed.

The table above excludes (a) 1,718,458 shares reserved for future issuances under our stock option plans and (b) 1,797,254 shares of common stock reserved for issuance under deferred compensation agreements with certain officers, directors, consultants and national marketing organizations. See "Executive Compensation and Other Information" in this prospectus.

USE OF PROCEEDS

The trust will receive all of the proceeds from the sale of the trust preferred securities. The trust will purchase the debentures issued pursuant to the indenture described herein from us. We currently expect to use up to \$20.0 million of those proceeds to purchase zero coupon government securities to deposit in the escrow account and to use the remainder of those proceeds, after payment of the expenses of the offering, to directly or indirectly contribute to the capital and surplus of our life insurance subsidiary.

RATIO OF CONSOLIDATED EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our ratio of consolidated earnings to combined fixed charges and preferred stock dividends. The ratio of consolidated earnings to combined fixed charges and preferred stock dividends is calculated by dividing consolidated earnings by the sum of fixed charges and preferred stock dividends. Consolidated earnings consist of income before income taxes and minority interests in earnings of subsidiaries plus fixed charges. Fixed charges consist of interest expense on debt and the portion of operating leases that are representative of the interest factor. Interest expense includes interest incurred for notes payable, General Agency Commission and Servicing Agreement, and amounts due under repurchase agreements. Preferred stock dividends represent the pre-tax earnings required to cover the dividend requirements of the company-obligated mandatory redeemable preferred securities of subsidiary trusts. Since no company-obligated mandatory redeemable preferred securities of subsidiary trusts were issued during 1997 and 1996, the ratio for such years is a ratio of earnings to fixed charges.

| | Six Months Ended June 30, 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
|--|--------------------------------------|------|------|------|----------------------|----------------------|
| Ratio of Consolidated Earnings to Combined Fixed Charges and Preferred Stock Dividends | 2.0 | 1.8 | 1.3 | 1.2 | (2.0) ^(a) | (1.1) ^(a) |

(a) The deficiency for 1997 and 1996 is \$4,760,000 and \$1,139,000, respectively.

SELECTED CONSOLIDATED FINANCIAL DATA (amounts in thousands except per share data)

The following table sets forth our selected consolidated financial data. The selected consolidated statement of operations data for each of the five years ended December 31, 2000 is derived from our audited consolidated financial statements and related notes, with 2000, 1999 and 1998 included elsewhere in this prospectus and 1997 and 1998 not included in this prospectus. The selected consolidated statement of operations data and balance sheet data as of and for the six months ended June 30, 2001 and 2000 is derived from our unaudited consolidated financial statements which were prepared on the same basis as our audited financial statements and include, in our opinion, all adjustments necessary to present fairly the information presented for the interim periods. However, the results for past periods are not necessarily indicative of results that may be expected for future periods. The selected consolidated statement of operations data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included in this prospectus.

| | Six Months Ended June 30, 2001 | Six Months Ended June 30, 2000 | Year Ended December 31, | | | | |
|---|---|---|-------------------------|-----------------|---------------|-------------------|-------------------|
| | | | 2000 | 1999 | 1998 | 1997 | 1996 |
| CONSOLIDATED STATEMENTS OF OPERATIONS DATA: | | | | | | | |
| Revenues | | | | | | | |
| Insurance policy income | \$ 12,462 | \$ 9,472 | \$ 19,372 | \$ 13,746 | \$ 11,170 | \$ 11,437 | \$ 14,555 |
| Net investment income | 58,446 | 33,749 | 89,477 | 64,610 | 26,357 | 4,018 | 865 |
| Realized gains on investments | 739 | 6,196 | 5,766 | 1,454 | 427 | — | — |
| Unrealized gains on derivatives | 3,127 | — | — | — | — | — | — |
| Total revenues | 74,774 | 49,417 | 114,615 | 79,810 | 37,954 | 15,455 | 15,420 |
| Benefits and expenses | | | | | | | |
| Insurance policy benefits and change in future policy benefits | 4,592 | 4,103 | 8,728 | 7,232 | 6,085 | 7,440 | 8,788 |
| Interest credited to account balances | 35,515 | 24,589 | 56,529 | 41,727 | 15,838 | 2,130 | 78 |
| Change in market value of embedded derivatives | 6,487 | — | — | — | — | — | — |
| Interest expense on notes payable | 1,651 | 847 | 2,339 | 896 | 789 | 980 | 494 |
| Interest expense on General Agency Commission and Servicing Agreement | 3,062 | 2,800 | 5,958 | 3,861 | 1,652 | — | — |
| Interest expense on amounts due under repurchase agreements | 951 | 1,718 | 3,267 | 3,491 | 1,529 | 291 | — |
| Amortization of deferred policy acquisition costs and value of insurance in force acquired | 5,876 | 2,832 | 8,806 | 7,379 | 2,294 | 1,143 | 880 |
| Other operating costs and expenses | 7,568 | 7,405 | 14,370 | 12,129 | 8,763 | 8,231 | 6,319 |
| Total benefits and expenses | 65,702 | 44,294 | 99,997 | 76,715 | 36,950 | 20,215 | 16,559 |
| Income (loss) before income taxes, minority interest in earnings of subsidiaries and cumulative effect adjustment | 9,072 | 5,123 | 14,618 | 3,095 | 1,004 | (4,760) | (1,139) |
| Income tax (expense) benefit | (1,780) | (444) | (2,385) | 1,370 | (760) | 1,390 | — |
| Income (loss) before minority interest in earnings of subsidiaries and cumulative effect adjustment | 7,292 | 4,679 | 12,233 | 4,465 | 244 | (3,370) | (1,139) |
| Minority interest in earnings in subsidiaries: | | | | | | | |
| Dividends on company-obligated convertible mandatorily redeemable preferred securities of subsidiary trust I | (1,041) | (1,041) | (2,082) | (692) | — | — | — |
| Dividends on company-obligated redeemable preferred securities of subsidiary trust II | (2,683) | (2,683) | (5,367) | (1,330) | — | — | — |
| Cumulative effect of change in accounting for derivatives | (799) | — | — | — | — | — | — |
| Net income (loss) | \$ 2,769 | \$ 955 | \$ 4,784 | \$ 2,443 | \$ 244 | \$ (3,370) | \$ (1,139) |
| Basic earnings (loss) per common share ⁽¹⁾ | \$ 0.19 | \$ 0.07 | \$ 0.33 | \$ 0.17 | \$ 0.02 | \$ (0.70) | \$ (0.63) |
| Diluted earnings (loss) per common share ⁽¹⁾ | \$ 0.15 | \$ 0.05 | \$ 0.26 | \$ 0.14 | \$ 0.02 | \$ (0.70) | \$ (0.63) |
| Dividends declared per common share and preferred share | \$ — | \$ — | \$ 0.01 | \$ 0.02 | \$ — | \$ — | \$ — |

(1) See note 13 of the notes to our audited consolidated financial statements for 2000, 1999 and 1998 included elsewhere in this prospectus for the determination of shares used in computing basic and diluted earnings (loss) per common share.

| | As of and for the Year Ended December 31, | | | | | | |
|---|---|------------------|-----------------|--------------|------------|------------|-----------|
| | June 30, 2001 | June 30, 2000 | 2000 | 1999 | 1998 | 1997 | 1996 |
| OTHER DATA: | | | | | | | |
| Life subsidiary statutory capital and surplus | \$ 180,865 | \$ 140,855 | \$ 145,048 | \$ 139,855 | \$ 80,948 | \$ 64,710 | \$ 17,302 |
| Life subsidiary statutory net income (loss) | (2,353) | 2,273 | 10,420 | 17,837 | 4,804 | 4,470 | 1,175 |
| At June 30, | | | At December 31, | | | | |
| | 2001 | 2000 | 2000 | 1999 | 1998 | 1997 | 1996 |
| BALANCE SHEET DATA: | | | | | | | |
| Total assets | \$ 3,872,297 | \$ 2,105,660 | \$ 2,528,126 | \$ 1,717,619 | \$ 708,106 | \$ 229,418 | \$ 35,215 |
| Policy benefit reserves | 3,154,997 | 1,791,412 | 2,099,915 | 1,358,876 | 541,082 | 155,998 | 11,847 |
| Notes Payable | 44,000 | 32,100 | 44,000 | 20,600 | 10,000 | 10,000 | 10,000 |
| Trust preferred securities | 99,764 | 99,242 | 99,503 | 98,982 | — | — | — |
| Stockholders' equity | 70,553 | 22,928 | 58,651 | 34,324 | 66,131 | 54,426 | 10,137 |

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

Annual Results of Operations

Business Overview. We commenced business on January 1, 1996, shortly after our formation and incorporation. As a foundation for beginning our business, we acquired two blocks of in-force insurance from another insurance company, of which several of our executive officers were previously employees. Later in 1996, we acquired another life insurance company with no in-force insurance which expanded our licensing authority to sell insurance and annuities to 23 states and the District of Columbia. Since then, we have expanded our licensing to 45 states and the District of Columbia.

We specialize in the sale of individual annuities (primarily deferred annuities) and, to a lesser extent, we also sell life insurance. Under accounting principles generally accepted in the United States, 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. In the case of equity-index annuities, the investment spread consists of net investment income in excess of the amortization of the cost of the options purchased to fund the index-based component of the policyholder's return. 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.

We had net income of \$4,784,000 for the year ended December 31, 2000, compared to net income of \$2,443,000 in 1999 and \$244,000 in 1998. The trend in net income is a direct result of the continued growth in our annuity business which began to accelerate in the third quarter of 1997. Annuity reserves grew from \$146,311,000 at December 31, 1997 to \$529,765,000 at December 31, 1998, \$1,342,256,000 at December 31, 1999 and \$2,076,731,000 at December 31, 2000. New annuity deposits for the year ended December 31, 2000 increased 4% to \$840,510,000, compared to \$814,605,000 for 1999. The 1999 amount represented a 116% increase over the 1998 amount of \$377,917,000. The increased annuity production is a direct result of the growth in our agency force, which increased from approximately 4,450 agents at December 31, 1997, to 10,525 agents at December 31, 1998, 18,000 agents at December 31, 1999 and 22,000 agents at December 31, 2000.

The growth in our annuity business resulted in a sizeable increase in our earnings from invested assets for 2000 and 1999. While certain expenses also increased as a result of the growth in our annuity business, the incremental profits from a larger deposit base allowed us to offset a greater portion of our fixed operating costs and expenses. Our 1999 results also benefitted from a gain of \$1,541,000 on the termination of a total return swap contract. Our 1998 results also benefitted from a gain of \$275,000 on the sale of an office building in Birmingham, Alabama, from which our operations in that location were previously conducted.

Traditional Life and Accident and Health Insurance Premiums increased 7% to \$11,034,000 in 2000 and decreased 2% to \$10,294,000 in 1999 from \$10,528,000 in 1998. The majority of our traditional life and accident and health insurance premiums consist of group policies sold to a limited market. Because our

primary focus is the sale of annuities, we have made no effort to expand sales of these products to other markets.

Annuity and Single Premium Universal Life Product Charges (surrender charges assessed against policy withdrawals and mortality and expense charges assessed against single premium universal life policyholder account balances) increased 142% to \$8,338,000 in 2000, and 438% to \$3,452,000 in 1999, from \$642,000 in 1998. These increases are principally attributable to the growth in our annuity business and correspondingly, increases in annuity policy withdrawals subject to surrender charges. Withdrawals from annuity and single premium universal life policies were \$144,077,000, \$60,844,000 and \$23,637,000 for 2000, 1999 and 1998, respectively.

Net Investment Income increased 38% to \$89,477,000 in 2000 and 145% to \$64,610,000 in 1999 from \$26,357,000 in 1998. These increases are principally attributable to the growth in our annuity business and correspondingly, increases in our invested assets. Invested assets (amortized cost basis) increased 33% to \$1,995,062,000 at December 31, 2000 and 147% to \$1,499,729,000 at December 31, 1999 compared to \$607,764,000 at December 31, 1998, while the effective yield earned on average invested assets was 7.64%, 7.34% and 7.46% for 2000, 1999, and 1998, respectively.

Realized Gains on Investments increased 297% to \$5,766,000 in 2000 compared to \$1,454,000 in 1999 and \$427,000 in 1998. The increase in 2000 is primarily attributable to an investment program involving the use of total return exchange agreements. The increase in 1999 was primarily attributable to a gain realized on the termination of a total return swap contract. In 1998, realized gains consisted of a gain of \$152,000 on the sale of fixed maturity securities and a gain of \$275,000 on the sale of our office building in Birmingham, Alabama.

Traditional Life and Accident and Health Insurance Benefits increased 21% to \$8,728,000 in 2000 and 19% to \$7,232,000 in 1999 compared to \$6,085,000 in 1998. These increases are attributable to an increase in death benefits and surrenders.

Interest Credited to Annuity Policyholder Account Balances increased 35% to \$56,529,000 in 2000 and 163% to \$41,727,000 in 1999 from \$15,838,000 in 1998. These increases are principally attributable to increases in annuity liabilities. The amounts are also impacted by changes in the weighted average crediting rate for our fixed rate annuity liabilities, which, excluding interest rate bonuses guaranteed for the first year of the annuity contract, was 5.20%, 5.11% and 5.20% at December 31, 2000, 1999 and 1998, respectively. The weighted average crediting rate, including interest rate bonuses guaranteed for the first year of the annuity contract, was 5.99%, 6.51%, and 7.05% at December 31, 2000, 1999 and 1998, respectively.

Interest Expense on General Agency Commission and Servicing Agreement increased 54% to \$5,958,000 in 2000 and 134% to \$3,861,000 in 1999 from \$1,652,000 in 1998. These increases are principally attributable to increases in the amount of commissions paid by our life subsidiary under this agreement. See Note 8 to the audited consolidated financial statements included elsewhere in this prospectus.

Interest Expense on Notes Payable increased 161% to \$2,339,000 in 2000 and 14% to \$896,000 in 1999 from \$789,000 in 1998. These increases are attributable to increases in the outstanding borrowings in the third and fourth quarters of 1999, and throughout 2000. In 2000, the increase was also related to an increase in the cost of funds, while in 1999 the increase was offset in part by a decrease in the average applicable interest rate. The applicable interest rate was 7.99%, 7.56% and 8.09% for 2000, 1999 and 1998, respectively.

Interest Expense on Amounts Due under Repurchase Agreements decreased 6% to \$3,267,000 in 2000 and increased 128% to \$3,491,000 in 1999 from \$1,529,000 in 1998. In 2000, this change was principally attributable to lower average balances of funds, offset in part by higher average costs of funds. In 1999, this change was principally attributable to larger average balances of funds borrowed, offset in part by lower average costs of funds in 1999. See Note 7 to the audited consolidated financial statements included elsewhere in this prospectus.

Amortization of Deferred Policy Acquisition Costs and Value of Insurance In Force Acquired increased 19% to \$8,806,000 in 2000 and 222% to \$7,379,000 in 1999 from \$2,294,000 in 1998. These increases are primarily due to the growth in our annuity business as discussed above.

Other Operating Costs and Expenses increased 18% to \$14,370,000 in 2000 and 38% to \$12,129,000 in 1999 from \$8,763,000 in 1998. These increases are principally attributable to increases in marketing expenses, employees and related salaries and costs of employment.

Income Tax Expense for 2000 was an expense of \$2,385,000 compared to a benefit of \$1,370,000 in 1999, and an expense of \$760,000 in 1998. Our effective tax rates for 2000, 1999 and 1998 were 33%, 16% and 36%, respectively, excluding the impact in 1999 of the elimination of a valuation allowance of \$1,537,000 on deferred income tax assets. See Note 6 to the audited consolidated financial statements included elsewhere in this prospectus. These effective income tax rates varied from the applicable statutory federal income tax rates of 35% for 2000 and 1999 and 34% for 1998 principally due to: (i) the impact of state taxes on the federal income tax expense; (ii) in 1999, adjustment of the December 31, 1998 net deferred tax assets to the 35% rate; and (iii) in 1998, certain nondeductible expenses.

Minority Interest in Earnings of Subsidiaries includes amounts for distributions and the accretion of the issue discount on company-obligated mandatorily redeemable preferred stocks of subsidiary trusts issued in 1999. Tax benefits attributable to these amounts are reported as a reduction of income tax expense. See Note 9 to the audited consolidated financial statements included elsewhere in this prospectus.

Annual Financial Condition

Investments. Our investment strategy is to maintain a predominantly investment grade fixed income portfolio, provide adequate liquidity to meet our cash obligations to policyholders and others and maximize current income and total investment return through active investment management. Consistent with this strategy, our investments principally consist of fixed maturity securities and short-term investments. We also have approximately 2% of our invested assets at December 31, 2000 in derivative instruments (equity market index call options) purchased in connection with the issuance of equity-index annuities.

Insurance statutes regulate the type of investments that our life subsidiary 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 our business and investment strategy, we generally seek 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.

We have classified a substantial portion of our 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. Our liability for policy benefit reserves increased \$741,039,000 and \$817,794,000 during 2000 and 1999, respectively, to \$2,099,915,000 at December 31, 2000 and \$1,358,876,000 at December 31, 1999, primarily due to annuity sales as discussed above. Substantially all of our annuity products have a surrender charge feature designed to reduce early withdrawal or surrender of the policies and to partially compensate us for our costs if policies are withdrawn early. Notwithstanding these policy features, the withdrawal rates of policyholder funds may be affected by changes in interest rates.

On October 18, 1996, we borrowed \$10,000,000 from two banks under a variable rate revolving credit agreement. Proceeds from the borrowing were contributed to the capital and surplus of our life subsidiary (\$6,000,000) and used to refinance indebtedness we incurred to capitalize our life subsidiary at the time of its formation (\$4,000,000). During 1999, this line of credit was increased to permit maximum borrowings of \$25,000,000, and we borrowed an additional \$10,600,000, bringing our liability for notes payable to \$20,600,000 at December 31, 1999. During 2000, the maximum borrowing level was increased to \$50,000,000, and we borrowed an additional \$23,400,000. During 2001, we borrowed the remaining available credit of \$6,000,000. We loaned the proceeds of the 1999 borrowings to American Equity Investment Service Company (see discussion that follows under *Liquidity of Parent Company*). The loan proceeds drawn in

2001 were used as part of a \$10,000,000 contribution to the capital and surplus of our life subsidiary. The loan matured on September 30, 2001, and we exercised an option for a four year extension as a term loan. Under this agreement, we are required to maintain minimum capital and surplus levels at our life subsidiary and meet certain other financial and operating ratio requirements. We are also prohibited from incurring other indebtedness for borrowed money without obtaining a waiver from the lenders and from paying dividends on our capital stock in excess of 10% of our consolidated net income for the prior fiscal year (except that in 1999 we were permitted to make a dividend payment equal to 44% of our consolidated net income for 1998).

Stockholders' Equity. We were initially capitalized in December 1995 and January 1996 through the issuance of shares of common stock for cash of \$4,000,000. Subsequent to our initial capitalization (400,000 shares of common stock after a May 29, 1996 100-for-1 stock split), we issued additional

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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 | Number Issued | | Warrant Exercise Price |
|---|-------------|---------------|------------------------|------------------------|
| | | Shares | Warrants | |
| Common Stock & Warrants | | | | |
| 1996 | \$ 3.33 | 2,340,000 | 468,000 | \$ 3.33 |
| 1997 | 3.33 | 11,994 | 2,394 | 3.33 |
| 1998 ⁽¹⁾ | | 2,360,994 | 472,194 ⁽²⁾ | |
| 1997 | 4.00 | 1,711,248 | 342,249 ⁽³⁾ | 4.00 |
| | | — | 204,249 ⁽⁴⁾ | 4.00 |
| | | 1,711,248 | 546,999 | |
| Common Stock—1997 | 5.33 | 7,998,750 | | |
| 1998 Series A Participating Preferred Stock | 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) Exercised during 1999.

(4) Issued to the placement agent as part of placement agent compensation; 170,625 exercised in 2000, and the remaining 34,125 expire on April 30, 2002.

The aggregate net proceeds from these offerings, including proceeds received from the exercise of warrants, was \$65,699,000, substantially all of which were contributed to the capital and surplus of our life subsidiary or used to fund the acquisition of the life insurance company acquired in 1996.

A portion of the 7,998,750 shares of common stock issued in 1997 at \$5.33 per share were issued in a rights offering to existing stockholders and in connection therewith, certain of our officers and directors 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 offering date. An aggregate of 2,157,375 management subscription rights were issued to nine officers and directors at that time. The management subscription rights have an exercise price of \$5.33 per share and expire on December 1, 2002. Farm Bureau Life Insurance Company purchased 4,687,500 shares of common stock in this offering and received a right of first refusal to maintain a 20% ownership interest in our capital stock.

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 Series A Participating Preferred Stock is convertible into shares of common stock on a three for one basis upon the earlier of the initial public offering of our common stock or December 31, 2003.

In September, 1999, American Equity Capital Trust I ("Trust I"), our wholly-owned subsidiary, issued \$25,970,000 of 8% Convertible Trust Preferred Securities (the "8% Trust Preferred Securities"). In connection with Trust I's issuance of the 8% Trust Preferred Securities and the related purchase by us of all of Trust I's common securities, we issued \$26,773,000 in principal amount of our 8% Convertible Junior Subordinated Debentures, due September 30, 2029 (the "8% Debentures") to Trust I. The sole assets of Trust I are the 8% Debentures and any interest accrued thereon. Each 8% Trust Preferred Security is convertible into one share of our common stock at a conversion price equal to the lesser of (i) \$30 per share or (ii) 90% of the initial price per share to the public of common stock sold in connection with our initial public offering of such common stock (the "IPO"), upon the earlier of the

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91st day following the IPO or September 30, 2002. The interest payment dates on the 8% Debentures correspond to the distribution dates on the 8% Trust Preferred Securities.

The 8% Trust Preferred Securities, which have a liquidation value of \$30 per share plus accrued and unpaid distributions, mature simultaneously with the 8% Debentures. As of December 31, 1999, 865,671.33 shares of 8% Trust Preferred Securities were outstanding, all of which are unconditionally guaranteed by us to the extent of the assets of Trust I.

In October, 1999, American Equity Capital Trust II ("Trust II"), our wholly-owned subsidiary, issued 97,000 shares of 5% Trust Preferred Securities (the "5% Trust Preferred Securities"). The 5% Trust Preferred Securities, which have a liquidation value of \$1000 per share (\$97,000,000 in the aggregate) have been assigned a fair value of \$72,490,000 (based upon an effective 7% yield-to-maturity). The consideration received by Trust II in connection with the issuance of the 5% Trust Preferred Securities consisted of fixed income trust preferred securities of equal value which were issued by the parent of Farm Bureau Life Insurance Company. As of September 30, 2001, Farm Bureau beneficially owned 32.25% of our common stock.

In connection with Trust II's issuance of the 5% Trust Preferred Securities and the related purchase by us of all of Trust II's common securities, we issued \$100,000,000 in principal amount of our 5% Subordinated Debentures, due June 1, 2047 (the "5% Debentures") to Trust II. The sole assets of Trust II are the 5% Debentures and any interest accrued thereon. The interest payment dates on the 5% Debentures correspond to the distribution dates on the 5% Trust Preferred Securities. The 5% Trust Preferred Securities mature simultaneously with the 5% Debentures. All of the 5% Trust Preferred Securities are unconditionally guaranteed by us to the extent of the assets of Trust II.

Liquidity for Insurance Operations. Our life subsidiary 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, 2000, approximately 99% of our annuity liabilities were subject to penalty upon surrender.

We believe that the diversity of our 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, 2000 included \$1,474,560,000 of publicly traded investment grade bonds. Although there is no present need or intent to dispose of such investments, our life subsidiary 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 our life subsidiary from time to time to increase our return on investments and to improve liquidity.

Effective January 1, 2001, our life subsidiary entered into a reinsurance transaction which includes a coinsurance segment on a 2% quota share basis and yearly renewable term segment reinsuring a portion of death benefits payable on annuities produced after January 1, 2001.

Liquidity of Parent Company. We, as the parent company, are a legal entity separate and distinct from our subsidiaries, and have no business operations. We need liquidity primarily to service our debt, including the subordinated debentures issued to subsidiary trusts, pay operating expenses and pay dividends to stockholders. The primary sources of funds for these payments are: (i) interest received on trust preferred securities received in connection with the issuance of the 5% Trust Preferred Securities; (ii) principal and interest payments received on the our note receivable from American Equity Investment Service Company (see discussion that follows); (iii) dividends on capital stock and surplus

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note interest payments from our life subsidiary; (iv) cash on hand (\$4,779,000 at December 31, 2000); and (v) cash (\$213,000 at December 31, 2000) that may be distributed by the American Equity Investment Properties, L.C. which holds the remaining cash proceeds from the sale of the office building in Birmingham, Alabama that was sold in 1998. We may also obtain cash by issuing debt or equity securities.

The payment of dividends or the distributions, including surplus note payments, by our life subsidiary is subject to regulation by the Iowa Insurance Division. Currently, our life subsidiary 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) our life subsidiary's net gain from operations (excluding net realized capital gains or losses) for the preceding calendar year, or (2) 10% of our statutory surplus at the preceding December 31. At June 30, 2001, up to \$13,505,000 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. Our life subsidiary had \$21,534,000 of earned surplus at December 31, 2000.

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 our life subsidiary following any dividend or distribution must be reasonable in relation to our outstanding liabilities and adequate for its financial needs.

The transfer of funds by our life subsidiary is also restricted by certain covenants in our loan agreement which, among other things, requires the life subsidiary to maintain statutory capital and surplus (including the asset valuation and interest maintenance reserves) of \$140,000,000 plus 25% of statutory net income for periods subsequent to December 31, 2000. Under the most restrictive of these limitations, \$605,000 of earned surplus at December 31, 2000 was available for distribution by our life subsidiary to us in the form of dividends or other distributions.

Statutory accounting practices prescribed or permitted for our life subsidiary differ in many respects from those governing the preparation of financial statements under accounting principles generally accepted in the United States ("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 our life subsidiary as of December 31, 2000 and 1999 and for the years ended December 31, 2000, 1999 and 1998 is included in Note 11 to the audited consolidated financial statements included elsewhere in this prospectus.

Our life subsidiary has entered into a general agency commission and servicing agreement with American Equity Investment Service Company, an affiliated company wholly-owned by our chairman and president, whereby the affiliate acts as a national supervisory agent with responsibility for paying commissions to our agents. This agreement initially benefits the life subsidiary's statutory surplus by extending the payment of a portion of the first year commissions on new annuity business written by the life subsidiary over a longer period of time, and thereby enabling the life subsidiary to conduct a comparatively greater volume of business. In subsequent periods, the life subsidiary's statutory surplus is reduced through the payment of renewal commissions to the affiliate on this business based upon the

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account balances of the annuities remaining in force for a period of five years (see Note 8 to the audited consolidated financial statements included elsewhere in this prospectus).

During the years ended December 31, 2000, 1999 and 1998, the service company paid \$28,400,000, \$37,723,000, and \$19,933,000, respectively, to our agents. We paid renewal commissions to the service company during the years ended December 31, 2000, 1999 and 1998 of \$20,449,000, \$7,001,000, and \$5,328,000, respectively.

During 1999, we agreed to loan the service company up to \$50,000,000 as the source of funds for the affiliate portion of first year commissions and had advanced \$41,565,000 through December 31, 2000 pursuant to the promissory note evidencing this agreement. Principal and interest are payable quarterly over five years from the date of the advance. The principal source of funds for us to advance funds to the service company is our bank line of credit, of which \$6,000,000 was available for borrowing at December 31, 2000.

Future payments by the life subsidiary on business in force at December 31, 2000 are dependent upon the account balances of the annuities remaining in force on each remaining quarterly renewal commission payment date. Estimated future renewal commission payments by the life subsidiary would be: \$22,551,000 for 2001; \$21,335,000 for 2002; \$16,755,000 for 2003; and \$12,532,000 for 2004.

Inflation

Inflation does not have a significant effect on our balance sheet; we have 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 our balance sheet and operations. Higher interest rates experienced in recent periods have decreased the value of our fixed maturity investments. It is likely that declining interest rates would have the opposite effect. It is not possible to calculate the effect such changes in interest rates, if any, have had on our operating results.

Accounting Change

The Financial Accounting Standards Board issued, then subsequently amended, Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which became effective for us on January 1, 2001. Under SFAS No. 133, as amended, all derivative instruments (including certain derivative instruments embedded in other contracts) are recognized in the balance sheet at their fair values and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges of future cash flows. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value is recorded temporarily in equity, then recognized in earnings along with the related effects of the hedged items. Any "ineffective" portion of a hedge is reported in earnings as it occurs.

We have equity-indexed annuity products that guarantee the return of principal to the customer and credit interest based on a percentage of the gain in a specified equity market index. A portion of the premium from each customer is invested in investment grade fixed income securities to cover the minimum guaranteed value due the customer at the end of the contract term. A portion of the premiums is used to purchase derivatives consisting of call options on the applicable equity market indexes to fund the index credits due to equity index annuity holders. Substantially all of such call options are one year options which are closely matched to the annual crediting liabilities on such policies. The equity index used to compute such annual crediting liabilities is reset at the beginning of each policy year, and we have the ability to modify annually, within limits, policy terms such as participation rates, assets fees and income caps.

Under SFAS No. 133, the annual crediting liabilities on our equity index annuities are treated as a "series of embedded derivatives" over the life of the applicable contract. We do not purchase call options to fund the equity index liabilities which may arise after the policy anniversary date. We must value both the call options and the related forward embedded options in the policies at fair value. The change in fair value for the call options is included in realized/unrealized gains (losses) on investments and the change in fair value adjustment of the embedded options is included in policy holder benefits in the Consolidated Statements of Income.

Interim Results of Operations

Three and Six Months Ended June 30, 2001 and 2000. Our business has continued to grow rapidly, with reserves for annuities and single premium universal life policies increasing from \$1,343,816,000 at December 31, 1999 to \$2,079,561,000 at December 31, 2000 and \$3,131,565,000 at June 30, 2001. Deposits from sales of annuities and single premium universal life policies during the six months ended June 30, 2001 increased 138% to \$1,120,697,000 compared to \$471,746,000 for the same period in 2000. The increased production is a result of: (i) the introduction of multi-year rate guarantee products and (ii) the growth in our agency force which increased from approximately 18,000 agents at December 31, 1999 to approximately 22,000 agents at December 31, 2000 and approximately 28,000 agents at June 30, 2001.

Our Net Income increased 245% to \$3,251,000 for the second quarter of 2001, and 190% to \$2,768,000 for the six months ended June 30, 2001 compared to \$943,000 and \$955,000, respectively, for the same periods in 2000. These increases are primarily attributable to an increase in net investment income during the first quarter of 2001, the effect of which is magnified by the decline in net investment income experienced during the first quarter of 2000 caused by the total return swap agreement disclosed below.

Traditional Life and Accident and Health Insurance Premiums increased 22% to \$3,333,000 for the second quarter of 2001, and increased 7% to \$6,615,000 for the six months ended June 30, 2001 compared to \$2,741,000 and \$6,184,000, respectively, for the same periods in 2000. These changes are principally attributable to corresponding changes in direct sales of life products.

Annuity and Single Premium Universal Life Product Charges (surrender charges assessed against policy withdrawals and expense charges assessed against single premium universal life policyholder account balances) increased 69% to \$3,185,000 for the second quarter of 2001, and 78% to \$5,847,000 for the six months ended June 30, 2001 compared to \$1,883,000 and \$3,288,000, respectively, for the same periods in 2000. These increases are principally attributable to the growth in our annuity business and correspondingly, an increase in annuity policy withdrawals subject to surrender charges. Withdrawals from annuity and single premium universal life policies were \$102,213,000 for the six months ended June 30, 2001 compared to \$55,663,000 for the same period in 2000.

Net Investment Income increased 36% to \$33,426,000 in the second quarter of 2001 and 73% to \$58,446,000 for the six months ended June 30, 2001 compared to \$24,490,000 and \$33,749,000, respectively, for the same periods in 2000. Invested assets (amortized cost basis) increased 74% to \$3,245,882,000 at June 30, 2001 compared to \$1,870,510,000 at June 30, 2000, while the annualized effective yield earned on invested assets was 7.46% at June 30, 2001 compared to 7.58% at June 30, 2000.

Realized Gains (Losses) on the Sale of Investments consisted of an increase in realized gains to \$583,000 in the second quarter of 2001 compared to realized losses of \$18,000 for the same period in 2000. For the six months ended June 30, 2001, we had realized gains of \$739,000 compared to \$6,196,000 for the

same period in 2000. In the first six months of 2000, net realized gains of \$6,196,000 included: (i) realized gains of \$7,177,000 attributable to gains on the termination of total return swap agreements for which there was an offsetting impact on net investment income and (ii) realized losses of \$981,000 on the sale of certain corporate fixed maturity securities. The investment program involving the total return swap agreements was terminated in February, 2000.

Unrealized Gains (Losses) on Derivatives consisted of an increase in unrealized gains of \$12,365,000 in the second quarter of 2001, and \$3,127,000 for the six months ended June 30, 2001. These amounts arise from the adoption of SFAS No. 133 as of January 1, 2001, which requires the recognition of unrealized gains from the change in fair value of derivative securities. See note D to the unaudited consolidated financial statements included elsewhere in this prospectus.

Traditional Life and Accident and Health Insurance Benefits decreased 11% to \$2,395,000 in the second quarter of 2001, and increased 12% to \$4,592,000 for the six months ended June 30, 2001 compared to \$2,148,000 and \$4,103,000, respectively, for the same periods in 2000. These changes are principally attributable to corresponding changes in reserves related to the changes in direct life insurance premiums.

Interest Credited to Annuity and Single Premium Universal Life Policyholder Account Balances increased 71% to \$21,667,000 in the second quarter of 2001, and 44% to \$35,515,000 for the six months ended June 30, 2001 compared to \$12,698,000 and \$24,589,000, respectively, for the same periods in 2000. These increases are principally attributable to the increase in annuity liabilities. At June 30, 2001, the weighted average crediting rate for our fixed rate annuity liabilities, excluding interest rate and premium bonuses guaranteed for the first year of the annuity contract, was 5.65%, compared to 5.12% at June 30, 2000. The weighted average crediting rate including interest rate and premium bonuses guaranteed for the first year of the annuity contract was 6.19% at June 30, 2001 compared to 6.24% at June 30, 2000.

Change in Market Value of Embedded Derivatives consisted of an increase of \$10,677,000 in the second quarter of 2001, and \$6,487,000 for the six months ended June 30, 2001. These amounts arise from the adoption of SFAS No. 133 as of January 1, 2001, which requires recognition of the change in estimated fair value of equity index annuity reserves. See note D of the unaudited consolidated financial statements included elsewhere in this prospectus.

Interest Expense on Notes Payable increased 36% to \$756,000 for the second quarter of 2001, and 95% to \$1,651,000 for the six months ended June 30, 2001 compared to \$556,000 and \$847,000, respectively, for the same periods in 2000. These increase are attributable to increases in the outstanding borrowings during 2000.

Interest Expense on General Agency Commission and Servicing Agreement increased 2% to \$1,479,000 for the second quarter of 2001, and 9% to \$3,062,000 for the six months ended June 30, 2001 compared to \$1,454,000 and \$2,800,000, respectively, for the same periods in 2000. These increases are principally attributable to an increase in the amount of commissions paid by our life subsidiary under this agreement. See note E of the unaudited consolidated financial statements included elsewhere in this prospectus.

Interest Expense on Amounts Due under Repurchase Agreements. There was no interest expense on amounts due under repurchase agreements in the second quarter of 2001. Interest expense on amounts due under repurchase agreements decreased 45% to \$951,000 for the six months ended June 30, 2001 compared to \$1,050,000 and \$1,718,000, respectively, for the same periods in 2000. This decrease is

principally attributable to a decrease in the average balances outstanding. See note B of the unaudited consolidated financial statements included elsewhere in this prospectus.

Amortization of Deferred Policy Acquisition Costs and Value of Insurance In Force Acquired increased 37% to \$5,437,000 in the second quarter of 2001, and 107% to \$5,876,000 for the six months ended June 30, 2001 compared to \$3,972,000 and \$2,832,000, respectively, for the same periods in 2000. These increases are primarily due to (i) the growth in our annuity business as discussed above; and (ii) the increase of \$3,377,000 in our asset for deferred policy acquisition costs resulting from the adoption of SFAS No. 133. See note D of the unaudited consolidated financial statements included elsewhere in this prospectus.

Other Operating Costs and Expenses decreased 7% to \$3,705,000 in the second quarter of 2001, and increased 2% to \$7,568,000 for the six months ended June 30, 2001 compared to \$3,975,000 and \$7,405,000, respectively, for the same periods in 2000. These changes are principally attributable to changes in marketing expenses, employees and related salaries and costs of employment.

Income Tax Expense increased 280% to \$1,663,000 in the second quarter of 2001 and increased 301% to \$1,780,000 for the six months ended June 30, 2001 compared to \$438,000 and \$444,000, respectively, for the same periods in 2000. These increases are principally due to an increase in net income. The effective tax rate was 33% for 2001.

Interim Financial Condition

Cash and investments increased 60% during the six months ended June 30, 2001 as a result of the growth in our annuity business discussed above. At June 30, 2001, the fair value of our available for sale fixed maturity securities and equity securities was \$24,992,000 less than the amortized cost of those investments. At June 30, 2001, the amortized cost of our fixed maturity securities held for investment exceeded the market value by \$24,696,000.

We did not issue any debt securities during the first six months of 2001. For information related to borrowings under our variable rate revolving line of credit, see note 7 of the audited consolidated financial statements included elsewhere in this prospectus.

The statutory capital and surplus of our life insurance subsidiary at June 30, 2001 was \$180,865,000. The life insurance subsidiary made surplus note interest payments to us of \$1,000,000 during the six months ended June 30, 2001. For the remainder of 2001, up to \$13,505,000 can be distributed by the life insurance subsidiary as dividends without prior regulatory approval.

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. Our life insurance subsidiary had \$21,390,000 of earned surplus at June 30, 2001.

The transfer of funds by our life insurance subsidiary is also restricted by certain covenants in our loan agreements, which, among other things, require the life insurance subsidiary to maintain statutory capital and surplus (including asset valuation and interest maintenance reserves) equal to the greater of \$140,000,000 plus 25% of statutory net income and 75% of capital contributions to the life insurance subsidiary for periods subsequent to December 31, 2000. Under the most

restrictive of these limitations, \$14,479,000 of the life insurance subsidiary's earned surplus at June 30, 2001 was available for distribution by the life insurance subsidiary to us.

Quantitative and Qualitative Disclosures about Market Risk

We seek to invest our available funds in a manner that will maximize shareholder value and fund future obligations to policyholders and debtors, subject to appropriate risk considerations. We seek to meet this objective through investments that: (i) consist predominately of investment grade fixed maturity securities of very high credit quality; (ii) have projected returns which satisfy our spread targets; and (iii) have characteristics which support the underlying liabilities. Many of our products incorporate surrender charges, market interest rate adjustments or other features to encourage persistency of business.

We seek to maximize the total return on our available for sale investments through active investment management. Accordingly, we have determined that our available for sale portfolio of fixed maturity securities is available to be sold in response to: (i) changes in market interest rates; (ii) changes in relative values of individual securities and asset sectors; (iii) changes in prepayment risks; (iv) changes in credit quality outlook for certain securities; (v) liquidity needs; and (vi) other factors.

We have a portfolio of held for investment securities which consists principally of zero coupon bonds issued by U.S. government agencies. These securities are purchased to secure long-term yields which meet our spread targets and support the underlying liabilities. Interest rate risk is our primary market risk exposure. Substantial and sustained increases and decreases in market interest rates can affect the profitability of our products and the market value of our investments.

The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust crediting rates (participation or asset fee rates for equity-index annuities) on substantially all of our annuity policies at least annually (subject to minimum guaranteed values). In addition, substantially all of our 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 our ability to adjust or maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions.

A major component of our interest rate risk management program is structuring the investment portfolio with cash flow characteristics consistent with the cash flow characteristics of our insurance liabilities. We use computer models to simulate cash flows expected from our existing business under various interest rate scenarios. These simulations enable us to measure the potential gain or loss in fair value of our interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from our assets to meet the expected cash requirements of our liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of our 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 June 30, 2001, the effective duration of our fixed maturity securities and short-term investments was approximately 6.46 years and the estimated duration of our insurance liabilities was approximately 6.78 years.

If interest rates were to increase 10% from levels at June 30, 2001, we estimate that the fair value of our fixed maturity securities, net of corresponding changes in the values of deferred policy acquisition costs and insurance in force acquired would decrease by approximately \$119,353,000. 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 our 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 we actively manage our investments and liabilities, our net exposure to interest rates can vary over time.

Our investments in equity index call options are closely matched with our obligations to equity-indexed annuity holders. Market value changes associated with those investments are substantially offset by an increase or decrease in the amounts added to policyholder account balances for equity-indexed products.

BUSINESS

Annuity Market Overview

Our target market includes the group of individuals ages 45-75 who are seeking to accumulate tax-deferred savings. We believe that significant growth opportunities exist for annuity products because of favorable demographic and economic trends. According to the U. S. Census Bureau, there were 35.0 million Americans age 65 and older in 2000, representing 12% of the U. S. population. By 2030, this sector of the population is expected to increase to 22% of the total population. Our 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, sales of individual annuities (based on preliminary information) increased 17% in 2000 to \$190.5 billion from \$163.5 billion in 1999 (last year in which actual data is available). In 2000, fixed annuity sales, which include equity index and fixed rate annuities, increased 27% to \$52.8 billion from \$41.7 billion in 1999, which was a 30% increase from \$32.0 billion in 1998. Sales of equity index annuities have grown to \$5.4 billion in 1999 (last year in which actual data is available), an increase of 29% from \$4.2 billion in 1998. Further, from 1995 through 1999, equity index annuities have grown at a cumulative average growth rate of 127% from \$200 million in 1995 to \$5.4 billion in 1999. We believe equity index annuities, which have a crediting rate linked to the change in various indexes, appeal to purchasers interested in participating in gains linked to equity markets without the risk of loss of principal. The effectiveness of a wide range of fixed rate annuity products, during volatile equity and bond markets, has enabled us to enjoy favorable growth since our inception in 1996.

Products

Our products include fixed rate annuities, equity-index annuities, a variable annuity and life insurance.

Fixed Rate Annuities. These products, which accounted for approximately 25% of the total annuity deposits collected during 2000 and approximately 67% for the six months ended June 30, 2001, 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 of these payment options. We introduced two new types of SPDA in December 2000, under which the annual crediting rate is guaranteed for either a three-year or a five-year period. As of September 30, 2001, sales of these multi-year rate-guaranteed SPDAs accounted for 50% of new sales in 2001.

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. Our SPDAs and FPDAs generally have an interest rate (the "crediting rate") that is guaranteed by us for the first policy year. After the first policy year, we have 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 we can earn on invested assets acquired with new annuity fund deposits and the rates offered on similar products by our competitors. For subsequent adjustments to crediting rates, we take into account the yield on our investment portfolio, annuity surrender assumptions, competitive industry pricing and crediting rate history for particular groups of annuity policies with similar characteristics.

Approximately 24% of our 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. In all situations, we obtain an acknowledgment from the policyholder, upon policy issuance, that a specified portion of the first year interest will not be paid in renewal years. As of June 30, 2001, crediting rates on our outstanding SPDAs and FPDAs generally ranged from 5.35% to 7.00% excluding interest bonuses guaranteed for the first year. The average crediting rate on FPDAs and SPDAs including interest bonuses was 6.19%, and the average crediting rate on those products excluding bonuses was 5.65%.

The policyholder is typically permitted to withdraw all or a part of the premium paid, plus accrued 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 our 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 three 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 us 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 us to maintain profitability on such policies.

Our 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 our outstanding SPIAs averaged 5.25% at June 30, 2001.

Equity-Index Annuities. Equity-index annuities accounted for approximately 75% of the total annuity deposits collected during 2000 and approximately 33% for the six months ended June 30, 2001. These products allow purchasers to earn investment returns linked to equity index appreciation without the risk of loss of their principal.

The annuity contract value is equal to the premiums paid as increased for returns which are based upon a percentage (the "participation rate") of the annual appreciation (based in certain situations on monthly averages) in a recognized index or benchmark. The participation rate, which we may reset annually, generally varies among the equity-index products from 65% to 100%. Some of the products also have an "asset fee" of from 1% to 4% which is deducted from the interest to be credited. The assets fees may be adjusted annually by us, subject to stated maximums. In addition, some products apply an overall maximum limit (or "cap") on the amount of annual interest the policy holder may earn in any one contract year, and the applicable cap also may be adjusted annually subject to stated minimums. The minimum guaranteed contract values are equal to 80% to 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 or accumulation value (depending on the product) 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 25% over a surrender period of from five to fifteen years. During the applicable surrender charge 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.

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 of these payment options. We purchase call options on the applicable indexes as an investment to provide the income needed to fund the amount of the annual appreciation required to be credited on the equity-index products.

Variable Annuity. Variable annuities differ from equity-index and fixed rate annuities in that the policyholder, rather than the insurance company, 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. Profits on variable annuities are derived from the fees charged to contract owners rather than from the investment spread. Sales to date have been insignificant and account for less than 1% of total annuity deposits as of June 30, 2001.

In December 1997, we entered into a strategic alliance with Farm Bureau Life Insurance Company for the development, marketing and administration of variable annuity products. This agreement enabled us to introduce variable products into our product line. An affiliate of Farm Bureau provides the administrative support necessary to manage this business, and is paid an administrative fee for those services. We share in 30% of the risks, costs and operating results of these products

through a reinsurance arrangement. See the discussion under "—Reinsurance" for additional information regarding this arrangement as well as Farm Bureau's beneficial ownership of our common stock. Our variable product became available for sale in the third quarter of 1998.

Life Insurance. These products include traditional ordinary and term, universal life and other interest-sensitive life insurance products. As a result of the acquisition of the National Guard life insurance business from American Life and Casualty Insurance Company, we are one of the largest life insurance carriers for members of the state National Guard Associations, with more than \$1.5 billion of life insurance in force. We intend to continue offering a complete line of life insurance products for individual and group markets.

Investments

Investment activities are an integral part of our business, and investment income is a significant component of our total revenues. Profitability of many of our products is significantly affected by spreads between interest yields on investments and rates credited on annuity 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 potential for increases in surrenders and withdrawals, may limit our ability to adjust or to maintain crediting rates at levels necessary to avoid narrowing of spreads under certain market conditions. As of June 30, 2001, the average yield, computed on the amortized cost basis of our investment portfolio, was 7.46%; the average interest rate credited or accruing to our fixed rate annuity liabilities, excluding interest bonuses guaranteed for the first year of the annuity contract, was 5.65%.

We manage the equity-based risk component of our equity-index annuities by purchasing call options on the applicable indexes to hedge such risk and adjusting the participation rates, asset fee rates and other product features to reflect the change in the cost of such options (which varies based on market conditions).

For additional information regarding the composition of our investment portfolio and our interest rate risk management, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3 to the audited consolidated financial statements included elsewhere in this prospectus.

Overall Composition of Invested Assets

At December 31, 2000 and 1999, the carrying value of fixed securities and equity securities were as follows:

| | | As of December 31, | |
|--|----|--------------------|-----------------|
| | | 2000 | 1999 |
| | | Carrying Amount | Carrying Amount |
| (Dollars in thousands) | | | |
| Fixed maturity securities: | | | |
| Available for sale: | | | |
| United States Government and agencies | \$ | 1,038,151 | \$ 602,998 |
| State, municipal and other governments | | 4,884 | 4,160 |
| Public utilities | | 11,200 | 10,839 |
| Corporate securities | | 295,801 | 272,292 |
| Redeemable preferred stocks | | 8,515 | 8,416 |
| Mortgage and asset-backed securities | | 116,009 | 98,315 |
| | \$ | 1,474,560 | \$ 997,020 |
| Held for investment: | | | |
| United States Government and agencies | \$ | 353,808 | \$ 323,312 |
| Redeemable preferred stocks | | 75,472 | 75,155 |
| | \$ | 429,280 | \$ 398,467 |
| Equity securities: | | | |
| Non-redeemable preferred stocks | \$ | 5,845 | \$ 6,623 |
| Common stocks | | 826 | 990 |
| | \$ | 6,671 | \$ 7,613 |

The table below presents our total fixed maturity securities by NAIC Designation and the equivalent ratings of the nationally recognized securities rating organizations as of December 31, 2000 and 1999, as well as the percentage, based on estimated fair value, that each designation comprises.

| | | As of December 31, 2000 | | | As of December 31, 1999 | | |
|------------------------|--------------------------|-------------------------|-----------------|----------------------------|-------------------------|-----------------|----------------------------|
| NAIC Rating | Rating Agency Equivalent | Amortized Cost | Carrying Amount | % of Total Carrying Amount | Amortized Cost | Carrying Amount | % of Total Carrying Amount |
| (Dollars in thousands) | | | | | | | |
| 1 | Aaa/Aa/A | \$ | \$ | % | \$ | \$ | % |

| | | | | | | | |
|-------------------------------|--------------------|----|----|------|----|----|------|
| 2 | Baa | | | | | | |
| 3 | Ba | | | | | | |
| 4 | B | | | | | | |
| 5 | Caa and lower | | | | | | |
| 6 | In or near default | | | | | | |
| Total public fixed maturities | | \$ | \$ | 100% | \$ | \$ | 100% |

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2000 and 1999, by contractual maturity, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment

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penalties. All of the Company's mortgage-backed and asset-backed securities provide for periodic payments throughout their lives, and are shown below as a separate line.

| | Available for sale | | Held for investment | |
|---|--------------------|----------------------|---------------------|----------------------|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| December 31, 2000 | | | | |
| (Dollars in thousands) | | | | |
| Due after one year through five years | \$ 38,702 | \$ 36,671 | \$ — | \$ — |
| Due after five years through ten years | 246,402 | 247,027 | — | — |
| Due after ten years through twenty years | 789,228 | 787,888 | — | — |
| Due after twenty years | 332,120 | 286,965 | 429,280 | 365,023 |
| | 1,406,452 | 1,358,551 | 429,280 | 365,023 |
| Mortgage-backed and asset-backed securities | 116,924 | 116,009 | — | — |
| | \$ 1,523,376 | \$ 1,474,560 | \$ 429,280 | \$ 365,023 |
| | Available-for-sale | | Held for investment | |
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| December 31, 1999 | | | | |
| (Dollars in thousands) | | | | |
| Due after one year through five years | \$ 13,815 | \$ 13,480 | \$ — | \$ — |
| Due after five years through ten years | 148,997 | 144,702 | — | — |
| Due after ten years through twenty years | 492,735 | 469,618 | — | — |
| Due after twenty years | 312,972 | 270,905 | 398,467 | 315,975 |
| | 968,519 | 898,705 | 398,467 | 315,975 |
| Mortgage-backed and asset-backed securities | 101,946 | 98,315 | — | — |
| Total | \$ 1,070,465 | \$ 997,020 | \$ 398,467 | \$ 315,975 |

Marketing

We market our products through a variable cost brokerage distribution network. We emphasize high quality service to our agents and policyholders. Approximately 95% of new annuity policies are issued within 48 hours of our receipt of the application and initial premium, and commissions to agents are paid weekly. We believe these factors have been significant in building excellent relationships with our existing agency force.

As of June 30, 2001, we had recruited approximately 31,000 independent agents and agencies ranging in profile from national sales organizations to personal producing general agents. We aggressively recruit new agents and expect to continue to expand our independent agency force. In our recruitment efforts, we emphasize that agents have direct access to our executive officers, giving us an edge in recruiting over larger and foreign-owned competitors. We are currently licensed to sell our products in 45 states and the District of Columbia. We have applied or anticipate applying for licenses to sell our products in the remaining states.

The insurance brokerage distribution system is comprised of insurance brokers and marketing organizations. We are pursuing a strategy to increase the size of our brokerage distribution network by developing relationships with national and regional marketing organizations. These organizations typically recruit agents for us by advertising our products and our commission structure, through direct mail advertising, or through seminars for insurance agents and brokers. These organizations bear most of the cost incurred in marketing our products. We compensate marketing organizations by paying them

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a percentage of the commissions earned on new annuity and life policy sales generated by the agents recruited in such organizations. We also conduct other incentive programs for agents from time to time. We generally do not enter into exclusive arrangements with these marketing organizations.

One of our national marketing organizations accounted for approximately 11% of the annuity deposits and insurance premium collections during the first six months of 2001. The states with the largest share of direct premiums collected in 2000 are: California (15.7%), Florida (11.8%), Texas (9.8%), Illinois (7.1%) and Pennsylvania (6.3%).

Competition and Ratings

We operate in a highly competitive industry. Most of our competitors are substantially larger and enjoy substantially greater financial resources, higher ratings by rating agencies, broader and more diversified product lines and more widespread agency relationships. Our annuity products compete with equity-index, fixed rate and variable annuities sold by other insurance companies and also with mutual fund products, traditional bank investments and other investment and retirement funding alternatives offered by asset managers, banks, and broker-dealers. Our insurance products compete with other insurance companies, financial intermediaries and other institutions based on a number of features, including premium rates, policy terms and conditions, service provided to distribution channels and policyholders, ratings by rating agencies, reputation and broker compensation.

The sales agents for our products use the ratings assigned to an insurer by independent rating agencies as one factor in determining which insurer's annuity to market. In recent years, the market for annuities has been dominated by those insurers with the highest ratings. Our life subsidiary has received a financial strength rating of "A- (Excellent)" from A.M. Best Company and "A-" from Standard & Poor's.

Financial strength 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 and are not recommendations to buy, sell or hold securities.

A.M. Best ratings currently range from A++ (Superior) to F (In Liquidation), and include 16 separate ratings categories. Within these categories, A++ (Superior) and A+ (Superior) are the highest, followed by A (Excellent) and A- (Excellent). Publications of A.M. Best indicate that the A and A- ratings are assigned to those companies that, in A.M. Best's opinion, have demonstrated excellent overall performance when compared to the standards established by A.M. Best and have demonstrated a strong ability to meet their obligations to policyholders over a long period of time.

Standard & Poor's insurer financial strength ratings currently range from AAA to NR, and include 21 separate ratings categories. Within these categories, AAA and AA are the highest, followed by A and BBB. Publications of Standard & Poor's indicate that an insurer rated "BBB" or higher is regarded as having financial security characteristics that outweigh any vulnerabilities, and is highly likely to have the ability to meet financial commitments. In addition, an insurer with a rating of "A-" is regarded as having strong financial security characteristics.

A.M. Best and Standard & Poor's review their 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 their judgment, circumstances so warrant. If our life

subsidiary's rating were to be downgraded for any reason, we could experience a material decline in the sales of our products and the persistency of our in-force business.

Reinsurance

Consistent with the general practice of the life insurance industry, our life subsidiary enters into agreements of indemnity reinsurance with other insurance companies in order to reinsure portions of the coverage provided by its life, accident and health 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. Our reinsured business is primarily ceded to two reinsurers. We believe the assuming companies are able to honor all contractual commitments, based on our periodic review of their financial statements, insurance industry reports and reports filed with state insurance departments.

Effective January 1, 2001, our life insurance subsidiary entered into a reinsurance transaction with a subsidiary of Swiss Reinsurance Company ("Swiss Re") which includes a coinsurance segment on a 2% quota share basis and yearly renewable term segment reinsuring a portion of death benefits payable on annuities produced after January 1, 2001. The 2% quota share coinsurance transaction provides reinsurance to the extent of 2% of all risks associated with our annuity policies beginning with policies issued in January 2001. We receive a 2% expense allowance for this segment which is captured over a five-year period from the profits emerging from the reinsured block of policies. The segment of the reinsurance is anticipated to provide up to \$20 million in surplus benefit based upon projected production in 2001.

The second segment is yearly renewable term reinsurance whereby Swiss Re's subsidiary reinsures risks associated with the death benefits on our annuity products to the extent such benefits exceed the cash surrender values of the applicable contracts. We receive an expense allowance on this segment equal to 2.25% to 3% of the first year premiums on annuities issued after January 2001, up to a maximum of \$15 million. This segment of the reinsurance is anticipated to provide up to \$15 million in surplus benefit based upon projected production in 2001.

As of September 30, 2001, the policy risk retention limit was \$100,000 or less on all policies issued by us. Reinsurance ceded by us was immaterial and reinsurance that we assumed (through the acquisition of two blocks of in-force insurance from American Life and Casualty Insurance Company) represented approximately 7% of net life insurance in force.

During 1998, our life subsidiary entered into a modified coinsurance agreement to cede 70% of its variable annuity business to an affiliate of Farm Bureau Life Insurance Company. As of September 30, 2001, Farm Bureau beneficially owned 32.25% of our common stock. Under this agreement and related administrative services agreements, we paid Farm Bureau's affiliate \$118,000 and \$120,000 for the years ended December 31, 2000 and 1999, respectively. The modified coinsurance agreement has an initial term of four years and will continue thereafter until termination by written notice at the election of either party. Any such termination will apply to the submission or acceptance of new policies, and business reinsured under the agreement prior to any such termination is not eligible for recapture before the expiration of 10 years.

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:

- grant and revoke licenses to transact business;
- regulate and supervise trade practices and market conduct;
- establish guaranty associations;
- license agents;
- approve policy forms;
- approve premium rates for some lines of business;
- establish reserve requirements;
- prescribe the form and content of required financial statements and reports;
- determine the reasonableness and adequacy of statutory capital and surplus;
- perform financial, market conduct and other examinations;
- define acceptable accounting principles;
- regulate the type and amount of permitted investments; and
- limit the amount of dividends and surplus note payments that can be paid without obtaining regulatory approval.

State insurance regulators and the National Association of Insurance Commissioners, or NAIC, continually reexamine existing laws and regulations, and may impose changes in the future.

Our life subsidiary is subject to periodic examinations by state regulatory authorities. The Iowa Insurance Division completed an examination of our life subsidiary as of December 31, 1997 in 1998. No adjustments were recommended or required as a result of this examination. An examination for the three year period ending December 31, 2000 is underway and is expected to be completed on or before November 30, 2001. We have not been informed of any material adjustments which will be 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. We 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 our life subsidiary 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 that "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 passed which could result in the federal government assuming some role in regulating insurance companies and which allows combinations between insurance companies, banks and other entities.

In 1998, the Securities and Exchange Commission requested comments as to whether equity-index annuities, such as those sold by us, 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 us to seek additional marketing relationships for these products.

State insurance regulators and the NAIC are continually reexamining existing laws and regulations and developing new legislation for passage by state legislatures and new regulations for adoption by insurance authorities. Proposed laws and regulations or those still under development pertain to insurer solvency and market conduct and in recent years have focused on:

- insurance company investments;
- risk-based capital ("RBC") guidelines, which consist of regulatory targeted surplus level based on the relationship of statutory capital and surplus, with prescribed adjustments, to the sum of stated percentages of each element of a specified list of company risk exposures;
- the implementation of non-statutory guidelines and the circumstances under which dividends may be paid;
- product approvals;
- agent licensing;
- underwriting practices; and
- insurance and annuity sales practices.

For example, the NAIC has promulgated proposed changes to statutory accounting standards. These initiatives may be adopted by the various states in which we are licensed, but the ultimate content, timing and impact of any statutes and regulations adopted by the states cannot be determined at this time.

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. 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. Such requirements are not designed as a ranking mechanism for adequately capitalized companies.

The NAIC's RBC requirements provide for four levels of regulatory attention depending on the ratio of a company's total adjusted capital to its RBC. Adjusted capital is defined as the total of statutory capital, surplus, asset valuation reserve and certain other adjustments. Calculations using the NAIC

formula at December 31, 2000, indicate that the ratio of total adjusted capital to RBC for us exceeded the highest level at which regulatory action might be triggered by over 4 times.

Our life subsidiary 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. Given the short period of time since the inception of our business, we believe that assessments, if any, will be minimal.

Federal Income Taxation

The annuity and life insurance products that we market and issue generally provide the policyholder with a federal income tax advantage, as compared to other savings investments, such as certificates of deposit and taxable bonds, in that federal 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 that tend to accelerate taxable income into earlier years.

From time to time, various tax law changes have been proposed that could have an adverse effect on our business, including the 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 our ability to sell non-qualified annuities. Non-qualified annuities are annuities that are not sold to an individual retirement account or other qualified retirement plan.

Our life subsidiary is taxed under the life insurance company provisions of the Internal Revenue Code of 1986, as amended (the "Code"). Provisions in the Code require a portion of the expenses incurred in selling insurance products to be capitalized and deducted over a period of years, as opposed to being immediately deducted 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 to us by our life subsidiary.

Employees

As of June 30, 2001, we had 160 full-time employees, of which 150 are located in Des Moines, Iowa, and 10 are located in the Pell City, Alabama office. We have experienced no work stoppages or strikes and consider our relations with our employees to be excellent. None of our employees are represented by a union.

Other Subsidiaries

We formed American Equity Investment Properties, L.C., an Iowa limited liability company, to hold title to an office building in Birmingham, Alabama, where a portion of our life subsidiary's operations were conducted. The building was sold in 1998, and American Equity Investment Properties, L.C. now holds the

remaining cash proceeds from the sale of the building. There are no present plans to dissolve American Equity Investment Properties, L.C., which may be used in the future to facilitate other aspects of our business.

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

On July 9, 1999, we formed American Equity Capital Trust I, a Delaware statutory business trust. On October 25, 1999, we formed American Equity Capital Trust II, a Delaware statutory business trust. We formed these trusts in connection with the issuance of two issues of trust preferred securities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Properties

We do not own any real estate. We lease space for our principal offices in West Des Moines, Iowa, pursuant to written leases for approximately 26,550 square feet at an annual rental of \$480,588. The leases expire on June 30, 2004 and have a renewal option of an additional five year term at a rental rate equal to the then prevailing fair market value. We also lease space for our office in Pell City, Alabama, pursuant to a written lease dated January 3, 2000, for approximately 3,380 square feet at an annual rental of \$43,095. This lease expires on December 31, 2004.

Legal Proceedings

From time to time, we are subject to legal proceedings and claims in the ordinary course of business. Although we cannot ascertain the amount of liability that we may incur from any of these matters, we do not currently believe that, in the aggregate, they will have a material adverse effect on our financial position, results of operations or cash flow.

AMERICAN EQUITY CAPITAL TRUST III

General

The trust is a statutory business trust created under Delaware law pursuant to a declaration of trust and a certificate of trust, as filed with the Secretary of State of the State of Delaware on November 6, 2001. The declaration of trust will be amended and restated in its entirety, referred to as the "declaration," substantially in the form filed by us and the trust with the SEC and incorporated by reference into the registration statement of which this prospectus forms a part. The declaration will be qualified as an indenture under the Trust Indenture Act of 1939, as amended.

The purchasers of the trust preferred securities will own all of the issued and outstanding preferred securities of the trust. We will directly or indirectly acquire common securities of the trust in a total liquidation amount equal to at least 3% of the total capital of the trust and will own all of the issued and outstanding common securities of the trust. The trust exists for the exclusive purposes of:

- issuing the trust preferred securities and the trust common securities representing undivided beneficial interests in the assets of the trust;
- investing the gross proceeds of the trust preferred securities and the trust common securities in the debentures; and
- engaging in only those other activities necessary or incidental thereto.

Because the trust was established only for the purposes listed above, the debentures will be the trust's sole assets. Payments on the debentures will be the trust's sole sources of additional income. The trust has a term of approximately 30 years, but may be terminated earlier as provided in the declaration.

The number of trustees initially will be four. Two of the trustees, referred to as "administrative trustees," are our employees or officers. First Union Trust Company, National Association will act as the property trustee under the declaration, as guarantee trustee under the trust preferred securities guarantee, as indenture trustee for the purposes of the Trust Indenture Act and as Delaware trustee. The property trustee and the Delaware trustee may at any time be removed or replaced by the holder of the trust common securities or, if an event of default under the declaration of trust has occurred and is continuing, the holders of a majority in liquidation amount of all the trust preferred securities. In no event will the holders of trust preferred securities have the right to vote to appoint, remove or replace the administrative trustees; such voting rights will be vested exclusively in the holder of the trust common securities. See "Description of Securities—The Guarantees" in this prospectus.

The property trustee will hold title to the debentures for the benefit of the trust and the holders of the trust preferred securities and trust common securities. So long as the debentures are held by the trust, the property trustee will have the power to exercise all rights, powers, and privileges of a holder of debentures under the indenture. In addition, the property trustee will maintain exclusive control of a segregated non-interest bearing bank account to hold all payments made in respect of the debentures for the benefit of the holders of the trust preferred securities and trust common securities. The property trustee will make payments of distributions and payments on liquidation, redemption and otherwise to the holders of the trust preferred securities and trust common securities out of funds from the property account. First Union Trust Company, National Association will hold the guarantee for the benefit of the holders of the trust preferred securities. We, as the direct or indirect holder of all the trust common securities, will have the right to appoint, remove or replace any trustee (subject to the limitations set forth in the declaration), and to increase or decrease the number of trustees. We will pay all fees, expenses, debts and obligations (other than with respect to the trust preferred securities and trust common securities) related to the trust and the offering of the trust preferred securities.

The rights of the holders of the trust preferred securities, including economic rights, rights to information and voting rights are set forth in the declaration, the Delaware Business Trust Act, the indenture and the Trust Indenture Act. See "Description of Securities—Certain Terms of the Trust Preferred Securities" in this prospectus.

MANAGEMENT

Directors and Executive Officers

Set forth below is information regarding our directors and executive officers as of the date of this prospectus. There are no family relationships among any directors or executive officers.

| Name | Age | Position |
|---------------------------------------|-----|---|
| David J. Noble ⁽¹⁾⁽⁴⁾ | 69 | Chairman of the Board, Chief Executive Officer, President and Treasurer |
| Kevin R. Wingert | 43 | President of American Equity Investment Life Insurance Company |
| James M. Gerlach ⁽¹⁾⁽⁴⁾ | 59 | Executive Vice President and Director |
| Robert L. Hilton ⁽²⁾ | 73 | Director |
| John M. Matovina ⁽³⁾ | 47 | Director |
| Ben T. Morris | 55 | Director |
| David S. Mulcahy ⁽³⁾ | 49 | Director |
| A. J. Strickland, III ⁽²⁾ | 59 | Director |
| Harley A. Whitfield ⁽²⁾⁽³⁾ | 71 | Director |
| John C. Anderson | 38 | Director |
| Terry A. Reimer | 56 | Executive Vice President |
| Wendy L. Carlson | 41 | Chief Financial Officer and General Counsel |
| Debra J. Richardson | 45 | Senior Vice President and Secretary |

- (1)

Member of the Executive Committee
- (2)

Member of the Compensation Committee
- (3)

Member of the Audit Committee
- (4)

Member of the Investment Committee

David J. Noble has served as our Chairman, President and Treasurer and Chairman of our life subsidiary since their formation in 1995. Mr. Noble was also President of our life subsidiary from the inception of our company until March 2001. Mr. Noble was Chief Executive Officer of The Statesman Group Inc. from 1982 through 1994 and was a director of Statesman (from 1975) and its President (from 1979) until he left to form our 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.

Kevin R. Wingert was appointed President of our life subsidiary in March 2001. He served as Vice President for Marketing of that subsidiary from 1996. He served as Regional Vice President of Marketing for American Life and Casualty Insurance Company, a subsidiary of Statesman, from 1988 to 1996. Mr. Wingert has been active in the insurance industry for over 17 years.

James M. Gerlach has served as a director since 1997 and Executive Vice President of our company since 1996 and as a director, Executive Vice President and Chief Marketing Officer of our life subsidiary since 1996. Prior to joining us, Mr. Gerlach served as Executive Vice President and Secretary of American Life and Casualty Insurance Company, a subsidiary of Statesman, and as Executive Vice

President and Treasurer of Vulcan Life Insurance Company, a subsidiary of American Life and Casualty Insurance Company. Mr. Gerlach has been active in the insurance industry for over 35 years.

John M. Matovina has been a director of our company since 2000. Mr. Matovina is a private investor and has been a financial consultant to us since 1997. From November 1983 through November 1996, he was a senior financial officer of The Statesman Group, Inc. and many of its subsidiaries, and, prior to The Statesman Group, Inc.'s acquisition in September 1994, he served as The Statesman Group, Inc.'s Chief Financial Officer, Treasurer and Secretary. Mr. Matovina is a certified public accountant and has over 18 years of experience as a financial officer in the insurance industry.

Robert L. Hilton has been a director of our company since 1996. Mr. Hilton served as Executive Vice President of Insurance Data Resources Statistical Services, Inc., Boca Raton, Florida from 1997 until December 1999. From 1992 to 1996, he served as President of TIDE Consulting Co., Destin, Florida. Mr. Hilton is a former director of The Statesman Group Inc., and served for over 40 years as Senior Vice President of the National Council of Compensation Insurance, Boca Raton, Florida.

Ben T. Morris has been a director of our company since 1997. Mr. Morris has served as President and Chief Executive Officer of Sanders Morris Harris (formerly Sanders Morris Mundy) since July 1996, and has served as director of Pinnacle Global Group, a financial services and investment banking firm, since Pinnacle acquired Sanders Morris Harris in February 2000. Mr. Morris is also a director of Capital Title Group.

David S. Mulcahy has been a director of our company and of our life subsidiary since 1996. Mr. Mulcahy is an active investor in private companies, and, since 1987, he has been the Chairman of Monarch Manufacturing Company, Waukee, 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 has been a director of our company since 1996. Since 1968, Dr. Strickland has been a Professor at the University of Alabama School of Business. Dr. Strickland is a director of Twenty Services, Inc., and a former director of The Statesman Group, Inc.

Harley A. Whitfield has been a director of our company since 1996. 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 The Statesman Group, Inc. for over 30 years.

John C. Anderson has been a director of our company since 1998. He is the Associate Medical Director for our life subsidiary. 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. Dr. Anderson holds a certification in disability and impairment rating, and is a member of the Academy of MUA Physicians and the American Academy of Pain Management.

Terry A. Reimer has served as Executive Vice President of our company and as a director, Executive Vice President, Chief Operating Officer and Treasurer of our life subsidiary since 1996. Mr. Reimer was Executive Vice President, Treasurer and Chief Operating Officer of American Life and Casualty Insurance Company from 1988 through November 1996. Mr. Reimer is a certified public accountant and has been involved in the insurance industry for over 30 years.

Wendy L. Carlson has served as Chief Financial Officer and General Counsel of our company and as General Counsel of our life subsidiary since June 1999. Before becoming an employee, she served as outside corporate counsel for our company from our inception in 1995. Ms. Carlson was previously a partner in the firm of Whitfield & Eddy, P.L.C., Des Moines, Iowa, where she practiced law from 1985 until June 1999. She served as one of the corporate attorneys for The Statesman Group, Inc. for over 10 years. Ms. Carlson is also a certified public accountant.

Debra J. Richardson has served as Senior Vice President and Secretary of our company and as a director, Vice President and Secretary of our life subsidiary since June 1996. Ms. Richardson was employed by The Statesman Group, Inc. 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.

Committees of the Board of Directors

We currently have four permanent board committees: executive committee, audit committee, compensation committee and investment committee.

Executive Committee. The executive committee, among other things, performs the following functions:

- except as prohibited by applicable law, exercises, between meetings of our board, all of the powers and authority of the board in our direction and management;
- reviews corporate matters presented, or to be presented, to our board; and
- makes recommendations to the board on policy matters.

The members of the executive committee are Messrs. Noble and Gerlach.

Audit Committee. The audit committee, among other things, performs the following functions:

- makes recommendations to our board concerning the engagement of independent auditors;
- monitors and reviews the quality and activities of our independent auditors; and
- monitors the adequacy of our operating and internal controls as reported by management and the independent auditors.

The members of the audit committee are Messrs. Matovina, Mulcahy and Whitfield.

Compensation Committee. The compensation committee, among other things, performs the following functions:

- reviews salary, benefits and other compensation of our chief executive officer;
- makes recommendations to our board regarding the salary, benefits and other compensation of our chief executive officer; and
- administers our employee stock option plan.

The members of the compensation committee are Messrs. Hilton, Strickland and Whitfield.

Investment Committee. The investment committee, among other things, performs the following functions:

- manages our assets and liabilities;
- makes recommendations to our board regarding investment policy; and
- reviews procedures and practices relating to our investment activities.

The members of the investment committee are Messrs. Noble and Gerlach.

Compensation of Directors

Each member of the board of directors who is not an officer of our 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 those meetings. In addition, pursuant to the 2000 Director Stock Option Plan, directors who are not employees of our company could receive options to purchase shares of our common stock; however, no such grants have been made.

Compensation Committee Interlocks and Insider Participation

The board of directors has established a compensation committee, the members of which are directors who are not our employees.

Executive Compensation

The following table sets forth certain information with respect to the annual and long-term compensation of our chief executive officer and our other highly compensated executive officers whose total salary and bonus exceeded \$100,000 for the three years ended December 31, 2000. The amounts shown are aggregate compensation from our company and our subsidiaries.

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Summary Compensation Table

| Name and Principal Position | Year | Annual Compensation | | Long-Term Compensation Awards Securities Underlying Options/SARS ⁽²⁾ | All Other Compensation ⁽³⁾ |
|---|------|-----------------------|--------|---|---------------------------------------|
| | | Salary ⁽¹⁾ | Bonus | | |
| David J. Noble Chairman, President and Chief Executive Officer | 2000 | \$ 60,000 | \$ -0- | -0- | \$ 1,200 |
| | 1999 | 60,000 | -0- | -0- | 1,200 |
| | 1998 | 60,000 | -0- | 1,200,000 | 1,200 |
| Kevin R. Wingert President, life subsidiary | 2000 | 75,000 | 25,277 | 60,000 | 2,006 |
| | 1999 | 73,749 | 15,000 | 19,500 | 1,775 |
| | 1998 | 70,000 | -0- | -0- | 1,476 |
| James M. Gerlach Executive Vice President | 2000 | 120,000 | 6,382 | 47,250 | 2,677 |
| | 1999 | 120,000 | 10,000 | 2,750 | 2,400 |
| | 1998 | 120,000 | 5,000 | -0- | 2,400 |
| Terry A. Reimer Executive Vice President | 2000 | 120,000 | 6,382 | 47,250 | 2,834 |
| | 1999 | 120,000 | 10,000 | 2,750 | 2,400 |
| | 1998 | 120,000 | 5,000 | -0- | 2,400 |
| Wendy L. Carlson Chief Financial Officer and General Counsel | 2000 | 120,000 | 6,341 | 45,000 | 2,527 |
| | 1999 | 68,305 | 5,000 | 52,500 | -0- |

(1) Includes employee tax-deferred contributions to our 401(k) savings plan.

(2) Except for Mr. Noble, all awards were made under our 1996 Incentive Stock Option Plan and our 2000 Employee Stock Option Plan. The number of securities for Mr. Noble includes warrants to purchase 240,000 shares of common stock, all of which were exercised in 2000, and options to purchase 960,000 shares of common stock.

With respect to the 240,000 warrants exercised by Mr. Noble in 2000, we loaned him the aggregate exercise price of \$800,000 pursuant to a forgivable loan agreement. The forgivable loan agreement is with full recourse, and is not collateralized by the shares issued in connection with the exercise of the warrants. The loan is repayable in five equal annual installments of principal and interest, each of which may be forgiven if Mr. Noble remains continuously employed by us in his present capacities, subject to specified exceptions. Forgiven amounts will constitute compensation to Mr. Noble in the year the forgiveness occurs.

In addition to the number of securities listed, Messrs. Noble, Gerlach and Reimer received management subscription rights to purchase shares of common stock in connection with a rights offering in December 1997. Those executive officers 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 \$5.33 per share and may be exercised at any time prior to December 1, 2002. Mr. Noble received 1,680,000 management subscription rights and Mr. Gerlach and Mr. Reimer each received 116,750 management subscription rights.

(3) Represents employer contributions to our 401(k) savings plan.

The following table sets forth information concerning stock options granted during the fiscal year ended December 31, 2000 to our chief executive officer and our other highly compensated officers.

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| Options Granted in Last Fiscal Year | | | | | | |
|-------------------------------------|---|--|------------------------|-----------------|---|------------|
| Name | Individual Grants ⁽¹⁾ | | Exercise or Base Price | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term ⁽²⁾ | |
| | Number of Securities Underlying Options/ SARS Granted | % of Total Options/ SARS Granted to Employees in Fiscal Year | | | 5% | 10% |
| | | | | | | |
| David J. Noble | None | — | — | — | — | — |
| Kevin R. Wingert | 60,000 | 12.4% | 9.67 | 12/30/10 | \$ 364,885 | \$ 924,689 |
| James M. Gerlach | 47,250 | 9.8% | 9.67 | 12/30/10 | 287,347 | 728,193 |
| Terry A. Reimer | 47,250 | 9.8% | 9.67 | 12/30/10 | 287,347 | 728,193 |
| Wendy L. Carlson | 45,000 | 9.8% | 9.67 | 12/30/10 | 273,663 | 693,517 |

(1) All employee options granted during 2000 have an exercise price per share equal to the estimated fair value of our common stock on the date of grant, and are exercisable immediately.

(2) As required by the Securities and Exchange Commission, these columns show gains that may exist for the respective options, assuming that the fair value for our common stock appreciates from the date of grant for the duration of the options at the annual rates of 5% and 10% respectively. If the price of our common stock does not increase above the exercise price at the time of exercise, the value realizable from these options will be zero.

The following table sets forth information concerning the exercise of stock options during the fiscal year ended December 31, 2000, by our chief executive officer and our other highly compensated executive officers and the fiscal year-end value of the unexercised options.

| Aggregate Option Exercises and Fiscal Year-end Values | | | | |
|---|-----------------------------|-------------------------------|---|---|
| Name | Shares Acquired on Exercise | Value Realized ⁽¹⁾ | Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-End ⁽²⁾ Exercisable (E)/ Unexercisable (U) | Value of Unexercised In-The-Money Options/SARs at Fiscal Year-End ⁽¹⁾ Exercisable (E)/ Unexercisable (U) |
| David J. Noble | 240,000 | \$ 1,521,600 | (E) 960,000 (U) None | (E) \$4,640,000 (U) None |
| Kevin R. Wingert | None | None | (E) 112,500 (U) None | (E) 252,500 (U) None |
| James M. Gerlach | None | None | (E) 138,000 (U) None | (E) 536,750 (U) None |
| Terry A. Reimer | None | None | (E) 135,000 (U) None | (E) 517,750 (U) None |
| Wendy L. Carlson | None | None | (E) 97,500 (U) None | (E) 122,500 (U) None |

(1) Values equal to the excess of the fair market value of a share of common stock on the date of exercise over the exercise price. For purposes of this table, fair market value was deemed to be \$9.67 per share, based upon the value determined by the board of directors to be the fair market value set as the exercise price for options granted to employees in March 2000.

(2) Does not include management subscription rights (see footnote (2) to Summary Compensation Table). Based upon a deemed fair market value of \$9.67 per share of common stock, Mr. Noble's 1,680,000 management subscription rights had a value of

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\$7,291,200 and Mr. Gerlach's and Mr. Reimer's 116,250 management subscription rights each had a value of \$504,525 at fiscal year end.

Except for the stock options granted to Mr. Noble, all stock options were granted under our 1996 Incentive Stock Option Plan and the 2000 Employee Stock Option Plan.

Stock-based Plans

2000 Employee Stock Option Plan. Our 2000 Employee Stock Option Plan was adopted by our board of directors in May 2000, and was approved by our stockholders in June 2000. The 2000 Employee Stock Option Plan provides for the issuance of options to purchase a maximum of 1,800,000 shares of our common stock to our employees. Options granted under the 2000 Employee Stock Option Plan may be exercised for a period of no more than ten years from the

date of grant. Unless sooner terminated by the board of directors, the 2000 Employee Stock Option Plan will terminate on June 30, 2010, and no additional awards may be made under the 2000 Employee Stock Option Plan after that date.

Options granted under the 2000 Employee Stock Option Plan may be either "incentive stock options" within the meaning of Section 422 of the Code or nonqualified stock options and entitle the optionee, upon exercise, to purchase shares of common stock from us at a specified exercise price per share. Incentive stock options must have a per-share exercise price of no less than the fair market value of a share of common stock on the date of grant or, if the optionee owns or is treated as owning (under Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of our stock, 110% of the fair market value of a share of common stock on the date of the grant. Nonqualified stock options granted under the 2000 Employee Stock Option Plan must have a per-share exercise price of no less than the fair market value of a share of common stock on the date of the grant. Options are not transferable other than by laws of descent and distribution and will generally be exercisable during an optionee's lifetime only by the optionee.

Our Compensation Committee will administer the 2000 Employee Stock Option Plan and has the authority, subject to the provisions of the 2000 Employee Stock Option Plan, to determine who will receive awards under the 2000 Employee Stock Option Plan and the terms of such awards. The maximum number of shares which may be granted to any employee in any one year is 225,000. The Compensation Committee has the authority to determine whether to include a vesting schedule for any option grant; provided that, in the absence of such a schedule, all options vest six months after the date of grant. The Compensation Committee has the authority to adjust the number of shares available for options, the number of shares subject to outstanding options and the exercise price for options following the occurrence of events such as stock splits, dividends, distributions and recapitalizations. However, without the approval of our stockholders, and except in connection with a stock split, stock dividend or similar event, the Compensation Committee will not lower the exercise price for any outstanding options or issue any replacement options for options previously granted at a higher exercise price.

The Compensation Committee may provide that the exercise price of an option may be paid in cash, common stock or by a promissory note. The Compensation Committee may also permit a "cashless exercise" arrangement whereby an optionee delivers an exercise notice and irrevocable instructions to an approved registered broker to sell shares and deliver the exercise price in cash to us. Applicable law imposes certain requirements on options granted under the 2000 Employee Stock Option Plan including that the options must expire no later than ten years from grant, that the options not be separately transferable other than by gift, will or intestacy, that the exercise price must not be less than the current market price for the common stock at the time of grant, and that the plan must be approved by the stockholders and a majority of our directors who are not interested persons.

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In the event of a change of control of our company, or upon the death or disability of the optionee, any outstanding options under the 2000 Employee Stock Option Plan will be immediately fully exercisable by an optionee or his designated beneficiary. A change of control includes the acquisition by any person of more than 20% of our outstanding voting stock, the election of two or more directors in opposition to the director nominees proposed by management, the transfer of all or substantially all of our assets or a merger or share exchange in which we are not the surviving corporation.

The 2000 Employee Stock Option Plan may be amended by the board of directors, except that the board may not (i) change any option previously made under the 2000 Employee Stock Option Plan in a manner which would impair the recipients' rights without their consent or (ii) amend the 2000 Employee Stock Option Plan without approval of our stockholders, if required by law.

2000 Director Stock Option Plan. Our 2000 Director Stock Option Plan was adopted by our board of directors in April 2000 and was approved by our stockholders in June 2000. The 2000 Director Stock Option Plan provides for the issuance of options to purchase a maximum of 225,000 shares of common stock to nonemployee directors of our company. Options granted under the 2000 Director Stock Option Plan may be exercised for a period of no more than ten years from the date of grant. Unless sooner terminated by our board of directors, the 2000 Director Stock Option Plan will terminate on June 30, 2010, and no additional awards may be made under the 2000 Director Stock Option Plan after that date.

Options granted under the 2000 Director Stock Option Plan will be nonqualified stock options under the Code and entitle the optionee, upon exercise, to purchase shares of common stock from us at an exercise price per share no less than the fair market value of a share of common stock on the date of the grant. Options will not be transferable other than by laws of descent, and distribution will generally be exercisable during an optionee's lifetime only by the optionee.

Our board of directors will administer the 2000 Director Stock Option Plan and have the authority, subject to the provisions of the 2000 Director Stock Option Plan, to determine who will receive awards under the 2000 Director Stock Option Plan and the terms of such awards. The maximum number of shares which may be granted to any director in any one year is 10,500. The board has the authority to determine whether to include a vesting schedule for any option granted; provided that, in the absence of such a schedule, all options vest six months after the date of grant. The board has the authority to adjust the number of shares available for options, the number of shares subject to outstanding options and the exercise price for options following the occurrence of events such as stock splits, dividends, distributions and recapitalizations. However, without the approval of our stockholders, and except in connection with a stock split, stock dividend or similar event, the board will not lower the exercise price for any outstanding options or issue any replacement options for options previously granted at a higher exercise price.

Applicable laws impose certain requirements on options granted under the 2000 Director Stock Option Plan including that the options must expire no later than ten years from grant, that the options not be separately transferable other than by gift, will or intestacy, that the exercise price must not be less than the current market price for the common stock at the time of grant and that the plan must be approved by our stockholders.

In the event of a change of control of our company, or upon the death or disability of the optionee, any outstanding options under the 2000 Director Stock Option Plan will be immediately fully exercisable by an optionee or his or her designated beneficiary. A change of control includes the acquisition by any person of more than 20% of our outstanding voting stock, the election of two or more directors in opposition to the director nominees proposed by management, the transfer of all or

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substantially all of our assets or a merger or share exchange in which we are not the surviving corporation.

The 2000 Director Stock Option Plan may be amended by the board of directors, except that the board may not (i) change any option previously made under the 2000 Director Stock Option Plan in a manner which would impair the recipients' rights without their consent or (ii) amend the 2000 Director Stock Option Plan without approval of our stockholders, if required by law.

Employment Arrangements

Our executive officers do not have employment agreements or fixed terms and serve at the pleasure of our board of directors.

Compensation Committee Report

The compensation committee is comprised of three directors who are not our employees. The compensation committee makes recommendations to the board of directors as to the amount and form of compensation to be paid to Mr. Noble as President and CEO. The compensation committee also will be responsible for granting stock options under the 2000 Employee Stock Option Plan. The compensation of other executive officers is determined by Mr. Noble.

Our compensation programs are designed to:

- (i) attract and retain highly qualified and motivated executive officers and employees;
- (ii) encourage and reward achievement of our annual and long-term goals; and
- (iii) encourage executive officers and employees to become shareholders with interests aligned with those of other shareholders.

Our executive compensation program includes base pay, discretionary annual cash bonuses, and long-term incentive opportunities through the use of stock options.

Mr. Noble has elected to receive an annual base salary of \$60,000 since our formation in December 1995, and has received no cash bonuses. In 2000, the compensation committee reviewed Mr. Noble's compensation and made recommendations to the board of directors concerning an increase in Mr. Noble's compensation and a cash bonus to reflect his leadership, the scope of his responsibilities and the Company's growth and profitability. However, Mr. Noble did not accept the salary increase and bonus in 2000. He did receive a five-year forgivable loan in the aggregate principal amount of \$800,000 in connection with the exercise of warrants. The payments on this loan will be treated as compensation to Mr. Noble if and when such payments are forgiven. See Note 2 to the Summary Compensation Table above.

COMPENSATION COMMITTEE

A.J. Strickland, III, Chair

Harley A. Whitfield

Robert L. Hilton

CERTAIN TRANSACTIONS

General Agency Commission and Servicing Agreement

We have a general agency commission and servicing agreement with American Equity Investment Service Company, which is wholly owned by Mr. Noble, whereby the service company acts as a national supervisory agent with responsibility for paying commissions to our agents. Under the terms of the agreement, the service company agreed to pay a specified portion of the commissions due to our agents on new annuity business written by our life subsidiary, and our life subsidiary 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. Under the agreement, our life subsidiary is required to comply with certain recurring obligations, the breach of which will constitute an event of default. The agreement is not assignable without the prior written consent of the other party and terminates on June 30, 2005.

During the years ended December 31, 2000, 1999 and 1998, the service company paid \$28,400,000, \$37,723,000 and \$19,933,000, respectively, to our agents. We paid renewal commissions to the service company during the years ended December 31, 2000, 1999 and 1998 of \$20,449,000, \$7,001,000 and \$5,328,000, respectively.

The service company has assigned its rights under the agreement to a lender as collateral security for a \$45,000,000 line of credit made to Mr. Noble as borrower and recontributed by him as a loan to the service company. The agreement has also been assigned as collateral security for a line of credit made to us to the extent the borrowings are loaned to the service company. In 1999 we agreed to loan to the service company up to \$50,000,000 pursuant to a promissory note bearing interest at the "reference rate" of the financial institution which is our principal lender. Principal and interest are payable quarterly over five years from the date of the advance. We also made loans to the service company in 1999 from other funds. At December 31, 1999, total amounts advanced to and interest receivable from the service company were \$18,175,000 and \$581,957, respectively.

Future payments by the life subsidiary on business in force at December 31, 2000 are dependent upon the account balances on the annuities remaining in force on each remaining quarterly renewal commission payment date. Estimated future renewal commission payments by the life subsidiary would be: \$22,551,000 for 2001; \$21,335,000 for 2002; \$16,755,000 for 2003; and \$12,532,000 for 2004.

Variable Product Alliance

During 1998 our life subsidiary entered into a modified coinsurance agreement to cede 70% of its variable annuity business to Equitrust Life Insurance Company. Equitrust is an affiliate of Farm Bureau Life Insurance Company which, as of September 30, 2001, beneficially owned 32.25% of our common stock. Under this agreement and related administrative services agreements, we paid Equitrust \$118,000 and \$120,000 for the years ended December 31, 2000 and 1999, respectively. The modified coinsurance agreement has an initial term of four years and will continue thereafter until termination by written notice at the election of either party. Any such termination will apply to the submission or acceptance of new policies, and business reinsured under the agreement prior to any such termination is not eligible for recapture before the expiration of 10 years.

PRINCIPAL STOCKHOLDERS

The following table sets forth information known to us with respect to beneficial ownership of our common stock as of September 30, 2001, by (A) each stockholder known by us to be the beneficial owner of more than 5% of our common stock; (B) each director and nominee for director of us; (C) our chief executive officer and each of our other most highly compensated executive officers; and (D) all executive officers, directors and nominees for directors as a group.

| Name of Beneficial Owner ⁽³⁾ | Shares Beneficially Owned ⁽¹⁾ | | Warrants, Options, Subscription Rights Included in Number of Shares Beneficially Owned ⁽²⁾ |
|--|--|---------|---|
| | Number | Percent | |
| David J. Noble ⁽³⁾⁽⁴⁾ | 4,099,500 | 23.87 | 2,640,000 |
| James M. Gerlach ⁽⁵⁾⁽⁶⁾ | 347,250 | 2.35 | 254,250 |
| John C. Anderson | 10,650 | * | — |
| Robert L. Hilton | 3,750 | * | — |
| John M. Matovina ⁽⁷⁾ | 18,000 | * | — |
| Ben T. Morris | 68,019 | * | 23,211 |
| David S. Mulcahy ⁽⁴⁾⁽⁵⁾ | 96,000 | * | 30,000 |
| A. J. Strickland, III ⁽⁶⁾ | 234,000 | 1.60 | 105,000 |
| Harley A. Whitfield | 36,000 | * | 15,000 |
| Terry A. Reimer ⁽⁵⁾⁽⁶⁾ | 345,750 | 2.34 | 251,250 |
| Kevin R. Wingert | 150,600 | 1.03 | 112,500 |
| Wendy L. Carlson | 111,300 | * | 97,500 |
| All executive officers, directors and nominees for directors as a group (13 persons) | 5,713,041 | 31.32 | 3,706,086 |
| 5% Owners | | | |
| Farm Bureau Life Insurance Company ⁽⁴⁾ 5400 University Avenue West Des Moines, Iowa 50266 | 4,687,500 | 32.25 | |
| Conseco Companies 11825 North Pennsylvania Street Carmel, Indiana 46032 | 1,369,500 | 9.42 | |

* Less than 1%.

- (1) Beneficial ownership is determined in accordance with Rule 13d-3 of the Exchange Act and generally includes voting and investment power with respect to securities, subject to community property laws, where applicable.
- (2) Except for Mr. Noble's stock options with respect to 960,000 shares of common stock, all stock options are granted pursuant to the American Equity Investment 1996 Incentive Stock Option Plan.
- (3) Includes 1,203,000 shares owned by Mr. Noble, 19,500 shares held in a self-directed retirement plan account and 237,000 shares owned by Twenty Services, Inc. Mr. Noble beneficially owns 53% of Twenty Services, Inc.
- (4) Of the 4,687,500 shares beneficially owned by Farm Bureau Life Insurance Company, 1,869,873 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 Life Insurance Company 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 us. Each of the voting trustees disclaims any beneficial ownership with respect to these shares. Farm Bureau Life Insurance Company has a "right of first refusal" to maintain a 20% ownership interest in our issued and outstanding equity securities.
- (5) In addition to the shares reflected in this table, Mr. Gerlach and Mr. Reimer each have Deferred Compensation Agreements with us pursuant to which they will receive shares of common stock on a deferred payment basis for services rendered during our initial start-up period. Further, Mr. Mulcahy has a Deferred Compensation Agreement with us pursuant to which he will

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receive shares of common stock on a deferred payment basis for consulting services he provided in 1997. These shares will be issued only upon the occurrence of certain trigger events, including death, disability, retirement or board of directors action. Under their respective Deferred Compensation Agreements, Mr. Gerlach is entitled to receive 24,285 shares; Mr. Reimer is entitled to receive 19,845 shares; and Mr. Mulcahy is entitled to receive 28,125 shares.

- (6) Dr. Strickland's ownership includes 54,000 shares held by his children. Mr. Reimer's ownership interest includes 3,000 shares owned by his spouse. Mr. Gerlach's ownership interest includes 3,000 shares owned jointly with his spouse.
- (7) Mr. Matovina's shares are held in a self-directed retirement plan account.

In addition to our equity securities reflected in the table above, certain of the directors and executive officers beneficially own shares of the 8% Convertible Trust Preferred Securities issued by one of our subsidiary trusts. Messrs. Noble, Gerlach, Mulcahy and Reimer own 2,000, 1,000, 4,000 and 1,000 of such securities, respectively, and the directors and executive officers as a group (13 persons) own 9,000 of such securities. Such securities are convertible into our common stock on a three-for-one basis.

The address of each of the beneficial owners other than Ben T. Morris, Farm Bureau Life Insurance Company and Conseco Companies is c/o American Equity Investment Life Holding Company, 5000 Westown Parkway, Suite 440, West Des Moines, Iowa 50266. The address for Ben T. Morris is c/o Sanders Morris Mundy Inc., 3100 Chase Tower, Houston, Texas 77002. The addresses for Farm Bureau Life Insurance Company and Conseco Companies are provided above.

DESCRIPTION OF SECURITIES

This prospectus contains the material terms and conditions the trust preferred securities, the debentures and the guarantee. However, the summaries in this prospectus are not meant to be a complete description of these securities. For more information, refer to the declaration, the indenture and the guarantee. Forms of these documents are filed as exhibits to the registration statement of which this prospectus is a part. All terms used in this prospectus that are not defined in this prospectus have the meanings given to them in the declaration, the indenture or the guarantee, as the case may be.

Certain Terms of the Trust Preferred Securities

General. The declaration authorizes the administrative trustees to issue, on behalf of the trust, the trust securities, which are comprised of the trust preferred securities to be sold to the public, and the trust common securities, all of which will be owned by us. The trust securities represent undivided beneficial ownership interests in the assets of the trust. First Union Trust Company, National Association, as property trustee, acts as indenture trustee for the declaration for purposes of compliance with the Trust Indenture Act of 1939, as amended. The declaration will be qualified as an indenture under the Trust Indenture Act. The terms of the trust preferred securities will include those stated in the declaration and those made a part of the declaration under the Trust Indenture Act.

The trust common securities rank equal with, and payments are made thereon on a pro rata basis with, the trust preferred securities, except that upon the occurrence of an event of default under the declaration the rights of the holders of the trust common securities to receive payment of periodic distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of the holders of trust preferred securities. See "—Subordination of Trust Common Securities" in this prospectus. Title to the debentures, which constitute the sole assets of the trust, is held by the property trustee for the benefit of the holders of the trust securities. The declaration does not permit the trust to issue any securities, other than the trust common securities and trust preferred securities described herein, or to incur any indebtedness. We have guaranteed the payment of distributions out of moneys held by the trust, and payments upon redemption of the trust preferred securities or liquidation of the trust, to the extent described under "—Certain Terms of the Guarantee" in this prospectus. The guarantee is held by the guarantee trustee for the benefit of the holders of the trust preferred securities. The guarantee does not cover payment of distributions or payments upon redemption of the trust preferred securities or liquidation of the trust when the trust does not have sufficient available funds to make such distributions or payments. In such event, the remedy of a holder of trust preferred securities is to:

- vote to direct the property trustee to enforce the property trustee's rights under the debentures; or
- if the trust fails to pay distributions as a result of our failure to pay interest on or principal of the debentures (other than as a result of an extension period under the debentures), institute a proceeding directly against us for enforcement of payment to such holder of the principal of or interest on the debentures having a principal amount equal to the aggregate liquidation amount of the trust preferred securities of such holder on or after the respective due date specified in the debentures. See "—Voting Rights" in this prospectus.

Distributions. Distributions on the trust preferred securities accrue at an annual rate of [•]% of the stated liquidation amount of \$25 per trust preferred security (equal to \$[•] per year per trust preferred security). Distributions in arrears will bear interest at a rate per year of [•]% compounded quarterly. The term "distribution" as used in this prospectus includes any interest payable

on unpaid distributions, unless otherwise stated. The amount of distributions payable for any period is computed for any full quarterly distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly distribution period for which distributions are computed, on the basis of the actual number of days elapsed per 30-day month.

Distributions on the trust preferred securities are cumulative, accrue from [•] and are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing [•], 2001, when, as and if available for payment by the property trustee, except as otherwise described below. So long as no event of default has occurred and is continuing under the indenture, we have the right under the indenture to defer payments of interest on the debentures by extending the interest payment period on the debentures, which we refer to as an "extension period." During an extension period no interest shall be due and payable on the debentures. As a consequence of an extension, quarterly distributions on the trust preferred securities would be deferred during any such extension period, though the distributions would continue to accrue with interest compounded quarterly (to the extent permitted by applicable law). In the event that we exercise this deferral right then, during any extension period, we shall not:

- declare or pay dividends on, or make a distribution with respect to, or redeem or purchase or acquire, or make a liquidation payment with respect to, any of our capital stock, other than:
 - (a) purchases or acquisitions of shares of our common stock or common stock equivalents in connection with our satisfaction of our obligations under any employee benefit or agent plans or our satisfaction of our obligations pursuant to any contract or security requiring us to purchase shares of our common stock or common stock equivalents;
 - (b) purchases of shares of our common stock or common stock equivalents from our officers or employees or officers or employees of our subsidiaries upon termination of employment or retirement not pursuant to any obligation under any contract or security requiring us to purchase shares of our common stock or common stock equivalents;
 - (c) as a result of a reclassification of our capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of our capital stock;
 - (d)

dividends or distributions of shares of our common stock on our common stock; or

(e)

purchases of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged;

- make any payment of principal, premium or interest on or repay, repurchase or redeem any debt securities, including guarantees, issued by us that rank equal with or junior to the debentures, except by conversion into or exchange for shares of our common stock; and
- make any guarantee payments with respect to any of the foregoing, other than pursuant to the guarantee of the trust preferred securities.

Prior to the termination of any such extension period, we may further extend the extension period, as long as such extension period, together with all previous and further extensions thereof, does not exceed 20 consecutive quarters and the extension period does not extend beyond the maturity of the debentures. Upon the termination of any extension period and the payment of all amounts then due,

we may commence a new extension period, subject to the above requirements. Consequently, there could be multiple extension periods of varying lengths throughout the term of the debentures. See "—Certain Terms of the Debentures—Interest" and "Certain Terms of the Debentures—Option to Extend Interest Payment Period" in this prospectus. If distributions are deferred, accrued distributions shall be paid pro rata to the holders of record of trust preferred securities on the first payment date following the extension period as they appear on the books and records of the trust on the record date following the termination of the extension period.

Distributions on the trust preferred securities will be made only to the extent the trust has funds available for that purpose. The amount of such funds will be limited to payments received by the trust from us with respect to the debentures. See "—Certain Terms of the Debentures" in this prospectus. We have guaranteed the payment of distributions out of funds held by the trust, as set forth under "—Certain Terms of the Guarantee" in this prospectus.

Distributions on the trust preferred securities will be payable to holders as they appear on the books and records of the trust on the relevant record dates. As long as the trust preferred securities are represented by a global security, the record dates for the payment of distributions will be one business day before the relevant payment date. If the trust preferred securities are ever issued in certificated form, the record date for the payment of distributions will conform to the rules of any securities exchange on which the trust preferred securities are listed and, if none, shall be selected by the administrative trustees, which dates shall be at least one but not less than sixty business days before the relevant payment dates.

As long as the trust preferred securities are represented by a global security, payments on the trust preferred securities will be made in immediately available funds to The Depository Trust Company, or DTC, the depository for the trust preferred securities. If the trust preferred securities are ever issued in certificated form, payment of distributions on the trust preferred securities will be made by check mailed on or before the due date to the holders thereof on the relevant record date or by wire transfer to an account appropriately designated by the holder entitled to that payment.

In the event that any date on which distributions are payable on the trust preferred securities is not a business day, payment of the distribution payable on such date will be made on the next succeeding day which is a business day (without any distribution or other payment for any such delay), except that, if such business day is in the next succeeding calendar year, such payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on such date that the distributions were due. A "business day" means any day other than a day on which banking institutions in West Des Moines, Iowa or in Wilmington, Delaware, are authorized or required by law to close.

Redemption. The debentures are redeemable by us, at our option, in whole or in part, at any time on or after five years from issuance. See "Certain Terms of the Debentures—Optional Redemption" in this prospectus. The debentures may also be redeemed for cash, in whole, but not in part, in certain circumstances upon the occurrence of a Redemption Tax Event, which is described below. The redemption price of the debentures shall be 100% of the principal amount of the debentures so redeemed, plus any accrued and unpaid interest thereon to the date fixed for redemption. See "—Special Event Distribution or Redemption" below. The trust securities, which do not have a stated maturity date, must be redeemed upon the repayment of the debentures at their stated maturity (I • J) and upon acceleration or earlier redemption of the debentures. Upon redemption of the debentures, the trust must redeem trust securities on a pro rata basis having an aggregate liquidation amount equal to 100% of the aggregate principal amount of the debentures so redeemed at the redemption price described above, including accrued and unpaid distributions thereon to the date fixed

for redemption. In the event that fewer than all of the outstanding trust securities are to be redeemed, the trust securities will be redeemed pro rata from each holder of trust securities, with the understanding that, with respect to trust preferred securities registered in the name of and held of record by DTC or its nominee (or any successor clearing agency or its nominee), the distribution of the proceeds of such redemption will be made to each clearing agency participant (or person on whose behalf such nominee holds such trust preferred securities) in accordance with the procedures approved by such agency or nominee. However, holders of trust preferred securities and trust common securities must be given not less than 30 nor more than 60 days notice of a redemption. See "—Redemption Procedures," "Certain Terms of the Debentures—General" and "Certain Terms of the Debentures—Optional Redemption" in this prospectus.

Special Event Distribution or Redemption. If, at any time, a Tax Event or an Investment Company Event, each as defined below and referred to as a "Special Event," shall occur and be continuing the administrative trustees shall, unless the debentures are redeemed upon the occurrence of a Redemption Tax Event, as defined below, dissolve the trust with the result that, after satisfaction of creditors, if any, of the trust, debentures would be distributed on a pro rata basis to the holders of trust preferred securities and us, as holder of the trust common securities, in liquidation of the holders' interests in the trust within 90 days following the occurrence of the Special Event, except in the case of an event of default as a result of our failure to pay any amounts under the debentures when due. See "—Subordination of Trust Common Securities" in this prospectus. These distributed debentures would have an aggregate principal amount equal to the aggregate stated liquidation amount of, and have an interest rate identical to the distribution rate of, and have accrued and unpaid interest equal to accrued and unpaid distributions on, and have the same record date for payment as, the trust preferred securities outstanding at that time. As a condition of such dissolution and

distribution in the case of the occurrence of a Tax Event, the administrative trustees must receive an opinion of nationally recognized independent tax counsel experienced in such matters, which opinion may rely on published revenue rulings of the Internal Revenue Service, to the effect that the holders of the trust preferred securities will not recognize any gain or loss for United States federal income tax purposes as a result of such dissolution and distribution of debentures. However, if the trust has the opportunity to eliminate the Special Event within the 90-day period by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure which in our reasonable judgment has or will cause no adverse effect on the trust, us or the holders of the trust securities and will involve no material cost, the trust will pursue such measure in lieu of dissolution.

Furthermore, if in the case of the occurrence of a Tax Event,

- the administrative trustees have received an opinion of nationally recognized independent tax counsel experienced in such matters that, as a result of a Tax Event, there is more than an insubstantial risk that we would be precluded from deducting the interest on the debentures for United States federal income tax purposes even if the debentures were distributed to the holders of trust securities in liquidation of such holders' interests in the trust as described above; or
- the administrative trustees shall have been informed by such tax counsel that the opinion described above cannot be delivered to the trust (each such case, a "Redemption Tax Event"),

we shall have the right, upon not less than 30 nor more than 60 days' notice, to cause the redemption of the debentures in whole, but not in part, for cash within 90 days following the occurrence of such Redemption Tax Event at a redemption price equal to 100% of the principal amount of the debentures so redeemed, plus any accrued and unpaid interest thereon to the date fixed for redemption. Promptly following such redemption, the trust securities having an aggregate liquidation amount equal to the

aggregate principal amount of the debentures so redeemed will be redeemed by the trust, on a pro rata basis, at a redemption price corresponding to the redemption price for which the debentures were redeemed, including accrued and unpaid interest thereon to the date fixed for redemption. However, if at the time there is available to us or the trust the opportunity to eliminate the Redemption Tax Event within the 90-day period by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure which in our reasonable judgment has or will cause no adverse effect on the trust, us or the holders of the trust securities, and will involve no material cost, we or the trust will pursue such measure in lieu of redemption. Because we are a holding company, our ability to redeem the debentures and, therefore, for the trust to redeem the trust preferred securities, is dependent, to a significant degree, on the ability of our subsidiaries to pay us dividends in sufficient amounts. See "Risk Factors—Our obligations under the debentures and the guarantee rank lower than our other indebtedness, and our holding company structure effectively subordinates any claims against us to those of our subsidiaries' creditors" in this prospectus.

"Tax Event" means that the administrative trustees have received an opinion of nationally recognized independent tax counsel experienced in such matters to the effect that as a result of

- any amendment to, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision or taxing authority;
- any amendment to, or change in, an interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority, including the enactment of any legislation and the publication of any judicial decision or regulatory determination;
- any interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the generally accepted position; or
- any action taken by any governmental agency or regulatory authority;

which amendment or change is enacted, promulgated, issued or announced or which interpretation or pronouncement is issued or announced or which action is taken, in each case, on or after the date of this prospectus, there is more than an insubstantial risk that

- the trust is, or will be within 90 days of the date of the opinion, subject to United States federal income tax with respect to interest accrued or received on the debentures;
- the trust is, or will be within 90 days of the date of the opinion, subject to more than a minimal amount of other taxes, duties or other governmental charges; or
- interest payable by us on the debentures is not, or within 90 days of the date of the opinion will not be, deductible for United States federal income tax purposes.

Notwithstanding anything in the previous sentence to the contrary, a Tax Event shall not include any event described above that requires us for United States federal income tax purposes to defer taking a deduction for any original issue discount ("OID") that accrues with respect to the debentures until the interest payment related to such OID is paid by us in money, as long as such event does not create more than an insubstantial risk that we will be prevented from taking a deduction for OID accruing with respect to the debentures at a date that is no later than the date the interest payment related to such OID is actually paid by us in money.

"Investment Company Event" means that the administrative trustees shall have received an opinion of nationally recognized independent counsel experienced in practice under the Investment Company Act

of 1940, as amended, that as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the trust is or will be considered an "investment company" which is required to be registered under the 1940 Act, which change becomes effective on or after the date of this prospectus.

On the date fixed for any distribution of debentures, upon dissolution of the trust:

- the trust securities will no longer be deemed to be outstanding;
- DTC or its nominee (or any successor clearing agency or its nominee), as the record holder of the trust preferred securities, will receive a registered global certificate or certificates representing the debentures to be delivered upon such distribution; and
- any certificates representing the trust securities, except for certificates representing trust preferred securities held by DTC or its nominee (or any successor clearing agency or its nominee), will be deemed to represent beneficial interests in the debentures having an aggregate principal amount equal to the stated liquidation amount of, and bearing accrued and unpaid interest equal to accrued and unpaid distributions on, such trust securities until such certificates are presented to us or our agent for transfer or reissuance.

Redemption Procedures. The trust may not redeem fewer than all of the outstanding trust securities unless all accrued and unpaid distributions have been paid on all trust securities for all quarterly distribution periods terminating on or prior to the date of redemption.

If the debentures are distributed to holders of the trust securities, pursuant to the terms of the indenture, we will use our best efforts to have the debentures listed on the New York Stock Exchange or on such other exchange as the trust preferred securities were listed immediately prior to the distribution of the debentures.

In the event of any redemption, the trust shall not be required to:

- issue any trust preferred security during a period beginning at the opening of business 15 days before the day of any selection of trust preferred securities for redemption and ending at the close of business on the day of selection; or
- register the transfer of or exchange of any trust securities so selected for redemption, in whole or in part, except for the unredeemed portion of any trust securities being redeemed in part.

If the trust gives a notice of redemption in respect of trust preferred securities, which notice will be irrevocable, and if we have paid to the property trustee a sufficient amount of cash in connection with the related redemption or maturity of the debentures, then:

- while the trust preferred securities are in book-entry only form, by 12:00 noon, Central time, on the redemption date, the property trustee will irrevocably deposit with DTC funds sufficient to pay the amount payable on redemption or maturity or otherwise with respect to the trust preferred securities and will give DTC irrevocable instructions and authority to pay such amount to the holders of the trust preferred securities; and
- with respect to trust preferred securities issued in certificated form and trust common securities, the property trustee will pay such amount to holders of those trust securities upon surrender of their certificates.

If notice of redemption shall have been given and funds are deposited as required, then upon the date of such deposit, all rights of holders of the trust securities called for redemption will cease, except the right of the holders of such trust securities to receive the redemption price, but without interest on such redemption price. In the event that any date fixed for redemption of trust securities is not a business day, then payment of the amount payable on such date will be made on the next succeeding day which is a business day without any interest or other payment in respect of any such delay, except that if such business day falls in the next calendar year, such payment will be made on the immediately preceding business day, in each case with the same force and effect as if made on the date fixed for redemption. In the event that payment of the redemption price for trust securities is improperly withheld or refused and not paid either by the trust or us pursuant to our guarantee, distributions on such trust securities will continue to accrue at the then applicable rate, from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the amount payable upon redemption (other than for calculating any premium).

Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), we or our subsidiaries may at any time and from time to time purchase outstanding trust preferred securities by tender, in the open market, or by private agreement.

Subordination of Trust Common Securities. Payment of distributions on, and the amount payable upon redemption of, the trust preferred securities and trust common securities, as applicable, shall be made pro rata based on the liquidation amount of the trust preferred securities and trust common securities. However, if on any distribution date or redemption an event of default under the indenture has occurred and is continuing, no payment may be made on the trust common securities unless all unpaid amounts on the trust preferred securities have been provided for or paid in full.

In the case of any event of default under the declaration, the holder of trust common securities will be deemed to have waived any such event of default until all such events of default with respect to the trust preferred securities have been cured, waived or otherwise eliminated. Until any such event of default with respect to the trust preferred securities has been so cured, waived or otherwise eliminated, the property trustee shall act solely on behalf of the holders of the trust preferred securities and not the holder of the trust common securities, and only the holders of the trust preferred securities will have the right to direct the property trustee to act on their behalf.

Liquidation Distribution upon Dissolution. In the event of any voluntary or involuntary liquidation, dissolution, winding-up or termination of the trust (each a "Liquidation"), the holders of the trust securities at that time will be entitled to receive pro rata out of the assets of the trust, after satisfaction of liabilities to creditors, a liquidation distribution in an amount equal to the aggregate of the stated liquidation amount of \$25 per trust security, plus accrued and unpaid distributions thereon to the date of payment, unless, in connection with a Liquidation related to a Special Event, the trust distributes debentures on a pro rata basis to the holders of trust securities in an aggregate stated principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the distribution rate of, and accrued and unpaid interest equal to accrued and unpaid distributions on, the trust securities.

If, upon any Liquidation, other than a Liquidation related to a Special Event as described in the preceding paragraph, the liquidation distribution can be paid only in part because the trust has insufficient assets available to pay in full the aggregate liquidation distribution, then the amounts payable directly by the trust on the trust securities shall be paid on a pro rata basis. The holders of the trust common securities will be entitled to receive distributions upon any such dissolution pro rata with the holders of the trust preferred securities, except that if an event of default under the declaration has

occurred and is continuing, the trust preferred securities shall have a preference over the trust common securities with regard to such distributions.

Pursuant to the declaration, the trust shall dissolve:

- on [•], the expiration of the term of the trust;
- upon our bankruptcy;
- upon the filing of a certificate of dissolution or its equivalent with respect to us, or the revocation of our charter and the expiration of 90 days after the date of revocation without a reinstatement thereof;
- upon the filing of a certificate of cancellation with respect to the trust after having obtained the consent of at least a majority in liquidation amount of the trust securities, voting together as a single class, to file such certificate of cancellation;
- upon the distribution of all of the debentures in connection with the occurrence of a Special Event;
- upon the distribution of all the debentures to the holders of trust securities in exchange for all the trust securities in accordance with the terms of the trust securities;
- upon the entry of a decree of a judicial dissolution of us or the trust; or
- when all of the trust securities have been called for redemption and the amounts necessary for redemption have been paid to the holders of trust securities.

Subject to the fifth bullet point above and the terms of the trust securities, following the dissolution of the trust, the trustees shall liquidate the trust and file a certificate of cancellation for its termination.

Merger, Consolidation or Amalgamation of the Trust. The trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other entity, except as described below. The trust may, with the consent of the administrative trustee or, if there are more than two, a majority of the administrative trustees and without the consent of the holders of the trust securities, the property trustee or the Delaware trustee, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any State of the United States; provided, that:

- if the trust is not the survivor, the successor entity either expressly assumes all of the obligations of the trust under the trust securities or substitutes for the trust preferred securities other securities having substantially the same terms as the trust preferred securities (the "Successor Securities"), so long as the Successor Securities rank the same as the trust preferred securities rank with respect to distributions, assets and payments upon liquidation, redemption or otherwise;
- we expressly acknowledge a trustee of the successor entity possessing the same powers and duties as the property trustee as the holder of the debentures;
- the trust preferred securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with any other organization which the trust preferred securities are then listed or quoted;
- the merger, consolidation, amalgamation or replacement does not cause the trust preferred securities, including any Successor Securities, to be downgraded by any nationally recognized statistical rating organization;

- the merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the trust preferred securities, including any Successor Securities, in any material respect;
- the successor entity has a purpose substantially identical to that of the trust;
- we guarantee the obligations of the successor entity under the Successor Securities at least to the extent as provided by the trust preferred securities guarantee; and
- prior to such merger, consolidation, amalgamation or replacement, we have received an opinion of a nationally recognized independent counsel to the trust reasonably acceptable to the property trustee experienced in such matters to the effect that:

- (a) the merger, consolidation, amalgamation or replacement will not adversely affect the rights, preferences and privileges of the holders of the trust securities, including any Successor Securities, in any material respect, other than with respect to any dilution of the holders' interest in the new entity;
- (b) following the merger, consolidation, amalgamation or replacement, neither the trust nor the successor entity will be required to register as an investment company under the Investment Company Act of 1940, as amended; and
- (c) following the merger, consolidation, amalgamation or replacement, the trust, or the successor entity, will be treated as a grantor trust for United States federal income tax purposes.

Events of Default. An event of default under the indenture constitutes an event of default under the declaration with respect to the trust securities. However, pursuant to the declaration, the holder of the trust common securities will be deemed to have waived any event of default under the declaration with respect to the trust common securities until all declaration events of default with respect to the trust preferred securities have been cured, waived or otherwise eliminated. Until any declaration events of default with respect to the trust preferred securities have been so cured, waived or otherwise eliminated, the property trustee will be deemed to be acting solely on behalf of the holders of the trust preferred securities and only the holders of the trust preferred securities will have the right to direct the property trustee with respect to certain matters under the declaration and, therefore, the indenture.

If the property trustee fails to enforce its rights under the debentures after a holder of trust preferred securities has made a written request, such holder of trust preferred securities may institute a legal proceeding against us to enforce the property trustee's rights under the debentures without first instituting any legal proceeding against the property trustee or any other person or entity. Notwithstanding the foregoing, if an event of default under the declaration has occurred and is continuing and such event is attributable to our failure to pay interest or principal on the debentures on the date such interest or principal is otherwise payable, or in the case of redemption, the redemption date, then a holder of trust preferred securities may directly institute a proceeding for enforcement of payment to such holder of the principal of or interest on the debentures having a principal amount equal to the aggregate liquidation amount of the trust preferred securities of such holder on or after the respective due date specified in the debentures. In connection with any direct action, we will be subrogated to the rights of such holder of trust preferred securities under the declaration to the extent of any payment made by us to such holder of trust preferred securities in the direct action. The holders of trust preferred securities will not be able to exercise directly any other remedy available to the holders of the debentures.

Upon the occurrence of an event of default under the declaration, the property trustee, as the sole holder of the debentures, or the holders of not less than a majority in principal amount of outstanding

debentures, will have the right under the indenture to declare the principal of and interest on the debentures to be immediately due and payable. We and the trust are each required to file annually with the property trustee an officer's certificate as to our compliance with all conditions and covenants under the declaration.

Voting Rights. Except as described in this prospectus, under the Delaware Business Trust Act, as described below under "—Certain Terms of the Guarantee—Amendments and Assignment," and as otherwise required by law and the declaration, the holders of the trust preferred securities have no voting rights.

Subject to the requirement of the property trustee to obtain a tax opinion in certain circumstances as set forth below, the holders of a majority in liquidation amount of the trust preferred securities, voting separately as a class, have the right to direct the time, method and place of conducting any proceeding for any remedy available to the property trustee, or direct the exercise of any trust or power conferred upon the property trustee under the declaration, including the right to direct the property trustee, as holder of the debentures, to:

- exercise the remedies available to it under the indenture as a holder of the debentures;
- waive any past event of default that is waivable under the indenture;
- exercise any right to rescind or annul a declaration that the principal amount of all the debentures shall be due and payable; or
- consent to any amendment, modification, or termination of the indenture or the debentures where such consent is required.

However, where a consent or action under the indenture would require the consent or act of the holders of more than a majority of the aggregate principal amount of debentures affected thereby, the property trustee may only give such consent or take such action upon the direction of the holders of at least the percentage of

the aggregate liquidation amount of the trust preferred securities as the percentage required under the indenture.

The property trustee shall notify all holders of the trust preferred securities of any notice of default received from the indenture trustee with respect to the debentures. The notice shall state that the indenture event of default also constitutes a declaration event of default. Other than with respect to directing the time, method and place of conducting any remedy available to the property trustee as set forth above, the property trustee is under no obligation to take any of the actions described in the above bullet points unless the property trustee has obtained an opinion of independent tax counsel to the effect that, as a result of such action, the trust will not fail to be classified as a grantor trust for United States federal income tax purposes and each holder will be treated as owning an undivided beneficial interest in the debentures.

In the event the consent of the property trustee, as the holder of the debentures, is required under the indenture with respect to any amendment, modification or termination of the indenture, the property trustee shall request the direction of the holders of the trust securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a majority in liquidation amount of the trust preferred securities and trust common securities voting together as a single class. However, where a consent under the indenture would require the consent of the holders of more than a majority of the aggregate principal amount of the debentures, the property trustee may only give such consent at the direction of the holders of at least the same percentage in total liquidation amount of the trust securities as the percentage specified in the indenture. The property trustee shall not take any such action in accordance with the directions

of the holders of the trust securities unless the property trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the trust will not fail to be classified as a grantor trust.

A waiver of an indenture event of default will constitute a waiver of the corresponding declaration event of default.

Any required approval or direction of holders of the trust preferred securities may be given at a separate meeting of holders of the trust preferred securities convened for such purpose, at a meeting of all of the holders of the trust securities or pursuant to written consent. The administrative trustees will cause a notice of any meeting at which holders of trust preferred securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be mailed to each holder of record of trust preferred securities. Each such notice will include a statement setting forth the following information:

- the date of the meeting or the date by which the action is to be taken;
- a description of any resolution proposed for adoption at the meeting on which the holders are entitled to vote or of the matter upon which written consent is sought; and
- instructions for the delivery of proxies or consents.

No vote or consent of the holders of trust preferred securities will be required for the trust to redeem and cancel trust preferred securities or distribute debentures in accordance with the declaration.

Notwithstanding that holders of trust preferred securities are entitled to vote or consent under any of the circumstances described above, any of the trust preferred securities that are owned at such time by us or an affiliate of ours, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such trust preferred securities were not outstanding.

Holders of the trust preferred securities have no rights to appoint or remove the administrative trustees, who may be appointed, removed or replaced solely by us as the holder of all of the trust common securities.

Modification of the Declaration. The declaration may be modified and amended if approved by the administrative trustees and, in certain circumstances, the property trustee, the Delaware trustee and us. If any proposed amendment provides for, or the administrative trustees otherwise propose to effect,

- any action that would adversely affect the powers, preferences or special rights of the trust securities, whether by way of amendment to the declaration or otherwise; or
- the dissolution, winding-up or termination of the trust other than pursuant to the terms of the declaration;

then the holders of the trust securities voting together as a single class will be entitled to vote on the amendment or proposal and the amendment or proposal shall not be effective except with the approval of at least a majority in liquidation amount of the trust securities affected thereby. Furthermore, if any amendment or proposal referred to in the first bullet point above would adversely affect only the trust preferred securities or only the trust common securities, then only the affected class will be entitled to vote on the amendment or proposal and the amendment or proposal shall not be effective except with the approval of a majority in liquidation amount of the trust preferred securities or trust common securities, as applicable.

Notwithstanding the foregoing, no amendment or modification may be made to the declaration if such amendment or modification would:

- cause the trust to be classified for purposes of United States federal income taxation as other than a grantor trust; or
- cause the trust to be deemed an "investment company" required to be registered under the Investment Company Act of 1940, as amended.

Book-Entry-Only Issuance—DTC. The Depository Trust Company will act as securities depository for the trust preferred securities. The trust preferred securities will be issued in fully-registered form in the name of Cede & Co. (DTC's partnership nominee). The trust will issue one or more fully-registered security certificates as global securities for each of the trust preferred securities in their respective aggregate principal or stated amounts and deposit the certificates with DTC.

DTC has provided us with the following information: DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among direct participants of securities transactions, such as transfers and pledges, in deposited securities through computerized book-entry changes in direct participants' accounts. This eliminates the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations, and other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules and regulations that apply to DTC and its participants are on file with the SEC.

If you intend to purchase any of the trust preferred securities in the manner provided by this prospectus you must do so through the DTC system by or through direct participants. The participant that you purchase through will receive a credit for the applicable security on DTC's records. The ownership interest of each actual purchaser of the applicable security, who we refer to as a "beneficial owner," is in turn to be received on the participants' records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the trust preferred securities are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the applicable security except in the event that use of the book-entry system for the trust preferred securities is discontinued.

To facilitate subsequent transfers, all securities deposited by direct participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the securities. DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the trust preferred securities. Under its usual procedures, DTC would mail an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The property trustee, on behalf of the trust, will make any payments on the trust preferred securities to DTC. DTC's practice is to credit direct participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not of DTC, us or any trustee, subject to any statutory or regulatory requirements as may be in effect from time to time.

We or the applicable trustee will be responsible for the payment of all amounts to DTC. DTC will be responsible for the disbursement of those payments to its participants, and the participants will be responsible for disbursements of those payments to beneficial owners.

DTC may discontinue providing its service as securities depository with respect to the securities at any time by giving reasonable notice to us or the trustee. Under these circumstances, in the event that a successor securities depository is not obtained, we will print and deliver to you certificates for the various trust preferred securities you may own.

Also, in case we decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) we will print and deliver to you certificates for the various trust preferred securities you may own.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable (including DTC), but we take no responsibility for its accuracy.

Neither we, nor any trustee nor the underwriters will have any responsibility or obligation to participants or the persons for whom they act as nominees, with respect to:

- the accuracy of the records of DTC its nominee or any participant;
- any ownership interest in the trust preferred securities; or
- any payments to, or the providing of notice to participants or beneficial owners.

Registrar, Transfer Agent and Paying Agent

If the trust preferred securities do not remain in book-entry only form the following provisions will apply:

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the property trustee will act as paying agent and may designate an additional or substitute paying agent at any time;

- registration of transfers of trust preferred securities will be effected without charge by or on behalf of the trust, but upon payment, with the giving of such indemnity as we or

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the trust may require, in respect of any tax or other government charges that may be imposed in relation to such transfer; and

- the trust will not be required to register or cause to be registered the transfer of trust preferred securities after those trust preferred securities have been called for redemption.

Information Concerning the Property Trustee. First Union Trust Company, National Association will act as the property trustee. We and certain of our subsidiaries may maintain deposit accounts and conduct other banking transactions with the property trustee in the ordinary course of our businesses. The property trustee has undertaken, prior to the occurrence of a default with respect to the trust preferred securities or the trust common securities, to perform only such duties as are specifically set forth in the declaration and, after default, to exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to these provisions, the property trustee is under no obligation to exercise any of the powers vested in it by the declaration at the request of any holder of trust preferred securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The holders of trust preferred securities will not be required to offer such indemnity in the event such holders, by exercising their voting rights, direct the property trustee to take any action following a declaration event of default. The property trustee also serves as trustee under the guarantee and the indenture.

Governing Law. The declaration and the trust preferred securities are governed by, and construed in accordance with, the internal laws of the State of Delaware.

Miscellaneous. The administrative trustees, who are our officers or employees, are authorized and directed to conduct the affairs of and to operate the trust in such a way that the trust will not be deemed to be an "investment company" required to be registered under the Investment Company Act of 1940, as amended, or characterized as other than a grantor trust for United States federal income tax purposes so that the debentures are treated as indebtedness of us for United States federal income tax purposes. In this regard, the administrative trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust or the declaration that the administrative trustees determine in their discretion to be necessary or desirable for such purposes as long as such action does not adversely affect the interests of the holders of the trust preferred securities.

Holders of the trust preferred securities have no preemptive rights.

Certain Terms of the Guarantee

General. First Union Trust Company, National Association, as guarantee trustee, will hold the guarantee for the benefit of the holders of the trust preferred securities. Pursuant to and to the extent set forth in the guarantee, we will irrevocably and unconditionally agree to pay in full to the holders of the trust preferred securities, except to the extent paid by the trust, as and when due, regardless of any defense, right of setoff or counterclaim which the trust may have or assert, the following payments (the "Guarantee Payments"), without duplication:

- any accrued and unpaid distributions that are required to be paid on the trust preferred securities to the extent the trust has funds available therefor;
- the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any trust preferred securities called for redemption by the trust to the extent the trust has funds available therefor; and

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- upon a voluntary or involuntary dissolution, winding-up or termination of the trust, other than in connection with the distribution of debentures to the holders of trust preferred securities or the redemption of all the trust preferred securities, the lesser of

- (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the trust preferred securities to the date of payment, to the extent the trust has funds available therefor; and
- (b) the amount of assets of the trust remaining available for distribution to holders of trust preferred securities upon the liquidation of the trust.

The holders of a majority in liquidation amount of the trust preferred securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee in respect of the guarantee or to direct the exercise of any trust or power conferred upon the guarantee trustee under the guarantee. Any holder of trust preferred securities may institute a legal proceeding against us to enforce our obligations under the guarantee without first instituting a legal proceeding against the trust, the guarantee trustee or any other person or entity. If we were to default on our obligation to pay amounts payable on the debentures, the trust would lack available funds for the payment of distributions or amounts payable on redemption of the trust preferred securities or otherwise, and in such event holders of the trust preferred securities would not be able to rely upon the guarantee for payment of such amounts. Instead, a holder of the trust preferred securities would be required to rely on the enforcement:

- by the property trustee of its rights, as registered holder of the debentures, against us pursuant to the terms of the debentures;

- by such holder of trust preferred securities of its right against us to enforce payments on the debentures; See "—Certain Terms of the Debentures" in this prospectus; or

- by the indenture trustee of its right to enforce the escrow agreement.

The declaration provides that each holder of trust preferred securities, by acceptance of the trust preferred securities, agrees to the provisions of the guarantee and the indenture.

The guarantee is a guarantee with respect to the trust preferred securities from the time of issuance of such trust preferred securities but does not apply to any payment of distributions or the redemption price upon redemption of the trust preferred securities, or to such payments upon the dissolution, winding-up or termination of the trust, except to the extent the trust has funds available therefor. If we do not make interest payments on the debentures, the trust will not pay distributions on the trust preferred securities and will not have funds available for paying distributions. See "Certain Terms of the Debentures" in this prospectus. The guarantee, when taken together with our obligations under the debentures, the indenture (which provides that we may defer payments of interest on the debentures) and the declaration, including our obligations to pay costs, expenses, debts and liabilities of the trust (other than with respect to the trust securities), effectively provides a full and unconditional guarantee by us of payments due on the trust preferred securities issued by the trust, subject to our right to defer payments of interest on the debentures.

We also separately have agreed to irrevocably and unconditionally guarantee the obligations of the trust with respect to the trust common securities to the same extent as the guarantee with respect to the trust preferred securities, except that upon the occurrence and during the continuation of an event of default under the indenture, holders of trust preferred securities shall have priority over holders of trust common securities with respect to distributions and payments on liquidation, redemption or otherwise.

Certain of our Covenants. In the guarantee, we have covenanted that, so long as any trust preferred securities remain outstanding, if:

- we have exercised our option to defer interest payments on the debentures by extending the interest payment period and such extension is continuing;

- we are in default with respect to our payment or other obligations under the guarantee; or

- any event has occurred and is continuing that, with the giving of notice or the lapse of time or both, would constitute an indenture event of default;

then we shall not:

- declare or pay dividends on, or make a distribution with respect to, or redeem or purchase or acquire, or make a liquidation payment with respect to, any of our capital stock, other than:

- (a) purchases or acquisitions of shares of our common stock or common stock equivalents in connection with our satisfaction of our obligations under any employee benefit or agent plans or our satisfaction of our obligations pursuant to any contract or security requiring us to purchase shares of our common stock or common stock equivalents;

- (b) purchases of shares of our common stock or common stock equivalents from our officers or employees or officers or employees of our subsidiaries upon termination of employment or retirement not pursuant to any obligation under any contract or security requiring us to purchase shares of our common stock or common stock equivalents;

- (c) as a result of a reclassification of our capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of our capital stock;

- (d) dividends or distributions of shares of our common stock on our common stock; or

- (e) the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged;

- make any payment of principal of, premium, if any, or interest on or repay, repurchase or redeem any debt securities, including guarantees, issued by us that rank equal with or junior to the debentures; and

- make any guarantee payments with respect to any of the foregoing, other than pursuant to the guarantee of the trust preferred securities.

Amendments and Assignment. Except with respect to any changes that do not materially adversely affect the rights of holders of trust preferred securities, in which case no consent of holders of trust preferred securities will be required, the guarantee may be amended only with the prior approval of the holders of at least a majority in liquidation amount of all the outstanding trust preferred securities. The manner of obtaining any such approval of holders of the trust preferred securities is as set forth under "—Certain Terms of the Trust Preferred Securities—Voting Rights" in this prospectus. All guarantees and agreements contained in the guarantee bind our successors, assigns, receivers, trustees and representatives and inure to the benefit of the holders of the trust preferred securities then outstanding. Except in connection with any merger or consolidation of our company with or into another entity or any sale, transfer or lease of our assets to another entity as described under

"—Certain Terms of the Debentures—Consolidation, Merger and Sale of Assets" in this prospectus, we may not assign our rights or delegate our obligations under the guarantee without the prior approval of the holders of at least a majority in liquidation amount of the outstanding trust preferred securities.

Termination of the Guarantee. The guarantee will terminate as to each holder of trust preferred securities upon:

- full payment of the applicable redemption price with respect to all trust preferred securities;
- distribution of the debentures held by the trust to the holders of the trust preferred securities; or
- liquidation of the trust;

and will terminate completely upon full payment of the amounts payable in accordance with the declaration. The guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of trust preferred securities must restore payment of any sum paid under the trust preferred securities or the guarantee.

Status of the Guarantee. The guarantee constitutes an unsecured obligation of our company and ranks:

- senior to our common stock;
- equal with the most senior preferred of preference securities issued from time to time by us and with any guarantee we now or hereafter enter into with respect to any preferred or preference securities issued by us or our affiliates; and
- subordinate and junior in right of payment to all our other liabilities except any liabilities that may be equal with the guarantee by their terms.

Our subsidiaries do not guarantee the payment of principal and interest on the debentures and, accordingly, claims of holders of the trust preferred securities effectively are subordinate to the claims of creditors and policyholders of our subsidiaries. In addition, the debentures are subordinate to and junior in right of payment to our senior debt. See "Certain Terms of the Debentures" in this prospectus for more information on the ranking of the guarantee relative to our senior debt.

The guarantee constitutes a guarantee of payment and not of collection; that is, the guaranteed party may directly institute a legal proceeding against us to enforce its rights under the guarantee without instituting a legal proceeding against any other person or entity.

Information Concerning the Guarantee Trustee. The guarantee trustee has undertaken, prior to the occurrence of a default with respect to the guarantee, to perform only such duties as are specifically set forth in the guarantee and, after default with respect to the guarantee, to exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the guarantee trustee is under no obligation to exercise any of the powers vested in it by the guarantee at the request of any holder of trust preferred securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred by exercising such powers.

Governing Law. The guarantee is governed by, and construed in accordance with, the laws of the State of Iowa.

Certain Terms of the Debentures

The trust will invest the proceeds from the issuance and sale of the trust securities in the debentures. Under certain circumstances involving the dissolution of the trust following the occurrence of a Special

Event, debentures may be distributed to the holders of the trust securities in liquidation of the trust. See "—Certain Terms of the Trust Preferred Securities—Special Event Distribution or Redemption" in this prospectus.

General. First Union Trust Company, National Association will act as indenture trustee under the indenture governing the terms of the debentures. The indenture will be qualified as an indenture under the Trust Indenture Act of 1939, as amended.

The debentures will initially be limited in aggregate principal amount to \$100 million or \$115 million if the underwriters' over-allotment option is exercised in full. The debentures will not be subject to a sinking fund provision. The entire principal amount of the debentures will mature and become due and payable, together with any accrued and unpaid interest thereon, on [•]. Our obligations under the debentures will be secured by the zero coupon government securities in the escrow account.

If the debentures are distributed to holders of trust preferred securities in certificated form in liquidation of such holders' interest in the trust, they will be issued in denominations of \$25 and integral multiples thereof. We anticipate, however, that the debentures would be distributed in the form of one or more global securities and DTC, or any successor depositary for the trust preferred securities, would act as depositary for the debentures. The depositary arrangements for the debentures would be substantially similar to those in effect for the trust preferred securities.

For a description of DTC and the terms of the depositary arrangements relating to payments, transfers, voting rights, redemption, other notices and other matters, see "—Certain Terms of the Trust Preferred Securities—Book-Entry-Only Issuance—DTC" in this prospectus.

In the event debentures are issued in certificated form, principal and interest will be payable, the transfer of the debentures will be registrable and debentures will be exchangeable for debentures of other denominations of a like aggregate principal amount at the corporate trust office of the indenture trustee in Wilmington, Delaware. However, payment of interest on certificated debentures may be made at our option by check mailed to the address of the persons entitled to payment or by wire transfer to an account appropriately designated by the holder entitled to that payment.

There are no covenants or provisions in the indenture that afford holders of debentures protection in the event of a highly leveraged transaction or other similar transaction involving us that may adversely affect such holders.

Interest. Each debenture bears interest at the rate of [•]% per year which accrues from [•], 2001, and is payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing [•], 2001, to the person in whose name such debenture is registered on the relevant record date. If the debentures are held by the property trustee or are in the form of a global debenture, the record date shall be the close of business on the business day next preceding the interest payment date. Otherwise, the record date shall be the close of business on the date which is 15 days prior to the interest payment date.

The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. The amount of interest payable for any period shorter than a full quarterly period will be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any date on which interest is payable on the debentures is not a business day, then payment of the interest payable on such date will be made on the next succeeding day which is a business day (without any interest or other payment in respect of any such delay), except that, if such business day is in the next succeeding calendar year, the payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on the date the debentures were due.

Option to Extend Interest Payment Period. Unless an event of default under the debentures has occurred and is continuing, we have the right at any time during the term of the debentures to defer interest payments from time to time by extending the interest payment period for successive periods not exceeding 20 consecutive quarters for each such period. No extension period may extend beyond the maturity of the debentures. At the end of each extension period, we shall pay all interest then accrued and unpaid together with interest thereon compounded quarterly at the rate specified for the debentures (to the extent permitted by applicable law) ("Compounded Interest"). During any extension period, we shall not:

- declare or pay dividends on, or make a distribution with respect to, or redeem or purchase or acquire, or make a liquidation payment with respect to, any of our capital stock, other than:
 - (a) purchases or acquisitions of shares of our common stock or common stock equivalents in connection with our satisfaction of our obligations under any employee benefit or agent plans or our satisfaction of our obligations pursuant to any contract or security requiring us to purchase shares of our common stock or common stock equivalents;
 - (b) purchases of shares of our common stock or common stock equivalents from our officers or employees or officers or employees of our subsidiaries upon termination of employment or retirement not pursuant to any obligation under any contract or security requiring us to purchase shares of our common stock or common stock equivalents;
 - (c) as a result of a reclassification of our capital stock or the exchange or conversion of one class or series of our capital stock for another class or series of our capital stock;
 - (d) dividends or distributions of shares of our common stock on our common stock; or
 - (e) the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged;
- make any payment of principal of, premium, if any, or interest on or repay, repurchase or redeem any debt securities, including guarantees, issued by us that rank equal with or junior to the debentures; or
- make any guarantee payments with respect to any of the foregoing, other than pursuant to the guarantee of the trust preferred securities.

Upon the termination of any extension period and the payment of all amounts then due, we may commence a new extension period, subject to the above requirements. No interest during an extension period, except at the end of the extension period, shall be due and payable. We have no current intention of exercising our right to defer payments of interest by extending the interest payment period on the debentures. If the property trustee is the sole holder of the debentures at the time we select an extension period, we shall give the administrative trustees, the property trustee and the indenture trustee written notice of our selection of an extension period at least one business day prior to the earlier of:

- the date the distributions on the trust preferred securities are payable; or

- the date the trust is required to give notice to any applicable self-regulatory organization or to holders of the trust preferred securities on the record date or the

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date such distribution is payable, but in any event not less than ten business days prior to such record date.

We shall cause the trust to give notice of the selection of an extension period to the holders of the trust preferred securities. If the property trustee is not the sole holder of the debentures, we shall give the holders of the debentures notice of our selection of an extension period at least ten business days prior to the earlier of:

- the next interest payment date; or

- the date we are required to give notice to any applicable self-regulatory organization or to holders of the debentures on the record or payment date of such related interest payment, but in any event not less than two business days prior to such record date.

Additional Interest. If at any time while the property trustee is the holder of any debentures, the trust or the property trustee would be required to pay any taxes, duties, assessments or governmental charges of whatever nature, other than withholding taxes, imposed by the United States or any other taxing authority, then, in any such case, we will pay as additional interest ("Additional Interest") on the debentures held by the property trustee such amounts as shall be required so that the net amounts received and retained by the trust and the property trustee after paying any such taxes, duties, assessments or governmental charges will be not less than the amounts the trust and the property trustee would have received had no such taxes, duties, assessments or governmental charges been imposed.

Optional Redemption. We have the right, at our option, to redeem the debentures, in whole or in part, at any time or from time to time upon not less than 30 nor more than 60 days' notice, in cash at the redemption price, on or after five years from issuance.

The debentures may also be redeemed, in whole only, upon the occurrence of a Redemption Tax Event. The redemption price shall be 100% of the principal amount of the debentures, together with accrued and unpaid interest thereon through the date of redemption. See "—Certain Terms of the Trust Preferred Securities —Special Event Distribution or Redemption" in this prospectus.

Subordination. The indenture provides that the debentures are subordinate and junior in right of payment to all of our existing and future senior debt. No payment of principal, including redemption payments, if any, premium, if any, or interest on, the debentures may be made if:

- any of our senior debt is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived, or ceased to exist; or

- the maturity of any of our senior debt has been accelerated because of a default.

Upon any payments by us or distribution of our assets to creditors upon any dissolution, winding up, liquidation or reorganization, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest due or to become due on all of our senior debt must be paid in full before the holders of the debentures are entitled to receive or retain any payment. Upon satisfaction of all claims related to all of our senior debt then outstanding, the rights of the holders of the debentures will be subrogated to the rights of the holders of our senior debt to receive payments or distributions applicable to senior debt until all amounts owing on the debentures are paid in full.

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The term "senior debt" means, with respect to us:

- the principal, premium, if any, and interest in respect of

- (a) our indebtedness for money borrowed; and

- (b) indebtedness evidenced by securities, debentures, bonds or other similar instruments issued by us;

- all of our capital lease obligations;

- all of our obligations issued or assumed as the deferred purchase price of property, all of our conditional sale obligations and all of our obligations under any title retention agreement, but excluding trade accounts payable arising in the ordinary course of business;

all of our obligations for the reimbursement of any letter of credit, banker's acceptance, security purchase facility (or repurchase agreement) or similar credit transaction;

- all obligations of the type referred to in the four bullet points above of other persons for the payment of which we are responsible or liable as obligor, guarantor or otherwise; and

- all obligations of the type referred to in the five bullet points above of other persons secured by any lien on any of our property or assets, whether or not such obligation is assumed by us,

except for

- any such indebtedness that is by its terms subordinated to or equal with the debentures; and

- any indebtedness between or among us or our affiliates, including all other debt securities and guarantees in respect of those debt securities issued to any other trust, or trustee of such trust, partnership or other entity affiliated with us that is, directly or indirectly, a financing vehicle or financing entity of ours in connection with the issuance by such financing entity of preferred securities or other securities that rank equal with, or junior to, the trust preferred securities.

Our senior debt shall continue to be senior debt and be entitled to the benefits of the subordination provisions of the indenture irrespective of any amendment, modification or waiver of any term of such senior debt, other than any amendment, modification or waiver relating to our escrow of zero coupon government securities described below under "—Escrow of Zero Coupon Securities."

The indenture does not limit the aggregate amount of senior debt that we may issue.

Our subsidiaries do not guarantee the payment of principal or interest on the debentures and, accordingly, claims of holders of the trust preferred securities effectively are subordinate to the claims of creditors and policyholders of our subsidiaries.

As of June 30, 2001, our senior debt aggregated approximately \$44.0 million. In addition, because we are a holding company, the debentures are effectively subordinated to all existing and future liabilities of our subsidiaries.

Certain Covenants. In the indenture, we have covenanted to:

- directly or indirectly maintain 100% ownership of the common securities of the trust, although any permitted successor of us under the indenture may succeed to our ownership; and

- use our reasonable efforts to cause the trust

- (a) to remain a statutory business trust, except in connection with the distribution of debentures to the holders of trust securities in liquidation of the trust upon the occurrence of a Special Event requiring dissolution under the declaration, or certain mergers, consolidations or amalgamations, each as permitted by the declaration; and

- (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

Consolidation, Merger and Sale of Assets. The indenture provides that we will not consolidate with or merge into any other entity or, directly or indirectly, convey, transfer or lease our assets substantially as an entirety unless:

- if we are not the survivor, the successor is a corporation organized in the United States and expressly assumes the due and punctual payment of the principal of, and premium, if any, and interest on, all debentures issued under the indenture and the performance of every other covenant of the indenture on our part; and

- immediately after the consolidation, merger, transfer or lease of assets no event of default under the indenture and no event which, after notice or lapse of time, or both, would become an event of default under the indenture, shall occur and continue.

Upon any such consolidation, merger, conveyance or transfer, the successor corporation shall succeed to and be substituted for us under the indenture and thereafter the predecessor corporation shall be relieved of all obligations and covenants under the indenture and the debentures.

Indenture Events of Default. The indenture provides that any one or more of the following described events, which has occurred and is continuing, constitutes an indenture event of default with respect to the debentures:

- failure for 30 days to pay interest on the debentures, including any Additional Interest, and Compounded Interest in respect thereof, when due; however, a valid extension of an interest payment period will not constitute a default in the payment of interest, including any Additional Interest

and Compounded Interest, for this purpose;

- failure to pay principal of or premium, if any, on the debentures when due whether at maturity, upon redemption, by declaration or otherwise;
- failure to observe or perform any other covenant contained in the indenture for 90 days after notice to us by the indenture trustee or by the holders of not less than a majority in aggregate principal amount of outstanding debentures;
- the dissolution, winding up or termination of the trust, except in connection with the distribution of debentures to the holders of trust preferred securities in liquidation of the trust upon the occurrence of a Special Event requiring dissolution under the declaration, or in connection with certain mergers, consolidations or amalgamations permitted by the declaration; or
- certain events in bankruptcy, insolvency or reorganization of us.

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The indenture trustee or the holders of not less than a majority in aggregate principal amount of outstanding debentures may declare the principal of and interest on the debentures due and payable immediately on the occurrence of an indenture event of default. However, after an acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of outstanding debentures may, under certain circumstances set forth in the indenture, rescind and annul the acceleration if all indenture events of default, other than the nonpayment of accelerated principal, have been cured or waived as provided in the indenture.

Notwithstanding the foregoing, if an indenture event of default has occurred and is continuing and the indenture event of default is attributable to our failure to pay interest or principal on the debentures on the date such interest or principal is otherwise payable, we acknowledge that, in such event, a holder of trust preferred securities may institute a direct action for payment on or after the respective due date specified in the debentures. We may not amend the indenture to remove the foregoing right to bring a direct action without the prior written consent of the holders of all outstanding trust preferred securities. Notwithstanding any payment made to a holder of trust preferred securities by us in connection with a direct action, we shall remain obligated to pay the principal of or interest on the debentures held by the trust or the property trustee and we shall be subrogated to the rights of the holder of such trust preferred securities with respect to payments on the trust preferred securities to the extent of any payments made by us to a holder in any direct action. The holders of trust preferred securities will not be able to exercise directly any other remedy available to the holders of the debentures.

The holders of not less than a majority in aggregate principal amount of outstanding debentures may, on behalf of the holders of all the debentures, waive any past defaults except:

- a default in payment of the principal of, or premium, if any, or interest on, any debentures, unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the indenture trustee; or
- a default in respect of a covenant or provision of the indenture which cannot be amended or modified without the consent of the holder of each debenture.

However, if the debentures are held by the trust or a trustee of the trust, no waiver shall be effective until the holders of a majority in liquidation amount of trust securities have consented to the waiver. In addition, if the consent of the holders of each outstanding debenture is required, the waiver shall not be effective until each holder of the trust securities has consented to such waiver.

A default under any of our other indebtedness would not constitute an indenture event of default under the debentures. Further, if the maturity of the debentures is accelerated, we may not make any payments on the debentures or guarantee if the maturity of the debentures is accelerated until all of our senior indebtedness has been paid.

Subject to the provisions of the indenture relating to the duties of the indenture trustee in case an indenture event of default shall occur and be continuing, the indenture trustee is under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any holders of debentures, unless such holders offer reasonable indemnity to the indenture trustee. Subject to the provision for the indemnification of the indenture trustee, the holders of a majority in aggregate principal amount of the debentures then outstanding have the right to direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee, or exercising any trust or power conferred on the indenture trustee.

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No holder of any debenture has any right to institute any proceeding with respect to the indenture or for any remedy thereunder, unless:

- such holder gives the indenture trustee written notice of a continuing indenture event of default;
- the holders of at least a majority in aggregate principal amount of outstanding debentures make written request to the indenture trustee to institute proceedings in respect of the indenture event of default in its own name as indenture trustee;
- such holder offers reasonable indemnity to the indenture trustee to institute a proceeding as indenture trustee;
-

the indenture trustee fails to institute a proceeding within 60 days of notice, request and offer of indemnity from the holder; and

- the indenture trustee does not receive from the holders of a majority in aggregate principal amount of the outstanding debentures a direction inconsistent with such request.

However, such limitations do not apply to a suit instituted by a holder of a debenture for enforcement of payment of principal of, or premium, if any, or interest on, such debenture on or after the respective due dates expressed in such debenture.

We are required to file annually with the indenture trustee and the property trustee a certificate as to whether or not we are in compliance with all the conditions and covenants under the indenture.

Modifications and Amendments of the Indenture. The indenture contains provisions permitting us and the indenture trustee, with the consent of the holders of not less than a majority in aggregate principal amount of outstanding debentures, to modify the indenture or the rights of the holders of debentures by entering into one or more supplemental indentures. However, no such supplemental indenture may, without the consent of the holder of each outstanding debenture affected thereby, among other things:

- extend the stated maturity of the debentures or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof; or
- reduce the percentage in aggregate principal amount of outstanding debentures, the consent of whose holders is required for any such supplemental indenture.

Furthermore, any such supplemental indenture will require, if the debentures are held by the trust, the consent of the holders of a majority in aggregate liquidation amount of outstanding trust securities or, if the consent of the holders of each outstanding debenture is required, the consent of each holder of outstanding trust securities.

In addition, we and the indenture trustee may execute, without the consent of any holder of debentures, any supplemental indenture to cure any ambiguities, comply with the Trust Indenture Act and for certain other customary purposes.

Escrow of Zero Coupon Securities. We will deposit zero coupon government securities issued by the United States government and certain of its agencies and instrumentalities we currently hold or will purchase having an aggregate value at maturity of approximately \$100 million and which mature on or before the maturity date of the debentures into an escrow account to secure our obligations to pay amounts due on the debentures, as provided in the escrow agreement that we will enter into. In the event that we fail to pay any amount due on the debentures at maturity of the debentures, the escrow

agent will be instructed by the indenture trustee pursuant to the escrow agreement to sell all or a portion of the escrowed securities and use the net proceeds therefrom to pay all or a portion of those amounts.

In the event that we become insolvent or become a debtor in a bankruptcy or reorganization case under Title 11 of the United States Code or any similar state or federal law or proceeding, it is possible that the assets in the escrow account would be available to satisfy claims of our general unsecured creditors. In such event, the assets in the escrow account and any proceeds in respect thereof would not be available exclusively to satisfy claims under the debentures but would be shared, on a pro rata basis, by the trust in respect of the debentures and all of our other general unsecured creditors. In addition, escrowed assets and any proceeds in respect thereof could be used to satisfy claims of any of our senior indebtedness or of any creditor having a lien on our assets prior to such assets or proceeds being available to satisfy claims under the debentures. Notwithstanding such fact, we have obtained the consent of our senior lenders, and holders of our 5% trust preferred securities, to waive unconditionally their respective rights, claims and interests in the escrow account and any proceeds in respect thereof. We have also agreed not to incur any additional indebtedness for money borrowed unless the holders thereof have agreed to similar waivers. In addition, we have agreed not to issue any trust preferred stock which ranks senior to the trust preferred securities offered pursuant to this prospectus, whether as to dividends or distributions, or which ranks on a parity with or senior to the trust preferred securities offered pursuant to this prospectus with respect to distributions involving or relating to the zero coupon government securities, or proceeds from the sale thereof, held in the escrow account.

Information Concerning the Indenture Trustee. The indenture trustee has undertaken, prior to default, to perform only such duties as are specifically set forth in the indenture and, after default, to exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the indenture trustee is under no obligation to exercise any of the powers vested in it by the indenture at the request of any holder of debentures unless such holder offers it reasonable indemnity against the costs, expenses and liabilities that might be incurred by exercising such powers. The indenture trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the indenture trustee reasonably believes it is not assured of repayment or adequate indemnity.

Governing Law. The indenture and the debentures are governed by, and construed in accordance with, the laws of the State of Iowa.

Effect of Obligations under the Indenture and the Guarantee

As set forth in the declaration, the sole purpose of the trust is to issue the trust securities evidencing undivided beneficial interests in the assets of the trust, to invest the proceeds from such issuance and sale in the debentures and to engage in only those activities necessary or incidental thereto.

As long as payments of interest and other payments are made when due on the debentures, such payments will be sufficient to cover distributions and payments due on the trust securities because of the following factors:

- the aggregate principal amount of debentures will be equal to the sum of the aggregate stated liquidation amount of the trust securities;

the interest rate and the interest and other payment dates on the debentures will match the distribution rate and distribution and other payment dates for the trust preferred securities;

- pursuant to the indenture, we are required to pay, and the trust is not obligated to pay, directly or indirectly, all costs, expenses, debts and obligations of the trust other than with respect to the trust securities; and
- the declaration further provides that the administrative trustees will not cause or permit the trust to, among other things, engage in any activity that is not consistent with the purposes of the trust.

Payments of distributions, to the extent the trust has funds available therefor, and other payments due on the trust preferred securities, to the extent the trust has funds available therefor, are guaranteed by us as and to the extent set forth above under the heading "—Certain Terms of the Guarantee." If we do not make interest payments on the debentures purchased by the trust, the trust will not have sufficient funds to pay distributions on the trust preferred securities. The guarantee is a guarantee with respect to the trust preferred securities from the time of their issuance but does not apply to any payment of distributions unless and until the trust has sufficient funds for the payment of such distributions.

The guarantee covers the payment of distributions and other payments on the trust preferred securities only if and to the extent that we have made a payment of interest or principal on the debentures held by the trust as its sole asset. The guarantee, when taken together with our obligations under the debentures and the indenture and our obligations under the declaration, including our obligations to pay costs, expenses, debts and liabilities of the trust, other than with respect to the trust securities, will effectively provide a full and unconditional guarantee of amounts due on the trust preferred securities, subject to our right to defer payments of interest on the debentures which could result in a concomitant deferral of payments on the trust preferred securities.

In the event we fail to make interest or other payments on the debentures when due, taking into account any extension period, the declaration provides a mechanism whereby the holders of the trust preferred securities, using the procedures described above under the headings "—Certain Terms of the Debentures" and "—Certain Terms of the Trust Preferred Securities—Voting Rights," may direct the indenture trustee to enforce its rights under the debentures. If the indenture trustee fails to enforce its rights under the debentures, any holder of trust preferred securities may, to the extent permitted by law, directly institute a legal proceeding against us to enforce the indenture trustee's rights under the debentures without first instituting any legal proceeding against the indenture trustee or any other person or entity. Notwithstanding the foregoing, if a declaration event of default has occurred and is continuing and such event is attributable to our failure to pay interest or principal on the debentures on the date such interest or principal is otherwise payable, or in the case of redemption, on the redemption date, then a holder of trust preferred securities may institute a direct action for payment on or after the respective due date specified in the debentures. In connection with such direct action, we will be subrogated to the rights of the holder of trust preferred securities under the declaration to the extent of any payment made by us to the holder of trust preferred securities.

Under the guarantee, we acknowledge that the guarantee trustee shall enforce the guarantee on behalf of the holders of the trust preferred securities. If we fail to make payments under the guarantee, the guarantee provides a mechanism whereby the holders of the trust preferred securities may direct the guarantee trustee to enforce its rights under the guarantee. If the guarantee trustee fails to enforce the guarantee, any holder of trust preferred securities may directly institute a legal proceeding against us to enforce the guarantee trustee's rights under the guarantee without first instituting a legal proceeding against the trust, the guarantee trustee or any other person or entity.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

General

In this section, we summarize the material United States federal income tax consequences of purchasing, holding and selling the trust preferred securities. Except where we state otherwise, this summary deals only with trust preferred securities held as capital assets (as defined in the Internal Revenue Code of 1986, as amended (the "Code")) by a U.S. Holder (as defined below) who purchases the trust preferred securities at their original offering price when the trust originally issues them.

We do not address all of the tax consequences that may be relevant to a U.S. Holder. We also do not address, except as stated below, any of the tax consequences to holders that may be subject to special tax treatment including banks, thrift institutions, real estate investment trusts, personal holding companies, tax-exempt organizations, regulated investment companies, insurance companies, and brokers and dealers in securities or currencies. Further, we do not address:

- the United States federal income tax consequences to shareholders in, or partners or beneficiaries of, an entity that is a holder of the trust preferred securities;
- the United States federal estate and gift or alternative minimum tax consequences of the purchase, ownership or sale of the trust preferred securities;
- persons who hold the trust preferred securities in a "straddle" or as part of a "hedging," "conversion" or "constructive sale" transaction or whose "functional currency" is not the United States dollar; or
- any state, local or foreign tax consequences of the purchase, ownership and sale of trust preferred securities.

A "U.S. Holder" is a holder of trust preferred securities who or which is:

- an individual citizen or resident of the United States;
- a corporation or partnership created or organized in or under the laws of the United States, any state thereof or the District of Columbia (unless, in the case of a partnership, Treasury regulations provide otherwise);
- an estate if its income is subject to United States federal income taxation regardless of its source; or
- a trust if (1) a United States court can exercise primary supervision over its administration and (2) one or more United States persons have the authority to control all of its substantial decisions.

This summary is based on the Code, Treasury regulations, judicial authorities, published positions of the Internal Revenue Service and other applicable authorities, all as they currently exist as of the date of this prospectus and all of which are subject to change at any time (possibly with retroactive effect). No ruling has been or will be sought from the Internal Revenue Service regarding any matter discussed below. Except as expressed in "—Classification of the Trust" below, our counsel has not rendered any legal opinion regarding any tax consequences to the trust or an investment in the trust preferred securities. **Accordingly, you should consult your tax advisor in light of your particular circumstances as to the federal tax consequences of purchasing, holding and selling trust preferred securities, as well as the effect of any state, local or foreign tax laws.**

Classification of the Debentures

We intend to take the position that the debentures will be classified for United States federal income tax purposes as indebtedness of us. By acceptance of a trust preferred security, each holder covenants to treat the debentures as indebtedness and the trust preferred securities as evidence of an indirect beneficial ownership interest in the debentures. No assurance can be given, however, that our position will not be challenged by the Internal Revenue Service or, if challenged, that such a challenge would not be successful. The remainder of this discussion assumes that the debentures will be classified as indebtedness of us for United States federal income tax purposes.

Classification of the Trust

In connection with the issuance of the trust preferred securities, Skadden, Arps, Slate, Meagher & Flom (Illinois), our special tax counsel, will render a legal opinion generally to the effect that, under current law and assuming full compliance with the terms of the declaration, the indenture, and certain other documents, and based on certain facts and assumptions contained in the opinion, the trust will be classified for United States federal income tax purposes as a grantor trust and will not be subject to tax as a corporation. Accordingly, for United States federal income tax purposes, you will generally be treated as owning an undivided interest in the assets of the trust, including the debentures. You will be required to include in ordinary income for United States federal income tax purposes your allocable share of interest (or original issue discount ("OID"), if any) paid or accrued on the debentures. An opinion of counsel is not binding on the Internal Revenue Service or any court. If the trust were subject to tax as a corporation for United States federal income tax purposes, material adverse consequences to investors in the trust preferred securities would result.

Interest Income and Original Issue Discount

U.S. Holders (including U.S. Holders that are cash basis taxpayers) that hold debt instruments issued with OID generally must include such OID in income as it accrues on a constant yield method even if there is no corresponding receipt of cash attributable to such income. A debt instrument such as a debenture will generally be treated as issued with OID if the stated interest on the instrument does not constitute "qualified stated interest." Qualified stated interest is generally any one of a series of stated interest payments on an instrument that are unconditionally payable at least annually at a single fixed rate. In determining whether stated interest on an instrument is unconditionally payable and thus constitutes qualified stated interest, remote contingencies as to the timely payment of stated interest are ignored. In the case of the debentures, we believe that the likelihood of our exercising our option to defer payments of interest is "remote" because the exercise by us of such option would prevent us from:

- declaring dividends, or engaging in certain other capital transactions, with respect to our capital stock; or
- making any payment on any debt securities issued by us which rank equal with or junior to the debentures.

Accordingly, we intend to take the position that the debentures will not be deemed to be issued with OID. Based on this position, stated interest payments on the debentures will be includible in your ordinary income at the time that such payments are received or accrued in accordance with your regular method of accounting.

If we exercised our option to defer any payment of interest (or if the exercise of such option was determined not to be "remote"), the debentures would be treated as issued with OID at the time of such exercise (or at the time of issuance, if the exercise of such option was determined not to be

"remote") and all stated interest on the debentures would thereafter be treated as OID as long as the debentures remained outstanding without regard to the timing of the payments under the debentures. In such event, all of your taxable interest income in respect of the debentures would constitute OID that would have to be included in income on a constant yield method before the receipt of the cash attributable to such income, regardless of your method of tax accounting, and actual cash payments of stated interest would not be reported as taxable income. Consequently, you would be required to include such OID in gross income even though we would not make any actual cash payments during the period of interest deferral. Any OID included in income would increase your adjusted tax basis in your trust preferred securities, and your actual receipt of cash interest payments would reduce your basis in the trust preferred securities.

The above conclusions are based on Treasury regulations that have not been interpreted by any court decisions or addressed in any rulings or other pronouncements of the Internal Revenue Service, and it is possible that the Internal Revenue Service could successfully assert a position contrary to the position taken by us.

Corporate U.S. Holders

Corporate U.S. Holders of the trust preferred securities will not be entitled to a dividends-received deduction for any income from the trust preferred securities.

Sales of Trust Preferred Securities

If you sell your trust preferred securities, you will recognize gain or loss in an amount equal to the difference between your adjusted tax basis in the trust preferred securities and the amount realized from the sale (generally, your selling price less any amount received in respect of accrued but unpaid interest not previously included in your income). Your adjusted tax basis in the trust preferred securities generally will equal:

- the initial purchase price that you paid for the trust preferred securities plus
- any accrued and unpaid distributions that you were required to treat as OID less any cash distributions received in respect of accrued OID.

Gain or loss on the sale of trust preferred securities will generally be capital gain or loss except as discussed below.

The trust preferred securities may trade at a price that does not accurately reflect the value of accrued but unpaid interest (or OID, if the debentures are treated as having been issued or reissued with OID) relating to the underlying debentures. If you dispose of your trust preferred securities, you will be required to include in ordinary income for United States federal income tax purposes any portion of the amount realized that is attributable to accrued but unpaid interest (including OID, if any) through the date of sale. This income inclusion will increase your adjusted tax basis in the trust preferred securities but may not be reflected in the sale price. To the extent the sale price is less than your adjusted tax basis, you will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes.

Receipt of Debentures or Cash Upon Liquidation of the Trust

Under current law, if we dissolve the trust and cause the trust to distribute your proportionate share of the debentures to you, you will not be subject to tax. Rather, you would have an adjusted tax basis in the debentures received in the liquidation equal to the adjusted tax basis in your trust preferred securities surrendered for the debentures. Your holding period for the debentures would include the

period during which you had held the trust preferred securities. You will continue to report interest (or, if applicable, OID) in respect of the debentures as described in "—Interest Income and Original Issue Discount" above.

If we redeem the debentures for cash and the trust distributes the proceeds of the redemption to you in redemption of your trust preferred securities, the redemption would be treated as a sale of the trust preferred securities, in which you would recognize gain or loss, as described immediately above.

Backup Withholding and Information Reporting

The amount of interest (and OID, if any) accrued on the trust preferred securities held of record by U.S. Holders (other than corporations and other exempt holders) will be reported to the Internal Revenue Service. "Backup withholding" will apply to payments of interest to a non-exempt U.S. Holder, unless the holder furnishes its taxpayer identification number in the manner prescribed in applicable Treasury regulations, certifies that such number is correct, certifies as to its status as a United States person and as to no loss of exemption from backup withholding and meets certain other conditions. Any amounts withheld from a holder under the backup withholding rules will be allowed as a refund or a credit against such holder's United States federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

It is anticipated that income on the trust preferred securities will be reported to you on an Internal Revenue Service Form 1099, which should be mailed to you by January 31 following each calendar year.

EMPLOYEE BENEFIT PLAN CONSIDERATIONS

Regulation under ERISA and the Tax Code

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (a "Plan"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the preferred securities with assets of the Plan. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also "Plans"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("Parties in Interest") with respect to such Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code; however, such plans may be subject to federal, state or local laws or regulations which affect their ability to invest in the preferred securities. Any fiduciary of such a governmental, church or foreign plan considering an investment in the preferred securities should determine the need for, and, if necessary, the availability of, any exemptive relief under such laws or regulations.

The Acquisition and Holding of Trust Preferred Securities

Because of our affiliation with the trust (we will hold all of the trust common securities), the trust may be "Parties-in-Interest" or "Disqualified Persons" with respect to a number of Plans. Accordingly, the acquisition of the trust preferred securities by a Plan with respect to which we are a Party in Interest or Disqualified Person could be deemed to constitute a transaction prohibited under Title I of ERISA or Section 4975 of the Code (*e.g.*, the indirect transfer to or use by Party-in-Interest or Disqualified Person of assets of a Plan). Such transactions may, however, be subject to one or more statutory or administrative exemptions.

The U.S. Department of Labor (the "DOL") has issued five prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase of the preferred securities. Those PTCEs are:

- PTCE 96-23 (for certain transactions effected on behalf of a Plan by an in-house asset manager);
- PTCE 95-60 (for certain transactions involving insurance company general accounts);
- PTCE 91-38 (for certain transactions involving bank collective investment funds);
- PTCE 90-1 (for certain transactions involving insurance company separate pooled accounts); and
- PTCE 84-14 (for certain transactions effected on behalf of a Plan by an independent qualified professional asset manager).

Such exemptions may not, however, apply to all of the transactions that could be deemed prohibited transactions in connection with a Plan's investment. Any purchaser or holder of the trust preferred securities or any interest therein will be deemed to have represented by its purchase and holding thereof that it either (a) is not a Plan or a Plan Asset Entity and is not purchasing such securities on behalf of or with "plan assets" of any Plan, or (b) is eligible for the exemptive relief available under one of the PTCEs mentioned above or another applicable exemption with respect to such purchase or holding.

Plan Assets Regulation Issued by the Department of Labor

Under a regulation (the "Plan Assets Regulation") issued by the DOL, the assets of the trust may be deemed to be "plan assets" of a Plan for purposes of ERISA and Section 4975 of the Code if "plan assets" of the Plan were used to acquire an equity interest in the trust and no exception were applicable under the Plan Assets Regulation. The term "plan assets" is not defined by ERISA or the Code. An "equity interest" is defined under the Plan Assets Regulation as any interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features and specifically includes a beneficial interest in a trust.

Pursuant to an exception contained in the Plan Assets Regulation, the assets of the trust would not be deemed to be "plan assets" of investing Plans if, immediately after the most recent acquisition of any equity interest in the trust:

- less than 25% of the value of each class of equity interests in the trust were held by Plans (other employee benefit plans not subject to ERISA or Section 4975 of the Code (i.e. governmental, church and foreign plans)) and entities holding assets deemed to be "plan assets" of any Plan (collectively, "Benefit Plan Investors"); or

- if the preferred securities were "publicly-offered securities" for purposes of the Plan Assets Regulation.

No assurance can be given that the value of the trust preferred securities held by Benefit Plan Investors will be less than 25% of the total value of such preferred securities at the completion of the initial offering or thereafter, and no monitoring or other measures will be taken with respect to the satisfaction of the conditions of this exception.

"Publicly-Offered Securities"

In order to qualify as a "publicly-offered security," the security must be:

- widely held (i.e. held by 100 or more investors who are independent of the issuer and each other);
- freely transferable; and
- either (i) part of a class of securities registered under Section 12(b) or 12(g) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or (ii) sold as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act of 1933, as amended and such class is registered under the Exchange Act within the requisite time.

Although no assurance can be given in this regard, we expect that the trust preferred securities will be considered to be "publicly-offered securities" under the Plan Assets Regulation.

If none of the exceptions under the Plan Assets Regulation were to apply, certain transactions involving the trust could be deemed to constitute direct or indirect prohibited transactions under ERISA and Section 4975 of the Code with respect to a Plan if the trust preferred securities were acquired with "plan assets" of such Plan and the assets of the trust were deemed to be "plan assets" of Plans investing in the trust. For example, if we were (or as a result of such investment, were to become) a Party in Interest with respect to a Plan, extensions of credit between us and the trust (as represented by the debentures and the guarantee) would likely be prohibited by Section 406(a)(1)(B) of ERISA and Section 4975(c)(1)(B) of the Code, unless exemptive relief were available under an applicable administrative exemption such as those described above.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the trust preferred securities on behalf of or with "plan assets" of any Plan consult with their counsel regarding the potential consequences if the assets of the trust were deemed to be "plan assets" and the availability of exemptive relief under the PTCEs mentioned above or any other applicable exemption.

Special Considerations for Insurance Companies

An insurance company considering an investment in the trust preferred securities should consider whether its general account may be deemed to include assets of the plans investing in the general account, for example, through the purchase of an annuity contract. In *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), the United States Supreme Court held that assets held in an insurance company's general account may be deemed to be plan assets under certain circumstances. In that event, the insurance company might be treated as a Party in Interest under such plans. However, PTCE 95-60 may exempt some or all of the transactions that could occur as the result of the acquisition and holding of the trust preferred securities by an insurance

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company general account. Therefore, insurance company investors should analyze whether *John Hancock* and PTCE 95-60 or any other exemption may have an impact with respect to their purchase of the preferred securities.

In addition, the Small Business Job Protection Act of 1996 added a new Section 401(c) of ERISA relating to the status of the assets of insurance company general accounts under ERISA and Section 4975 of the Code. Under Section 401(c), the DOL is required to issue general account regulations with respect to insurance policies issued on or before December 31, 1998 that are supported by an insurer's general account. As a result of these regulations, assets of an insurance company's general account will not be treated as "plan assets" for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code to the extent such assets relate to contracts issued to employee benefit plans on or before December 31, 1998 and the insurer satisfies various conditions. The plan asset status of insurance company separate accounts is unaffected by new Section 401(c) of ERISA, and separate account assets continue to be treated as the plan assets of any such plan invested in a separate account.

General Investment Considerations

Prospective fiduciaries of a plan considering the purchase of trust preferred securities should consult with their legal advisors concerning the impact of ERISA and the Code and the potential consequences of making an investment in the certificates with respect to their specific circumstances. Each plan fiduciary should take into account, among other considerations:

- whether the fiduciary has the authority to make the investment;
- the composition of the plan's portfolio with respect to diversification by type of asset;
- the plan's funding objectives;
- the tax effects of the investment;
- whether the assets of the trust which are represented by the trust preferred securities would be considered plan assets; and
- whether, under the general fiduciary standards of investment prudence and diversification, an investment in trust preferred securities is appropriate for the plan taking into account the overall investment policy of the plan and the composition of the plan's investment portfolio.

Certain employee benefit plans, such as governmental plans and certain church plans are not subject to the provisions of Title I of ERISA and Section 4975 of the Code. Accordingly, assets of such plans may be invested in the trust preferred securities without regard to the ERISA considerations described here, subject to the provisions of any other applicable federal and state law. It should be noted that any such plan that is qualified and exempt from taxation under the Code is subject to the prohibited transaction rules set forth in the Code.

The discussion herein of ERISA, the Code and relevant DOL regulations is general in nature and is not intended to be complete. Any fiduciary of a plan, governmental plan, church plan or a foreign plan considering an investment in the trust preferred securities should consult with its legal advisors regarding the consequences and advisability of such investment.

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UNDERWRITING

The underwriters named below have agreed to buy, subject to the terms of the purchase agreement, the number of trust preferred securities listed opposite their names below. The underwriters are committed to purchase and pay for all of the trust preferred securities if any are purchased.

| Underwriters | Number of Shares |
|--------------------|------------------|
| [Underwriter Name] | xxx,xxx |
| [Underwriter Name] | xxx,xxx |
| [Underwriter Name] | xxx,xxx |
| [Underwriter Name] | xxx,xxx |
| [Underwriter Name] | xxx,xxx |
| Total | |

The underwriters have advised us that they propose to offer the trust preferred securities to the public at \$25 per trust preferred security. The underwriters propose to offer the trust preferred securities to certain dealers at the same price less a concession of not more than \$[•] per trust preferred security. The underwriters may allow and the dealers may realow a concession of not more than \$[•] per trust preferred security on sales to certain other brokers and dealers. After the offering, these figures may be changed by the underwriters.

We have granted to the underwriters an option to purchase up to an additional [•] trust preferred securities from us at the same price to the public, and with the same underwriting discount, as set forth in the table above. The underwriters may exercise this option any time during the 30-day period after the date of this prospectus, but only to cover over-allotments, if any. To the extent the underwriters exercise the option, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional trust preferred securities as it was obligated to purchase under the purchase agreement.

The following table shows the underwriting commissions to be paid to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the over-allotment option.

| | No Exercise | Full Exercise |
|------------------------------|-------------|---------------|
| Per trust preferred security | \$xx.xx | \$xx.xx |
| Total | \$xx.xx | \$xx.xx |

We and the trust have agreed to indemnify the underwriters against certain liabilities, including civil liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

Prior to the offering, there has been no established trading market for the trust preferred securities. The offering price of the trust preferred securities is based on their liquidation value of \$25 per trust preferred security. There can be no assurance, however, that the trust preferred securities will trade in the market subsequent to this offering at \$25 per trust preferred security or that an active public market for the trust preferred securities will develop and continue after this offering.

In connection with this offering, the underwriters and their affiliates may engage in transactions, effected in accordance with Rule 104 of the SEC's Regulation M, that are intended to stabilize,

maintain or otherwise affect the market price of the trust preferred securities. These transactions may include transactions in which the underwriters create a short position for their own account by selling more trust preferred securities than they are committed to purchase from the trust. In such a case, to cover all or part of the short position, the underwriters may purchase trust preferred securities in the open market following completion of the initial offering. The underwriters may also engage in stabilizing transactions in which they bid for, and purchase, the trust preferred securities at a level above that which might otherwise prevail in the open market for the purpose of preventing or retarding a decline in the market price of the trust preferred securities. Any of these transactions may result in the maintenance of a price for the trust preferred securities at a level above that which might otherwise prevail in the open market. Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the market price of the trust preferred securities. The underwriters are not required to engage in any of these transactions. These transactions may, if commenced, be discontinued at any time without notice.

The underwriters have advised the trust that they do not intend to confirm any sales of trust preferred securities to any discretionary accounts.

LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the trust preferred securities, the enforceability of the declaration and the creation of the trust will be passed upon on behalf of the trust by Skadden, Arps, Slate, Meagher & Flom (Illinois), special Delaware counsel to the trust. The validity of the trust preferred securities, the trust preferred securities guarantee, the debentures and certain matters relating thereto will be passed upon on our behalf by Wendy L. Carlson, our General Counsel. Certain legal matters will be passed upon on behalf of the underwriters by Sidley Austin Brown & Wood. Certain United States federal income taxation matters will be passed upon for us and the trust by Skadden, Arps, Slate, Meagher & Flom (Illinois), our special tax counsel. Sidley Austin Brown & Wood will rely on the opinion of Skadden, Arps, Slate, Meagher & Flom (Illinois) as to certain matters of Delaware law and on the opinion of Wendy L. Carlson as to certain matters of Iowa law.

EXPERTS

Our consolidated financial statements as of December 31, 2000 and 1999, and for each of the three years in the period ended December 31, 2000 have been audited by Ernst & Young LLP, independent auditors, as described in their report. We have included our consolidated financial statements in this prospectus and in

the registration statement in reliance upon the report of Ernst & Young LLP, independent auditors, given on their authority as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We and the trust have filed a registration statement on Form S-1 with the SEC for the trust preferred securities, the debentures and the guarantee described in this prospectus. This prospectus does not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for additional information. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document. When we complete this offering, we will also be required to file annual, quarterly and special reports, proxy statements and other information with the SEC.

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You can reach our SEC filings, including the registration statement, over the Internet at the SEC's web site at <http://www.sec.gov>. You may read and copy any document we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference room. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Our SEC filings will also be available at the office of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

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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, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the 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, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Des Moines, Iowa
March 2, 2001

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | December 31 | |
|--|--------------|--------------|
| | 2000 | 1999 |
| Assets | | |
| Cash and investments: | | |
| Fixed maturity securities: | | |
| Available for sale, at market (amortized cost: 2000—\$1,523,376; 1999—\$1,070,465) | \$ 1,474,560 | \$ 997,020 |
| Held for investment, at amortized cost (market: 2000—\$365,023; 1999—\$315,975) | 429,280 | 398,467 |
| Equity securities, at market (cost: 2000—\$7,435; 1999—\$8,020) | 6,671 | 7,613 |
| Derivative instruments | 34,707 | 44,210 |
| Policy loans | 264 | 231 |
| Cash and cash equivalents | 175,724 | 5,882 |
| Total cash and investments | 2,121,206 | 1,453,423 |
| Receivable from other insurance companies | 375 | 598 |
| Premiums due and uncollected | 1,256 | 1,097 |
| Accrued investment income | 21,398 | 14,183 |
| Receivables from related parties | 47,242 | 18,896 |
| Property, furniture and equipment, less accumulated depreciation: 2000—\$2,370; 1999—\$1,632 | 1,032 | 1,346 |
| Value of insurance in force acquired | 520 | 752 |
| Deferred policy acquisition costs | 289,609 | 178,800 |
| Intangibles, less accumulated amortization: 2000—\$797; 1999—\$681 | 2,338 | 2,238 |
| Deferred income tax asset | 36,052 | 43,037 |
| Federal income taxes recoverable | — | 1,663 |
| Other assets | 2,913 | 1,215 |
| Assets held in separate account | 4,185 | 371 |
| Total assets | \$ 2,528,126 | \$ 1,717,619 |
| Liabilities and Stockholders' Equity | | |
| Liabilities: | | |
| Policy benefit reserves: | | |
| Traditional life and accident and health insurance products | \$ 20,354 | \$ 15,060 |
| Annuity and single premium universal life products | 2,079,561 | 1,343,816 |
| Other policy funds and contract claims | 16,669 | 11,553 |
| Provision for experience rating refunds | 336 | 544 |
| Amounts due to related party under General Agency Commission and Servicing Agreement | 76,028 | 62,119 |
| Other amounts due to related parties | 4,000 | — |
| Notes payable | 44,000 | 20,600 |
| Amounts due under repurchase agreements | 110,000 | 86,969 |
| Amounts due on securities purchased | — | 29,714 |
| Federal income taxes payable | 50 | — |
| Other liabilities | 14,788 | 13,567 |
| Liabilities related to separate account | 4,185 | 371 |
| Total liabilities | 2,369,971 | 1,584,313 |
| Commitments and contingencies (Note 12) | | |
| Minority interest in subsidiaries: company-obligated mandatorily redeemable preferred securities of subsidiary trusts | 99,503 | 98,982 |
| Stockholders' equity: | | |
| Series Preferred Stock, par value \$1 per share, 2,000,000 shares authorized; 625,000 shares of 1998 Series A Participating Preferred | 625 | 625 |
| Stock issued and outstanding | | |
| Common Stock, par value \$1 per share—shares authorized: 2000—75,000,000 and 1999—25,000,000; issued and outstanding: 2000—14,530,242 shares and 1999—4,712,310 shares | 14,530 | 4,712 |
| Additional paid-in capital | 57,577 | 66,058 |
| Accumulated other comprehensive loss | (16,876) | (35,235) |
| Retained earnings (deficit) | 2,796 | (1,836) |
| Total stockholders' equity | 58,652 | 34,324 |
| Total liabilities and stockholders' equity | \$ 2,528,126 | \$ 1,717,619 |

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | Year ended December 31 | | |
|---|------------------------|-----------------|----------------|
| | 2000 | 1999 | 1998 |
| Revenues: | | | |
| Traditional life and accident and health insurance premiums | \$ 11,034 | \$ 10,294 | \$ 10,528 |
| Annuity and single premium universal life product charges | 8,338 | 3,452 | 642 |
| Net investment income | 89,477 | 64,610 | 26,357 |
| Realized gains on investments | 5,766 | 1,454 | 427 |
| Total revenues | 114,615 | 79,810 | 37,954 |
| Benefits and expenses: | | | |
| Insurance policy benefits and change in future policy benefits | 8,728 | 7,232 | 6,085 |
| Interest credited to account balances | 56,529 | 41,727 | 15,838 |
| Interest expense on notes payable | 2,339 | 896 | 789 |
| Interest expense on General Agency Commission and Servicing Agreement | 5,958 | 3,861 | 1,652 |
| Interest expense on amounts due under repurchase agreements | 3,267 | 3,491 | 1,529 |
| Amortization of deferred policy acquisition costs and value of insurance in force acquired | 8,806 | 7,379 | 2,294 |
| Other operating costs and expenses | 14,370 | 12,129 | 8,763 |
| Total benefits and expenses | 99,997 | 76,715 | 36,950 |
| Income before income taxes and minority interest in earnings of subsidiaries | 14,618 | 3,095 | 1,004 |
| Income tax (expense) benefit: | | | |
| Current | (5,225) | (14,189) | (5,311) |
| Deferred | 2,840 | 15,559 | 4,551 |
| | (2,385) | 1,370 | (760) |
| Income before minority interest in earnings of subsidiaries | 12,233 | 4,465 | 244 |
| Minority interest in earnings of subsidiaries: | | | |
| Earnings attributable to company—obligated mandatorily redeemable preferred securities of subsidiary trusts | (7,449) | (2,022) | — |
| Net income | \$ 4,784 | \$ 2,443 | \$ 244 |
| Basic earnings per common share | \$ 0.33 | \$ 0.17 | \$ 0.02 |
| Diluted earnings per common share | \$ 0.26 | \$ 0.14 | \$ 0.02 |

See accompanying notes.

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | Preferred Stock | Common Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings (Deficit) | Total Stockholders' Equity |
|------------------------------|-----------------|--------------|----------------------------|---|-----------------------------|----------------------------|
| Balance at January 1, 1998 | \$ — | \$ 4,421 | \$ 54,319 | \$ 210 | \$ (4,523) | \$ 54,427 |
| Comprehensive income: | | | | | | |
| Net income for year | — | — | — | — | 244 | 244 |

| | | | | | | |
|---|--------|-----------|-----------|-------------|----------|-----------------|
| Change in net unrealized investment gains/losses | — | — | — | 210 | — | 210 |
| Total comprehensive income | | | | | | 454 |
| Issuance of 161,098 shares of common stock, less issuance expenses of \$330 | — | 161 | 1,121 | — | — | 1,282 |
| Issuance of 625,000 shares of 1998 Series A Participating Preferred Stock, less issuance expenses of \$32 | 625 | — | 9,343 | — | — | 9,968 |
| Balance at December 31, 1998 | 625 | 4,582 | 64,783 | 420 | (4,279) | 66,131 |
| Comprehensive income (loss): | | | | | | |
| Net income for year | — | — | — | — | 2,443 | 2,443 |
| Change in net unrealized investment gains/losses | — | — | — | (35,655) | — | (35,655) |
| Total comprehensive loss | | | | | | (33,212) |
| Issuance of 130,348 shares of common stock, less issuance expenses of \$22 | — | 130 | 1,382 | — | — | 1,512 |
| Dividends on preferred stock (\$0.02 per share) | — | — | (13) | — | — | (13) |
| Dividends on common stock (\$0.02 per share, pre stock split) | — | — | (94) | — | — | (94) |
| Balance at December 31, 1999 | 625 | 4,712 | 66,058 | (35,235) | (1,836) | 34,324 |
| Issuance of 9,424,620 shares of common stock pursuant to 3-for-1 stock split | — | 9,425 | (9,425) | — | — | — |
| Comprehensive income: | | | | | | |
| Net income for year | — | — | — | — | 4,784 | 4,784 |
| Change in net unrealized investment gains/losses | — | — | — | 18,359 | — | 18,359 |
| Total comprehensive income | | | | | | 23,143 |
| Issuance of 477,687 shares of common stock | — | 478 | 1,478 | — | — | 1,956 |
| Acquisition of 84,375 shares of common stock | — | (85) | (534) | — | — | (619) |
| Dividends on preferred stock (\$0.01 per share) | — | — | — | — | (6) | (6) |
| Dividends on common stock (\$0.01 per share) | — | — | — | — | (146) | (146) |
| Balance at December 31, 2000 | \$ 625 | \$ 14,530 | \$ 57,577 | \$ (16,876) | \$ 2,796 | \$ 58,652 |

See accompanying notes.

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

| | Year ended December 31 | | |
|---|------------------------|----------|----------|
| | 2000 | 1999 | 1998 |
| Operating activities | | | |
| Net income | \$ 4,784 | \$ 2,443 | \$ 244 |
| Adjustments to reconcile net income to net cash used in operating activities: | | | |
| Adjustments related to interest sensitive products: | | | |
| Interest credited to account balances | 56,529 | 41,727 | 15,838 |
| Annuity and single premium universal life product charges | (8,338) | (3,452) | (642) |
| Increase in traditional life and accident and health insurance reserves | 5,294 | 3,743 | 1,630 |
| Policy acquisition costs deferred | (77,056) | (62,829) | (19,292) |

| | | | |
|---|--------------|--------------|--------------|
| Amortization of deferred policy acquisition costs | 8,574 | 7,063 | 2,020 |
| Amortization of discount and premiums on fixed maturity securities and derivative instruments | 12,933 | (10,765) | (12,975) |
| Provision for depreciation and other amortization | 1,086 | 1,299 | 992 |
| Realized gains on investments | (5,766) | (1,454) | (427) |
| Deferred income taxes | (2,840) | (15,559) | (4,551) |
| Reduction of amounts due to related party under General Agency Commission and Servicing Agreement | (14,491) | (3,140) | (3,675) |
| Changes in other operating assets and liabilities: | | | |
| Accrued investment income | (7,215) | (11,237) | (1,184) |
| Receivables from related parties | (28,346) | (18,807) | (52) |
| Federal income taxes recoverable/payable | 1,713 | (3,312) | (914) |
| Other policy funds and contract claims | 5,116 | 5,238 | 3,960 |
| Other amounts due to related parties | 4,000 | — | — |
| Other liabilities | 1,221 | 8,156 | 2,908 |
| Other | (1,911) | (650) | (74) |
| Net cash used in operating activities | (44,713) | (61,536) | (16,194) |
| Investing activities | | | |
| Sales, maturities or repayments of investments: | | | |
| Fixed maturity securities—available-for-sale | \$ 628,847 | \$ 308,670 | \$ 222,745 |
| Equity securities | 1,588 | — | — |
| Derivative instruments | 7,177 | 1,541 | — |
| | 637,612 | 310,211 | 222,745 |
| Acquisitions of investments: | | | |
| Fixed maturity securities—available for sale | (1,092,492) | (734,248) | (602,831) |
| Fixed maturity securities—held for investment | (7,246) | (310,500) | — |
| Equity securities | (1,437) | (8,020) | — |
| Derivative instruments | (68,088) | (39,396) | (11,539) |
| Proceeds received from futures contract | — | 4,970 | — |
| Policy loans | (33) | (39) | (9) |
| | (1,169,296) | (1,087,233) | (614,379) |
| Proceeds from sale of property | — | — | 2,095 |
| Purchases of property, furniture and equipment | \$ (424) | \$ (877) | \$ (625) |
| Net cash used in investing activities | \$ (532,108) | \$ (777,899) | \$ (390,164) |

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| | Year ended December 31 | | |
|--|------------------------|------------|------------|
| | 2000 | 1999 | 1998 |
| Financing activities | | | |
| Receipts credited to annuity and single premium universal life policyholder account balances | \$ 843,340 | \$ 816,126 | \$ 377,917 |
| Return of annuity and single premium universal life policyholder account balances | (144,077) | (60,844) | (23,637) |
| Financing fees deferred | (216) | (1,801) | — |
| Proceeds from notes payable | 23,400 | 10,600 | — |
| Increase in amounts due under repurchase agreements | 23,031 | 37,969 | 49,000 |
| Proceeds from issuance of company-obligated mandatorily redeemable preferred securities of subsidiary trusts | — | 25,970 | — |
| Net proceeds from sale of preferred stock | — | — | 9,968 |
| Net proceeds from issuance of common stock | 1,956 | 1,512 | 1,282 |
| Acquisition of common stock | (619) | — | — |
| Dividends paid | (152) | (107) | — |
| Net cash provided by financing activities | 746,663 | 829,425 | 414,530 |
| Increase (decrease) in cash and cash equivalents | 169,842 | (10,010) | 8,172 |
| Cash and cash equivalents at beginning of year | 5,882 | 15,892 | 7,720 |
| Cash and cash equivalents at end of year | \$ 175,724 | \$ 5,882 | \$ 15,892 |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during year for: | | | |
| Interest | \$ 5,606 | \$ 4,904 | \$ 1,996 |
| Income taxes | 3,512 | 17,500 | 6,225 |

Non-cash investing and financing activities:

| | | | |
|--|--------|--------|--------|
| Bonus interest deferred as policy acquisition costs | 9,955 | 7,602 | 5,910 |
| Advances to related party under general agency commission and servicing agreement deferred as policy acquisition costs | 28,400 | 37,723 | 19,933 |
| Issuance of common stock in payment of deferred compensation | — | 90 | — |
| Exchange of held for investment fixed maturity securities for company-obligated mandatorily redeemable preferred securities of subsidiary trusts | — | 72,490 | — |

See accompanying notes.

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 43 states and the District of Columbia at December 31, 2000. The Company offers a broad array of annuity and insurance products. The Company's business consists primarily of the sale of equity-index and fixed rate annuities. In 1998, the Company began offering variable annuity products. The Company operates solely in the life insurance business.

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 Investment Capital, Inc., American Equity Capital Trust I (formed in 1999), American Equity Capital Trust II (formed in 1999), American Equity of Hawaii, Inc. (formed in 1999 and sold to an affiliate of the Company's Chairman in December, 2000) 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 accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

Reclassifications

Certain amounts in the 1999 and 1998 consolidated financial statements have been reclassified to conform to the 2000 financial statement presentation. As discussed in Note 8, the Company has established a liability for future amounts due to a related party under the General Agency Commission and Servicing Agreement and revised prior financial statements to reflect such handling. The revisions have been handled as a reclassification and increased liabilities and deferred policy acquisition costs by \$52,100,000 at December 31, 1999.

Investments

Fixed maturity securities (bonds and redeemable preferred stocks maturing more than one year after issuance) that may be sold prior to maturity are classified as available for sale. Available for sale securities are reported at estimated fair value and unrealized gains and losses, if any, on these securities are included directly in a separate component of stockholders' equity, net of income taxes and 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.

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Fixed maturity securities that the Company has the positive intent and ability to hold to maturity are classified as held for investment. Held for investment securities are reported at cost adjusted for amortization of premiums and discounts. Changes in the market value of these securities, except for declines that are other than temporary, are not reflected in the Company's financial statements. Premiums and discounts are amortized/accrued using methods which result in a constant yield over the securities' expected lives.

Equity securities, comprised of common and non-redeemable preferred stocks, are reported at market value. Unrealized gains and losses are included directly in a separate component of stockholders' equity, net of income taxes.

The Company sells deferred annuity products, including equity index annuities which offer an additional benefit provision based on the increase, if any, in specified equity market indexes or benchmarks. The Company has purchased one-year option contracts with characteristics similar to the additional benefit provisions to hedge potential increases to policyholder benefits resulting from these additional benefit provisions. The cost of the options is amortized over the life of the contracts and is recorded, net of proceeds received upon expiration, as a component of net investment income.

The Company records the options at amortized cost plus intrinsic value, if any. 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. Changes in the intrinsic value of the options are offset by changes to the policy benefit liabilities in the consolidated statements of income. These amounts were (\$21,664,000), \$12,763,000 and \$8,062,000 during the years ended December 31, 2000, 1999 and 1998, respectively.

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. At December 31, 2000, all of these options had been purchased from nationally recognized investment banking institutions with a Standard and Poor's credit rating of BBB+ or higher.

Policy loans are reported at unpaid principal.

The carrying amounts of all the Company's investments are reviewed on an ongoing basis for credit deterioration. If this review indicates a decline in market value that is other than temporary, the Company's carrying amount in the investment is reduced to its estimated realizable value and a specific writedown is taken. Such reductions in carrying amount 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 fixed maturity and equity securities are based on the latest quoted market prices, or for those fixed maturity securities not readily marketable, at values which are representative of the market values of issues of comparable yield and quality.

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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.

Deferred Policy Acquisition Costs

To the extent recoverable from future policy revenues and gross profits, certain costs of producing new business, principally commissions, first-year bonus interest and certain costs of policy issuance (including policy issue costs of \$2,743,000 in 2000, \$3,591,000 in 1999 and \$1,909,000 in 1998) have been deferred. For annuity and single premium universal life 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 realized investment gains and losses) to be realized from a group of products are revised. Deferred policy acquisition costs are also adjusted for the change in amortization that would have occurred if available-for-sale fixed maturity securities had been sold at their aggregate market value and the proceeds reinvested at current yield. The impact of this adjustment is included in accumulated other comprehensive income (loss) within stockholders' equity.

For traditional life and accident and health insurance, deferred policy acquisition 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.

Value of Insurance In Force Acquired

The value of insurance in force acquired represents the actuarially determined present value of the projected future cash flows from the insurance contracts that were acquired pursuant to two reinsurance agreements. This balance is amortized, evaluated for recovery and adjusted for the impact of unrealized gains and losses in the same manner as deferred policy acquisition costs described above. Interest accrues on the unamortized balance at a rate of 6%.

Intangibles

Intangibles consist of deferred debt and trust preferred security issue costs and the excess of the purchase price paid over the fair value of the net assets acquired (goodwill) in connection with the purchase of an inactive life insurance company in 1996. Deferred issue costs are being amortized over the life of the related agreement using the interest method. Goodwill is being amortized over 10 years using the 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 determined primarily using the straight-line method over the estimated useful lives of the assets.

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Separate Accounts

The separate account assets and liabilities represent funds that are separately administered for the benefit of 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 premiums received from and benefits paid or provided to the separate account policyholders, are excluded from the amounts reported in the consolidated statements of income. The Company receives various fees (mortality, expense and surrender charges assessed against policyholder account balances) that are included as revenues in the consolidated statements of income.

Future Policy Benefits

Future policy benefit reserves for annuity and single premium universal life 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 these products ranged from 3.0% to 12.5% in 2000 and from 3.0% to 12.0% in 1999 and 1998. A portion of this amount (\$9,955,000, \$7,602,000 and \$5,910,000 during the years ended December 31, 2000, 1999 and 1998, 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 include provisions for annual experience refunds of premiums equal to net premiums received less a 16% administrative fee and less claims incurred. Such amounts (2000—\$342,000; 1999—\$1,206,000; and 1998—\$524,000) are reported as a reduction of traditional life and accident and health insurance premiums in the consolidated statements of income.

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Deferred Income Taxes

Deferred income tax assets or liabilities are computed based on the temporary differences 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. Deferred income tax assets are subject to ongoing evaluation of whether such assets will be realized. The ultimate realization of deferred income tax assets depends on generating future taxable income during the periods in which temporary differences become deductible. If future income is not generated as expected, deferred income tax assets may need to be written off.

Stockholders' Equity

The Company effected a three-for-one split of common stock payable June 30, 2000 to stockholders of record as of June 1, 2000. This resulted in the issuance of 9,424,620 shares of common stock along with a corresponding decrease of \$9,425,000 in additional paid-in capital. All references to the number of shares (other than common stock issued or outstanding on the 1999 consolidated balance sheet and the 1998 and 1999 consolidated statements of changes in stockholders' equity), per share amounts, cash dividends, and any other reference to shares in the consolidated financial statements and the accompanying notes to consolidated financial statements, unless otherwise noted, have been adjusted to reflect the split on a retroactive basis. Previously awarded stock options, restricted stock awards, and all other agreements payable in the Company's common stock have been adjusted or amended to reflect the split.

During 2000, the Company increased the number of authorized shares of common stock, \$1 par value, from 25,000,000 to 75,000,000. 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 240,000 shares of the Company's common stock were issued in 1997 in connection to the Company's chairman. During 2000, these warrants were exercised at a price of \$3.33 per share, and 170,625 warrants were exercised at a price of \$4.00 per share. During 1999, 342,249 warrants were exercised at a price of \$4.00. At December 31, 2000, the Company had warrants for 34,125 shares outstanding with an exercise price of \$4.00 per share. All of the outstanding warrants expire on April 30, 2002.

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 three-for-one basis and have no voting rights.

Recognition of Premium Revenues and Costs

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

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Traditional life and accident and health insurance 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.

Premium and Deposits by Product Type

The Company markets equity index annuities, fixed rate annuities, a variable annuity and life insurance. In connection with its reinsured group life business, the Company also collects renewal premiums on certain accident and health insurance policies. Premiums and deposits (after cancellations) collected in 2000, 1999 and 1998, by product category were as follows:

| Product Type | Year ended December 31 | | |
|------------------------|------------------------|------------|------------|
| | 2000 | 1999 | 1998 |
| (Dollars in thousands) | | | |
| Fixed Annuities: | | | |
| Equity Index | \$ 633,893 | \$ 551,278 | \$ 163,470 |
| Fixed Rate | 209,447 | 264,848 | 214,447 |
| Life Insurance | 10,169 | 10,025 | 10,155 |
| Accident and Health | 865 | 269 | 373 |

| | | | |
|--------------------|------------|------------|------------|
| Variable Annuities | 3,895 | 219 | 151 |
| | \$ 858,269 | \$ 826,639 | \$ 388,596 |

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in stockholders' equity during a period except those resulting from investments by and distributions to stockholders. Other comprehensive income (loss) excludes net realized investment gains included in net income which merely represent transfers from unrealized to realized gains and losses. These amounts totaled \$4,239,000, \$983,000 and \$36,000 in 2000, 1999 and 1998, respectively. Such amounts, which have been measured through the date of sale, are net of adjustments to deferred policy acquisition costs and income taxes totaling \$1,527,000 in 2000, \$471,000 in 1999 and \$116,000 in 1998.

Pending Accounting Change

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 133 requires companies to record derivative instruments on the balance sheet at fair value. Accounting for gains or losses resulting from changes in the fair values of derivative instruments is dependent on the use of the derivative and whether it qualifies for hedge accounting. The Company issues equity-indexed annuity products, whose product characteristics include embedded derivatives. The Company also purchases options on the equity market indexes applicable to these products to fund the liabilities classified as embedded derivatives. These items will be effected by SFAS No. 133. The Statement is effective for the Company for all financial statements filed subsequent to December 31,

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2000. Because various insurance-related issues were not decided by the FASB and the Derivative Implementations Group until late 2000, the Company has not yet determined the ultimate impact that this new Statement will have on its operations or financial position.

2. Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating the fair values of financial instruments:

Fixed maturity securities: 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.

Equity securities: Quoted market prices, where available.

Derivative instruments: 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: Amounts reported in the consolidated balance sheets for these instruments approximate their fair values.

Separate account assets and liabilities: Reported at estimated fair value in the consolidated balance sheets.

Annuity and single premium universal life 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.

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2000 (Continued)

2. Fair Values of Financial Instruments (Continued)

Notes payable and amounts due under repurchase agreements: As all notes and short-term indebtedness under repurchase agreements have variable interest rates, the amounts reported in the consolidated balance sheets for these instruments approximate their fair values.

Amounts due under General Agency Commission and Servicing Agreement and company-obligated mandatorily redeemable preferred securities of subsidiary trusts: Fair values are estimated by discounting expected cash flows using interest rates currently being offered for similar securities.

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

| December 31 | | | |
|------------------------|----------------------|-----------------|----------------------|
| 2000 | | 1999 | |
| Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| (Dollars in thousands) | | | |

| Assets | | | | |
|--|----|-----------|----|-----------|
| Fixed maturity securities: | | | | |
| Available for sale | \$ | 1,474,560 | \$ | 1,474,560 |
| Held for investment | | 429,280 | | 365,023 |
| Equity securities | | 6,671 | | 6,671 |
| Derivative instruments | | 34,707 | | 20,170 |
| Policy loans | | 264 | | 264 |
| Cash and cash equivalents | | 175,724 | | 175,724 |
| Separate account assets | | 4,185 | | 4,185 |
| | | | | 997,020 |
| | | | | \$ |
| | | | | 997,020 |
| | | | | 315,975 |
| | | | | 7,613 |
| | | | | 44,210 |
| | | | | 231 |
| | | | | 5,882 |
| | | | | 371 |
| | | | | 371 |
| Liabilities | | | | |
| Annuity and single premium universal life reserves | | 2,079,561 | | 1,794,414 |
| Amounts due under General Agency Commission and Servicing Agreement | | 76,028 | | 77,319 |
| Notes payable | | 44,000 | | 44,000 |
| Amounts due under repurchase agreements | | 110,000 | | 110,000 |
| Liabilities related to separate account | | 4,185 | | 4,185 |
| Company-obligated mandatorily redeemable preferred securities of subsidiary trusts | | 99,503 | | 96,924 |
| | | | | 98,982 |
| | | | | 98,982 |

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000 (Continued)

3. Investments

At December 31, 2000 and 1999, the amortized cost and estimated fair value of fixed maturity securities and equity securities were as follows:

| December 31, 2000 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|--|----------------|------------------------|-------------------------|----------------------|
| (Dollars in thousands) | | | | |
| Fixed maturity securities: | | | | |
| Available for sale: | | | | |
| United States Government and agencies | \$ 1,052,193 | \$ 10,166 | \$ (24,208) | \$ 1,038,151 |
| State, municipal and other governments | 4,874 | 10 | — | 4,884 |
| Public utilities | 12,191 | — | (991) | 11,200 |
| Corporate securities | 327,954 | 918 | (33,071) | 295,801 |
| Redeemable preferred stocks | 9,240 | — | (725) | 8,515 |
| Mortgage and asset-backed securities | 116,924 | 1,393 | (2,308) | 116,009 |
| | \$ 1,523,376 | \$ 12,487 | \$ (61,303) | \$ 1,474,560 |
| Held for investment: | | | | |
| United States Government and agencies | \$ 353,808 | — | \$ (60,497) | \$ 293,311 |
| Redeemable preferred stocks | 75,472 | — | (3,760) | 71,712 |
| | \$ 429,280 | \$ — | \$ (64,257) | \$ 365,023 |
| Equity securities: | | | | |
| Non-redeemable preferred stocks | \$ 6,850 | — | \$ (1,005) | \$ 5,845 |
| Common stocks | 585 | 241 | — | 826 |
| | \$ 7,435 | \$ 241 | \$ (1,005) | \$ 6,671 |

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| December 31, 2001 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|--|----------------|------------------------|-------------------------|----------------------|
| (Dollars in thousands) | | | | |
| Fixed maturity securities: | | | | |
| Available for sale: | | | | |
| United States Government and agencies | \$ 642,115 | \$ 112 | \$ (39,229) | \$ 602,998 |
| State, municipal and other governments | 4,540 | — | (380) | 4,160 |
| Public utilities | 12,202 | — | (1,363) | 10,839 |
| Corporate securities | 300,422 | 409 | (28,539) | 272,292 |

| | | | | |
|---------------------------------------|---------------------|-----------------|--------------------|-------------------|
| Redeemable preferred stocks | 9,240 | — | (824) | 8,416 |
| Mortgage and asset-backed securities | 101,946 | 642 | (4,273) | 98,315 |
| | <u>\$ 1,070,465</u> | <u>\$ 1,163</u> | <u>\$ (74,608)</u> | <u>\$ 997,020</u> |
| Held for investment: | | | | |
| United States Government and agencies | \$ 323,312 | — | \$ (74,632) | \$ 248,680 |
| Redeemable preferred stocks | 75,155 | — | (7,860) | 67,295 |
| | <u>\$ 398,467</u> | <u>\$ —</u> | <u>\$ (82,492)</u> | <u>\$ 315,975</u> |
| Equity securities: | | | | |
| Non-redeemable preferred stocks | \$ 6,850 | — | \$ (227) | \$ 6,623 |
| Common stocks | 1,170 | — | (180) | 990 |
| | <u>\$ 8,020</u> | <u>\$ —</u> | <u>\$ (407)</u> | <u>\$ 7,613</u> |

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2000, by contractual maturity, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All of the Company's mortgage-backed and asset-backed securities provide for periodic payments throughout their lives, and are shown below as a separate line.

| | Available for sale | | Held for investment | |
|---|------------------------|----------------------|---------------------|----------------------|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| | (Dollars in thousands) | | | |
| Due after one year through five years | \$ 38,702 | \$ 36,671 | \$ — | \$ — |
| Due after five years through ten years | 246,402 | 247,027 | — | — |
| Due after ten years through twenty years | 789,228 | 787,888 | — | — |
| Due after twenty years | 332,120 | 286,965 | 429,280 | 365,023 |
| | <u>1,406,452</u> | <u>1,358,551</u> | <u>429,280</u> | <u>365,023</u> |
| Mortgage-backed and asset-backed securities | 116,924 | 116,009 | — | — |
| | <u>\$ 1,523,376</u> | <u>\$ 1,474,560</u> | <u>\$ 429,280</u> | <u>\$ 365,023</u> |

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Net unrealized gains (losses) on available-for-sale fixed maturity securities and equity securities reported as a separate component of stockholders' equity were comprised of the following at December 31, 2000 and 1999:

| | December 31 | |
|--|------------------------|--------------------|
| | 2000 | 1999 |
| | (Dollars in thousands) | |
| Net unrealized losses on available-for-sale fixed maturity and equity securities | \$ (49,580) | \$ (73,852) |
| Adjustments for assumed changes in amortization of deferred policy acquisition costs | 23,616 | 19,645 |
| Deferred income tax benefit | 9,088 | 18,972 |
| Net unrealized losses reported as accumulated other comprehensive loss | <u>\$ (16,876)</u> | <u>\$ (35,235)</u> |

Components of net investment income are as follows:

| | Year ended December 31 | | |
|---------------------------|------------------------|-----------|-----------|
| | 2000 | 1999 | 1998 |
| | (Dollars in thousands) | | |
| Fixed maturity securities | \$ 129,066 | \$ 69,877 | \$ 28,305 |
| Equity securities | 754 | 456 | — |
| Derivative instruments | (42,745) | (6,151) | (1,768) |
| Policy loans | 19 | 20 | 8 |
| Cash and cash equivalents | 1,703 | 487 | 332 |

| | | | |
|--------------------------|-----------|-----------|-----------|
| Other | 2,083 | 951 | 55 |
| | 90,880 | 65,640 | 26,932 |
| Less investment expenses | (1,403) | (1,030) | (575) |
| Net investment income | \$ 89,477 | \$ 64,610 | \$ 26,357 |

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An analysis of sales, maturities, and principal repayments of the Company's available-for-sale fixed maturity securities for the year ended December 31, 2000, 1999 and 1998 is as follows:

| | Amortized Cost | Gross Realized Gains | Losses | Proceeds from Sale |
|--|------------------------|----------------------------|----------|--------------------------|
| | (Dollars in thousands) | | | |
| Year ended December 31, 2000 | | | | |
| Scheduled principal repayments, calls and tenders | \$ 622,353 | \$ — | \$ — | \$ 622,353 |
| Sales | 7,471 | — | (977) | 6,494 |
| Total | \$ 629,824 | \$ — | \$ (977) | \$ 628,847 |
| Year ended December 31, 1999 | | | | |
| Scheduled principal repayments, calls and tenders | \$ 195,838 | \$ — | \$ — | \$ 195,838 |
| Sales | 112,919 | 323 | (410) | 112,832 |
| Total | \$ 308,757 | \$ 323 | \$ (410) | \$ 308,670 |
| Year ended December 31, 1998 | | | | |
| Scheduled principal repayments, calls and tenders | \$ 157,732 | \$ — | \$ — | \$ 157,732 |
| Sales | 64,861 | 164 | (12) | 65,013 |
| Total | \$ 222,593 | \$ 164 | \$ (12) | \$ 222,745 |

For the year ended December 31, 2000, realized gains on investments consisted of net losses of \$977,000 on the sale of available-for-sale fixed maturity securities, net losses of \$434,000 on the sale of equity securities and a gain of \$7,177,000 on the termination of a total return swap. For the year ended December 31, 1999, realized gains on investments consisted of net losses of \$87,000 on the sale of available-for-sale fixed maturity securities and a gain of \$1,541,000 on the termination of a total return swap. For the year ended December 31, 1998, realized gains of \$427,000 consisted of net gains on sales of available-for-sale fixed maturities of \$152,000 and a gain on the sale of real property of \$275,000.

The change in unrealized appreciation or depreciation on investments for the year ended December 31, 2000 aggregated \$24,272,000, and consisted of unrealized appreciation of \$24,629,000 on available-for-sale fixed maturity securities and unrealized depreciation on equity securities of \$357,000. The change in unrealized depreciation on on investments for the year ended December 31, 1999 aggregated \$75,449,000, and consisted of unrealized depreciation on available-for-sale fixed maturity securities and equity securities of \$75,043,000 and \$406,000, respectively. The change in unrealized appreciation/depreciation on investments aggregated \$905,000 for the year ended December 31, 1998, and was entirely attributable to available-for-sale fixed maturity securities. The change in net unrealized appreciation/depreciation is recorded net of adjustments to deferred policy acquisition costs and deferred income taxes totaling \$(5,913,000) in 2000, \$39,794,000 in 1999 and \$(695,000) in 1998.

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As a part of its asset-liability management activities, the Company from time to time purchases financial futures instruments and total return exchange agreements. The operations of the Company are subject to risk of interest rate fluctuations to the extent that there is a difference between the amount of the Company's interest-earning assets and interest-bearing liabilities that mature in specified periods. The principal objective of the Company's asset-liability management activities is to provide maximum levels of net investment income while maintaining acceptable levels of interest rate and liquidity risk, and facilitating the funding needs of the Company. Financial futures contracts are commitments to either purchase or sell a financial instrument at a specific future date for a specified price and may be settled in cash or through delivery of the financial instrument. Total return exchange agreements generally involve the exchange of the total return or yield on a referenced security for a specified interest rate.

If a financial futures contract used to manage interest rate risk is terminated early or results in payments based on the change in value of the underlying asset, any resulting gain or loss is deferred and amortized as an adjustment to the yield of the designated asset over its remaining life as long as the transaction qualifies for hedge accounting. The effectiveness of the hedge is measured by a historical and probable future high correlation of changes in the fair value of the hedging instruments with changes in value of the hedged item. If correlation ceases to exist, hedge accounting will be terminated and gains or losses recorded in income. To date, high correlation has been achieved. Deferred losses of \$2,276,000 for 2000 and deferred gains of \$4,970,000 for 1999 are included in held-for-investment fixed maturities and will be amortized as an adjustment to interest income over the life of the hedged instrument. There are no outstanding agreements at December 31, 2000.

For total return exchange agreements, the differential of the total return yield or interest to be paid or received on a settlement date is recognized as an adjustment to net investment income. If a total return swap agreement is terminated early, any resulting gain or loss is recognized as a realized gain or loss. In 2000, the Company recognized net investment expense of \$10,583,000 related to payments made on settlement dates, and realized a gain of \$7,177,000 on the termination of one total return swap agreement. In 1999, the Company recognized net investment expense of \$2,069,000 related to payments made on settlement dates, and realized a gain of \$1,541,000 on the termination of one total return swap agreement. There are no outstanding agreements at December 31, 2000.

At December 31, 2000, fixed maturity securities and short-term investments with an amortized cost of \$1,901,955,000 were on deposit with state agencies to meet regulatory requirements.

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At December 31, 2000, 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:

| Issuer | Estimated Fair Value | Amortized Cost |
|---------------------------|-------------------------|-------------------|
| (Dollars in thousands) | | |
| FBL Capital Trust I | \$ 71,712 | \$ 75,472 |
| Knight Funding, Ltd | 19,053 | 19,027 |
| AIG Global Trust | 19,000 | 19,854 |
| Nationsbank Corp. | 15,891 | 16,100 |
| Morgan JP & Co. | 12,017 | 13,861 |
| Sears Roebuck | 11,076 | 10,636 |
| Health Care Properties | 10,491 | 10,598 |
| FMR Corp. | 10,075 | 10,083 |
| Northwest Air | 10,028 | 9,675 |
| Sutter | 10,000 | 9,510 |
| Bear Stearns Capital | 9,924 | 9,976 |
| South Street | 9,737 | 9,550 |
| New Plan Realty | 9,577 | 11,019 |
| ELC 1999 | 9,108 | 9,219 |
| M & I | 8,641 | 10,393 |
| American Financial Group | 8,417 | 9,369 |
| Genamerica | 8,356 | 9,568 |
| Alco Cap Resource | 7,988 | 7,993 |
| Lehman Bros Holdings | 7,697 | 9,523 |
| Security Cap Pac | 7,664 | 8,032 |
| Commercial Net Lease Rlty | 7,471 | 7,727 |
| Jet Equipment | 7,110 | 8,154 |
| EOP Operating LP | 6,452 | 7,078 |
| Nationwide Health | 6,023 | 6,043 |

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Value of Insurance In Force Acquired

An analysis of the value of insurance in force acquired for the years ended December 31, 2000, 1999 and 1998 is as follows:

| | Year ended December 31 | | |
|---------------------------------------|------------------------|----------|----------|
| | 2000 | 1999 | 1998 |
| (Dollars in thousands) | | | |
| Balance at beginning of year | \$ 752 | \$ 1,069 | \$ 1,343 |
| Accretion of interest during the year | 36 | 55 | 71 |
| Amortization of asset | (268) | (372) | (345) |
| Balance at end of year | \$ 520 | \$ 752 | \$ 1,069 |

Amortization of the value of insurance in force acquired for the next five years is expected to be as follows: 2001—\$104,000; 2002—\$104,000; 2003—\$104,000; 2004—\$104,000; and 2005—\$104,000.

5. 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 subsidiary 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 \$182,000, \$1,111,000 and \$567,000 and insurance benefits have been reduced by \$376,000, \$336,000 and \$376,000 during the years ended December 31, 2000, 1999 and 1998, respectively, as a result of cession agreements.

No allowance for uncollectible amounts has been established against the Company's asset for amounts receivable 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 annuity business to Equitrust Life Insurance Company ("Equitrust"). Equitrust is an affiliate of Farm Bureau Life Insurance Company which beneficially owns 32.26% of the Company's common stock. Under this agreement, the Company paid Equitrust \$118,000, \$120,000 and \$78,000 for the years ended December 31, 2000, 1999 and 1998, respectively. The modified coinsurance agreement has an initial term of four years and will continue thereafter until termination by written notice at the election of either party. Any such termination will apply to the submission or acceptance of new policies, and business reinsured under the agreement prior to any such termination is not eligible for recapture before the expiration of 10 years. Equitrust (or one of its affiliates) provides the administrative support necessary to manage this business.

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The activity in the liability for unpaid claims and related adjustment expense for the Company's accident and health business for the years ended December 31, 2000, 1999 and 1998, net of reinsurance, is summarized as follows:

| | Unpaid Claims Liability at Beginning of Year | Claims Incurred | Claims Paid | Unpaid Claims Liability at End of Year |
|------------------------------------|---|-----------------|---------------|--|
| | (Dollars in thousands) | | | |
| Year ended December 31, 2000 | | | | |
| 2000 | \$ — | \$ 696 | \$ 339 | \$ 357 |
| 1999 and prior | 594 | 88 | 123 | 559 |
| | <u>594</u> | <u>\$ 784</u> | <u>\$ 462</u> | <u>916</u> |
| Active life reserve | 1,576 | | | 1,600 |
| Total accident and health reserves | <u>\$ 2,170</u> | | | <u>\$ 2,516</u> |
| Year ended December 31, 1999 | | | | |
| 1999 | \$ — | \$ 551 | \$ 319 | \$ 232 |
| 1998 and prior | 673 | (186) | 124 | 363 |
| | <u>673</u> | <u>\$ 365</u> | <u>\$ 443</u> | <u>595</u> |
| Active life reserve | 1,518 | | | 1,576 |
| Total accident and health reserves | <u>\$ 2,191</u> | | | <u>\$ 2,171</u> |
| Year ended December 31, 1998 | | | | |
| 1998 | \$ — | \$ 581 | \$ 318 | \$ 263 |
| 1997 and prior | 667 | (133) | 124 | 410 |
| | <u>667</u> | <u>\$ 448</u> | <u>\$ 442</u> | <u>673</u> |
| Active life reserve | 1,407 | | | 1,518 |
| Total accident and health reserves | <u>\$ 2,074</u> | | | <u>\$ 2,191</u> |

The Company develops reserves for unpaid claims by using industry mortality and morbidity data. One year development on prior year reserves represents our experience being more or less favorable than that of the industry. Over time, we expect our experience with respect to this business to be comparable to that of the industry. A certain level of volatility in development is inherent in these reserves since the underlying block of business is relatively small.

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6. Income Taxes

The Company files a consolidated federal income tax return with all its subsidiaries except American Equity Investment Life Insurance Company, which files a separate federal income tax return and American Equity Investment Properties, L.C., which is taxed as a partnership and, as such, all taxable income is allocated to its owners.

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.

Income tax benefit (expense) differed from that computed at the applicable statutory federal income tax rate (35% in 2000 and 1999; 34% in 1998) as follows.

| | Year ended December 31 | | |
|---|------------------------|------------|----------|
| | 2000 | 1999 | 1998 |
| | (Dollars in thousands) | | |
| Income before income taxes | \$ 14,618 | \$ 3,095 | \$ 1,004 |
| Income tax benefit (expense) on income before income taxes at statutory rate | \$ (5,116) | \$ (1,083) | \$ (341) |
| Tax effect of: | | | |
| Earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts | 2,607 | 708 | — |
| State income taxes | 151 | 61 | 59 |
| Change in valuation allowance on deferred income tax assets | — | 1,537 | (397) |
| Other | (27) | 147 | (81) |
| Income tax benefit (expense) | \$ (2,385) | \$ 1,370 | \$ (760) |

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The tax effect of individual temporary differences at December 31, 2000 and 1999, is as follows:

| | December 31 | |
|---|------------------------|-----------|
| | 2000 | 1999 |
| | (Dollars in thousands) | |
| Deferred income tax assets: | | |
| Policy benefit reserves | \$ 90,792 | \$ 55,066 |
| Provision for experience rating refunds | 118 | 191 |
| Unrealized depreciation on available-for-sale fixed maturity securities and equity securities | 9,088 | 18,972 |
| Deferred compensation | 408 | 426 |
| Net operating loss carryforwards | 2,954 | 1,609 |
| Net capital loss carryforward | 9,953 | 10,531 |
| Other | 279 | 16 |
| | 113,592 | 86,811 |
| Deferred income tax liabilities: | | |
| Accrued discount on fixed maturity securities | (13,747) | (11,331) |
| Deferred policy acquisition costs | (63,303) | (31,861) |
| Value of insurance in force acquired | (182) | (263) |
| Other | (308) | (319) |
| | (77,540) | (43,774) |
| Deferred income tax asset | \$ 36,052 | \$ 43,037 |

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 eliminated at December 31, 1997. At December 31, 1998 and 1997, the Company carried a valuation allowance against deferred income tax assets of the non-life insurance entities due to the uncertainty of future income. However, this valuation allowance was eliminated at December 31, 1999 as a result of the Company's adoption of plans and policies relative to future taxable income or loss of the non-life entities.

At December 31, 2000, the Company has net operating loss carryforwards for tax purposes of \$7,386,000 which expire in 2010 through 2015, and net capital losses for tax purposes of \$28,436,000 which expire in 2004.

7. Notes Payable and Amounts Due Under Repurchase Agreements

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. During 1999, the maximum borrowing level was increased to \$25,000,000, and the Company borrowed an additional \$10,600,000. During 2000, the

maximum borrowing level was increased to \$50,000,000, and the Company borrowed

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an additional \$23,400,000. The notes bear interest (7.99% at December 31, 2000) at LIBOR plus a specified margin of up to 1.75% and interest is payable quarterly. Principal and accrued interest is due and payable on September 30, 2001, with an option for a four-year extension as a term loan. 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. The Company is also prohibited from incurring other indebtedness for borrowed money and from paying dividends on its capital stock in excess of 10% of its consolidated net income for the prior fiscal year (except that in 1999, the Company was permitted to make the dividend payments reflected in the consolidated financial statements).

As part of its investment strategy, the Company enters into securities lending programs to increase its return on investments and improve its liquidity. These transactions are accounted for as amounts due under repurchase agreements (short-term collateralized borrowings). Such borrowings averaged approximately \$50,365,000, \$68,139,000 and \$28,217,000 for the years ended December 31, 2000, 1999 and 1998, respectively, and were collateralized by investment securities with fair market values approximately equal to the amount due. At December 31, 2000, the Company has securities lending programs with First Union Securities, Inc. and Bear, Stearns & Co., Inc. with amounts due to each of \$110,000,000 and \$0, respectively. The weighted average interest rate on amounts due under repurchase agreements was 6.49%, 5.12% and 5.42% for the years ended December 31, 2000, 1999 and 1998, respectively.

8. General Agency Commission and Servicing Agreement

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 in force. 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 June 30, 2005 or earlier should certain criteria be met.

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 in force, and .325% for in-force amounts received thereafter. The revised quarterly renewal commission schedule commenced December 31, 1997. For policies issued from January 1, 1998 through August 30, 1999, the original agreement remains in effect and, accordingly, the Company pays renewal commissions of .325% of the premiums received on such policies which remain in force.

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On June 30, 1999, the Service Company and the Company further amended the Agreement to provide for the payment of 30% of agents' commissions by the Service Company for policies issued on or after September 1, 1999, and the Company agreed to pay the Service Company quarterly renewal commissions of .25% for in force amounts received thereafter. The above-described amendments to the General Agency Commission and Servicing Agreement resulted from the ability and willingness of the Service Company to assume differing levels of commitments under the General Agency Commissions and Servicing Agreement.

In connection with the General Agency Commission and Servicing Agreement, the Company records commissions and a related payable for amounts paid by the Service Company. Interest expense is recorded based upon estimated future payments to the Service Company based upon an imputed interest rate (approximately 9.0%) for each of the periods presented. Estimated future payments are evaluated regularly and the imputed interest rate will be adjusted when deemed necessary. During the years ended December 31, 2000, 1999 and 1998, the Service Company paid \$28,400,000, \$37,723,000, and \$19,933,000, respectively, to agents of the Company. The Company paid renewal commissions to the Service Company of \$20,449,000, \$7,001,000, and \$5,328,000, respectively, which were used to reduce the amount due under commission and servicing agreement, and amounts attributable to imputed interest.

Estimated future payments under the General Agency Commission and Servicing Agreement at December 31, 2000 are as follows (Dollars in thousands):

| Year ending December 31: | | |
|-------------------------------|----|----------|
| 2001 | \$ | 31,229 |
| 2002 | | 22,229 |
| 2003 | | 20,651 |
| 2004 | | 14,451 |
| | | <hr/> |
| | | 88,560 |
| Amounts representing interest | | (12,532) |
| | | <hr/> |
| Net | \$ | 76,028 |
| | | <hr/> |

From January, 1997 to July, 1999, the Service Company borrowed approximately \$45,000,000 from David J. Noble, Chairman, Chief Executive Officer and President of the Company as the source of funding its portion of producing agents' commission payments. During 1999, the Company agreed to loan the Service Company up to \$50,000,000 as an alternate source of funds for such first year commissions, and the Company advanced \$27,000,000 and \$18,175,000 to the Service Company during the years ended December 31, 2000 and 1999, respectively, pursuant to the promissory note evidencing this agreement. Principal and interest on all loans to the Service Company are payable quarterly over five years from the date of the advance. Interest on all such indebtedness accrues at "reference rate" of the financial institution which is the Company's principal lender. This rate averaged 8.64% in 2000, 8.25% in 1999, and 7.72% in 1998. The Service Company repays the above described indebtedness from the renewal commissions paid to it under the General Agency Commission and Servicing Agreement

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9. Minority Interests in Subsidiary Trusts

During 1999, American Equity Capital Trust I ("Trust I"), a wholly-owned subsidiary of the Company, issued \$25,970,000 of 8% Convertible Trust Preferred Securities (the "8% Trust Preferred Securities"). In connection with Trust I's issuance of the 8% Trust Preferred Securities and the related purchase by the Company of all of Trust I's common securities, the Company issued \$26,773,000 in principal amount of its 8% Convertible Junior Subordinated Debentures, due September 30, 2029 (the "8% Debentures") to Trust I. The sole assets of Trust I are the 8% Debentures and any interest accrued thereon. Each 8% Trust Preferred Security is convertible into one share of common stock of the Company at a conversion price equal to the lesser of (i) \$30 per share or (ii) 90% of the initial price per share to the public of the Company's common stock sold in connection with its initial public offering of such common stock (the "IPO"), upon the earlier of the 91st day following the IPO or September 30, 2002. The interest payment dates on the 8% Debentures correspond to the distribution dates on the 8% Trust Preferred Securities. The 8% Trust Preferred Securities, which have a liquidation value of \$30 per share plus accrued and unpaid distributions, mature simultaneously with the 8% Debentures. At December 31, 2000, 865,671.33 shares of 8% Trust Preferred Securities were outstanding, all of which are unconditionally guaranteed by the Company to the extent of the assets of Trust I.

Also during 1999, American Equity Capital Trust II ("Trust II"), a wholly-owned subsidiary of the Company, issued 97,000 shares of 5% Trust Preferred Securities (the "5% Trust Preferred Securities") to Iowa Farm Bureau Federation, which owns more than 50% of the voting capital stock of FBL Financial Group, Inc. ("FBL"), parent company of Farm Bureau Life Insurance Company ("Farm Bureau"). Farm Bureau beneficially owns 32.26% of our common stock.

The 5% Trust Preferred Securities, which have a liquidation value of \$100 per share (\$97,000,000 in the aggregate), have been assigned a fair value of \$72,490,000 (based upon an effective 7% yield-to-maturity). The consideration received by Trust II in connection with the issuance of the 5% Trust Preferred Securities consisted of fixed income trust preferred securities of equal value which were issued by FBL.

In connection with Trust II's issuance of the 5% Preferred Securities and the related purchase by the Company of all of Trust II's common securities, the Company issued \$100,000,000 in principal amount of its 5% Subordinated Debentures, due June 1, 2047 (the "5% Debentures") to Trust II. The sole assets of Trust II are the 5% Debentures and any interest accrued thereon. The interest payment dates on the 5% Debentures correspond to the distribution dates on the 5% Trust Preferred Securities. The 5% Trust Preferred Securities mature simultaneously with the 5% Debentures. All of the 5% Trust Preferred Securities are unconditionally guaranteed by the Company to the extent of the assets of Trust II.

10. Retirement and Stock Compensation Plans

The Company has adopted a contributory defined contribution plan which is qualified under Section 401(k) of the Internal Revenue 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 \$10,500 in 2000, \$10,000 in 1999, and \$10,000 in 1998) to the plan. The Company contributes an additional amount, subject to limitations, based on the

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voluntary contribution of the employee. Further, the plan provides for additional employer contributions based on the discretion of the Board of Directors. Plan contributions charged to expense were \$42,000, \$42,000 and \$25,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

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, 2000 and 1999, these individuals have earned, and the Company has reserved for future issuance, 280,929 and 288,180 shares of common stock, respectively, pursuant to these arrangements. The Company has also accrued \$1,060,000 and \$1,098,000 as an other liability at December 31, 2000 and 1999, respectively, representing the value associated with the shares earned. In September, 1999, a retired employee received a distribution of 27,120 shares in accordance with the employee's deferred compensation arrangement.

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, 2000, 1999 and 1998, agents earned the right to receive 262,395, 377,788 and 251,883 shares, respectively. These shares will be awarded at the end of the vesting period of 4 years. 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 years ended December 31, 2000, 1999 and 1998, agents vested in 216,402, 159,402 and 76,026 shares of common stock, respectively, and the Company recorded commission expense (which was subsequently capitalized as deferred policy acquisition costs) of \$1,587,000, \$1,379,000 and \$295,000, respectively, under these plans. Amounts accrued are reported as other liabilities until the stock has been issued. At December 31, 2000, the Company has reserved 891,159 shares for future issuance under the plans. Two of the Company's national marketing organizations accounted for more than 10% of the annuity deposits and insurance premium collections during 2000.

The Company has a Stock Option Agreement with the Company's Chairman (and owner of 10% of its outstanding common stock at December 31, 2000) which allows the purchase of 1,200,000 shares of the Company's common stock. In 2000, the Company's Chairman exercised warrants to purchase 240,000 shares of common stock at an exercise price of \$3.33 per share. Of the unexercised options, all of which expire in 2007, 600,000 have an exercise price of \$3.33 per share and 360,000 have an exercise price of \$7.33.

The Company loaned the Chairman the aggregate exercise price of \$800,000 pursuant to a forgivable loan agreement to facilitate his exercise of these warrants. The forgivable loan agreement is with full recourse, and is not collateralized by the shares issued in connection with the exercise of these warrants. These warrants were not issued in connection with the Company's employee stock option plan, but were issued to Mr. Noble, the Company's founding shareholder, as part of his initial capitalization of the Company. This loan is repayable in five equal annual installments of principal and

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interest, each of which may be forgiven if Mr. Noble remains continuously employed by the Company in his present capacity, subject to specified exceptions.

The Company's 1996 Stock Option Plan authorizes the grants of options to officers, directors and employees for up to 1,200,000 shares of the Company's common stock. All 1996 options granted have 10 year terms, and vest and become fully exercisable immediately. In 2000, the Company adopted the 2000 Employee Stock Option Plan which authorizes grants of options to officers and employees on up to 1,800,000 shares of the Company's common stock. Also in 2000, the Company

adopted the 2000 Directors Stock Option Plan which authorizes grants of options to directors on up to 225,000 shares. All 2000 options granted have 10 year terms, and have a six month vesting period after which they 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, 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.

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Changes in the number of stock options outstanding during the years ended December 31, 2000, 1999 and 1998 are as follows:

| | Number of Shares | Weighted-Average Exercise Price per Share | Total Exercise Price |
|---|---------------------|--|-------------------------|
| (Dollars in thousands, except per share data) | | | |
| Outstanding at January 1, 1998 | 1,607,100 | \$ 3.54 | \$ 5,690 |
| Granted | 115,500 | 5.33 | 616 |
| Cancelled | (49,500) | 3.39 | (168) |
| Exercised | (2,100) | 3.81 | (8) |
| Outstanding at December 31, 1998 | 1,671,000 | 3.67 | 6,130 |
| Granted | 287,760 | 7.48 | 2,152 |
| Converted | 360,000 | 7.33 | 2,640 |
| Cancelled | (4,650) | 6.67 | (31) |
| Exercised | (21,675) | 3.42 | (74) |
| Outstanding at December 31, 1999 | 2,292,435 | 4.72 | 10,817 |
| Granted | 1,049,532 | 9.67 | 10,146 |
| Cancelled | (118,575) | 6.29 | (746) |
| Exercised | (52,650) | 3.68 | (194) |
| Outstanding at December 31, 2000 | 3,170,742 | 6.32 | \$ 20,023 |

Stock options outstanding at December 31, 2000 (all currently exercisable) are follows:

| | Number | Weighted-Average Remaining Life (in Years) |
|-----------------|-----------|--|
| Exercise price: | | |
| \$3.33 | 1,069,500 | 6.19 |
| \$4.00 | 347,250 | 6.56 |
| \$5.33 | 121,500 | 7.66 |
| \$7.33 | 572,460 | 7.17 |
| \$8.67 | 24,000 | 8.92 |
| \$9.67 | 1,036,032 | 10.00 |
| | 3,170,742 | 7.73 |

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At December 31, 2000, the Company had no shares of common stock available for future grant under the 1996 Stock Option Plan; 971,718 shares of common stock available for future grant under the 2000 Employee Stock Option Plan; and 225,000 shares of common stock available for future grant under the 2000 Directors Stock Option Plan.

On December 1, 1997, in connection with a rights offering of shares of the Company's common stock, the Company issued subscription rights to purchase an aggregate of 2,157,375 shares of the Company's common stock to certain officers and directors. The subscription rights have an exercise price of \$5.33 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 | | |
|-------------------------|------------------------|-------|-------|
| | 2000 | 1999 | 1998 |
| Risk-free interest rate | 6.70% | 4.73% | 5.40% |
| Dividend yield | 0% | 0% | 0% |

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.

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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 | | |
|--|------------------------|----------|--------|
| | 2000 | 1999 | 1998 |
| (Dollars in thousands, except per share data) | | | |
| Net income, as reported | \$ 4,784 | \$ 2,443 | \$ 244 |
| Net income, pro forma | 3,583 | 2,035 | 189 |
| Basic earnings per common share, as reported | 0.33 | 0.17 | 0.02 |
| Basic earnings per common share, pro forma | 0.25 | 0.14 | 0.01 |
| Diluted earnings per common share, as reported | 0.26 | 0.14 | 0.02 |
| Diluted earnings per common share, pro forma | 0.19 | 0.12 | 0.01 |

11. Life Insurance Subsidiary

Prior approval of regulatory authorities is required for the payment of dividends to the Company by its life insurance subsidiary which exceed an annual limitation. During 2001, the life insurance subsidiary could pay dividends to its parent of \$14,505,000, without prior approval from regulatory authorities.

The financial statements of American Equity Investment Life Insurance Company differ from related statutory-basis financial statements 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 (carried at fair value) classifications rather than generally being carried at amortized cost; (b) derivative instruments are recorded at amortized cost plus intrinsic value rather than market value; (c) acquisition costs of acquiring new business are deferred and amortized over the life of the policies rather than charged to operations as incurred; (d) 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); (e) policy reserves on traditional life and accident and health insurance 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; (f) 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; (g) a liability is recorded for the present value of estimated amounts due under the General Agency Commission and Servicing Agreement rather than recording such amounts as they become due; (h) 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; (i) deferred income taxes are provided for the difference between the financial statement and income tax bases of assets and liabilities; (j) 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 income when the sale is completed rather than deferred and amortized over the remaining life of the fixed maturity security or mortgage loan; (k) 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

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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; (l) agents' balances and certain other assets designated as "non-admitted assets" for statutory purposes are reported as assets rather than being charged to surplus; (m) 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; (n) 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; (o) surplus notes are reported as a liability rather than as a component of capital and surplus; and (p) assets and liabilities are restated to fair values when a change in ownership occurs, rather than continuing to be presented at historical cost.

Net income for the life insurance subsidiary as determined in accordance with statutory accounting practices was \$10,420,000, \$17,837,000 and \$4,804,000 in 2000, 1999 and 1998, respectively, and total statutory capital and surplus of the life insurance subsidiary was \$145,048,000 and \$139,855,000 at December 31, 2000 and 1999, respectively.

The National Association of Insurance Commissioners has revised the *Accounting Practices and Procedures Manual*, the guidance that defines statutory accounting principles. The revised manual will be effective January 1, 2001, and has been adopted by the State of Iowa, the life company's state of domicile. The revised manual will result in changes to the accounting practices that the Company uses to prepare their statutory-basis financial statements. Management believes the impact of these changes to the Company's statutory-basis capital and surplus as of January 1, 2001 will not be significant.

12. Commitments and Contingencies

The Company leases its home office space and certain equipment under operating leases which expire through February 2005. During the years ended December 31, 2000, 1999 and 1998, rent expense totaled \$575,000, \$452,000 and \$350,000, respectively. At December 31, 2000, minimum rental payments due under all noncancellable operating leases with initial terms of one year or more are (dollars in thousands):

| Year ending December 31: | |
|--------------------------|--------|
| 2001 | \$ 573 |

| | |
|------|-----------------|
| 2002 | 566 |
| 2003 | 548 |
| 2004 | 285 |
| 2005 | 35 |
| | |
| | <u>\$ 2,007</u> |

Assessments are, from time to time, levied on the Company by life and health guaranty associations in 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. Management believes that assessments against the Company for failures known to date will be minimal.

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13. 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 | | |
|--|------------------------|------------|------------|
| | 2000 | 1999 | 1998 |
| (Dollars in thousands, except per share data) | | | |
| Numerator: | | | |
| Net income | \$ 4,784 | \$ 2,443 | \$ 244 |
| Dividends on preferred stock | (6) | (13) | — |
| Numerator for basic earnings per common share | 4,778 | 2,430 | 244 |
| Dividends on preferred stock | 6 | 13 | — |
| Numerator for diluted earnings per common share | \$ 4,784 | \$ 2,443 | \$ 244 |
| Denominator: | | | |
| Weighted average shares outstanding | 14,365,267 | 14,008,287 | 13,394,736 |
| Effect of dilutive securities: | | | |
| Preferred stock | 1,875,000 | 1,875,000 | 10,275 |
| Warrants | 105,344 | 253,758 | 352,110 |
| Stock options and management subscription rights | 1,705,364 | 1,028,403 | 344,364 |
| Deferred compensation agreements | 537,059 | 352,461 | 40,599 |
| Adjusted weighted average shares outstanding | 18,588,034 | 17,517,909 | 14,142,084 |
| Basic earnings per common share | \$ 0.33 | \$ 0.17 | \$ 0.02 |
| Diluted earnings per common share | \$ 0.26 | \$ 0.14 | \$ 0.02 |

The effect of the convertible stock of the subsidiary trusts has not been included in the computation of dilutive earnings per share as the effect is antidilutive.

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | June 30, 2001 | December 31, 2000 |
|--|---------------|-------------------|
| Assets | | |
| Cash and investments: | | |
| Fixed maturity securities: | | |
| Available-for-sale, at market (amortized cost: 2001—\$2,734,991; 2000—\$1,523,376) | \$ 2,711,865 | \$ 1,474,560 |
| Held for investment, at amortized cost (market: 2001—\$416,962; 2000—\$365,023) | 441,658 | 429,280 |
| Equity securities, at market (cost: 2001—\$18,791; 2000—\$7,435) | 16,925 | 6,671 |
| Mortgage loans | 17,625 | — |
| Derivative instruments | 28,738 | 34,707 |

| | | |
|--|--------------|--------------|
| Policy loans | 295 | 264 |
| Cash and cash equivalents | 176,685 | 175,724 |
| Total cash and investments | 3,393,791 | 2,121,206 |
| Receivable from other insurance companies | 318 | 375 |
| Premiums due and uncollected | 1,269 | 1,256 |
| Accrued investment income | 29,185 | 21,398 |
| Receivables from related parties | 39,632 | 47,242 |
| Property, furniture and equipment, less accumulated depreciation: 2001—\$2,731; 2000—\$2,370 | 1,409 | 1,032 |
| Value of insurance in force acquired | 362 | 520 |
| Deferred policy acquisition costs | 358,110 | 289,609 |
| Intangibles, less accumulated amortization: 2001—\$892; 2000—\$797 | 2,243 | 2,338 |
| Deferred income tax asset | 35,843 | 36,052 |
| Other assets | 6,134 | 2,913 |
| Assets held in separate account | 4,001 | 4,185 |
| Total assets | \$ 3,872,297 | \$ 2,528,126 |

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| | June 30, 2001 | December 31, 2000 |
|--|---------------|-------------------|
| Liabilities and Stockholders' Equity | | |
| Liabilities: | | |
| Policy benefit reserves: | | |
| Traditional life and accident and health insurance products | \$ 23,432 | \$ 20,354 |
| Annuity and single premium universal life products | 3,131,565 | 2,079,561 |
| Other policy funds and contract claims | 18,834 | 16,669 |
| Provision for experience rating refunds | — | 336 |
| Amounts due to related party under General Agency Commission and Servicing Agreement | 67,151 | 76,028 |
| Other amounts due to related parties | — | 4,000 |
| Notes payable | 44,000 | 44,000 |
| Amounts due to reinsurers | 14,875 | — |
| Amounts due under repurchase agreements | — | 110,000 |
| Amounts due on securities purchased | 365,326 | — |
| Federal income taxes payable | 540 | 50 |
| Other liabilities | 32,256 | 14,788 |
| Liabilities related to separate account | 4,001 | 4,185 |
| Total liabilities | 3,701,980 | 2,369,971 |
| Minority interest in subsidiaries: company-obligated mandatorily redeemable preferred securities of subsidiary trusts | 99,764 | 99,503 |
| 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 | 625 | 625 |
| Common Stock, par value \$1 per share—75,000,000 shares authorized; issued and outstanding: 2001—14,534,794 shares; and 2000—14,530,242 shares | 14,535 | 14,530 |
| Additional paid-in capital | 57,606 | 57,577 |
| Accumulated other comprehensive loss | (7,777) | (16,876) |
| Retained earnings | 5,564 | 2,796 |
| Total stockholders' equity | 70,553 | 58,652 |
| Total liabilities and stockholders' equity | \$ 3,872,297 | \$ 2,528,126 |

See accompanying notes.

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Three Months Ended June 30,

Six Months Ended June 30,

| | 2001 | 2000 | 2001 | 2000 |
|---|----------|----------|----------|----------|
| Revenues: | | | | |
| Traditional life and accident and health insurance premiums | \$ 3,333 | \$ 2,741 | \$ 6,615 | \$ 6,184 |
| Annuity and single premium universal life product charges | 3,185 | 1,883 | 5,847 | 3,288 |
| Net investment income | 33,426 | 24,490 | 58,446 | 33,749 |
| Realized gains (losses) on sale of investments | 583 | (18) | 739 | 6,196 |
| Unrealized gains on derivatives | 12,365 | — | 3,127 | — |
| Total revenues | 52,892 | 29,096 | 74,774 | 49,417 |
| Benefits and expenses: | | | | |
| Insurance policy benefits and change in future policy benefits | 2,395 | 2,148 | 4,592 | 4,103 |
| Interest credited to account balances | 21,667 | 12,698 | 35,515 | 24,589 |
| Change in market value of embedded derivatives | 10,677 | — | 6,487 | — |
| Interest expense on notes payable | 756 | 556 | 1,651 | 847 |
| Interest expense on General Agency Commission and Servicing Agreement | 1,479 | 1,454 | 3,062 | 2,800 |
| Interest expense on amounts due under repurchase agreements | — | 1,050 | 951 | 1,718 |
| Amortization of deferred policy acquisition costs and value of insurance in force acquired | 5,437 | 3,972 | 5,876 | 2,832 |
| Other operating costs and expenses | 3,705 | 3,975 | 7,568 | 7,405 |
| Total benefits and expenses | 46,116 | 25,853 | 65,702 | 44,294 |
| Income before income taxes, minority interest in earnings of subsidiaries and cumulative effect adjustment | 6,776 | 3,243 | 9,072 | 5,123 |
| Income tax expense (benefit): | | | | |
| Current | 3,344 | 1,554 | 6,041 | (53) |
| Deferred | (1,681) | (1,116) | (4,260) | 496 |
| | 1,663 | 438 | 1,780 | 444 |
| Income before minority interest in earnings of subsidiaries and cumulative effect adjustment | 5,113 | 2,805 | 7,292 | 4,679 |
| Minority interest in earnings of subsidiaries: | | | | |
| Earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts | (1,862) | (1,862) | (3,724) | (3,724) |
| Income before cumulative effect of change in accounting principle | 3,251 | 943 | 3,567 | 955 |
| Cumulative effect of change in accounting for derivatives | — | — | (799) | — |
| Net income | \$ 3,251 | \$ 943 | \$ 2,768 | \$ 955 |
| Basic earnings per common share: | | | | |
| Income before accounting change | \$ 0.22 | \$ 0.07 | \$ 0.25 | \$ 0.07 |
| Cumulative effect of change in accounting for derivatives | — | — | (0.06) | — |
| Earnings per common share | \$ 0.22 | \$ 0.07 | \$ 0.19 | \$ 0.07 |
| Diluted earnings per common share: | | | | |
| Income before accounting change | \$ 0.17 | \$ 0.05 | \$ 0.19 | \$ 0.05 |
| Cumulative effect of change in accounting for derivatives | — | — | (0.04) | — |
| Earnings per common share | \$ 0.17 | \$ 0.05 | \$ 0.15 | \$ 0.05 |

See accompanying notes.

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(DOLLARS IN THOUSANDS)

| | Six Months Ended June 30, | |
|---|------------------------------|--------|
| | 2001 | 2000 |
| Operating activities | | |
| Net income | \$ 2,768 | \$ 955 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |

| | | |
|---|--------------|--------------|
| Adjustments related to interest sensitive products: | | |
| Interest credited to account balances | 35,515 | 24,589 |
| Annuity and single premium universal life product charges | (5,847) | (3,288) |
| Change in market value of embedded equity-indexed annuity derivatives | 6,487 | — |
| Increase in traditional life and accident and health insurance reserves | 3,077 | 2,682 |
| Policy acquisition costs deferred | (74,244) | (47,978) |
| Amortization of deferred policy acquisition costs | 5,718 | 2,673 |
| Provision for depreciation and other amortization | 615 | 655 |
| Amortization of discount and premiums on fixed maturity securities and derivative instruments | 9,669 | 4,996 |
| Realized gains on investments | (739) | (6,196) |
| Unrealized gains on derivatives | (3,127) | — |
| Deferred income taxes | (4,260) | 496 |
| Reduction of amounts due to related party under General Agency Commission and Servicing Agreement | (8,797) | (3,549) |
| Changes in other operating assets and liabilities: | | |
| Accrued investment income | (7,787) | (5,352) |
| Receivables from related parties | 7,611 | (16,188) |
| Federal income taxes recoverable/payable | 491 | (2,152) |
| Other policy funds and contract claims | 2,165 | 2,478 |
| Amounts due to reinsurers | 14,875 | — |
| Other amounts due to related parties | (4,000) | 2,073 |
| Other liabilities | 3,645 | (139) |
| Pending policyholder applications | 13,822 | (1,225) |
| Other | (2,687) | (982) |
| Net cash used in operating activities | (5,030) | (45,452) |
| Investing activities | | |
| Sales, maturities or repayments of investments: | | |
| Fixed maturity securities—available for sale | \$ 143,833 | \$ 594,481 |
| Equity securities | 3,403 | — |
| Derivative instruments | — | 7,177 |
| | 147,236 | 601,658 |
| Acquisition of investments: | | |
| Fixed maturity securities—available for sale | (975,893) | (927,145) |
| Fixed maturity securities—held for investment | — | (7,246) |
| Equity securities | (14,334) | (1,337) |
| Mortgage loans | (17,625) | — |
| Derivative instruments | (41,141) | (34,949) |
| Policy loans | (31) | (9) |
| | (1,049,024) | (970,686) |
| Purchases of property, furniture and equipment | (739) | (121) |
| Net cash used in investing activities | \$ (902,527) | \$ (369,149) |

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| | Six Months Ended June 30, | |
|--|------------------------------|------------|
| | 2001 | 2000 |
| Financing activities | | |
| Receipts credited to annuity and single premium universal life policyholder account balances | \$ 1,120,697 | \$ 471,746 |
| Return of annuity and single premium universal life policyholder account balances | (102,213) | (55,663) |
| Financing fees incurred and deferred | — | (183) |
| Proceeds from notes payable | — | 11,500 |
| Increase in amounts due under repurchase agreements | (110,000) | 2,988 |
| Re-acquisition of common stock | — | (600) |
| Net proceeds from issuance of common stock | 34 | 1,510 |
| Net cash provided by financing activities | 908,518 | 431,298 |
| Increase in cash and cash equivalents | 961 | 16,697 |
| Cash and cash equivalents at beginning of period | 175,724 | 5,882 |
| Cash and cash equivalents at end of period | \$ 176,685 | \$ 22,579 |

Supplemental disclosures of cash flow information

Cash paid during period for:

| | | | | |
|--|----|-------|----|--------|
| Interest on notes payable and repurchase agreements | \$ | 2,506 | \$ | 2,565 |
| Income taxes—life subsidiary | | 5,550 | | 2,100 |
| Non-cash financing and investing activities: | | | | |
| Bonus interest deferred as policy acquisition costs | | 8,993 | | 4,378 |
| Advances to related party under General Agency Commission and Servicing Agreement deferred as policy acquisition costs | | — | | 15,900 |

See accompanying notes.

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)****(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)**

| | Preferred Stock | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Total Stockholders' Equity |
|--|--------------------|-----------------|----------------------------------|---|----------------------|----------------------------------|
| Balance at January 1, 2001 | \$ 625 | \$ 14,530 | \$ 57,577 | \$ (16,876) | \$ 2,796 | \$ 58,652 |
| Comprehensive income: | | | | | | |
| Net income for period | — | — | — | — | 2,768 | 2,768 |
| Change in net unrealized investment gains/losses | — | — | — | 9,099 | — | 9,099 |
| Total comprehensive income | | | | | | 11,867 |
| Issuance of 4,552 shares of common stock | — | 5 | 29 | — | — | 34 |
| Balance at June 30, 2001 | \$ 625 | \$ 14,535 | \$ 57,606 | \$ (7,777) | \$ 5,564 | \$ 70,553 |

Total comprehensive loss for the six months ended June 30, 2000 was \$12,306, and was comprised of net income of \$955 and an increase in net unrealized depreciation of available-for-sale fixed maturity securities of \$13,261.

Total comprehensive loss for the second quarter of 2000 was \$25,526, and was comprised of net income of \$943 and an increase in net unrealized depreciation of available-for-sale fixed maturity securities of \$26,469.

Total comprehensive income for the second quarter of 2001 was \$5,775, and was comprised of net income of \$3,251 and a decrease in net unrealized depreciation of available-for-sale fixed maturity securities of \$2,524.

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AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****JUNE 30, 2001****NOTE A—BASIS OF PRESENTATION**

The unaudited consolidated financial statements as of June 30, 2001 and for the periods ended June 30, 2001 and 2000, as well as the audited consolidated balance sheet as of December 31, 2000, include the accounts of the Company and its wholly-owned subsidiaries: American Equity Investment Life Insurance Company, American Equity Investment Life Insurance Company of New York (formed in 2001), American Equity Investment Capital, Inc., American Equity Capital Trust I, American Equity Capital Trust II, and American Equity Investment Properties, L.C. All significant intercompany accounts and transactions have been eliminated.

The unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring items, which are necessary to present fairly our financial position and results of operations on a basis consistent with the prior audited financial statements. Results for interim periods are not necessarily indicative of the results that may be expected for a full year.

The Company operates solely in the life insurance business.

NOTE B—CHANGES IN AMOUNTS DUE UNDER REPURCHASE AGREEMENTS

As part of its investment strategy, the Company has entered into securities lending programs to increase its return on investments and improve its liquidity. These transactions are accounted for as amounts due under repurchase agreements (short-term collateralized borrowings). There were no borrowings during the 2nd quarter of 2001. For the six months ended June 30, 2000, such borrowings averaged approximately \$53,403,000, and were collateralized by investment securities

with fair market values approximately equal to the amount due. The weighted average interest rate on amounts due under repurchase agreements was 6.62% for the three months ended June 30, 2001, and 6.43% for the six months ended June 30, 2000.

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NOTE C—EARNINGS PER SHARE

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

| | Three Months Ended June 30, | | Six months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| (Dollars in thousands, except per share data) | | | | |
| Numerator: | | | | |
| Income before cumulative effect of change in accounting principle | \$ 3,251 | \$ 943 | \$ 3,567 | \$ 955 |
| Cumulative effect of change in accounting for derivative instruments | — | — | (799) | — |
| Net income | \$ 3,251 | \$ 943 | \$ 2,768 | \$ 955 |
| Denominator: | | | | |
| Weighted average shares outstanding | 14,534,745 | 14,359,905 | 14,533,302 | 14,275,305 |
| Effect of dilutive securities: | | | | |
| Preferred stock | 1,875,000 | 1,875,000 | 1,875,000 | 1,875,000 |
| Warrants | 20,004 | 20,004 | 20,004 | 20,004 |
| Stock options and subscription rights | 1,681,049 | 2,117,499 | 1,681,452 | 2,117,499 |
| Deferred compensation agreements | 753,364 | 758,268 | 753,364 | 758,268 |
| Adjusted weighted average shares outstanding | 18,864,162 | 19,130,676 | 18,863,122 | 19,046,076 |
| Earnings per common share: | | | | |
| Income before accounting change | \$ 0.22 | \$ 0.07 | \$ 0.25 | \$ 0.07 |
| Cumulative effect of change in accounting for derivative instruments | — | — | (0.06) | — |
| Earnings per common share | \$ 0.22 | \$ 0.07 | \$ 0.19 | \$ 0.07 |
| Earnings per common share—assuming dilution: | | | | |
| Income before accounting change | \$ 0.17 | \$ 0.05 | \$ 0.19 | \$ 0.05 |
| Cumulative effect of change in accounting for derivative instruments | — | — | (0.04) | — |
| Diluted earnings per common share | \$ 0.17 | \$ 0.05 | \$ 0.15 | \$ 0.05 |

The effect of the convertible stock of the subsidiary trusts has not been included in the computation of dilutive earnings per share as the effect is antidilutive.

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NOTE D—ACCOUNTING CHANGE

The Financial Accounting Standards Board issued, then subsequently amended, Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which became effective for the Company on January 1, 2001. Under SFAS No. 133, as amended, all derivative instruments (including certain derivative instruments embedded in other contracts) are recognized in the balance sheet at their fair values and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges of future cash flows. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value is recorded temporarily in equity, then recognized in earnings along with the related effects of the hedged items. Any "ineffective" portion of a hedge is reported in earnings as it occurs.

The Company has equity-indexed annuity products that guarantee the return of principal to the customer and credits interest based on a percentage of the gain in a specified equity market index. A portion of the premium from each customer is invested in investment grade fixed income securities to cover the minimum guaranteed value due the customer at the end of the contract term. A portion of the premiums is used to purchase derivatives consisting of call options on the applicable equity market indexes to fund the index credits due to equity index annuity holders. Substantially all of such call options are one year options which are closely matched to the annual crediting liabilities on such policies. The equity index used to compute such annual crediting liabilities is reset at the beginning of each policy year, and the Company has the ability to modify annually, within limits, policy terms such as participation rates, asset fees and income caps.

Under SFAS No. 133, the annual crediting liabilities on the Company's equity index annuities is treated as a "series of embedded derivatives" over the life of the applicable contract. The Company does not purchase call options to fund the equity index liabilities which may arise after the policy anniversary date. The Company must value both the call options and the related forward embedded options in the policies at fair value. The change in fair value for the call options is included in unrealized gains (losses) on investments and the change in fair value adjustment of the embedded options is included in policyholder benefits in the Consolidated Statements of Income.

During the six months ended June 30, 2001, unrealized gains (losses) on investments included a net unrealized gain of \$3,127,000 from the change in fair value on call options used as a hedge for the next-year income credit to the equity index annuities. Policyholder benefits included a net offsetting adjustment from fair value changes in options embedded within the equity index products (including the forward options) of \$6,487,000.

At January 1, 2001, the Company's financial statements were adjusted to record a cumulative effect of adopting this accounting change, as follows (in thousands):

| Fair value adjustment related to: | | |
|--|----|----------|
| Call options | \$ | (14,537) |
| Equity-indexed annuity liabilities | | 11,736 |
| Adjustments for assumed changes in amortization of deferred policy acquisition costs | | 1,571 |
| Deferred income tax benefit | | 431 |
| | | |
| Total | \$ | (799) |

Excluding the effect of SFAS No. 133, the Company's net income for the six months ended June 30, 2001 would have been \$3,556,000.

NOTE E—GENERAL AGENCY COMMISSION AND SERVICING AGREEMENT

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. This Agreement is more fully described in Note 8 to the Audited Financial Statements included in the Company's Form 10-K for December 31, 2000.

During the six months ended June 30, 2001 and 2000, the Company paid renewal commissions to the Service Company of \$11,859,000 and \$10,446,000, respectively, which were used to reduce the amount due under the General Agency Commission and Servicing Agreement, and amounts attributable to imputed interest.

During 1999, the Company agreed to loan to the Service Company up to \$50,000,000 pursuant to a promissory note bearing interest at the "reference rate" of the financial institution which is the Company's principal lender. Principal and interest are payable quarterly over five years from the date of the advance. At June 30, 2001 and December 31, 2000, the net amount advanced to the Service Company totaled \$37,999,000 and \$41,565,000, respectively.

NOTE F—RECLASSIFICATIONS

Certain amounts in the unaudited consolidated financial statements for the period ended June 30, 2000 have been reclassified to conform to the financial statement presentation for June 30, 2001 and December 31, 2000. As discussed in Note E, the Company has established a liability for future amounts due to a related party under the General Agency Commission and Servicing Agreement and revised prior financial statements to reflect such handling. The revisions have been handled as a reclassification and increased liabilities and deferred policy acquisition costs by \$60,370,000 at June 30, 2000.

4,000,000 TRUST PREFERRED SECURITIES

AMERICAN EQUITY CAPITAL TRUST III

[•]% Cumulative Trust Preferred Securities
(Liquidation Amount of \$25 per Trust Preferred Security)
Guaranteed as Described in this Prospectus by

AMERICAN EQUITY INVESTMENT LIFE
HOLDING COMPANY

PROSPECTUS

Until [•] (25 days after the date of this prospectus), all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

[Underwriter 1]

[Underwriter 2]

[Underwriter 3]

[Underwriter 4]

[•], 2001

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of trust preferred securities being registered. All amounts are estimates.

| | | |
|--|----|-----|
| SEC registration fee | \$ | [•] |
| NASD Filing fee | | |
| NYSE listing fee | | |
| Printing and engraving expenses | | |
| Legal fees and expenses | | |
| Accounting fees and expenses | | |
| Blue sky fees and expenses | | |
| Transfer agent and registrar fees and expenses | | |
| Miscellaneous fees and expenses | | |
| Total | \$ | [•] |

We will bear all of the expenses shown above.

Item 14. Indemnification of Directors and Officers.

Section 490.832 of the Iowa Business Corporation Act authorizes a corporation's board of directors to grant indemnity to directors and officers in terms sufficiently broad to permit indemnification and reimbursement of expenses incurred by directors for liabilities arising under the Securities Act.

Our amended articles of incorporation provide that our directors are not personally liable to us or our shareholders for monetary damages for breach of their fiduciary duties as a director, except for liability (i) for any breach of the director's duty of loyalty to us or our shareholders; (ii) for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law; (iii) for any transaction from which the director derived improper personal benefit; or (iv) for an unlawful distribution to shareholders.

Our 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 our request as a director of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by us to the fullest extent permitted by Iowa law. This right to indemnification shall also include the right to be paid by us 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. We may, by action of our board of directors, provide indemnification to our officers, employees and agents to such extent and to such effect as the board of directors determines to be appropriate and authorized by Iowa law.

Our bylaws also authorize us to purchase insurance for our directors, officers and employees and persons who serve at our request as directors, officers, members, employees, fiduciaries or agents of other enterprises, against any expense, liability or loss incurred in such capacity, whether or not we would have the power to indemnify such persons against such expense or liability under the bylaws. We maintain insurance coverage for our officers and directors as well as insurance coverage to reimburse us for potential costs for indemnification of directors and officers.

Under the amended and restated declaration of trust we agree to indemnify the property trustee, the Delaware trustee, any affiliate of the property trustee or the Delaware trustee, and any officers, directors, shareholders, members, partners, employees, representatives, custodians, nominees or agents of the property trustee or the Delaware trustee (each of the foregoing persons, including the property trustee and the Delaware trustee in their respective individual capacities, being

referred to as a "Fiduciary Indemnified Person") for, and to hold each Fiduciary Indemnified Person harmless against, any and all loss, liability or expense, including taxes (other than taxes based on the income of such Fiduciary Indemnified Person), incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties under the amended and restated declaration of trust.

In addition, under the amended and restated trust agreement we must indemnify, to the fullest extent permitted by law, any administrative trustee, any affiliate of any administrative trustee, any officers, directors, shareholders, members, partners, employees, representatives or agents of any administrative trustee or any officer, employee or agent of the trust or its affiliates (each of the foregoing persons being referred to as a "Company Indemnified Person") who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the trust) by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the trust, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. We must also indemnify, to the fullest extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the trust to procure a judgment in its favor by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the trust and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such Company Indemnified Person shall have been adjudged to be liable to the trust unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

Item 15. Recent Sales of Unregistered Securities.

We 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. 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 our initial public offering of our common stock or December 31, 2003.

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

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

On September 7, 1999 and September 21, 1999, American Equity Capital Trust I, a statutory business trust formed under the laws of the State of Delaware (the "Trust") issued \$25,970,140 of 8% Convertible Trust Preferred Securities (the "Trust Preferred Securities"). The Registrant owns all of the common equity securities of the Trust (the "Trust Common Securities" and, together with the Trust Preferred Securities, the "Trust Securities"). The Trust exists for the sole purpose of issuing the Trust Securities and investing the proceeds thereof in an equivalent amount of 8% Convertible Junior Subordinated Debentures due 2029 of the Registrant.

In October, 1999, American Equity Capital Trust II ("Trust II"), our wholly-owned subsidiary, issued 97,000 shares of 5% Trust Preferred Securities (liquidation value \$97,000,000) (the "5% Trust Preferred Securities") to an institutional investor in a private placement transaction. The 5% Trust Preferred Securities have been assigned a fair value of \$72,490,000 (based upon an effective 7% yield to maturity). The consideration received by Trust II in connection with the issuance of the 5% Trust Preferred Securities consisted of securities of equal value which were owned by the institutional investor and issued by an affiliate of the institutional investor in May 1997. The affiliate of the institutional investor is a significant beneficial holder of our common stock.

In connection with Trust II's issuance of the 5% Trust Preferred Securities and the related purchase by us of all of Trust II's common securities, we issued to Trust II \$100,000,000 in principal amount of our 5% Subordinated Debentures, due June 1, 2047 (the "5% Debentures"). The sole assets of Trust II are the 5% Debentures and any interest accrued thereon. The interest payment dates on the 5% Debentures correspond to the distribution dates on the 5% Trust Preferred Securities. The 5% Trust Preferred Securities mature simultaneously with the 5% Debentures. As of October 29, 1999, 97,000 shares of 5% Trust Preferred Securities were outstanding, all of which are unconditionally guaranteed by us to the extent of the assets of Trust II.

We believe that the sale and issuance of securities in all the above transactions were exempt from registration under the Securities Act by virtue of Section 4(2) thereof, or Regulation D thereunder, as transactions by an issuer not involving a public offering. Appropriate legends are affixed to the stock certificates issued in such transactions. Similar legends were imposed in connection with any subsequent sales of any such securities. All recipients either received adequate information about us or had access, through employment or other relationships, to such information. In addition, the foregoing transactions were consummated without the use of underwriters and public offering documents and involved a very small number of purchasers.

Item 16. Exhibits and Financial Statement Schedules.

(A) Exhibits:

| Exhibit No. | Description |
|-------------|--|
| 1.1 | Form of Purchase Agreement with respect to the trust preferred securities*** |
| 3.1 | Articles of Incorporation, including Articles of Amendment***++ |
| 3.2 | Amended and Restated 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*

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- 4.4 American Equity Investment Life Holding Company agrees to furnish the Commission upon its request a copy of any instrument defining the rights of holders of long-term debt of American Equity and its consolidated subsidiaries
- 4.5 Certificate of Trust of American Equity Capital Trust III
- 4.6 Declaration of Trust of American Equity Capital Trust III
- 4.7 Form of Amended and Restated Declaration of Trust
- 4.8 Form of Indenture to be used with the junior subordinated debentures issued in connection with the trust preferred securities
- 4.9 Form of junior subordinated debenture (included in Exhibit 4.8)
- 4.10 Form of trust preferred security (included in Exhibit 4.7)
- 4.11 Form of trust common security (included in Exhibit 4.7)
- 4.12 Form of trust preferred securities guarantee agreement
- 4.13 Form of trust common securities guarantee agreement
- 4.14 Form of escrow agreement
- 4.15 Form of senior creditor waiver
- 5.1 Opinion of Wendy L. Carlson, General Counsel of American Equity***
- 5.2 Opinion of Skadden, Arps, Slate, Meagher & Flom (Illinois) regarding the legality of the trust preferred securities of American Equity Capital Trust III***
- 5.3 Opinion of Skadden, Arps, Slate, Meagher & Flom (Illinois), special tax counsel to American Equity Investment Life Holding Company***
- 9 Voting Trust Agreement dated December 30, 1997 among Farm Bureau Life Insurance Company, American Equity Investment Life Holding 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*
- 10.1-A 1999 General Agency Commission and Servicing Agreement dated as of June 30, 1999 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 David 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*

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- 10.6 Forgivable Loan Agreement dated April 30, 2000 between American Equity Investment Life Holding Company and David J. Noble++
- 10.7 2000 Employee Stock Option Plan++
- 10.8 2000 Director Stock Option Plan++
- 11.1 Statement Regarding Computation of Per Share Earnings*

| | |
|------|--|
| 12.1 | Statement Regarding Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends |
| 21.1 | Subsidiaries of American Equity Investment Life Holding Company+ |
| 23.1 | Consent of Ernst & Young LLP |
| 23.2 | Consent of Wendy L. Carlson (included in Exhibit 5.1)*** |
| 23.2 | Consent of Skadden, Arps, Slate, Meagher & Flom (Illinois) (included in Exhibit 5.2)*** |
| 23.3 | Consent of Skadden, Arps, Slate, Meagher & Flom (Illinois) (included in Exhibit 5.3)*** |
| 24.1 | Power of Attorney |
| 25.1 | Statement of Eligibility and Qualification of First Union Trust Company, National Association (Junior Subordinated Note Trustee of American Equity Investment Life Holding Company)*** |
| 25.2 | Statement of Eligibility of Property Trustee of American Equity Capital Trust III*** |
| 25.3 | Statement of Eligibility of Preferred Guarantee Trustee of American Equity Capital Trust III*** |

| | |
|-----|---|
| * | Incorporated by reference to the American Equity Investment Life Holding Company's Registration Statement on Form 10 dated April 29, 1999 |
| ** | Incorporated by reference to the Registration Statement on Form 10 dated April 29, 1999 and Post-Effective Amendment No. 1 to the Registration Statement on Form 10 dated July 20, 1999 |
| *** | To be filed by amendment |
| + | Incorporated by reference to American Equity Investment Life Holding Company's Annual Report on Form 10-K for the period ended December 31, 2000 |
| ++ | Incorporated by reference to Form 10-Q for the period ended June 30, 2000 |

(B) Financial Statement Schedules:

All schedules, other than those listed above, have been omitted because the information required to be set forth in those schedules is not applicable or is shown in the consolidated financial statements or notes thereto.

| | |
|---|-------|
| Report of Independent Auditors on Schedules | II-6 |
| Schedule I—Summary of Investments—Other Than Investments in Related Parties | II-7 |
| Schedule II—Condensed Financial Information of Registrant (Parent Company) | II-8 |
| Schedule III—Supplementary Insurance Information | II-13 |
| Schedule IV—Reinsurance | II-14 |

REPORT OF INDEPENDENT AUDITORS ON SCHEDULES

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

We have audited the consolidated financial statements of American Equity Investment Life Holding Company (the Company) as of December 31, 2000 and 1999, and for each of the three years in the period ended December 31, 2000, and have issued our report thereon dated March 2, 2001 (included elsewhere in this Registration Statement). Our audits also included the financial statement schedules listed in Item 16(b) of this Registration Statement. These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on our audits.

In our opinion, the financial statement schedules referred to above, 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, 2001

SCHEDULE I

SUMMARY OF INVESTMENTS—OTHER THAN

INVESTMENTS IN RELATED PARTIES

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

DECEMBER 31, 2000

(DOLLARS IN THOUSANDS)

| Type of Investment | Cost ⁽¹⁾ | Value | Amount at Which Shown in Balance Sheet |
|--|---------------------|--------------|--|
| Fixed maturity securities | | | |
| Available for sale | | | |
| United States Government and agencies | \$ 1,052,193 | \$ 1,038,151 | \$ 1,038,151 |
| State, municipal and other governments | 4,874 | 4,884 | 4,884 |
| Public utilities | 12,191 | 11,200 | 11,200 |
| Corporate securities | 327,954 | 295,801 | 295,801 |
| Redeemable preferred stocks | 9,240 | 8,515 | 8,515 |
| Mortgage and asset-backed securities | 116,924 | 116,009 | 116,009 |
| | 1,523,376 | 1,474,560 | 1,474,560 |
| Held for investment | | | |
| United States Government and agencies | 353,808 | 293,311 | 353,808 |
| Redeemable preferred stocks | 75,472 | 71,712 | 75,472 |
| | 429,280 | 365,023 | 429,280 |
| Total fixed maturity securities | 1,952,656 | \$ 1,839,583 | 1,903,840 |
| Equity securities | | | |
| Non-redeemable preferred stocks | 6,850 | 5,845 | 5,845 |
| Common stocks | 585 | 826 | 826 |
| Total equity securities | 7,435 | \$ 6,671 | 6,671 |
| Derivative instruments | 34,707 | | 34,707 |
| Policy loans | 264 | | 264 |
| Short-term investments | 152,475 | | 152,475 |
| Total investments | \$ 2,147,537 | | \$ 2,097,957 |

(1) On the basis of cost adjusted for repayments and amortization of premiums and accrual of discounts for fixed maturity securities and derivative instruments.

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SCHEDULE II

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(PARENT COMPANY)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

CONDENSED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

| | December 31 | |
|--|-------------|--------|
| | 2000 | 1999 |
| Assets | | |
| Cash and cash equivalents | \$ 4,779 | \$ 683 |
| Fixed maturity security, held for investment, at amortized cost (market: 2000—\$35,487; 1999—\$43,014) | 36,845 | 46,668 |
| Receivable from subsidiary (eliminated in consolidation) | 500 | 3,195 |
| Receivables from related party | 42,373 | 18,788 |
| Property, furniture and equipment, less accumulated depreciation: (2000—\$914; 1999— | 58 | 211 |

| | | |
|---|----------------|----------------|
| \$761) | | |
| Debt issue costs, less accumulated amortization: (2000—\$500; 1999—\$454) | 1,935 | 1,765 |
| Deferred income tax asset | 3,000 | 1,963 |
| Accrued investment income | — | 547 |
| Other assets | 673 | — |
| | <u>90,163</u> | <u>73,820</u> |
| Investment in and advances to subsidiaries (eliminated in consolidation) | 120,644 | 86,952 |
| | <u>210,807</u> | <u>160,772</u> |
| Total assets | \$ 210,807 | \$ 160,772 |

Liabilities and Stockholders' Equity

| | | |
|---|-------------------|-------------------|
| Liabilities: | | |
| Notes payable | \$ 44,000 | \$ 20,600 |
| Payable to subsidiaries (eliminated in consolidation) | 102,730 | 102,029 |
| Amounts due to related party | 4,000 | 2,591 |
| Other liabilities | 1,425 | 1,228 |
| | <u>152,155</u> | <u>126,448</u> |
| Total liabilities | 152,155 | 126,448 |
| Stockholders' equity: | | |
| Series Preferred Stock | 625 | 625 |
| Common Stock | 14,530 | 4,712 |
| Additional paid-in capital | 57,577 | 66,058 |
| Accumulated other comprehensive loss | (16,876) | (35,235) |
| Retained earnings (deficit) | 2,796 | (1,836) |
| | <u>58,652</u> | <u>34,324</u> |
| Total stockholders' equity | 58,652 | 34,324 |
| | <u>\$ 210,807</u> | <u>\$ 160,772</u> |
| Total liabilities and stockholders' equity | \$ 210,807 | \$ 160,772 |

See accompanying note to condensed financial statements.

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SCHEDULE II

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(PARENT COMPANY)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

CONDENSED STATEMENTS OF INCOME

(DOLLARS IN THOUSANDS)

| | Year ended December 31 | | |
|--|------------------------|--------------|--------------|
| | 2000 | 1999 | 1998 |
| Revenues: | | | |
| Net investment income | \$ 3,479 | \$ 1,023 | \$ 154 |
| Dividends from subsidiary (eliminated in consolidation) | 1,500 | 3,000 | — |
| Interest from subsidiary (eliminated in consolidation) | 214 | 46 | — |
| Surplus note interest from subsidiary (eliminated in consolidation) | 2,006 | 1,079 | 158 |
| Interest on note receivable from related party | 2,053 | 582 | — |
| | <u>9,252</u> | <u>5,730</u> | <u>312</u> |
| Total revenues | 9,252 | 5,730 | 312 |
| Expenses: | | | |
| Interest expense on notes payable | 2,339 | 896 | 789 |
| Interest expense on debentures issued to subsidiary trusts (eliminated in consolidation) | 7,663 | 2,069 | — |
| Other operating costs and expenses | 620 | 822 | 819 |
| | <u>10,622</u> | <u>3,787</u> | <u>1,608</u> |
| Total expenses | 10,622 | 3,787 | 1,608 |

| | | | |
|--|----------|----------|---------|
| Income (loss) before income taxes, equity in undistributed income of subsidiaries and minority interest in subsidiaries | (1,370) | 1,943 | (1,296) |
| Deferred income tax benefit | 1,037 | 1,963 | — |
| | | | |
| Income (loss) before equity in undistributed income of subsidiaries and minority interest in subsidiaries | (333) | 3,906 | (1,296) |
| Equity in undistributed income of subsidiaries (eliminated in consolidation) | 12,566 | 559 | 1,540 |
| | | | |
| Income before minority interest in subsidiaries | 12,233 | 4,465 | 244 |
| Minority interest in subsidiaries—earnings attributable to company- obligated mandatorily redeemable preferred securities of subsidiary trusts | (7,449) | (2,022) | — |
| | | | |
| Net income | \$ 4,784 | \$ 2,443 | \$ 244 |
| | | | |

See accompanying note to condensed financial statements.

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SCHEDULE II

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(PARENT COMPANY)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

CONDENSED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

| | Year ended December 31 | | |
|---|------------------------|----------|----------|
| | 2000 | 1999 | 1998 |
| Operating activities | | | |
| Net income | \$ 4,784 | \$ 2,443 | \$ 244 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Provision for depreciation and amortization | 199 | 446 | 402 |
| Accrual of discount on fixed maturity security | (334) | (334) | — |
| Equity in undistributed income of subsidiaries | (12,566) | (559) | (1,540) |
| Minority interest in subsidiaries—earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts | 7,449 | 2,022 | — |
| Accrual of discount on debenture issued to subsidiary trust | 521 | 522 | — |
| Deferred income tax benefit | (1,037) | (1,963) | — |
| Changes in operating assets and liabilities: | | | |
| Receivable from subsidiary | 2,695 | (3,195) | 127 |
| Receivable from related party | 3,416 | (613) | — |
| Accrued investment income | 547 | (547) | — |
| Other assets | (673) | 28 | (26) |
| Payable to subsidiaries | 180 | 3 | (18) |
| Amounts due to related parties | 1,409 | 2,591 | — |
| Other liabilities | 197 | (342) | 482 |
| Net cash provided by (used in) operating activities | 6,787 | 502 | (329) |
| Investing activities | | | |
| Capital contributions to subsidiaries | (60) | (6,075) | (6,600) |
| Purchase of surplus notes from subsidiary | — | (17,000) | (5,500) |
| Purchase of note receivable from related party | (27,000) | (18,175) | — |
| Purchases of property, furniture and equipment | — | — | (196) |
| Net cash used in investing activities | (27,060) | (41,250) | (12,296) |

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| | | | |
|---|----------|------------|-------|
| Financing activities | | | |
| Financing fees deferred | \$ (216) | \$ (1,801) | — |
| Proceeds from notes payable | 23,400 | 10,600 | — |
| Proceeds from issuance of debentures to subsidiary trusts | — | 29,015 | — |
| Net proceeds from issuance of preferred stock | — | — | 9,968 |

| | | | |
|--|-----------------|----------------|-----------------|
| Net proceeds from issuance of common stock | (619) | 1,512 | 1,283 |
| Acquisition of common stock | 1,956 | — | — |
| Dividends paid | (152) | (107) | — |
| | <u>24,369</u> | <u>39,219</u> | <u>11,251</u> |
| Net cash provided by financing activities | 24,369 | 39,219 | 11,251 |
| | <u>4,096</u> | <u>(1,529)</u> | <u>(1,374)</u> |
| Increase (decrease) in cash and cash equivalents | 4,096 | (1,529) | (1,374) |
| Cash and cash equivalents at beginning of year | 683 | 2,212 | 3,586 |
| | <u>\$ 4,779</u> | <u>\$ 683</u> | <u>\$ 2,212</u> |
| Cash and cash equivalents at end of year | \$ 4,779 | \$ 683 | \$ 2,212 |

Supplemental disclosure of cash flow information

Cash paid during the year for interest:

| | | | |
|---|----------|--------|--------|
| Notes payable | \$ 2,339 | \$ 896 | \$ 467 |
| Debentures issued to subsidiary trusts | 7,663 | 1,547 | — |
| Exchange of fixed maturity security for debentures issued to subsidiary trust | — | 72,490 | — |
| Fixed maturity security contributed to subsidiary | 10,157 | 26,156 | — |

See accompanying note to condensed financial statements.

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SCHEDULE II

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(PARENT COMPANY)

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

NOTE TO CONDENSED FINANCIAL STATEMENTS

DECEMBER 31, 2000

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 financial statements, the Company's investment in and advances to subsidiaries (which includes surplus notes issued by the Company's life insurance subsidiary) 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' fixed maturity securities classified as 'available for sale' and equity securities in accordance with SFAS 115, Accounting for Certain Investments in Debt and Equity Securities.

The parent company's fixed maturity security is held for investment.

See Note 7 to the consolidated financial statements for a description of the parent company's notes payable.

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SCHEDULE III

SUPPLEMENTARY INSURANCE INFORMATION

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

DECEMBER 31, 2000

(DOLLARS IN THOUSANDS)

| Segment | Deferred Policy Acquisition Costs | Future Policy Benefits, Losses, Claims and Loss Expenses | Unearned Premiums | Other Policy Claims and Benefits Payable | Insurance Premiums and Charges |
|---|--|--|---|---|--------------------------------------|
| Year ended December 31, 2000 Life insurance | \$ 289,609 | \$ 2,099,915 | \$ — | \$ 16,669 | \$ 19,372 |
| Year ended December 31, 1999 Life insurance | 178,800 | 1,358,876 | — | 11,553 | 13,746 |
| Year ended December 31, 1998 Life insurance | 57,103 | 541,082 | — | 6,316 | 11,170 |
| 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, 2000 Life insurance | \$ 89,477 | \$ 65,257 | \$ 8,574 | \$ 26,166 | \$ — |

| | | | | | |
|---|--------|--------|-------|--------|---|
| Year ended December 31, 1999 Life insurance | 64,610 | 48,959 | 7,063 | 20,693 | — |
| Year ended December 31, 1998 Life insurance | 26,357 | 21,923 | 2,020 | 13,007 | — |

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SCHEDULE IV

REINSURANCE

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

(DOLLARS IN THOUSANDS)

| Segment | Gross Amount | Ceded to Other Companies | Assumed from Other Companies | Net Amount | Percentage of Amount Assumed to Net |
|---|--------------|--------------------------|------------------------------|--------------|-------------------------------------|
| December 31, 2000 | | | | | |
| Life insurance in force | \$ 2,365,190 | \$ 171,704 | \$ 161,793 | \$ 2,355,279 | 6.87% |
| Insurance premiums and other considerations | | | | | |
| Annuity and single premium universal life product charges | \$ 8,338 | \$ — | \$ — | \$ 8,338 | —% |
| Traditional life insurance and accident and health insurance premiums | 8,600 | 182 | 2,616 | 11,034 | 23.7% |
| | \$ 16,938 | \$ 182 | \$ 2,616 | \$ 19,372 | 13.5% |
| December 31, 1999 | | | | | |
| Life insurance in force | \$ 1,555,677 | \$ 1,268 | \$ 990,516 | \$ 2,544,925 | 38.9% |
| Insurance premiums and other considerations | | | | | |
| Annuity and single premium universal life product charges | \$ 3,452 | \$ — | \$ — | \$ 3,452 | —% |
| Traditional life insurance and accident and health insurance premiums | 7,444 | 1,111 | 3,961 | 10,294 | 38.5% |
| | \$ 10,896 | \$ 1,111 | \$ 3,961 | \$ 13,746 | 28.8% |
| December 31, 1998 | | | | | |
| Life insurance in force | \$ 1,407 | \$ — | \$ 2,398,544 | \$ 2,399,951 | 99.9% |
| Insurance premiums and other considerations | | | | | |
| Annuity product charges | \$ 642 | \$ — | \$ — | \$ 642 | —% |
| Traditional life insurance and accident and health insurance premiums | 19 | 567 | 11,076 | 10,528 | 105.2% |
| | \$ 661 | \$ 567 | \$ 11,076 | \$ 11,170 | 99.2% |

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Item 17. Undertakings.

The undersigned Registrants hereby undertake to provide to the underwriters at the closing specified in the Purchase Agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrants pursuant to the foregoing provisions, or otherwise, the Registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrants of expenses incurred or paid by a director, officer or controlling person of the Registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrants will,

unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrants hereby undertake that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.
- (2) For the purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrants have duly caused this Registration Statement to be signed on their behalf by the undersigned, thereunto duly authorized, in the City of West Des Moines, State of Iowa, on November 7, 2001.

AMERICAN EQUITY INVESTMENT LIFE
HOLDING COMPANY

By: /s/ DAVID J. NOBLE

Name: David J. Noble
Title: Chief Executive Officer and President

AMERICAN EQUITY CAPITAL TRUST III

By: /s/ WENDY L. CARLSON

Name: Wendy L. Carlson
Title: Trustee

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated below on November 7, 2001:

| Signature | Title |
|----------------------|--|
| /s/ DAVID J. NOBLE | Chairman of the Board, Chief Executive Officer, President and Treasurer (Principal Executive Officer) |
| David J. Noble | |
| /s/ TERRY A. REIMER | Executive Vice President (Principal Accounting Officer) |
| Terry A. Reimer | |
| /s/ WENDY L. CARLSON | Chief Financial Officer and General Counsel (Principal Financial Officer) |
| Wendy L. Carlson | |
| * | Director |
| John C. Anderson | |
| * | Director |
| James M. Gerlach | |
| * | Director |
| Robert L. Hilton | |
| * | Director |
| John M. Matovina | |

| | |
|-----------------------|--------------------|
| * | Director |
| <hr/> | |
| Ben T. Morris | |
| * | Director |
| <hr/> | |
| David S. Mulcahy | |
| * | Director |
| <hr/> | |
| A. J. Strickland, III | |
| * | Director |
| <hr/> | |
| Harley A. Whitfield | |
| *By: | /s/ DAVID J. NOBLE |
| <hr/> | |
| | David J. Noble |

Attorney-in-fact

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CERTIFICATE OF TRUST OF
AMERICAN EQUITY CAPITAL TRUST III

This Certificate of Trust of American Equity Capital Trust III (the "Trust"), dated November 6, 2001, is being duly executed and filed by the undersigned, as trustees, to form a business trust under the Delaware Business Trust Act (12 Del. C. Sections 3801 et seq.).

1. Name. The name of the business trust formed hereby is American Equity Capital Trust III.

2. Delaware Trustee. The name and business address of the trustee of the Trust with a principal place of business in the State of Delaware is: First Union Trust Company, National Association, One Rodney Square, 920 King Street, Suite 102, Wilmington, Delaware 19801.

3. Effective Date. This Certificate of Trust shall be effective as of November 6, 2001

IN WITNESS WHEREOF, the undersigned, being the trustees of the Trust, have executed this Certificate of Trust as of the date first above written.

DEBRA J. RICHARDSON, not in her
individual capacity but solely as Trustee

/s/ DEBRA J. RICHARDSON

WENDY L. CARLSON, not in her
individual capacity but solely as Trustee

/s/ WENDY L. CARLSON

FIRST UNION TRUST COMPANY,
NATIONAL ASSOCIATION,
not in its individual capacity but solely as
Trustee

By: /s/ STERLING C. CORREIA

Name: Sterling C. Correia
Title: Vice President

DECLARATION OF TRUST

This Declaration of Trust, dated as of November 6, 2001, by and among American Equity Investment Life Holding Company, an Iowa corporation, as "Sponsor," Debra J. Richardson, Wendy L. Carlson, and First Union Trust Company, National Association, not in their individual capacities but solely as "Trustees." The Sponsor and the Trustees hereby agree as follows:

1. The trust created hereby (the "Trust") shall be known as "American Equity Capital Trust III" in which name the Trustees, or the Sponsor to the extent provided herein, may conduct the business of the Trust, make and execute contracts, and sue and be sued.

2. The Sponsor hereby assigns, transfers, conveys and sets over to the Trust the sum of \$10. The Trustees hereby acknowledge receipt of such amount in trust from the Sponsor, which amount shall constitute the initial trust estate. The Trustees hereby declare that they will hold the trust estate in trust for the Sponsor. It is the intention of the parties hereto that the Trust created hereby constitute a business trust under Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. Sections 3801 et seq. (the "Business Trust Act"), and that this document constitutes the governing instrument of the Trust. The Trustees are hereby authorized and directed to execute and file a certificate of trust with the Delaware Secretary of State in accordance with the provisions of the Business Trust Act.

3. The Sponsor and the Trustees will enter into an amended and restated Declaration of Trust, satisfactory to each such party, to provide for the contemplated operation of the Trust created hereby and the issuance of the Trust Preferred Securities and Trust Common Securities referred to therein. Prior to the execution and delivery of such amended and restated Declaration of Trust, the Trustees shall not have any duty or obligation hereunder or with respect to the trust estate, except as otherwise required by applicable law or as may be necessary to obtain prior to such execution and delivery of any licenses, consents or approvals required by applicable law or otherwise.

4. The Sponsor and the Trustees hereby authorize and direct the Sponsor, as the sponsor of the Trust, to prepare, execute and file with the Securities and Exchange Commission a registration statement on Form S-1, including any and all amendments thereto (the "Registration Statement") under the Securities Act of 1933, as amended, in forms prepared by the Sponsor, in relation to the offering and sale of Trust Preferred Securities to the public, as contemplated by the prospectus included as a part of the Registration Statement, as such prospectus may be amended or supplemented from time to time, (b) a registration statement on Form 8-A or other appropriate form, including any and all amendments thereto, and (c) to do all things necessary, convenient or advisable in connection with the offering and sale of Trust Preferred Securities to the public. In connection with the foregoing, the Sponsor and each Trustee, solely in its capacity as Trustee of the Trust, hereby constitutes and appoints Debra J. Richardson and Wendy L. Carlson each of them, as his or its, as the case may be, true and lawful attorneys-in-fact and agents, with full power of substitution, for the Sponsor or in the Sponsor's name, place and stead, in any and all capacities, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as the Sponsor might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their respective substitute or substitutes, shall do or cause to be done by virtue hereof.

5. This Declaration of Trust may be executed in one or more counterparts.

6. The number of Trustees initially shall be three (3) and thereafter the number of Trustees shall be such number as shall be fixed from time to time by a written instrument signed by the Sponsor which may increase or decrease the number of Trustees; provided, however, that to the extent required by the Business Trust Act, one Trustee shall either be a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable Delaware law. Subject to the foregoing, the Sponsor is entitled to appoint or remove without cause any Trustee at any time. A Trustee may resign upon 30 days' prior notice to the Sponsor.

7. First Union Trust Company, National Association, in its capacity as Trustee, shall not have the powers or the duties of the Trustees set forth herein (except as may be required under the Business Trust Act) and shall be a Trustee hereunder for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act.

8. This Declaration of Trust shall be governed by, and construed in accordance with, the laws of the State of Delaware (without regard to conflict of laws principles).

IN WITNESS WHEREOF, the parties hereto have caused this Declaration of Trust to be executed as of the day and year first above written.

AMERICAN EQUITY INVESTMENT LIFE
HOLDING COMPANY,
as Sponsor

By: /s/ Wendy L. Carlson

Name: Wendy L. Carlson
Title: Chief Financial Officer and
General Counsel

DEBRA J. RICHARDSON, not in her
individual capacity but solely as Trustee

/s/ Debra J. Richardson

WENDY L. CARLSON, not in her individual
capacity but solely as Trustee

By: /s/ Wendy L. Carlson

FIRST UNION TRUST COMPANY,
NATIONAL ASSOCIATION,
not in its individual capacity but solely as
Trustee

By: /s/ Sterling C. Correia

Name: Sterling C. Correia
Title: Vice President

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AMENDED AND RESTATED
DECLARATION OF TRUST
OF
AMERICAN EQUITY CAPITAL TRUST III

AMENDED AND RESTATED DECLARATION OF TRUST ("Declaration"), dated and effective as of [-], by the undersigned trustees (together with all other Persons from time to time duly appointed and serving as trustees in accordance with the provisions of this Declaration, the "Trustees"), American Equity Investment Life Holding Company, an Iowa corporation, as trust sponsor (the "Sponsor"), and by the holders, from time to time, of undivided beneficial interests in the Trust issued pursuant to this Declaration.

WHEREAS, the Trustees and the Sponsor established American Equity Capital Trust III (the "Trust"), a trust under the Business Trust Act (as defined herein) pursuant to a Declaration of Trust dated as of November 6, 2001 (the "Original Declaration") and a Certificate of Trust filed with the Secretary of State of the State of Delaware on November 6, 2001, for the sole purpose of issuing and selling certain securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in certain Debentures (as defined herein) of the Debenture Issuer (as defined herein);

WHEREAS, as of the date hereof, no interests in the Trust have been issued; and

WHEREAS, all of the Trustees and the Sponsor, by this Declaration, amend and restate each and every term and provision of the Original Declaration.

NOW, THEREFORE, it being the intention of the parties hereto to continue the Trust as a business trust under the Business Trust Act and that this Declaration constitutes the governing instrument of such business trust, the Trustees declare that all assets contributed to the Trust will be held in trust for the benefit of the holders, from time to time, of the securities representing undivided beneficial interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE I

INTERPRETATION AND DEFINITIONS

Section 1.1 DEFINITIONS.

Unless the context otherwise requires:

(a) capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) a term defined anywhere in this Declaration has the same meaning throughout;

(c) all references to "the Declaration" or "this Declaration" are to this Declaration as modified, supplemented or amended from time to time;

(d) all references in this Declaration to Articles and Sections and Annexes and Exhibits are to Articles and Sections and Annexes and Exhibits to this Declaration unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa.

"Additional Interest" means, if the Trust is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority, such amounts as shall be required so that the net amounts received and retained by the Trust after paying such taxes, duties, assessments and governmental charges will not be less than the amounts the Trust would have received had no such taxes, duties, assessments or governmental charges been imposed.

"Administrative Trustee" means each Person appointed in accordance with Article V solely in such Person's capacity as Administrative Trustee of the Trust and not in such Person's individual capacity, or any successor Administrative Trustee appointed as herein provided.

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"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

"Authorized Officer" of a Person means any Person that is authorized to bind such Person.

"Book Entry Interest" means a beneficial interest in a Global Certificate, ownership and transfers of which shall be maintained and made through book entries by a Clearing Agency as described in Section 9.4.

"Business Day" means any day other than a Saturday, Sunday or day on which banking institutions in West Des Moines, Iowa or in Wilmington, Delaware are authorized or required by law to close.

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. Code Section 3801 et seq., as it may be amended from time to time, or any successor legislation.

"Certificate" means a Trust Common Securities Certificate or a Trust Preferred Securities Certificate.

"Clearing Agency" means an organization registered as a "Clearing Agency" pursuant to Section 17A of the Exchange Act that is acting as depository for the Trust Preferred Securities and in whose name or in the name of a nominee of that organization shall be registered a Global Certificate and which shall undertake to effect book entry transfers and pledges of the Trust Preferred Securities.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Clearing Agency effects book entry transfers and pledges of securities deposited with the Clearing Agency.

"Closing Date" means [-] and each other date upon which Securities are issued pursuant to and in accordance with the terms of this Declaration.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor legislation.

"Commission" means the Securities and Exchange Commission.

"Company Indemnified Person" means (a) any Administrative Trustee; (b) any Affiliate of any Administrative Trustee; (c) any officers, directors, shareholders, members, partners, employees, representatives or agents of any Administrative Trustee; or (d) any officer, employee or agent of the Trust or its Affiliates.

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"Compounded Interest" means interest compounded quarterly at the rate specified for the Debentures to the extent permitted by applicable law upon interest accrued and unpaid (including Additional Interest) at the end of each Extension Period.

"Covered Person" means (a) any officer, director, shareholder, partner, member, representative, employee or agent of (i) the Trust or (ii) the Trust's Affiliates; and (b) any Holder of Securities.

"Debenture Issuer" means the Sponsor in its capacity as issuer of the Debentures.

"Debentures" means the series of [-]% Junior Subordinated Debentures to be issued by the Debenture Issuer under the Indenture to be held by the Property Trustee, a specimen certificate for such series of Debentures being Exhibit B hereto.

"Declaration Event of Default" means, with respect to the Securities, that an Indenture Event of Default has occurred and is continuing with respect to the Debentures.

"Definitive Trust Preferred Securities Certificates" has the meaning set forth in Section 9.4.

"Delaware Trustee" has the meaning set forth in Section 5.2.

"Distribution" means a distribution payable to Holders of Securities in accordance with Section 6.1.

"DTC" means the Depository Trust Company, the initial Clearing Agency.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor legislation.

"Fiduciary Indemnified Person" has the meaning set forth in Section 10.4(b).

"Fiscal Year" has the meaning set forth in Section 11.1.

"Global Certificate" has the meaning set forth in Section 9.4.

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"Holder" means a Person in whose name a Certificate representing a Security is registered, such Person being a beneficial owner within the meaning of the Business Trust Act.

"Indemnified Person" means a Company Indemnified Person or a Fiduciary Indemnified Person.

"Indenture" means the Indenture, dated as of [-], between the Debenture Issuer and the Indenture Trustee, and any indenture supplemental thereto pursuant to which the Debentures are to be issued.

"Indenture Trustee" means First Union Trust Company, National Association, as trustee under the Indenture until a successor is appointed thereunder, and thereafter means such successor trustee.

"Indenture Event of Default" means an "Indenture Event of Default" as defined in the Indenture.

"Investment Company" means an investment company as defined in the Investment Company Act.

"Investment Company Act" means the Investment Company Act of 1940, as amended from time to time, or any successor legislation.

"Investment Company Event" has the meaning set forth in the terms of the Securities as set forth in Annex I hereto.

"Legal Action" has the meaning set forth in Section 3.6(g).

"Majority in liquidation amount of the Securities" means, except as provided in the terms of the Trust Preferred Securities or by the Trust Indenture Act, Holder(s) of outstanding Securities voting together as a single class or, as the context may require, Holders of outstanding Trust Preferred Securities or Holders of outstanding Trust Common Securities voting separately as a class, who are the record owners of more than 50% of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Securities of the relevant class.

"Ministerial Action" has the meaning set forth in the terms of the Securities as set forth in Annex I hereto.

"No Recognition Opinion" has the meaning set forth in the terms of the Securities as set forth in Annex I hereto.

"Officers' Certificate" means, with respect to any Person, a certificate signed by two Authorized Officers of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Declaration shall include:

(i) a statement that each officer signing the Certificate has read the covenant or condition and the definitions relating thereto;

(ii) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Certificate;

(iii) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Paying Agent" has the meaning specified in Section 7.2.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Property Trustee" means the Trustee meeting the eligibility requirements set forth in Section 5.3.

"Property Trustee Account" has the meaning set forth in Section 3.8(c).

"Purchase Agreement" means the Purchase Agreement for the offering and sale of Trust Preferred Securities in the form of Exhibit C hereto.

"Quorum" means a majority of the Administrative Trustees or, if there are only two Administrative Trustees, both of them.

"Related Party" means, with respect to the Sponsor, any direct or indirect wholly owned subsidiary of the Sponsor or any other Person that owns, directly or indirectly, 100% of the outstanding voting securities of the Sponsor.

"Responsible Officer" means, with respect to the Property Trustee, any vice-president, any assistant vice-president, the treasurer, any assistant treasurer, any trust officer or assistant trust officer or any other officer in the Corporate Trust Department of the Property Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Rule 3a-5" means Rule 3a-5 under the Investment Company Act.

"Securities" means the Trust Common Securities and the Trust Preferred Securities.

"Securities Act" means the Securities Act of 1933, as amended from time to time or any successor legislation.

"Special Event" has the meaning set forth in Annex I hereto.

"Sponsor" means American Equity Investment Life Holding Company, an Iowa corporation, or any successor entity in a merger, consolidation or amalgamation, in its capacity as sponsor of the Trust.

"Super Majority" has the meaning set forth in Section 2.6(a)(ii).

"Tax Event" has the meaning set forth in Annex I hereto.

"10% in liquidation amount of the Securities" means, except as provided

in the terms of the Trust Preferred Securities or by the Trust Indenture Act, Holders of outstanding Securities voting together as a single class or, as the context may require, Holders of outstanding Trust Preferred Securities or Holders of outstanding Trust Common Securities, voting separately as a class, who are the record owners of 10% or more of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Securities of the relevant class.

"Terms" has the meaning set forth in Section 7.1(a).

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"Treasury Regulations" means the income tax regulations, including temporary and proposed regulations, promulgated under the Code by the United States Treasury, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Trust Common Securities" has the meaning specified in Section 7.1(a).

"Trust Common Securities Guarantee" means the guarantee agreement, dated as of [-], of the Sponsor with respect to the Trust Common Securities.

"Trust Common Securities Certificate" means a definitive certificate in fully registered form representing a Trust Common Security substantially in the form of Exhibit A-2 hereto.

"Trust Preferred Securities" has the meaning specified in Section 7.1(a).

"Trust Preferred Securities Guarantee" means the guarantee agreement, dated as of [-], of the Sponsor with respect to the Trust Preferred Securities.

"Trust Preferred Securities Beneficial Owner" means, with respect to a Book Entry Interest, a Person who is the beneficial owner of such Book Entry Interest, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

"Trust Preferred Securities Certificate" means a certificate representing a Trust Preferred Security substantially in the form of Exhibit A-1 hereto.

"Trustee" or "Trustees" means each Person who has signed this Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended from time to time, or any successor legislation.

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ARTICLE II

TRUST INDENTURE ACT

Section 2.1 TRUST INDENTURE ACT; APPLICATION.

(a) Certain provisions of the Trust Indenture Act are incorporated by reference in and made part of this Declaration and this Declaration shall, to the extent applicable, be governed by such provisions.

(b) The Property Trustee shall be the only Trustee which is a "trustee" for the purposes of the provisions of the Trust Indenture Act incorporated by reference herein.

(c) If and to the extent that any provision of this Declaration limits, qualifies or conflicts with the duties imposed by any provisions of Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

(d) The application of the provisions of the Trust Indenture Act referred to above to this Declaration shall not affect the nature of the Securities as equity securities representing undivided beneficial interests in

the assets of the Trust.

Section 2.2 LISTS OF HOLDERS OF SECURITIES.

(a) Each of the Sponsor and the Administrative Trustees on behalf of the Trust shall provide the Property Trustee (i) within 14 days after each record date for payment of Distributions, a list, in such form as the Property Trustee may reasonably require, of the names and addresses of the Holders of the Securities ("List of Holders") as of such record date, provided that neither the Sponsor nor the Administrative Trustees on behalf of the Trust shall be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Property Trustee by the Sponsor and the Administrative Trustees on behalf of the Trust, and (ii) at any other time, within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Property Trustee. The Property Trustee shall preserve, in as current a form as is reasonably practicable, all information contained in Lists of Holders given to it or which it receives in the capacity as Paying Agent (if acting in such capacity) provided that the Property Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

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(b) The Property Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

Section 2.3 REPORTS BY THE PROPERTY TRUSTEE. Within 60 days after December 31 of each year, commencing December 31, [-], the Property Trustee shall provide to the Holders of the Trust Preferred Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Property Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

Section 2.4 PERIODIC REPORTS TO PROPERTY TRUSTEE. Each of the Sponsor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

Section 2.5 EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT. Each of the Sponsor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Declaration that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

Section 2.6 DECLARATION EVENTS OF DEFAULT; WAIVER.

(a) Subject to Section 2.6(c), the Holders of a Majority in liquidation amount of Trust Preferred Securities may, by vote, on behalf of the Holders of all of the Trust Preferred Securities, waive any past Declaration Event of Default in respect of the Trust Preferred Securities and its consequences, provided that, if the underlying Indenture Event of Default:

(i) is not waivable under the Indenture, the Declaration Event of Default shall also not be waivable;

(ii) requires the consent or vote of greater than a majority in principal amount of the holders of the Debentures (a "Super Majority") to be waived under the Indenture, the Declaration Event of Default may only be waived by the vote of the Holders of at least the proportion in liquidation amount of the Trust Preferred Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding; or

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(iii) requires the consent or vote of each holder of Debentures to be waived under the Indenture, the Declaration Event of Default may only be waived by the vote of each Holder of Trust Preferred Securities.

The foregoing provisions of this Section 2.6(a) shall be in lieu of Section. 316(a)(1)(B) of the Trust Indenture Act and such Section 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act. Upon such waiver,

any such default shall cease to exist, and any Declaration Event of Default with respect to the Trust Preferred Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or a Declaration Event of Default with respect to the Trust Preferred Securities or impair any right consequent thereon. Any waiver by the Holders of the Trust Preferred Securities of a Declaration Event of Default with respect to the Trust Preferred Securities shall also be deemed to constitute a waiver by the Holders of the Trust Common Securities of any such Declaration Event of Default with respect to the Trust Common Securities for all purposes of this Declaration without any further act, vote or consent of the Holders of the Trust Common Securities.

(b) Subject to Section 2.6(c), the Holders of a Majority in liquidation amount of the Trust Common Securities may, by vote, on behalf of the Holders of all of the Trust Common Securities, waive any past Declaration Event of Default with respect to the Trust Common Securities and its consequences, provided that, if the underlying Indenture Event of Default:

(i) is not waivable under the Indenture, except where the Holders of the Trust Common Securities are deemed to have waived such Declaration Event of Default as provided below in this Section 2.6(b), the Declaration Event of Default shall also not be waivable; or

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(ii) requires the consent or vote of a Super Majority to be waived, except where the Holders of the Trust Common Securities are deemed to have waived such Declaration Event of Default as provided below in this Section 2.6(b), the Declaration Event of Default may only be waived by the vote of the Holders of at least the proportion in liquidation amount of the Trust Common Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding; provided further, that each Holder of Trust Common Securities will be deemed to have waived any such Declaration Event of Default and all Declaration Events of Default with respect to the Trust Common Securities and its consequences until all Declaration Events of Default with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated, and until such Declaration Events of Default have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the Holders of the Trust Preferred Securities and only the Holders of the Trust Preferred Securities will have the right to direct the Property Trustee in accordance with the terms of the Securities. The foregoing provisions of this Section 2.6(b) shall be in lieu of Sections 316(a)(1)(A) and 316(a)(1)(B) of the Trust Indenture Act and such Sections 316(a)(1)(A) and 316(a)(1)(B) of the Trust Indenture Act are hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act. Subject to the foregoing provisions of this Section 2.6(b), upon such waiver, any such default shall cease to exist and any Declaration Event of Default with respect to the Trust Common Securities arising therefrom shall be deemed to have been cured for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Declaration Event of Default with respect to the Trust Common Securities or impair any right consequent thereon.

(c) The right of any Holder to receive payment of Distributions in accordance with this Declaration and the terms of the Securities set forth in Annex I hereto on or after the respective payment dates therefor, or to institute suit for the enforcement of any such payment on or after such payment dates, shall not be impaired without the consent of each such Holder.

(d) A waiver of an Indenture Event of Default by the Property Trustee at the direction of the Holders of the Trust Preferred Securities, constitutes a waiver of the corresponding Declaration Event of Default. The foregoing provisions of this Section 2.6(c) shall be in lieu of Sections 316(a)(1)(B) of the Trust Indenture Act and such ss. 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act.

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Section 2.7 EVENT OF DEFAULT; NOTICE.

(a) The Property Trustee shall, within 90 days after the occurrence of a Declaration Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Securities, notices of all defaults with respect to the Securities actually known to a Responsible Officer of the Property Trustee, unless such defaults have been cured before the giving of such notice (the term "defaults" for the purposes of this Section 2.7(a) being hereby

defined to be an Indenture Event of Default, not including any periods of grace provided for therein and irrespective of the giving of any notice provided therein); provided that, except for a default in the payment of principal of (or premium, if any) or interest on any of the Debentures or in the payment of any sinking fund installment established for the Debentures, the Property Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Property Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities.

(b) The Property Trustee shall not be deemed to have knowledge of any default except:

(i) a default under Sections 501(1) and 501(2) of the Indenture; or

(ii) any default as to which the Property Trustee shall have received written notice or of which a Responsible Officer of the Property Trustee charged with the administration of the Declaration shall have actual knowledge.

ARTICLE III

ORGANIZATION

Section 3.1 NAME. The Trust is named "American Equity Capital Trust III," as such name may be modified from time to time by the Administrative Trustees following written notice to the Holders of Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Administrative Trustees.

Section 3.2 OFFICE. The address of the principal office of the Trust is c/o American Equity Investment Life Holding Company, 5000 Westown Parkway, Suite 440, West Des Moines, Iowa 50266, Attention: Chief Financial Officer. On 10 Business Days written notice to the Holders of Securities, the Administrative Trustees may designate another principal office.

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Section 3.3 PURPOSE. The exclusive purposes and functions of the Trust are (a) to issue and sell Securities and use the proceeds from such sale to acquire the Debentures, and (b) except as otherwise limited herein, to engage in only those other activities necessary or incidental thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, pledge any of its assets, or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust not to be classified for United States federal income tax purposes as a grantor trust.

Section 3.4 AUTHORITY.

(a) Subject to the limitations provided in this Declaration and to the specific duties of the Property Trustee, the Administrative Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. An action taken by the Administrative Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust and an action taken by the Property Trustee on behalf of the Trust in accordance with its powers shall constitute the act of and serve to bind the Trust. In dealing with the Trustees acting on behalf of the Trust, no person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration;

(b) except as expressly set forth in this Declaration and except if a meeting of the Administrative Trustees is called with respect to any matter over which the Administrative Trustees have power to act, any power of the Administrative Trustees may be exercised by, or with the consent of, any one such Administrative Trustee;

(c) unless otherwise determined by the Administrative Trustees, and except as expressly set forth in this Declaration or as otherwise required by the Business Trust Act or applicable law, any Administrative Trustee is authorized to execute on behalf of the Trust any documents which the Administrative Trustees have the power and authority to cause the Trust to execute; provided, that the registration statement referred to in Section 3.6(b)(i), including any amendments thereto, shall be signed by all of the Administrative Trustees; and

(d) an Administrative Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purposes of signing any documents which the Administrative Trustees have power and authority to cause the Trust to execute

pursuant to Section 3.6.

Section 3.5 TITLE TO PROPERTY OF THE TRUST. Except as provided in Section 3.8 with respect to the Debentures and the Property Trustee Account or as otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders shall not have legal title to any part of the assets of the Trust, but shall have an undivided beneficial interest in the assets of the Trust.

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Section 3.6 POWERS AND DUTIES OF THE ADMINISTRATIVE TRUSTEES. The Administrative Trustees shall have the exclusive power, duty and authority to cause the Trust to engage in the following activities:

(a) to issue and sell the Trust Preferred Securities and the Trust Common Securities in accordance with this Declaration; provided, however, that the Trust may issue no more than one series of Trust Preferred Securities and no more than one series of Trust Common Securities, and, provided, further, that there shall be no interests in the Trust other than the Securities, and the issuance of Securities shall be limited to the simultaneous issuance of both Trust Common Securities (as specified in Section 4.1) and Trust Preferred Securities on the Closing Date;

(b) in connection with the issue and sale of the Trust Preferred Securities, at the direction of the Sponsor, to:

(i) execute and file with the Commission the registration statement on Form S-1 prepared by the Sponsor, including any amendments thereto, pertaining to, among other securities, the Trust Preferred Securities;

(ii) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary, appropriate, convenient or advisable in order to qualify or register all or part of the Trust Preferred Securities in any State in which the Sponsor has determined to qualify or register such Trust Preferred Securities for sale;

(iii) execute and file an application, prepared by the Sponsor, to the New York Stock Exchange, the Nasdaq National Market or any other national stock exchange for listing or quotation upon notice of issuance of any Trust Preferred Securities;

(iv) execute and file with the Commission a registration statement on Form 8-A, including any amendments thereto, prepared by the Sponsor, relating to the registration of the Trust Preferred Securities under Section 12(b) of the Exchange Act;

(v) execute and enter into the Purchase Agreement providing for the sale of the Trust Preferred Securities; and

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(vi) execute and enter into other related agreements in connection with the sale of the Trust Preferred Securities.

(c) to acquire the Debentures with the proceeds of the sale of the Trust Preferred Securities and the Trust Common Securities; provided, however, that the Administrative Trustees shall cause legal title to the Debentures to be held of record in the name of the Property Trustee for the benefit of the Holders of the Trust Preferred Securities and the Holders of the Trust Common Securities;

(d) to give the Sponsor and the Property Trustee prompt written notice of the occurrence of a Special Event; provided that the Administrative Trustees shall consult with the Sponsor and the Property Trustee before taking or refraining from taking any Ministerial Action in relation to a Special Event;

(e) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including and with respect to, for the purposes of Section 316(c) of the Trust Indenture Act, Distributions, voting rights, redemptions and exchanges, and to issue relevant notices to the Holders of the Trust Preferred Securities and the Holders of the Trust Common Securities as to such actions and applicable record dates;

(f) to take all actions and perform such duties as may be required of the Administrative Trustees pursuant to the terms of the Securities set forth in Annex I hereto;

(g) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless, pursuant to Section 3.8(e), the Property Trustee has the exclusive power to bring such Legal Action;

(h) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

(i) to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

(j) to give the certificate required by Section 314(a)(4) of the Trust Indenture Act to the Property Trustee, which certificate may be executed by any Administrative Trustee;

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(k) to incur expenses that are necessary or incidental to carry out any of the purposes of the Trust;

(l) to act as, or appoint another Person to act as, registrar and transfer agent for the Securities;

(m) to give prompt written notice to the Holders of the Securities of any notice received from the Debenture Issuer of its election to defer payments of interest on the Debentures by extending the interest payment period under the Indenture;

(n) to execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing;

(o) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Trust Preferred Securities or to enable the Trust to effect the purposes for which the Trust was created;

(p) to take any action, not inconsistent with this Declaration or with applicable law, that the Administrative Trustees determine in their discretion to be necessary or desirable in carrying out the activities of the Trust as set out in this Section 3.6, including, but not limited to:

(i) causing the Trust not to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(ii) causing the Trust to be classified for United States federal income tax purposes as a grantor trust; and

(iii) cooperating with the Debenture Issuer to ensure that the Debentures will be treated as indebtedness of the Debenture Issuer for United States federal income tax purposes; provided that such action does not adversely affect the interests of Holders; and

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(q) to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Administrative Trustees, on behalf of the Trust.

The Administrative Trustees must exercise the powers set forth in this Section 3.6 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Administrative Trustees shall not take any action that is inconsistent with the purposes and functions of the Trust set forth in Section 3.3.

Subject to this Section 3.6, the Administrative Trustees shall have none of the powers or the authority of the Property Trustee set forth in Section 3.8.

Any expenses incurred by the Administrative Trustees pursuant to this Section 3.6 shall be reimbursed by the Debenture Issuer.

Section 3.7 PROHIBITION OF ACTIONS BY THE TRUST AND THE TRUSTEES.

(a) The Trust shall not, and the Trustees (including the Property Trustee and the Delaware Trustee) shall not, engage in any activity other than as required or authorized by this Declaration. In particular, the Trust shall not and the Trustees (including the Property Trustee and the Delaware Trustee) shall cause the Trust not to:

(i) invest any proceeds received by the Trust from holding the Debentures, but shall distribute all such proceeds to Holders of Securities pursuant to the terms of this Declaration and of the Securities;

(ii) acquire any assets other than as expressly provided herein;

(iii) possess Trust property for other than a Trust purpose;

(iv) make any loans or incur any indebtedness other than loans represented by the Debentures;

(v) possess any power or otherwise act in such a way as to vary the Trust assets or the terms of the Securities in any way whatsoever;

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(vi) issue any securities or other evidences of beneficial ownership of, or beneficial interest in, the Trust other than the Securities;

(vii) other than as provided in this Declaration or Annex I hereto, (A) direct the time, method and place of exercising any trust or power conferred upon the Indenture Trustee with respect to the Debentures, (B) waive any past default that is waivable under the Indenture, (C) exercise any right to rescind or annul any declaration that the principal of all the Debentures shall be due and payable, or (D) consent to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required unless the Trust shall have received an opinion of counsel to the effect that such amendment, modification or termination will not cause more than an insubstantial risk that the Trust will be deemed an Investment Company required to be registered under the Investment Company Act; or

(viii) consent to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required unless the Trust shall have received an opinion of counsel to the effect that such amendment, modification or termination will not cause more than an insubstantial risk that the Trust will not be classified as a grantor trust for United States federal income tax purposes.

Section 3.8 POWERS AND DUTIES OF THE PROPERTY TRUSTEE.

(a) The legal title to the Debentures shall be owned by and held of record in the name of the Property Trustee in trust for the benefit of the Holders of the Securities. The right, title and interest of the Property Trustee to the Debentures shall vest automatically in each Person who may hereafter be appointed as Property Trustee in accordance with Section 5.6. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Debentures have been executed and delivered.

(b) The Property Trustee shall not transfer its right, title and interest in the Debentures to the Administrative Trustees or to the Delaware Trustee (if the Property Trustee does not also act as Delaware Trustee).

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(c) The Property Trustee shall:

(i) establish and maintain a segregated non-interest bearing trust account (the "Property Trustee Account") in the name of and under the exclusive control of the Property Trustee on behalf of the Holders of the Securities and, upon the receipt of payments of funds made in respect of the Debentures held by the Property Trustee, deposit such funds into the Property Trustee Account and make payments to the Holders of the Trust Preferred Securities and Holders of the Trust Common Securities from the Property Trustee Account in accordance with Section 6.1. Funds in the Property Trustee Account shall be held uninvested until disbursed in accordance with this Declaration;

(ii) engage in such ministerial activities as so directed

and as shall be necessary or appropriate to effect the redemption of the Trust Preferred Securities and the Trust Common Securities to the extent the Debentures are redeemed or mature; and

(iii) upon written notice of distribution issued by the Administrative Trustees in accordance with the terms of the Securities, engage in such ministerial activities as so directed and as shall be necessary or appropriate to effect the distribution of the Debentures to Holders of Securities upon the occurrence of a Special Event arising from a change in law or a change in legal interpretation or other specified circumstances pursuant to the terms of the Securities.

(d) The Property Trustee shall take all actions and perform such duties as may be specifically required of the Property Trustee pursuant to the terms of the Securities.

(e) Subject to Section 3.9(a), the Property Trustee shall take any Legal Action which arises out of or in connection with a Declaration Event of Default of which a Responsible Officer of the Property Trustee has actual knowledge or the Property Trustee's duties and obligations under this Declaration or the provisions of the Trust Indenture Act which are incorporated by reference herein.

(f) The Property Trustee shall not resign as a Trustee unless either:

(i) the Trust has been completely liquidated and the proceeds of the liquidation distributed to the Holders of Securities pursuant to the terms of the Securities; or

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(ii) a Successor Property Trustee (as hereinafter defined) has been appointed and has accepted that appointment in accordance with Section 5.6.

(g) The Property Trustee shall have the legal power to exercise all of the rights, powers and privileges of a holder of Debentures under the Indenture and, if a Declaration Event of Default actually known to a Responsible Officer of the Property Trustee occurs and is continuing, the Property Trustee shall, for the benefit of Holders of the Securities, enforce its rights as holder of the Debentures subject to the rights of the Holders pursuant to the terms of such Securities.

(h) Subject to this Section 3.8, the Property Trustee shall have none of the duties, liabilities, powers or the authority of the Administrative Trustees set forth in Section 3.6.

(i) Notwithstanding anything expressed or implied to the contrary in this Declaration or any Annex or Exhibit hereto, (i) the Property Trustee must exercise the powers set forth in this Section 3.8 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and (ii) the Property Trustee shall not take any action that is inconsistent with the purposes and functions of the Trust set out in Section 3.3.

Section 3.9 CERTAIN DUTIES AND RESPONSIBILITIES OF THE PROPERTY TRUSTEE.

(a) The Property Trustee, before the occurrence of any Declaration Event of Default and after the curing of all Declaration Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration and no implied covenants shall be read into this Declaration against the Property Trustee. In case a Declaration Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6) of which a Responsible Officer of the Property Trustee has actual knowledge, the Property Trustee shall exercise such of the rights and powers vested in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) No provision of this Declaration shall be construed to relieve the Property Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

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(i) prior to the occurrence of a Declaration Event of Default and after the curing or waiving of all such Declaration Events of Default that may have occurred:

(A) duties and obligations of the Property Trustee shall be determined solely by the express provisions of this Declaration and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Declaration, and no implied covenants or obligations shall be read into this Declaration against the Property Trustee; and

(B) in the absence of bad faith on the part of the Property Trustee, the Property Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Property Trustee and conforming to the requirements of this Declaration; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Property Trustee, the Property Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Declaration;

(ii) the Property Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Property Trustee, unless it shall be proved that the Property Trustee was negligent in ascertaining the pertinent facts;

(iii) the Property Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under this Declaration;

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(iv) no provision of this Declaration shall require the Property Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Declaration or indemnity reasonably satisfactory to the Property Trustee against such risk or liability is not reasonably assured to it;

(v) the Property Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Debentures and the Property Trustee Account shall be to deal with such property in a similar manner as the Property Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Property Trustee under this Declaration and the Trust Indenture Act;

(vi) the Property Trustee shall have no duty or liability for or with respect to the value, genuineness, existence or sufficiency of the Debentures or the payment of any taxes or assessments levied thereon or in connection therewith;

(vii) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree in writing with the Sponsor. Money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Property Trustee Account maintained by the Property Trustee pursuant to Section 3.8(c)(i) and except to the extent otherwise required by law; and

(viii) the Property Trustee shall not be responsible for monitoring the compliance by the Administrative Trustees or the Sponsor with their respective duties under this Declaration, nor shall the Property Trustee be liable for any default or misconduct of the Administrative Trustees or the Sponsor.

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Section 3.10 CERTAIN RIGHTS OF PROPERTY TRUSTEE.

(a) Subject to the provisions of Section 3.9:

(i) the Property Trustee may rely and shall be fully protected in acting or refraining from acting upon any resolution,

certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) any direction or act of the Sponsor or the Administrative Trustees contemplated by this Declaration shall be sufficiently evidenced by an Officers' Certificate;

(iii) whenever in the administration of this Declaration, the Property Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Property Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Sponsor or the Administrative Trustees;

(iv) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof;

(v) the Property Trustee may consult with counsel of its choice or other experts and the advice or opinion of such counsel and experts with respect to legal matters or advice within the scope of such experts' area of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion; such counsel may be counsel to the Sponsor or any of its Affiliates, and may include any of its employees. The Property Trustee shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;

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(vi) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any Holder, unless such Holder shall have provided to the Property Trustee adequate security and indemnity, reasonably satisfactory to the Property Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Property Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Property Trustee; provided that, nothing contained in this Section 3.10(a)(vii) shall be taken to relieve the Property Trustee, upon the occurrence of a Declaration Event of Default, of its obligation to exercise the rights and powers vested in it by this Declaration;

(vii) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, security, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Property Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(viii) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Property Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(ix) any action taken by the Property Trustee or its agents hereunder shall bind the Trust and the Holders of the Securities, and the signature of the Property Trustee or its agents alone shall be sufficient and effective to perform any such action and no third party shall be required to inquire as to the authority of the Property Trustee to so act or as to its compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by the Property Trustee's or its agent's taking such action;

(x) whenever in the administration of this Declaration the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder the Property Trustee (i) may request instructions from the Holders of the Securities which instructions may only be given by

the Holders of the same proportion in liquidation amount of the Securities as would be entitled to direct the Property Trustee under the terms of the Securities in respect of such remedy, right or action, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in acting in accordance with such instructions;

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(xi) except as otherwise expressly provided by this Declaration, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Declaration; and

(xii) the Property Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Declaration.

(b) No provision of this Declaration shall be deemed to impose any duty or obligation on the Property Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Property Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Property Trustee shall be construed to be a duty.

Section 3.11 DELAWARE TRUSTEE. Notwithstanding any other provision of this Declaration other than Section 5.2, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Administrative Trustees or the Property Trustee described in this Declaration. Except as set forth in Section 5.2, the Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act.

Section 3.12 NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES. The recitals contained in this Declaration and the Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Declaration or the Securities.

Section 3.13 DURATION OF TRUST. The Trust, unless terminated pursuant to the provisions of Article VIII hereof, shall exist until [-].

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Section 3.14 MERGERS.

(a) The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety, to any corporation or other entity or body, except as described in Section 3.14(b) and (c).

(b) The Trust may, with the consent of the Administrative Trustees or, if there are more than two, a majority of the Administrative Trustees and without the consent of the Holders of the Securities, the Delaware Trustee or the Property Trustee, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any State of the United States; provided that:

(i) if the Trust is not the survivor, such successor entity (the "Successor Entity") either:

(A) expressly assumes all of the obligations of the Trust under the Securities; or

(B) substitutes for the Trust Preferred Securities other securities having substantially the same terms as the Trust Preferred Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Trust Preferred Securities with respect to Distributions, assets and payments upon liquidation, redemption and otherwise;

(ii) the Debenture Issuer expressly acknowledges a trustee of the Successor Entity that possesses the same powers and duties as the Property Trustee as the Holder of the Debentures;

(iii) the Trust Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with any other organization which the Trust Preferred Securities are then listed or quoted;

(iv) such merger, consolidation, amalgamation or replacement does not cause the Trust Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization;

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(v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Trust Preferred Securities (including any Successor Securities) in any material respect;

(vi) such Successor Entity has a purpose substantially identical to that of the Trust;

(vii) the Sponsor guarantees the obligations of such Successor Entity under the Successor Securities at least to the extent provided by the Trust Preferred Securities Guarantee; and

(viii) prior to such merger, consolidation, amalgamation or replacement, the Sponsor has received an opinion of a nationally recognized independent counsel to the Trust reasonably acceptable to the Property Trustee experienced in such matters to the effect that:

(A) such merger, consolidation, amalgamation or replacement will not adversely affect the rights, preferences and privileges of the Holders of the Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the Holders' interest in the new entity);

(B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor the Successor Entity will be required to register as an Investment Company; and

(C) following such merger, consolidation, amalgamation or replacement, the Trust (or the Successor Entity) will be treated as a grantor trust for United States federal income tax purposes.

(c) Notwithstanding Section 3.14(b), the Trust shall not, except with the consent of Holders of 100% in liquidation amount of the Trust Common Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or Successor Entity to be classified as other than a grantor trust for United States federal income tax purposes.

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ARTICLE IV

SPONSOR

Section 4.1 SPONSOR'S PURCHASE OF TRUST COMMON SECURITIES. On the Closing Date, the Sponsor will purchase all of the Trust Common Securities issued by the Trust on such date, in an amount that, when taken together with all other Trust Common Securities then owned by the Sponsor, at least equals 3% of the capital of the Trust, after giving effect to the issuance of Trust Preferred Securities on such date.

Section 4.2 RESPONSIBILITIES OF THE SPONSOR. In connection with the issue and sale of the Trust Preferred Securities, the Sponsor shall have the exclusive right and responsibility to engage in the following activities:

(a) to prepare for filing by the Trust with the Commission a registration statement on Form S-1 in relation to, among other securities, the Trust Preferred Securities, including any amendments thereto;

(b) to determine the States and foreign jurisdictions, if any, in which to take appropriate action to qualify or register for sale all or part of the Trust Preferred Securities and to do any and all such acts, other than actions that must be taken by the Trust, and advise the Trust of actions it must take, and prepare for execution and filing any documents to be executed and

filed by the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such States and foreign jurisdictions;

(c) to prepare for filing by the Trust an application to the New York Stock Exchange, the Nasdaq National Market or any other national stock exchange for listing or quotation upon notice of issuance of any Trust Preferred Securities;

(d) to prepare for filing by the Trust with the Commission a registration statement on Form 8-A relating to the registration of the Trust Preferred Securities under Section 12(b) of the Exchange Act, including any amendments thereto;

(e) to negotiate the terms of the Purchase Agreement providing for the sale of the Trust Preferred Securities; and

(f) to negotiate the terms of other related agreements in connection with the sale of the Trust Preferred Securities.

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ARTICLE V

TRUSTEES

Section 5.1 NUMBER OF TRUSTEES. The number of Trustees shall be four (4), and:

(a) at any time before the issuance of any Securities, the Sponsor may, by written instrument, increase or decrease the number of Trustees; and

(b) after the issuance of any Securities, the number of Trustees may be increased or decreased by vote of the Holders of a Majority in liquidation amount of the Trust Common Securities voting as a class at a meeting of the Holders of the Trust Common Securities; provided, however, that the number of Trustees shall in no event be less than two; provided further that (1) the Delaware Trustee, in the case of a natural person, shall be a person who is a resident of the State of Delaware or that, if not a natural person, is an entity which has its principal place of business in the State of Delaware; (2) at least one Administrative Trustee is an employee or officer of, or is affiliated with, the Sponsor; and (3) one Trustee shall be the Property Trustee, and such Trustee may also serve as Delaware Trustee if it meets the applicable requirements.

Section 5.2 DELAWARE TRUSTEE. If required by the Business Trust Act, one Trustee (the "Delaware Trustee") shall be:

(a) a natural person who is resident of the State of Delaware; or

(b) if not a natural person, an entity which has its principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law, provided that, if the Property Trustee has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable law, then the Property Trustee shall also be the Delaware Trustee and Section 3.11 shall have no application. The Delaware Trustee shall accept service of process on the Trust in the State of Delaware and execute any certificates presented to it in execution form and filed under the Business Trust Act.

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Section 5.3 PROPERTY TRUSTEE; ELIGIBILITY.

(a) There shall at all times be one Trustee which shall act as Property Trustee which shall:

(i) not be an Affiliate of the Sponsor;

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or

examining authority referred to above, then for the purposes of this Section 5.3(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published; and

(iii) if the Trust is excluded from the definition of an Investment Company solely by means of Rule 3a-5 and to the extent Rule 3a-5 requires a trustee having certain qualifications to hold title to the "eligible assets" of the trust, the Property Trustee shall possess those qualifications.

(b) If at any time the Property Trustee shall cease to be eligible to so act under Section 5.3(a), the Property Trustee shall immediately resign in the manner and with the effect set forth in Section 5.6(c).

(c) If the Property Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Property Trustee and the Holder of the Trust Common Securities (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Trust Preferred Securities Guarantee shall be deemed to be specifically described in this Declaration for purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

(e) The initial Property Trustee shall be set forth in Section 5.5 hereof.

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Section 5.4 QUALIFICATIONS OF ADMINISTRATIVE TRUSTEES AND DELAWARE TRUSTEE GENERALLY. Each Administrative Trustee and the Delaware Trustee (unless the Property Trustee also acts as Delaware Trustee) shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more Authorized Officers.

Section 5.5 ADMINISTRATIVE TRUSTEES; INITIAL TRUSTEES.

(a) Except as expressly set forth in this Declaration and except if a meeting of the Administrative Trustees is called with respect to any matter over which the Administrative Trustees have power to act, any power of the Administrative Trustees may be exercised by, or with the consent of, any one such Administrative Trustee.

(b) Unless otherwise determined by the Administrative Trustees, and except as otherwise required by the Business Trust Act or applicable law, any one of the Administrative Trustees is authorized to execute on behalf of the Trust any documents which the Administrative Trustees have the power and authority to execute pursuant to Section 3.6.

(c) An Administrative Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purposes of signing any documents which the Administrative Trustees have power and authority to cause the Trust to execute pursuant to Section 3.6.

(d) The initial Administrative Trustees shall be:

Debra J. Richardson and Wendy L. Carlson
c/o American Equity Investment Life Holding Company
5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266

The initial Delaware Trustee shall be:

First Union Trust Company, National Association
One Rodney Square, Suite 102
920 King Street
Wilmington, Delaware 19801
Attn: Corporate Trust Administration

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The initial Property Trustee shall be:

First Union Trust Company, National Association
One Rodney Square, Suite 102
920 King Street
Wilmington, Delaware 19801

Section 5.6 APPOINTMENT, REMOVAL AND RESIGNATION OF TRUSTEES.

(a) Subject to Section 5.6(b), Trustees may be appointed or removed without cause at any time:

(i) until the issuance of any Securities, by written instrument executed by the Sponsor; and

(ii) after the issuance of any Securities, by vote of the Holders of a Majority in liquidation amount of Trust Common Securities voting as a class at a meeting of the Holders of the Trust Common Securities.

(b) The Trustee that acts as Property Trustee shall not be removed in accordance with Section 5.6(a) until a successor Trustee possessing the qualifications to act as Property Trustee under Section 5.3 (a "Successor Property Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Property Trustee and delivered to the Administrative Trustees and the Sponsor.

(c) The Trustee that acts as Delaware Trustee shall not be removed in accordance with Section 5.6(a) until a successor trustee possessing the qualifications to act as Delaware Trustee under Sections 5.2 and 5.4 (a "Successor Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Administrative Trustees and the Sponsor.

(d) A Trustee appointed to office shall hold office until his successor shall have been appointed or until his death, removal or resignation. Any Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Trustee and delivered to the Sponsor and the Trust, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that:

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(i) No such resignation of the Trustee that acts as the Property Trustee shall be effective:

(A) until a Successor Property Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Property Trustee and delivered to the Trust, the Sponsor and the resigning Property Trustee; or

(B) until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the Holders of the Securities; and

(ii) no such resignation of the Trustee that acts as the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor and the resigning Delaware Trustee.

(e) The Holders of the Trust Common Securities shall use their best efforts to promptly appoint a Successor Property Trustee or Successor Delaware Trustee, as the case may be, if the Property Trustee or the Delaware Trustee delivers an instrument of resignation or is removed in accordance with this Section 5.6.

(f) If no Successor Property Trustee or Successor Delaware Trustee shall have been appointed and accepted appointment as provided in this Section 5.6 within 60 days after delivery pursuant to this Section 5.6 of an instrument of resignation or removal, the Property Trustee or Delaware Trustee resigning or being removed, as applicable, may petition any court of competent jurisdiction for appointment of a Successor Property Trustee or Successor Delaware Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Property Trustee or Successor Delaware Trustee, as the case may be.

(g) No Property Trustee or Delaware Trustee shall be liable for the acts or omissions to act of any Successor Property Trustee or Successor Delaware Trustee, as the case may be.

Section 5.7 VACANCIES AMONG TRUSTEES. If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 5.1, or if the number of Trustees is increased pursuant to Section 5.1, a vacancy shall occur. A resolution certifying the existence of such vacancy by

the Administrative Trustees or, if there are more than two, a majority of the Administrative Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with Section 5.6.

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Section 5.8 EFFECT OF VACANCIES. The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul the Trust. Whenever a vacancy in the number of Administrative Trustees shall occur, until such vacancy is filled by the appointment of an Administrative Trustee in accordance with Section 5.6, the Administrative Trustees in office, regardless of their number, shall have all the powers granted to the Administrative Trustees and shall discharge all the duties imposed upon the Administrative Trustees by this Declaration.

Section 5.9 MEETINGS. If there is more than one Administrative Trustee, meetings of the Administrative Trustees shall be held from time to time upon the call of any Administrative Trustee. Regular meetings of the Administrative Trustees may be held at a time and place fixed by resolution of the Administrative Trustees. Notice of any in- person meetings of the Administrative Trustees shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meetings of the Administrative Trustees or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before a meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of an Administrative Trustee at a meeting shall constitute a waiver of notice of such meeting except where an Administrative Trustee attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless provided otherwise in this Declaration, any action of the Administrative Trustees may be taken at a meeting by vote of a majority of the Administrative Trustees present (whether in person or by telephone) and eligible to vote with respect to such matter, provided that a Quorum is present, or without a meeting by the unanimous written consent of the Administrative Trustees. In the event there is only one Administrative Trustee, any and all action of such Administrative Trustee shall be evidenced by a written consent of such Administrative Trustee.

Section 5.10 DELEGATION OF POWER.

(a) Any Administrative Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 3.6, including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and

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(b) the Administrative Trustees shall have power to delegate from time to time to such of their number or to officers of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Administrative Trustees or otherwise as the Administrative Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

Section 5.11 MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS. Any corporation into which the Property Trustee or the Delaware Trustee, as the case may be, may be merged or converted or with which either may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Property Trustee or the Delaware Trustee, as the case may be, shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Property Trustee or the Delaware Trustee, as the case may be, shall be the successor of the Property Trustee or the Delaware Trustee, as the case may be, hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

ARTICLE VI

DISTRIBUTIONS

Section 6.1 DISTRIBUTIONS. Holders shall receive Distributions (as defined herein) in accordance with the applicable terms of the relevant Holder's Securities. Distributions shall be made on the Trust Preferred Securities and

the Trust Common Securities in accordance with the preferences set forth in their respective terms. If and to the extent that the Debenture Issuer makes a payment of interest (including Compounded Interest and Additional Interest), premium and/or principal on the Debentures held by the Property Trustee (the amount of any such payment being a "Payment Amount"), the Property Trustee shall and is directed, to the extent funds are available for that purpose, to make a distribution (a "Distribution") of the Payment Amount to Holders.

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ARTICLE VII

ISSUANCE OF SECURITIES

Section 7.1 GENERAL PROVISIONS REGARDING SECURITIES.

(a) The Administrative Trustees shall on behalf of the Trust issue one class of trust preferred securities, representing undivided beneficial interests in the assets of the Trust (the "Trust Preferred Securities"), having such terms as are set forth in Annex I (the "Terms"), and one class of trust common securities, representing undivided beneficial interests in the assets of the Trust (the "Trust Common Securities"), having such terms as are set forth in the Terms. The Trust shall not issue any securities or other interests in the assets of the Trust other than the Trust Preferred Securities and the Trust Common Securities. The Trust shall not issue any Securities in bearer form. The Trust may issue fractions of Securities.

(b) The Certificates shall be signed on behalf of the Trust by an Administrative Trustee. Such signature shall be the manual or facsimile signature of any present or any future Administrative Trustee. In case any Administrative Trustee of the Trust who shall have signed any of the Certificates shall cease to be such Administrative Trustee before the Certificates so signed shall be delivered by the Trust, such Certificates nevertheless may be delivered as though the person who signed such Certificates had not ceased to be such Administrative Trustee; and any Certificates may be signed on behalf of the Trust by such person who, at the actual date of execution of such Certificate, shall be an Administrative Trustee of the Trust, although at the date of the execution and delivery of the Declaration any such person was not such an Administrative Trustee. Certificates may be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to an Administrative Trustee, as evidenced by his or her execution thereof, and may have such letters, numbers, notations or other marks of identification or designation and such legends or endorsements required by law, agreements to which the Trust is subject, if any, any rule or regulation of any stock exchange on which the Securities may be listed, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Trust). The Trust, at the direction of the Sponsor, shall furnish any such legend not contained in Exhibit A-1 to the Property Trustee in writing. The terms and provisions of the Securities set forth in Annex I are part of the terms of this Declaration and to the extent applicable, the Property Trustee and the Sponsor, by their execution and delivery of this Declaration, expressly agree to such terms and provisions and to be bound thereby.

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(c) At the time of the delivery of the Trust Preferred Securities, the Administrative Trustees shall cause Certificates to be authenticated by the Property Trustee on behalf of the Trust and delivered to or upon the written order of the Trust, signed by one Administrative Trustee without further corporate action by the Sponsor, in authorized denominations. A Trust Preferred Security shall not be valid until authenticated by the manual signature of an authorized signatory of the Property Trustee. The signature shall be conclusive evidence that the Trust Preferred Security has been authenticated under this Declaration.

(d) The Property Trustee may appoint an authenticating agent acceptable to the Trust to authenticate Trust Preferred Securities. An authenticating agent may authenticate Trust Preferred Securities whenever the Property Trustee may do so. Each reference in this Declaration to authentication by the Property Trustee includes authentication by such agent. An authenticating agent has the same rights as the Property Trustee to deal with the Sponsor or an Affiliate, and may itself be an Affiliate of the Trust or a Related Party of the Sponsor.

(e) The consideration received by the Trust for the issuance of the Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.

(f) Upon issuance of the Securities as provided in this Declaration, the Securities so issued shall be deemed to be validly issued,

fully paid and nonassessable.

(g) Every Person, by virtue of having become a Holder or a Trust Preferred Securities Beneficial Owner in accordance with the terms of this Declaration, shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Declaration.

(h) The Securities shall have no preemptive rights.

Section 7.2 PAYING AGENT. In the event that the Securities are not in book-entry only form, the Trust shall authorize one or more Persons (each, a "Paying Agent") to pay Distributions, redemption payments or liquidation payments on behalf of the Trust with respect to all Securities and any such Paying Agent shall comply with Section 317(b) of the Trust Indenture Act. Any Paying Agent may be removed by the Trust at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Trust, in each case without prior notice to any Holder. If the Trust fails to appoint or maintain another entity as Paying Agent, the Property Trustee shall act as such. The Property Trustee is hereby appointed to initially act as Paying Agent for the Securities. Any successor Paying Agent or any additional paying Agent shall execute and deliver to the Trustees an instrument in which such successor Paying Agent or additional Paying Agent shall agree with the Trustees that as Paying Agent, such successor Paying Agent or additional Paying Agent will hold all sums, if any, held by it for payment to the Holders in trust for the benefit of the Holders entitled thereto until such sums shall be paid to such Holders, will give the Property Trustee notice of any default by the Trust (or any other obligor on the Securities) in the making of any payment on the Securities and will, at any time during the continuance of any such default, upon the written request of the Property Trust, forthwith pay to the Property Trustee all sums so held in trust by such Paying Agent. The Paying Agent shall return all unclaimed funds to the Property Trustee and upon removal of a Paying Agent such Paying Agent shall also return all funds in its possession to the Property Trustee. Any reference in this Declaration to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

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ARTICLE VIII

TERMINATION OF TRUST

Section 8.1 TERMINATION OF TRUST.

(a) The Trust shall dissolve:

(i) on [-], the expiration date of the Trust;

(ii) upon the bankruptcy of the Sponsor;

(iii) upon the filing of a certificate of dissolution or its equivalent with respect to the Sponsor, the filing of a certificate of cancellation with respect to the Trust after having obtained the consent of the Holders of at least a Majority in liquidation amount of the Securities, voting together as a single class to file such certificate of cancellation, or the revocation of the charter of the Sponsor and the expiration of 90 days after the date of revocation without a reinstatement thereof;

(iv) when all of the Securities shall have been called for redemption and the amounts necessary for redemption thereof, including any Additional Interest and Compounded Interest, shall have been paid to the Holders in accordance with the terms of the Securities;

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(v) upon the distribution of all of the Debentures to the Holders in exchange for all of the Securities in accordance with the terms of the Securities;

(vi) upon the entry of a decree of judicial dissolution of the Sponsor or the Trust;

(vii) upon the occurrence and continuation of a Special Event pursuant to which the Trust shall have been dissolved in accordance with the terms of the Securities and all of the Debentures endorsed thereon shall have been distributed to the Holders of Securities in exchange for all of the Securities; provided, that if the Special Event is a Tax Event the dissolution of the Trust and the distribution of the Debentures pursuant to this clause (vii) shall be

conditioned upon the Administrative Trustees' receipt of a No Recognition Opinion; or

(viii) before the issuance of any Securities, with the consent of all the Administrative Trustees and the Sponsor.

(b) Subject to the Terms of the Securities and clause (vii) of paragraph (a) above, following dissolution of the Trust, the Trustees shall liquidate any remaining Trust property and pay or provide for all claims of creditors of the Trust.

(c) As soon as is practicable after the occurrence of an event referred to in Section 8.1(a), the Trustees shall file a certificate of cancellation with the Secretary of State of the State of Delaware and the Trust shall terminate.

(d) The provisions of Section 3.9 and Article X shall survive the termination of the Trust.

ARTICLE IX

TRANSFER OF INTERESTS

Section 9.1 TRANSFER OF SECURITIES.

(a) Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Declaration and in the terms of the Securities. Any transfer or purported transfer of any Security not made in accordance with this Declaration shall be null and void.

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(b) Subject to this Article IX, Trust Preferred Securities shall be freely transferable.

(c) Subject to this Article IX, the Sponsor and any Related Party may only transfer Trust Common Securities in whole to the Sponsor or a Related Party of the Sponsor; provided that, any such transfer is subject to the condition precedent that the transferor obtain the written opinion of nationally recognized independent counsel experienced in such matters that such transfer would not cause more than an insubstantial risk that:

(i) the Trust would not be classified for United States federal income tax purposes as a grantor trust; and

(ii) the Trust would be an Investment Company or the transferee would become an Investment Company.

The Administrative Trustees shall cause each Trust Common Securities Certificate issued to the sponsor to contain a legend stating: "THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT TO THE SPONSOR OR AN AFFILIATE OF THE SPONSOR IN COMPLIANCE WITH APPLICABLE LAW AND ARTICLE IX OF THE DECLARATION."

(d) The Trust shall not be required to issue Trust Preferred Securities during a period beginning at the opening of business 15 days before the day of any selection of Trust Preferred Securities for redemption set forth in the Terms and ending at the close of business on the day of selection.

(e) For so long as the Securities remain outstanding, the Sponsor will covenant (i) to use its reasonable efforts to cause the Trust (A) to remain a statutory business trust, except in connection with a distribution of Debentures to the Holders of Securities in liquidation of the Trust, the redemption of all Securities or certain mergers, consolidations or amalgamations, each as permitted by this Declaration and (B) to continue to be classified as a grantor trust, and not as an association taxable as a corporation or a partnership, for United States federal income tax purposes and (ii) to use its reasonable efforts to cause each Holder of Securities to be treated as owning an undivided beneficial interest in the Debentures.

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Section 9.2 TRANSFER OF CERTIFICATES. The Administrative Trustees shall provide for the registration of Certificates and of transfers of Certificates, which will be effected without charge but only upon payment (with such indemnity as the Administrative Trustees may require) in respect of any tax or other governmental charges that may be imposed in relation to it. Upon surrender for registration of transfer of any Certificate, the Administrative Trustees shall cause one or more new Certificates to be issued in the name of the designated transferee or transferees. Every Certificate surrendered for registration of transfer shall be accompanied by a written instrument of

transfer in form satisfactory to the Administrative Trustees duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Certificate surrendered for registration of transfer shall be canceled by the Administrative Trustees. A transferee of a Certificate shall be entitled to the rights and subject to the obligations of a Holder hereunder upon the receipt by such transferee of a Certificate. By acceptance of a Certificate, each transferee shall be deemed to have agreed to be bound by this Declaration.

Section 9.3 DEEMED SECURITY HOLDERS. The Trustees may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Securities represented by such Certificate on the part of any Person, whether or not the Trust shall have actual or other notice thereof.

Section 9.4 BOOK ENTRY INTERESTS. Unless otherwise specified in the terms of the Trust Preferred Securities, the Trust Preferred Securities Certificates, on original issuance, will be issued in the form of one or more, fully registered, global Trust Preferred Securities Certificates (each a "Global Certificate"), to be delivered to DTC, the initial Clearing Agency, by, or on behalf of, the Trust. Such Global Certificate(s) shall initially be registered on the books and records of the Trust in the name of Cede & Co., the nominee of DTC, and no Trust Preferred Securities Beneficial Owner will receive a Definitive Trust Preferred Securities Certificate representing such Trust Preferred Securities Beneficial Owner's interests in such Global Certificate(s), except as provided in Section 9.7. Unless and until definitive, fully registered Trust Preferred Securities Certificates (the "Definitive Trust Preferred Securities Certificates") have been issued to the Trust Preferred Securities Beneficial Owners pursuant to Section 9.7:

(a) the provisions of this Section 9.4 shall be in full force and effect;

(b) the Trust and the Trustees shall be entitled to deal with the Clearing Agency for all purposes of this Declaration (including the payment of Distributions on the Global Certificate(s) and receiving approvals, votes or consents hereunder) as the Holder of the Trust Preferred Securities and the sole holder of the Global Certificate(s) and shall have no notice obligation to the Trust Preferred Securities Beneficial Owners;

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(c) to the extent that the provisions of this Section 9.4 conflict with any other provisions of this Declaration, the provisions of this Section 9.4 shall control; and

(d) the rights of the Trust Preferred Securities Beneficial Owners shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Trust Preferred Securities Beneficial Owners and the Clearing Agency and/or the Clearing Agency Participants. DTC will make book entry transfers among the Clearing Agency Participants and receive and transmit payments of Distributions on the Global Certificates to such Clearing Agency Participants.

At such time as all beneficial interests in a Global Certificate have either been exchanged for Definitive Trust Preferred Securities Certificates to the extent permitted by this Declaration or redeemed, repurchased or canceled in accordance with the terms of this Declaration, such Global Certificate shall be returned to the Clearing Agency for cancellation or retained and canceled by the Property Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Certificate is exchanged for Definitive Trust Preferred Securities Certificates, or if Definitive Trust Preferred Securities Certificates are exchanged for a beneficial interest in a Global Certificate, Trust Preferred Securities represented by such Global Certificate shall be reduced or increased and an adjustment shall be made on the books and records of the Property Trustee (if it is then the securities custodian for such Global Certificate) with respect to such Global Certificate, by the Property Trustee or the securities custodian, to reflect such reduction or increase.

Section 9.5 NOTICES TO CLEARING AGENCY. Whenever a notice or other communication to the Trust Preferred Securities Holders is required under this Declaration, unless and until Definitive Trust Preferred Securities Certificates shall have been issued to the Trust Preferred Securities Beneficial Owners pursuant to Section 9.7, the Administrative Trustees shall give all such notices and communications specified herein to be given to the Trust Preferred Securities Beneficial Owners to the Clearing Agency, and shall have no notice obligations to the Trust Preferred Securities Beneficial Owners.

Section 9.6 APPOINTMENT OF SUCCESSOR CLEARING AGENCY. If any Clearing

Agency elects to discontinue its services as securities depository with respect to the Trust Preferred Securities, the Administrative Trustees may, in their sole discretion, appoint a successor Clearing Agency with respect to such Trust Preferred Securities.

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Section 9.7 DEFINITIVE TRUST PREFERRED SECURITIES CERTIFICATES. If:

(a) a Clearing Agency elects to discontinue its services as securities depository with respect to the Trust Preferred Securities and a successor Clearing Agency is not appointed within 90 days after such discontinuance pursuant to Section 9.6;

(b) a Clearing Agency ceases to be a clearing agency under the Exchange Act; or

(c) the Administrative Trustees elect after consultation with the Sponsor to terminate the book entry system through the Clearing Agency with respect to the Trust Preferred Securities,

then:

(i) Definitive Trust Preferred Securities Certificates shall be prepared by the Administrative Trustees on behalf of the Trust with respect to such Trust Preferred Securities; and

(ii) upon surrender of the Global Certificate(s) by the Clearing Agency, accompanied by registration instructions, the Administrative Trustees shall cause Definitive Trust Preferred Securities Certificates to be delivered to Trust Preferred Securities Beneficial Owners in accordance with the instructions of the Clearing Agency. Neither the Trustees nor the Trust shall be liable for any delay in delivery of such instructions and each of them may conclusively rely on and shall be protected in relying on, said instructions of the Clearing Agency. The Definitive Trust Preferred Securities Certificates may be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Administrative Trustees, as evidenced by their execution thereof, and may have such letters, numbers, notations or other marks of identification or designation and such legends or endorsements required by law, agreements to which the Trust is subject, if any, any rule or regulation of any stock exchange on which the Trust Preferred Securities may be listed, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Trust). The Trust, at the direction of the Sponsor, shall furnish any such legend not contained in Exhibit A-1 to the Property Trustee in writing.

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Section 9.8 MUTILATED, DESTROYED, LOST OR STOLEN CERTIFICATES. If:

(a) any mutilated Certificates should be surrendered to the Administrative Trustees, or if the Administrative Trustees shall receive evidence to their satisfaction of the destruction, loss or theft of any Certificate; and

(b) there shall be delivered to the Administrative Trustees such security or indemnity as may be required by them to keep each of them harmless, then, in the absence of notice that such Certificate shall have been acquired by a bona fide purchaser, any Administrative Trustee on behalf of the Trust shall execute and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 9.8, the Administrative Trustees may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Certificate issued pursuant to this Section 9.8 shall constitute conclusive evidence of an ownership interest in the relevant Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

ARTICLE X

LIMITATION OF LIABILITY OF
HOLDERS OF SECURITIES, TRUSTEES OR OTHERS

Section 10.1 LIABILITY.

(a) Except as expressly set forth in this Declaration, the Trust Preferred Securities Guarantee, the Trust Common Securities Guarantee and the

Terms, the Sponsor shall not be:

(i) personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Securities which shall be made solely from assets of the Trust; or

(ii) required to pay to the Trust or to any Holder of Securities any deficit upon dissolution of the Trust or otherwise.

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(b) The Holder of the Trust Common Securities shall be liable for all of the debts and obligations of the Trust (other than with respect to the Securities) to the extent not satisfied out of the Trust's assets.

(c) Pursuant to sections 3803(a) of the Business Trust Act, the Holders of the Trust Preferred Securities shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

Section 10.2 EXCULPATION.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence (or, in the case of the Property Trustee, negligence) or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who, if selected by such Indemnified Person, has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Securities might properly be paid.

Section 10.3 FIDUCIARY DUTY.

(a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Declaration shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Property Trustee under the Trust Indenture ct), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.

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(b) Unless otherwise expressly provided herein:

(i) whenever a conflict of interest exists or arises between an Indemnified Person and any Covered Person; or

(ii) whenever this Declaration or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust or any Holder of Securities, the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by the Indemnified Person shall not constitute a breach of this Declaration or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise.

(c) Whenever in this Declaration an Indemnified Person is permitted or required to make a decision:

(i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or

(ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law.

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Section 10.4 INDEMNIFICATION.

(a) (i) The Debenture Issuer shall indemnify, to the full extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Trust) by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Company Indemnified Person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(ii) The Debenture Issuer shall indemnify, to the full extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Trust to procure a judgment in its favor by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such Company Indemnified Person shall have been adjudged to be liable to the Trust unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(iii) To the extent that a Company Indemnified Person shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 10.4(a), or in defense of any claim, issue or matter therein, he shall be indemnified, to the full extent permitted by law, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

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(iv) Any indemnification under paragraphs (i) and (ii) of this Section 10.4(a) (unless ordered by a court) shall be made by the Debenture Issuer only as authorized in the specific case upon a determination that indemnification of the Company Indemnified Person is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (i) and (ii). Such determination shall be made (1) by the Administrative Trustees by a majority vote of a quorum consisting of such Administrative Trustees who were not parties to such action, suit or proceeding, (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Administrative Trustees so directs, by independent legal counsel in a

written opinion, or (3) by the Holder of the Trust Common Securities.

(v) Expenses (including attorneys' fees) incurred by a Company Indemnified Person in defending a civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 10.4(a) shall be paid by the Debenture Issuer in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Company Indemnified Person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Debenture Issuer as authorized in this Section 10.4(a). Notwithstanding the foregoing, no advance shall be made by the Debenture Issuer if a determination is reasonably and promptly made (i) by the Administrative Trustees by a majority vote of a quorum of disinterested Administrative Trustees, (ii) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Administrative Trustees so directs, by independent legal counsel in a written opinion or (iii) the Holder of the Trust Common Securities, that, based upon the facts known to the Administrative Trustees, counsel or the Holder of the Trust Common Securities at the time such determination is made, such Company Indemnified Person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Trust, or, with respect to any criminal proceeding, that such Company Indemnified Person believed or had reasonable cause to believe his conduct was unlawful. In no event shall any advance be made in instances where the Administrative Trustees, independent legal counsel or Holder of Trust Common Securities reasonably determine that such person deliberately breached his duty to the Trust or the Holders of Trust Common Securities or Trust Preferred Securities Holders.

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(vi) The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of this Section 10.4(a) shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors of the Debenture Issuer or Trust Preferred Securities Holders of the Trust or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Section 10.4(a) shall be deemed to be provided by a contract between the Debenture Issuer and each Company Indemnified Person who serves in such capacity at any time while this Section 10.4(a) is in effect. Any repeal or modification of this Section 10.4(a) shall not affect any rights or obligations then existing.

(vii) The Debenture Issuer or the Trust may purchase and maintain insurance on behalf of any person who is or was a Company Indemnified Person against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Debenture Issuer would have the power to indemnify him against such liability under the provisions of this Section 10.4(a).

(viii) For purposes of this Section 10.4(a), references to "the Trust" shall include, in addition to the resulting or surviving entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, trustee, officer or employee of such constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee or agent of another entity, shall stand in the same position under the provisions of this Section 10.4(a) with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

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(ix) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 10.4(a) shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Company Indemnified Person and shall inure to the benefit of the heirs, executors and administrators of such a person.

(b) The Debenture Issuer agrees to indemnify the (i) Property Trustee, (ii) the Delaware Trustee, (iii) any Affiliate of the Property Trustee and the Delaware Trustee, and (iv) any officers, directors, shareholders,

members, partners, employees, representatives, custodians, nominees or agents of the Property Trustee and the Delaware Trustee (each of the Persons in (i) through (iv), including the Property Trustee and the Delaware Trustee in their respective individual capacities, being referred to as a "Fiduciary Indemnified Person") for, and to hold each Fiduciary Indemnified Person harmless against, any and all loss, liability or expense including taxes (other than taxes based on the income of such Fiduciary Indemnified Person) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration or the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 10.4(b) shall survive the resignation or removal of the Property Trustee or the Delaware Trustee and shall survive the satisfaction and discharge of this Declaration.

Section 10.5 OUTSIDE BUSINESSES. Any Covered Person, the Sponsor, the Delaware Trustee and the Property Trustee may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. No Covered Person, the Sponsor, the Delaware Trustee, or the Property Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person, the Sponsor, the Delaware Trustee and the Property Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person, the Delaware Trustee and the Property Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depository for, trustee or agent for, or act on any committee or body of holders of, securities or other obligations of the Sponsor or its Affiliates.

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Section 10.6 COMPENSATION; FEES. The Sponsor agrees to pay to each of the Property Trustee and the Delaware Trustee such compensation, as may be agreed to by the Sponsor in writing, for all services rendered by such Trustee hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) including compensation for services rendered up to the time of any removal or resignation of such Trustee.

To the fullest extent permitted by law, the parties intend that the provisions of Section 3561 of Title 12 of the Delaware Code shall not apply to the Trust and that the compensation payable hereby shall not be subject to review by any court of competent jurisdiction, whether pursuant to Section 3560 of Title 12 of the Delaware Code or otherwise.

The provisions of this Section 10.6 shall survive the termination of the Trust and the satisfaction and discharge of this Declaration and the removal or resignation of any Trustee.

ARTICLE XI

ACCOUNTING

Section 11.1 FISCAL YEAR. The fiscal year ("Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

Section 11.2 CERTAIN ACCOUNTING MATTERS.

(a) At all times during the existence of the Trust, the Administrative Trustees shall keep, or cause to be kept, full books of account, records and supporting documents, which shall reflect in reasonable detail, each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied. The Trust shall use the accrual method of accounting for United States federal income tax purposes. The books of account and the records of the Trust shall be examined by and reported upon as of the end of each Fiscal Year by a firm of independent certified public accountants selected by the Administrative Trustees.

(b) The Administrative Trustees shall cause to be prepared and delivered to each of the Holders of Securities, within 90 days after the end of each Fiscal Year of the Trust, annual financial statements of the Trust, including a balance sheet of the Trust as of the end of such Fiscal Year, and the related statements of income or loss.

(c) The Administrative Trustees shall cause to be duly prepared and delivered to each of the Holders of Securities, any annual United States federal income tax information statement, required by the Code, containing such information with regard to the Securities held by each Holder as is required by the Code and the Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Administrative Trustees shall endeavor to deliver all such statements within 30 days after the end of each Fiscal Year of the Trust.

(d) The Administrative Trustees shall cause to be duly prepared and filed with the appropriate taxing authority, an annual United States federal income tax return, on a Form 1041 or such other form required by United States federal income tax law, and any other annual income tax returns required to be filed by the Administrative Trustees on behalf of the Trust with any state or local taxing authority.

Section 11.3 BANKING. The Trust shall maintain one or more bank accounts in the name and for the sole benefit of the Trust; provided, however, that all payments of funds in respect of the Debentures held by the Property Trustee shall be made directly to the Property Trustee Account and no other funds of the Trust shall be deposited in the Property Trustee Account. The sole signatories for such accounts shall be designated by the Administrative Trustees; provided, however, that the Property Trustee shall designate the signatories for the Property Trustee Account.

Section 11.4 WITHHOLDING. The Trust and the Administrative Trustees shall comply with all withholding requirements under United States federal, state and local law. The Trust shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Administrative Trustee shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority with respect to distributions or allocations to any Holder, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Holder. In the event of any claimed overwithholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount required to be withheld was not withheld from actual Distributions made, the Trust may reduce subsequent Distributions by the amount of such withholding.

ARTICLE XII

AMENDMENTS AND MEETINGS

Section 12.1 AMENDMENTS.

(a) Except as otherwise provided in this Declaration or by any applicable terms of the Securities, this Declaration may only be amended by a written instrument approved and executed by:

(i) the Administrative Trustees (or, if there are more than two Administrative Trustees a majority of the Administrative Trustees);

(ii) if the amendment affects the rights, powers, duties, obligations or immunities of the Property Trustee, the Property Trustee;

(iii) if the amendment affects the rights, powers, duties, obligations or immunities of the Delaware Trustee, the Delaware Trustee; and

(iv) if the amendment affects the rights, powers, duties, obligations or immunities of the Sponsor, the Sponsor.

(b) No amendment shall be made, and any such purported amendment shall be void and ineffective:

(i) unless, in the case of any proposed amendment, the Property Trustee shall have first received an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities); and if the proposed amendment affects the rights,

powers, duties, obligations or immunities of the Property Trustee, the Property Trustee shall have first received an opinion of counsel (who may be counsel to the Sponsor or the Trust) that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities); and

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(ii) to the extent the result of such amendment would be to:

(A) cause the Trust to fail to continue to be classified for purposes of United States federal income taxation as a grantor trust;

(B) reduce or otherwise adversely affect the powers of the Property Trustee in contravention of the Trust Indenture Act; or

(C) cause the Trust to be deemed to be an Investment Company that is required to be registered under the Investment Company Act;

(c) At such time after the Trust has issued any Securities that remain outstanding, any amendment that would adversely affect the rights, privileges or preferences of any Holder of Securities may be effected only with such additional requirements as may be set forth in the terms of such Securities;

(d) Section 10.1(c) and this Section 12.1 shall not be amended without the consent of all of the Holders of the Securities;

(e) Article IV shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Trust Common Securities;

(f) The rights of the holders of the Trust Common Securities under Article V to increase or decrease the number of, and appoint and remove Trustees shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Trust Common Securities; and

(g) Subject to Section 12.1(c), this Declaration may be amended without the consent of the Holders of the Securities to:

(i) cure any ambiguity;

(ii) correct or supplement any provision in this Declaration that may be defective or inconsistent with any other provision of this Declaration;

(iii) add to the covenants, restrictions or obligations of the Sponsor;

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(iv) conform to any change in Rule 3a-5 or written change in interpretation or application of Rule 3a-5 by any legislative body, court, government agency or regulatory authority which amendment does not have a material adverse effect on the rights, preferences or privileges of the Holders; and

(v) modify, eliminate or add to any provisions of the Declaration to such extent as shall be necessary to ensure that the Trust will be classified for United States federal income tax purposes as a grantor trust at all times that any Securities are outstanding or to ensure that the Trust will not be required to register as an Investment Company under the Investment Company Act;

provided, that in the case of clause (i) and clause (ii), such actions shall not adversely affect in any material respect the interests of the Holders, and any amendments of this Declaration shall become effective when notice thereof is given to the Holders.

Section 12.2 MEETINGS OF THE HOLDERS OF SECURITIES; ACTION BY WRITTEN CONSENT.

(a) Meetings of the Holders of any class of Securities may be called at any time by the Administrative Trustees (or as provided in the terms of the Securities) to consider and act on any matter on which Holders of such class of Securities are entitled to act under the terms of this Declaration, the terms of the Securities or the rules of any stock exchange on which the Trust Preferred Securities are listed or admitted for trading. The Administrative

Trustees shall call a meeting of the Holders of such class if directed to do so by the Holders of at least 10% in liquidation amount of such class of Securities. Such direction shall be given by delivering to the Administrative Trustees one or more calls in a writing stating that the signing Holders of Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Securities calling a meeting shall specify in writing the Certificates held by the Holders of Securities exercising the right to call a meeting and only those Securities so specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Securities, the following provisions shall apply to meetings of Holders of Securities:

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(i) notice of any such meeting shall be given to all the Holders of Securities having a right to vote thereat at least 7 days and not more than 60 days before the date of such meeting. Whenever a vote, consent or approval of the Holders of Securities is permitted or required under this Declaration or the rules of any stock exchange or over the counter market on which the Trust Preferred Securities are listed or admitted for trading, such vote, consent or approval may be given at a meeting of the Holders of Securities. Any action that may be taken at a meeting of the Holders of Securities may be taken without a meeting if a consent in writing setting forth the action so taken is signed by the Holders of Securities owning not less than the minimum amount of Securities in liquidation amount that would be necessary to authorize or take such action at a meeting at which all Holders of Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Securities entitled to vote who have not consented in writing. The Administrative Trustees may specify that any written ballot submitted to the Security Holders for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Administrative Trustees;

(ii) each Holder of a Security may authorize any Person to act for it by proxy on all matters in which a Holder of Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of Securities executing it. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Securities were stockholders of a Delaware corporation;

(iii) each meeting of the Holders of the Securities shall be conducted by the Administrative Trustees or by such other Person that the Administrative Trustees may designate; and

(iv) unless the Business Trust Act, this Declaration, the terms of the Securities, the Trust Indenture Act or the listing rules of any stock exchange on which the Trust Preferred Securities are then listed or trading provide otherwise, the Administrative Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

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ARTICLE XIII

REPRESENTATIONS OF PROPERTY TRUSTEE AND DELAWARE TRUSTEE

Section 13.1 REPRESENTATIONS AND WARRANTIES OF PROPERTY TRUSTEE. The Property Trustee that acts as initial Property Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Property Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Property Trustee's acceptance of its appointment as Property Trustee that:

(a) the Property Trustee is a banking corporation with trust powers, duly organized, validly existing and in good standing under the laws of Iowa, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration.

(b) The execution, delivery and performance by the Property Trustee of the Declaration has been duly authorized by all necessary corporate action on the part of the Property Trustee. The Declaration has been duly executed and delivered by the Property Trustee, and constitutes a legal, valid and binding obligation of the Property Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(c) The execution, delivery and performance of the Declaration by the Property Trustee does not conflict with or constitute a breach of the certificate of incorporation or By-laws of the Property Trustee.

(d) At the Closing Date, the Property Trustee will be the record holder of the Debentures and the Property Trustee has not knowingly created any liens or encumbrances on such Debentures.

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(e) The Property Trustee satisfies the qualifications set forth in Section 5.3.

(f) No consent, approval or authorization of, or registration with or notice to, any Iowa, State or Federal banking authority is required for the execution, delivery or performance by the Property Trustee, of the Declaration.

Section 13.2 REPRESENTATIONS AND WARRANTIES OF DELAWARE TRUSTEE. The Trustee that acts as initial Delaware Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration and at the time of Closing, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as Delaware Trustee that:

(a) The Delaware Trustee is duly organized, validly existing and in good standing as a national banking association under the federal laws of the United States of America, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, the Declaration.

(b) The execution, delivery and performance by the Delaware Trustee of the Declaration has been duly authorized by all necessary corporate action on the part of the Delaware Trustee. The Declaration has been duly executed and delivered by the Delaware Trustee, and constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(c) The execution, delivery and performance of the Declaration by the Delaware Trustee does not conflict with or constitute a breach of the articles of association or by-laws of the Delaware Trustee.

(d) No consent, approval or authorization of, or registration with or notice to, any Delaware State or Federal banking authority is required to be made, obtained or given, as the case may be, by the Delaware Trustee for the execution, delivery or performance by the Delaware Trustee, of this Declaration.

(e) The Delaware Trustee is an entity which has its principal place of business in the State of Delaware.

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(f) The Delaware Trustee has been authorized to perform its obligations under the Certificate of Trust and the Declaration.

ARTICLE XIV

MISCELLANEOUS

Section 14.1 NOTICES. All notices provided for in this Declaration shall be in writing, duly signed by the party giving such notice, and shall be delivered, sent by facsimile or mailed by first class mail, as follows:

(a) if given to the Trust, in care of the Administrative Trustees at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Securities):

c/o American Equity Investment Life Holding Company
5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266
Phone: 515-457-1824
Fax: 515-221-9989

(b) if given to the Property Trustee, at the mailing address set forth below (or such other address as the Property Trustee may give notice of to the Holders of the Securities):

First Union Trust Company, National Association
One Rodney Square, Suite 102
920 King Street
Wilmington, DE 19801
Attn: Corporate Trust Administration
Phone: 302-888-7506
Fax: 302-888-7544

(c) if given to the Delaware Trustee, at the mailing address set forth below (or such other address as the Delaware Trustee may give notice of to the Holders of the Securities):

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First Union Trust Company, National Association
One Rodney Square, Suite 102
920 King Street
Wilmington, DE 19801
Attn: Corporate Trust Administration
Phone: 302-888-7506
Fax: 302-888-7544

(d) if given to the Holder of the Trust Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Trust Common Securities may give notice to the Trust):

American Equity Investment Life Holding Company
5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266
Phone: 515-457-1824
Fax: 515-221-9989

(e) if given to any other Holder, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 14.2 GOVERNING LAW. This Declaration and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

Section 14.3 INTENTION OF THE PARTIES. It is the intention of the parties hereto that the Trust be classified for United States federal income tax purposes as a grantor trust. The provisions of this Declaration shall be interpreted to further this intention of the parties.

Section 14.4 HEADINGS. Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

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Section 14.5 SUCCESSORS AND ASSIGNS. Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in

this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether so expressed.

Section 14.6 PARTIAL ENFORCEABILITY. If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 14.7 COUNTERPARTS. This Declaration may contain more than one counterpart of the signature page and this Declaration may be executed by the affixing of the signature of each of the Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

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IN WITNESS WHEREOF, the undersigned has caused these presents to be executed as of the day and year first above written.

DEBRA J. RICHARDSON,
as Administrative Trustee

WENDY L. CARLSON,
as Administrative Trustee

FIRST UNION TRUST COMPANY,
NATIONAL ASSOCIATION,
as Delaware Trustee

By: _____
Name:
Title:

FIRST UNION TRUST COMPANY,
NATIONAL ASSOCIATION,
as Property Trustee

By: _____
Name:
Title:

AMERICAN EQUITY INVESTMENT LIFE
HOLDING COMPANY,
as Sponsor

By: _____
Name:
Title:

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ANNEX I

TERMS OF
[-]% TRUST PREFERRED SECURITIES
[-]% TRUST COMMON SECURITIES

Pursuant to Section 7.1 of the Amended and Restated Declaration of Trust, dated as of [-] (as amended from time to time, the "Declaration"), the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Trust Preferred Securities and the Trust Common Securities are set out below (each capitalized term used but not defined herein has the meaning set forth in the Declaration or, if not defined in such Declaration, as defined in the Prospectus (as defined below)):

1. DESIGNATION AND NUMBER.

(a) "Trust Preferred Securities." Up to [-] Trust Preferred Securities of the Trust with an aggregate liquidation amount with respect to

the assets of the Trust of up to \$[-] and a liquidation amount with respect to the assets of the Trust of \$25 per Trust Preferred Security, are hereby designated for the purposes of identification only as "[-]% Trust Preferred Securities (liquidation amount \$25 per Trust Preferred Security)" (the "Trust Preferred Securities"). The Trust Preferred Securities Certificates evidencing the Trust Preferred Securities shall be substantially in the form of Exhibit A-1 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice or to conform to the rules of any stock exchange on which the Trust Preferred Securities are listed.

(b) "Trust Common Securities." Up to [-] Trust Common Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of up to \$[-] and a liquidation amount with respect to the assets of the Trust of \$25 per Trust Common Security, are hereby designated for the purposes of identification only as "[-]% Trust Common Securities (liquidation amount \$25 per Trust Common Security)" (the "Trust Common Securities"). The Trust Common Securities Certificates evidencing the Trust Common Securities shall be substantially in the form of Exhibit A-2 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice.

(c) The Trust Preferred Securities and the Trust Common Securities represent undivided beneficial interests in the assets of the Trust.

(d) In connection with the purchase of the Securities, the Sponsor will deposit in the Trust, and the Trust will purchase, respectively, as trust assets, Debentures of the Sponsor having an aggregate principal amount of up to [-] dollars (\$[-]), and bearing interest at an annual rate equal to the annual Distribution rate on the Trust Preferred Securities and Trust Common Securities and having payment and redemption provisions which correspond to the payment and redemption provisions of the Trust Preferred Securities and Trust Common Securities.

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2. DISTRIBUTIONS.

(a) Distributions payable on each Security will be fixed at a rate per annum of [-]% (the "Coupon Rate") of the stated liquidation amount of \$25 per Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears will bear interest thereon compounded quarterly at the Coupon Rate (to the extent permitted by applicable law). The term "Distributions" as used herein includes any such interest including any Additional Interest and Compounded Interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Property Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

(b) Distributions on the Securities will be cumulative, will accrue from [-] and will, except as otherwise described below, be payable quarterly and in arrears, on the following dates, which dates correspond to the interest payment dates on the Debentures: March 31, June 30, September 30 and December 31 of each year, commencing on [-], when, as and if available for payment by the Property Trustee, except as otherwise described below. So long as no Indenture Event of Default has occurred and is continuing, the Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for successive periods not exceeding 20 consecutive quarters (each an "Extension Period"), during which Extension Period no interest shall be due and payable on the Debentures; provided that no Extension Period shall last beyond the maturity of the Debentures. As a consequence of such extension, Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law but not at a rate greater than the rate at which interest is then accruing on the Debentures) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters and that such Extension Period may not extend beyond the maturity of the Debentures. Payments of accrued Distributions will be payable Pro Rata (as defined herein) to Holders on the first payment date following the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements. In the event that the

Debt Issuer exercises this right, then the Debt Issuer shall not (i) declare or pay dividends on, or make a distribution with respect to, or redeem or purchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (A) purchases or acquisitions of shares of its common stock (or common stock equivalents) in connection with the satisfaction by the Debt Issuer of its obligations under any employee benefit or agent plans or the satisfaction by the Debt Issuer of its obligations pursuant to any contract or security requiring the Debt Issuer to purchase shares of its common stock (or common stock equivalents), (B) purchases of shares of its common stock (or common stock equivalents) from officers or employees of the Debt Issuer or its subsidiaries upon termination of employment or retirement not pursuant to any obligation under any contract or security requiring the Debt Issuer to purchase shares of its common stock (or common stock equivalents), (C) as a result of a reclassification of the Debt Issuer's capital stock or the exchange or conversion of one class or series of the Debt Issuer's capital stock for another class or series of the Debt Issuer's capital stock, (D) dividends or distributions of shares of its common stock on its common stock or (E) the purchase of fractional interests in shares of the Debt Issuer's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged), (ii) make any payment of principal (and premium, if any) or interest on or repay, repurchase or redeem any debt securities (including guarantees) issued by the Debt Issuer that rank PARI PASSU with or junior to the Debentures and (iii) make any guarantee payments with respect to any of the foregoing (other than pursuant to the Trust Preferred Securities Guarantee).

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(c) Distributions on the Securities will be payable to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates. While the Trust Preferred Securities remain in book-entry only form, the relevant record dates shall be one Business Day prior to the relevant payment dates, which payment dates correspond to the interest payment dates on the Debentures. Subject to any applicable laws and regulations and the provisions of the Declaration, each such payment in respect of the Trust Preferred Securities will be made as described under the heading "Certain Terms of the Preferred Securities - Book-Entry-Only Issuance - DTC" in the Prospectus dated [], 2001 (the "Prospectus"), of the Trust including in the Registration Statement on Form S-1 of the Sponsor and the Trust. The relevant record dates for the Trust Common Securities shall be the same record dates as for the Trust Preferred Securities. If the Trust Preferred Securities shall not continue to remain in book-entry only form, the relevant record dates for the Trust Preferred Securities shall conform to the rules of any securities exchange on which the securities are listed and, if none, shall be selected by the Administrative Trustees, which dates shall be at least one Business Day but less than 60 Business Days before the relevant payment dates, which payment dates correspond to the interest payment dates on the Debentures. Distributions payable on any Securities that are not punctually paid on any Distribution payment date, as a result of the Debt Issuer having failed to make a payment under the Debentures, will cease to be payable to the Person in whose name such Securities are registered on the relevant record date, and such defaulted Distribution will instead be payable to the Person in whose name such Securities are registered on the special record date or other specified date determined in accordance with the Indenture. Distributions on the Securities shall be paid on a Pro Rata basis to Holders thereof entitled thereto. If any date on which Distributions are payable on the Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day (and without any distribution or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

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(d) If at any time while the Property Trustee is the Holder of any Debentures, the Trust or the Property Trustee is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any such case, the Debt Issuer will pay as additional interest on the Debentures held by the Property Trustee, such amounts as shall be required so that the net amounts received and retained by the Trust and the Property Trustee after paying any such taxes, duties, assessments or other governmental charges will be not less than the amounts the Trust and the Property Trustee would have received had no such taxes, duties, assessments or other governmental charges been imposed.

(e) In the event that there is any money or other property held by or for the Trust that is not accounted for hereunder, such property shall be

distributed Pro Rata among the Holders of the Securities.

3. LIQUIDATION DISTRIBUTION UPON DISSOLUTION.

In the event of any voluntary or involuntary dissolution, winding-up or termination of the Trust (each a "Liquidation") the then Holders of the Securities on the date of the Liquidation will be entitled to receive Pro Rata out of the assets of the Trust available for distribution to Holders of Securities after satisfaction of liabilities of creditors, distributions in an amount equal to the aggregate of the stated liquidation amount of \$25 per Security plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with a Liquidation related to a Special Event, Debentures in an aggregate principal amount equal to the aggregate stated liquidation amount of such Securities, with an interest rate equal to the Coupon Rate of, and bearing accrued and unpaid interest in an amount equal to the accrued and unpaid Distributions on, such Securities, shall be distributed on a Pro Rata basis to the Holders of the Securities.

If, upon any such Liquidation (other than a Liquidation related to a Special Event), the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Securities shall be paid on a Pro Rata basis in accordance with paragraph 8 below.

4. REDEMPTION AND DISTRIBUTION.

(a) Redemption of the Securities will occur simultaneously with any repayment of the Debentures. The Debentures will mature on [-] and are prepayable as set forth in this Section 4. Upon the repayment of the Debentures in whole or in part, whether at maturity or upon redemption, the proceeds from such repayment or payment shall be simultaneously applied to redeem, in cash, Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed at a redemption price equal to the redemption price of such repaid or redeemed Debentures (as specified in the Indenture and the Prospectus), together with accrued and unpaid Distributions thereon through the date of the redemption (the "Redemption Price"). Holders will be given not less than 30 nor more than 60 days' notice of such redemption. If fewer than all of the outstanding Securities are to be so redeemed, the Securities will be redeemed Pro Rata and the Trust Preferred Securities to be redeemed will be as described in paragraph 4(f)(ii) below.

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(b) The Sponsor shall have the right (subject to the conditions in the Indenture) to elect to redeem the Debentures, (i) in whole or in part, at any time on or after [-], 2006 or (ii) at any time, in whole but not in part, upon the occurrence and continuation of a Redemption Tax Event (as defined below); in either case at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon (including Additional Interest and Compounded Interest, if any) to the date of redemption.

(c) If, at any time, a Tax Event or an Investment Company Event (each as defined below and each a "Special Event") shall occur and be continuing the Administrative Trustees shall, unless the Debentures are redeemed in the limited circumstances involving a Redemption Tax Event, dissolve the Trust and, after satisfaction of creditors of the Trust, if any, cause Debentures held by the Property Trustee, having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Coupon Rate of, and accrued and unpaid Distributions on equal to, and having the same record date for payment as, the Securities, to be distributed to the Holders of the Securities in liquidation of such Holders' interest in the Trust on a Pro Rata basis, within 90 days following the occurrence of such Special Event (the "90 Day Period"); provided, however, that in the case of a Tax Event, such dissolution and distribution shall be conditioned on the Administrative Trustees' receipt of an opinion of a nationally recognized independent tax counsel experienced in such matters (a "No Recognition Opinion"), which opinion may rely on published revenue rulings of the Internal Revenue Service, to the effect that the Holders of the Trust Preferred Securities will not recognize any income, gain or loss for United States federal income tax purposes as a result of such dissolution and distribution of Debentures, and provided, further, that if at the time there is available to the Trust the opportunity to eliminate, within the 90 Day Period, the Special Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure which in the reasonable judgment of the Sponsor, has or will cause no adverse effect on the Trust, the Sponsor or the Holders of the Securities and will involve no material cost ("Ministerial Action"), the Trust will pursue such Ministerial Action in lieu of dissolution.

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If in the event of a Tax Event, (i) the Administrative Trustees have received an opinion (a "Redemption Tax Opinion") of a nationally recognized independent tax counsel experienced in such matters that, as a result of a Tax Event, there is more than an insubstantial risk that the Debenture Issuer would be precluded from deducting the interest on the Debentures for United States federal income tax purposes even if the Debentures were distributed to the Holders of Securities in liquidation of such Holders' interest in the Trust as described in this paragraph 4(c), or (ii) the Administrative Trustees shall have been informed by such tax counsel that a No Recognition Opinion cannot be delivered to the Trust (each such case, a "Redemption Tax Event"), the Debenture Issuer shall have the right, upon not less than 30 nor more than 60 days' notice, to redeem the Debentures in whole (but not in part) for cash within 90 days following the occurrence of such Redemption Tax Event at a Redemption Price equal to 100% of the principal amount of the Debentures so redeemed, plus any accrued and unpaid interest thereon to the date fixed for redemption and promptly following such redemption, the Securities shall be redeemed at the Redemption Price on a Pro Rata basis at \$25 per Security plus accrued and unpaid distributions thereon to the date fixed for redemption; provided, however, that if at the time there is available to the Debenture Issuer or the Trust the opportunity to eliminate, within such 90 Day Period, the Redemption Tax Event by taking some Ministerial Action which has no adverse effect on the Trust, the Holders of Securities or the Debenture Issuer, the Trust or the Debenture Issuer will pursue such Ministerial Action in lieu of redemption.

"Tax Event" means that the Administrative Trustees shall have received an opinion of a nationally recognized independent tax counsel experienced in such matters (a "Dissolution Tax Opinion") to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any amendment to, or change in, an interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), (c) any interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position or (d) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated, issued or announced or which interpretation or pronouncement is issued or announced or which action is taken, in each case on or after the date of the Prospectus (collectively, a "Change in Tax Law"), there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date thereof, subject to United States federal income tax with respect to interest accrued or received on the Debentures, (ii) the Trust is, or will be within 90 days of the date thereof, subject to more than a de minimis amount of other taxes, duties or other governmental charges, or (iii) interest payable by the Debenture Issuer to the Trust on the Debentures is not, or within 90 days of the date thereof will not be, deductible by the Debenture Issuer for United States federal income tax purposes. Notwithstanding anything in the previous sentence to the contrary, a Tax Event shall not include any Change in Tax Law that requires the Debenture Issuer for United States federal income tax purposes to defer taking a deduction for any original issue discount ("OID") that accrues with respect to the Debentures until the interest payment related to such OID is paid by the Debenture Issuer in money; provided, that such Change in Tax Law does not create more than an insubstantial risk that the Debenture Issuer will be prevented from taking a deduction for OID accruing with respect to the Debentures at a date that is no later than the date the interest payment related to such OID is actually paid by the Debenture Issuer in money.

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"Investment Company Event" means that the Administrative Trustees shall have received an opinion of a nationally recognized independent counsel experienced in practice under the Investment Company Act (an "Investment Company Event Opinion") that, as a result occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), there is more than an insubstantial risk that the Trust is or will be considered an Investment Company which is required to be registered under the Investment Company Act, which Change in 1940 Act Law becomes effective on or after the date of the Prospectus.

On the date fixed for any distribution of Debentures, upon dissolution of the Trust: (i) the Securities will no longer be deemed to be outstanding, (ii) The Depository Trust Company (the "Depository") or its nominee (or any successor Clearing Agency or its nominee), as the record Holder of the Trust Preferred Securities, will receive a registered global certificate or certificates representing the Debentures to be delivered upon such distribution and (iii) any certificates representing Securities, except for certificates representing Trust Preferred Securities held by the Depository or its nominee

(or any successor Clearing Agency or its nominee), will be deemed to represent beneficial interests in Debentures having an aggregate principal amount equal to the stated liquidation amount, and bearing accrued and unpaid interest equal to accrued and unpaid Distributions, on such Securities until such certificates are presented to the Debenture Issuer or its agent for transfer or reissuance.

(d) The Trust may not redeem fewer than all of the outstanding Securities unless all accrued and unpaid Distributions have been paid on all Securities for all quarterly Distribution periods terminating on or before the date of redemption.

(e) If the Debentures are distributed to holders of the Securities, pursuant to the terms of the Indenture, the Debenture Issuer will use its best efforts to have the Debentures listed on the New York Stock Exchange or on such other exchange as the Trust Preferred Securities were listed immediately prior to the distribution of the Debentures.

(f) Redemption or Distribution Procedures.

(i) Notice of any redemption of, or notice of distribution of Debentures in exchange for the Securities (a "Redemption/Distribution Notice") will be given by the Trust by mail to each Holder of Securities to be redeemed or exchanged not fewer than 30 nor more than 60 days before the date fixed for redemption or exchange thereof which, in the case of a redemption, will be the date fixed for redemption of the Debentures. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this paragraph 4(f)(i), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage pre-paid, to Holders of Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

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(ii) In the event that fewer than all the outstanding Securities are to be redeemed, the Securities to be redeemed shall be redeemed Pro Rata from each Holder of Trust Preferred Securities, it being understood that, in respect of Trust Preferred Securities registered in the name of and held of record by the Depository or its nominee (or any successor Clearing Agency or its nominee), the distribution of the proceeds of such redemption will be made to each Clearing Agency Participant (or Person on whose behalf such nominee holds such securities) in accordance with the procedures applied by such agency or nominee.

(iii) If Securities are to be redeemed and the Trust gives a Redemption/Distribution Notice, which notice shall be irrevocable and may only be issued if the Debentures are redeemed as set out in this Section 4, then (A) while the Trust Preferred Securities are in book-entry only form, with respect to the Trust Preferred Securities, by 12:00 noon, Central time, on the redemption date, provided that the Debenture Issuer has paid the Property Trustee a sufficient amount of cash in connection with the related redemption or maturity or otherwise of the Debentures, the Property Trustee will irrevocably deposit with the Depository or its nominee (or successor Clearing Agency or its nominee) funds sufficient to pay the amount payable on redemption or maturity or otherwise with respect to the Trust Preferred Securities and will give the Depository irrevocable instructions and authority to pay the amount payable on redemption or maturity or otherwise to the Holders of the Trust Preferred Securities and (B) with respect to Trust Preferred Securities issued in definitive form and Trust Common Securities, provided that the Debenture Issuer has paid the Property Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Property Trustee will pay the amount payable on redemption or maturity or otherwise to the Holders of such Securities upon surrender of their certificates. If a Redemption/Distribution Notice shall have been given and funds deposited as required, then on the date of such deposit, all rights of Holders of such Securities so called for redemption will cease, except the right of the Holders of such Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Administrative Trustees nor the Trust shall be required to register or cause to be registered the transfer of any Securities that have been so called for redemption. If any date fixed for redemption of Securities is not a Business Day, then payment of the amount payable on such date will be made on the next succeeding day that is a Business Day (without

any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of any Securities is improperly withheld or refused and not paid either by the Trust or by the Sponsor as guarantor pursuant to the Trust Preferred Securities Guarantee or the Trust Common Securities Guarantee, as applicable, Distributions on such Securities will continue to accrue at the then applicable rate, from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the amount payable upon redemption (other than for purposes of calculating any premium).

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(iv) Redemption/Distribution Notices shall be sent by the Administrative Trustees on behalf of the Trust to (A) in the case of Trust Preferred Securities, the Depositary or its nominee (or any successor Clearing Agency or its nominee) if the Global Certificate(s) have been issued or, if Definitive Trust Preferred Securities Certificates have been issued, to the Holders thereof and (B) in respect of the Trust Common Securities, the Holder thereof.

(v) Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), the Sponsor or any of its subsidiaries may at any time and from time to time purchase outstanding Trust Preferred Securities by tender, in the open market or by private agreement.

5. VOTING RIGHTS - TRUST PREFERRED SECURITIES.

(a) Except as provided under paragraphs 5(b) and 7, in the Business Trust Act and as otherwise required by law and the Declaration, the Holders of the Trust Preferred Securities will have no voting rights.

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(b) Subject to the requirements set forth in this paragraph, the Holders of a Majority in liquidation amount of the Trust Preferred Securities, voting separately as a class may direct the time, method, and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including the right to direct the Property Trustee, as holder of the Debentures, to (i) exercise the remedies available to it under the Indenture as a holder of the Debentures, (ii) waive any past default and its consequences that is waivable under the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable, or (iv) consent to any amendment, modification, or termination of the Indenture or the Debentures where such consent shall be required; provided, however, that where a consent or action under the Indenture would require the consent or act of the Holders of greater than a majority of the Holders in principal amount of Debentures affected thereby (a "Super Majority"), the Property Trustee may only give such consent or take such action at the written direction of the Holders of at least the proportion in liquidation amount of the Trust Preferred Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding. The Property Trustee shall be under no obligation to revoke any action previously authorized or approved by a vote of the Holders of the Trust Preferred Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Property Trustee or the Indenture Trustee as set forth above, the Property Trustee shall be under no obligation to take any action in accordance with the directions of the Holders of the Trust Preferred Securities under this paragraph unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that, for United States federal income tax purposes, the Trust will not be classified as other than a grantor trust on account of such action and each Holder will be treated as owning an undivided beneficial interest in the Debentures. If the Property Trustee fails to enforce its rights under the Debentures after a Holder of Trust Preferred Securities has made a written request, such Holder of Trust Preferred Securities may institute a legal proceeding against the Debenture Issuer to enforce the Property Trustee's rights under the Debentures without first instituting any legal proceeding against the Property Trustee or any other Person. Notwithstanding the foregoing, if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption on the redemption date), then a Holder of Trust Preferred Securities may directly institute a proceeding for enforcement of payment to such holder (a "Direct

Action") of the principal of or interest on the Debenture having a principal amount equal to the aggregate liquidation amount of the Trust Preferred Securities of such Holder on or after the respective due date specified in the Debentures. Except as provided in the preceding sentence, the holders of Trust Preferred Securities will not be able to exercise directly any other remedy available to the holders of the Debentures. In connection with such Direct Action, the Debenture Issuer will be subrogated to the rights of such Holder of Trust Preferred Securities under the Declaration to the extent of any payment made by the Debenture Issuer to such Holder of Trust Preferred Securities in such Direct Action.

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Any required approval or direction of Holders of Trust Preferred Securities may be given at a separate meeting of Holders of Trust Preferred Securities convened for such purpose, at a meeting of all of the Holders of Securities in the Trust or pursuant to written consent. The Administrative Trustees will cause a notice of any meeting at which Holders of Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Trust Preferred Securities. Each such notice will include a statement setting forth the following information (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents. No vote or consent of the Holders of the Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Securities.

Notwithstanding that Holders of Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Preferred Securities that are owned by the Sponsor or any Affiliate of the Sponsor shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such Trust Preferred Securities were not outstanding.

6. VOTING RIGHTS - TRUST COMMON SECURITIES.

(a) Except as provided under paragraphs 6(b), (c) and 7, in the Business Trust Act and as otherwise required by law and the Declaration, the Holders of the Trust Common Securities will have no voting rights.

(b) The Holders of the Trust Common Securities are entitled, in accordance with Article V of the Declaration, to vote to appoint, remove or replace any Property Trustee or to increase or decrease the number of Trustees.

(c) Subject to Section 2.6 of the Declaration and only after the Declaration Event of Default with respect to the Trust Preferred Securities has been cured, waived, or otherwise eliminated and subject to the requirements of the immediately following sentence of this paragraph, the Holders of a Majority in liquidation amount of the Trust Common Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under the Declaration, including (i) directing the time, method, place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 606 of the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable, or (iv) consent to any amendment, modification, or termination of the Indenture or the Debentures where such consent shall be required; provided that, where a consent or action under the Indenture would require the consent or act of the Holders of greater than a majority in principal amount of Debentures affected thereby (a "Super Majority"), the Property Trustee may only give such consent or take such action at the written direction of the Holders of at least the proportion in liquidation amount of the Trust Common Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding. Pursuant to this paragraph 6(c), the Property Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Trust Preferred Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Property Trustee or the Indenture Trustee as set forth above, the Property Trustee shall be under no obligation to take any action in accordance with the directions of the Holders of the Trust Common Securities under this paragraph unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that for United States federal income tax purposes the Trust will not be classified as other than a grantor trust on account of such action and each Holder will be treated as owning an undivided beneficial interest in the Debentures. If the Property Trustee fails to enforce its rights under the Debentures after a Holder of Trust

Common Securities has made a written request, such Holder of Trust Common Securities may, to the extent permitted by law, institute a legal proceeding directly against the Debenture Issuer or any other Person to enforce the Property Trustee's rights under the Debentures, without first instituting any legal proceeding against the Property Trustee or any other Person. Any approval or direction of Holders of Trust Common Securities may be given at a separate meeting of Holders of Trust Common Securities convened for such purpose, at a meeting of all of the Holders of Securities in the Trust or pursuant to written consent. The Administrative Trustees will cause a notice of any meeting at which Holders of Trust Common Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Trust Common Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

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No vote or consent of the Holders of the Trust Common Securities will be required for the Trust to redeem and cancel Trust Common Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Securities.

7. AMENDMENTS TO DECLARATION AND INDENTURE.

(a) In addition to any requirements under Section 12.1 of the Declaration, if any proposed amendment to the Declaration provides for, or the Administrative Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Securities, whether by way of amendment to the Declaration or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than as described in Section 8.1 of the Declaration, then the Holders of Securities as a class, will be entitled to vote on such amendment or proposal (but not on any other amendment or proposal) and such amendment or proposal shall not be effective except with the approval of the Holders of at least a Majority in liquidation amount of the Securities affected thereby, voting together as a single class; provided, however, if any amendment or proposal referred to in clause (i) above would adversely affect only the Trust Preferred Securities or only the Trust Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a Majority in liquidation amount of such class of Securities; provided, further, that no amendment or proposal approved pursuant to this Section 7(a) shall become effective unless the Administrative Trustees have received an opinion of counsel to the effect that such amendment or proposal, or the exercise of any power granted to the Trustees in accordance with such amendment or proposal, will not adversely affect the Trust's status as a grantor trust for United States federal income tax purposes or the Trust's exemption from status as an Investment Company under the Investment Company Act.

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(b) In the event the consent of the Property Trustee as the holder of the Debentures is required under the Indenture with respect to any amendment, modification or termination of the Indenture or the Debentures, the Property Trustee shall request the written direction of the Holders of the Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Securities voting together as a single class; provided, however, that where a consent under the Indenture would require the consent of the holders of greater than a majority in aggregate principal amount of the Debentures (a "Super Majority"), the Property Trustee may only give such consent at the written direction of the Holders of at least the same proportion in aggregate stated liquidation preference of the Securities; provided, further, that the Property Trustee shall not take any action in accordance with the directions of the Holders of the Securities under this Section 7(b) unless the Property Trustee has obtained an opinion of tax counsel to the effect that, for United States federal income tax purposes, the Trust will not be classified as other than a grantor trust on account of such action and each Holder will be treated as owning an undivided beneficial interest in the Debentures.

8. PRO RATA.

A reference in these terms of the Securities to any payment, distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Securities according to the aggregate liquidation amount of the Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Securities outstanding unless, in relation to a payment, a Declaration Event

of Default has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Trust Preferred Securities pro rata according to the aggregate liquidation amount of Trust Preferred Securities held by the relevant Holder relative to the aggregate liquidation amount of all Trust Preferred Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Trust Preferred Securities, to each Holder of Trust Common Securities pro rata according to the aggregate liquidation amount of Trust Common Securities held by the relevant Holder relative to the aggregate liquidation amount of all Trust Common Securities outstanding.

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9. RANKING.

The Trust Preferred Securities rank PARI PASSU and payment thereon shall be made Pro Rata with the Trust Common Securities except that, where an Indenture Event of Default occurs and is continuing with respect to the Debentures held by the Property Trustee, the rights of Holders of the Trust Common Securities to receive payments of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of the Holders of the Trust Preferred Securities. Listing.

10. LISTING.

The Administrative Trustees shall use their best efforts to cause the Trust Preferred Securities to be listed for quotation on the New York Stock Exchange.

11. ACCEPTANCE OF SECURITIES GUARANTEE AND INDENTURE.

Each Holder of Trust Preferred Securities and Trust Common Securities, by the acceptance thereof, agrees to the provisions of the Trust Preferred Securities Guarantee and the Trust Common Securities Guarantee, respectively, including the subordination provisions therein, and to the provisions of the Indenture.

12. NO PREEMPTIVE RIGHTS.

The Holders of the Securities shall have no preemptive rights to subscribe for any additional securities.

13. MISCELLANEOUS.

These terms constitute a part of the Declaration.

The Sponsor will provide a copy of the Declaration, the Trust Preferred Securities Guarantee or the Trust Common Securities Guarantee (as may be appropriate), and the Indenture to a Holder without charge on written request to the Sponsor at its principal place of business.

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EXHIBIT A-1

FORM OF TRUST PREFERRED SECURITIES CERTIFICATE

[FORM OF FACE OF CERTIFICATE]

[IF THE TRUST PREFERRED SECURITY IS TO BE A GLOBAL CERTIFICATE INSERT - THIS TRUST PREFERRED SECURITY IS A GLOBAL CERTIFICATE WITHIN THE MEANING OF THE DECLARATION HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY (THE "DEPOSITORY") OR A NOMINEE OF THE DEPOSITARY. THIS TRUST PREFERRED SECURITY IS EXCHANGEABLE FOR TRUST PREFERRED SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE DECLARATION AND NO TRANSFER OF THIS TRUST PREFERRED SECURITY (OTHER THAN A TRANSFER OF THIS TRUST PREFERRED SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN LIMITED CIRCUMSTANCES.

UNLESS THIS TRUST PREFERRED SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE TRUST OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY TRUST PREFERRED SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT HEREON IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

Certificate Number [-]
 Number of Trust Preferred Securities [-]
 CUSIP NO. [-]

Certificate Evidencing Trust Preferred Securities

of

American Equity Capital Trust III

[-]% Trust Preferred Securities
 (liquidation amount \$25 per Trust Preferred Security)

American Equity Capital Trust III, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that (the "Holder") is the registered owner of [-] preferred

 securities of the Trust representing undivided beneficial interests in the assets of the Trust designated the [-]% Trust Preferred Securities (liquidation amount \$25 per Trust Preferred Security) (the "Trust Preferred Securities"). The Trust Preferred Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Trust Preferred Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust, dated as of [-], as the same may be amended from time to time (the "Declaration"), including the designation of the terms of the Trust Preferred Securities as set forth in Annex I to the Declaration. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Trust Preferred Securities Guarantee to the extent provided therein. The Sponsor will provide a copy of the Declaration, the Trust Preferred Securities Guarantee and the Indenture to a Holder without charge upon written request to the Trust at its principal place of business.

Reference is hereby made to select provisions of the Trust Preferred Securities set forth on the reverse hereof, which select provisions shall for all purposes have the same effect as if set forth at this place.

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Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder. In addition, the Holder is deemed to have (i) agreed to the terms of the Indenture and the Debentures, including that the Debentures are subordinate and junior in right of payment to all present and future Senior Debt (as defined in the Indenture) as and to the extent provided in the Indenture and (ii) agreed to the terms of the Trust Preferred Securities Guarantee, including that the Trust Preferred Securities Guarantee is subordinate and junior in right of payment to all other liabilities of the Sponsor, including the Debentures, except those made PARI PASSU or subordinate by their terms, and PARI PASSU with the most senior preferred or preference stock now or hereafter issued by the Sponsor and with any guarantee now or hereafter entered into by the Sponsor in respect of any preferred or preference stock of any Affiliate of the Sponsor.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Trust Preferred Securities as evidence of indirect beneficial ownership in the Debentures.

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Unless the Property Trustee's Certificate of Authentication hereon has been properly executed, these Trust Preferred Securities shall not be entitled to any benefit under the Declaration or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Trust has executed this certificate this

day of _____, 2001.

American Equity Capital Trust III

By:

 Name:
 Title:

PROPERTY TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Trust Preferred Securities referred to in the within-mentioned Declaration.

Dated: -----, ----

First Union Trust Company, National
Association, as Property Trustee

By: -----
Authorized Signatory

A-1-4

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Trust Preferred Security will be fixed at a rate per annum of [-]% (the "Coupon Rate") of the stated liquidation amount of \$25 per Trust Preferred Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one quarter will bear interest thereon compounded quarterly at the Coupon Rate (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Property Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

Except as otherwise described below, distributions on the Trust Preferred Securities will be cumulative, will accrue from [-] and will be payable quarterly and in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing on [-], to Holders as they appear on the books and records of the Trust on the relevant record dates. So long as no Indenture Event of Default has occurred and is continuing, the Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for successive periods not exceeding 20 consecutive quarters (each an "Extension Period") during which Extension Period no interest shall be due and payable on the Debentures; provided, that no Extension Period shall extend beyond the date of maturity of the Debentures. As a consequence of such extension, Distributions will also be deferred. Despite such extension, quarterly Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

The Trust Preferred Securities shall be redeemable as provided in the Declaration.

A-1-5

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Trust Preferred Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints

agent to transfer this Trust Preferred Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date:

Signature:

(Sign exactly as your name appears on the other side of this Trust Preferred Security Certificate)

Signature Guarantee:(*)

(*)(Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medal lion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Property Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

A-1-6

EXHIBIT A-2

FORM OF TRUST COMMON SECURITIES CERTIFICATE

[FORM OF FACE OF SECURITY]

THIS TRUST COMMON SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION OR AN EFFECTIVE REGISTRATION STATEMENT.

THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT TO AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (THE "SPONSOR" OR AN AFFILIATE OF THE SPONSOR IN COMPLIANCE WITH APPLICABLE LAW AND ARTICLE IX OF THE DECLARATION (AS DEFINED BELOW).

Certificate Number [-]
Number of Trust Common Securities [-]

Certificate Evidencing Trust Common Securities

of

American Equity Capital Trust III

[-]% Trust Common Securities
(liquidation amount \$25 per Trust Common Security)

American Equity Capital Trust III, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that American Equity Investment Life Holding Company (the "Holder") is the registered owner of [-] common securities of the Trust representing undivided beneficial interests in the assets of the Trust designated the [-]% Trust Common Securities (liquidation amount \$25 per Trust Common Security) (the "Trust Common Securities"). The Trust Common Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Trust Common Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust, dated as of [-], as the same may be amended from time to time(the "Declaration"), including the designation of the terms of

the Trust Common Securities as set forth in Annex I to the Declaration. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Trust Common Securities Guarantee to the extent provided therein. The Sponsor will provide a copy of the Declaration, the Trust Common Securities Guarantee and the Indenture to a Holder without charge upon written request to the Sponsor at its principal place of business.

A-2-1

Reference is hereby made to select provisions of the Trust Common Securities set forth on the reverse hereof, which select provisions shall for all purposes have the same effect as if set forth at this place.

Upon receipt of this certificate, the Sponsor is bound by the Declaration and is entitled to the benefits thereunder. In addition, the Holder is deemed to have (i) agreed to the terms of the Indenture and the Debentures, including that the Debentures are subordinate and junior in right of payment to all present and future Senior Debt (as defined in the Indenture) as and to the extent provided in the Indenture and (ii) agreed to the terms of the Trust Common Securities Guarantee, including that the Trust Common Securities Guarantee is subordinate and junior in right of payment to all other liabilities of the Sponsor, including the Debentures, except those made PARI PASSU or subordinate by their terms, and PARI PASSU with the most senior preferred or preference stock now or hereafter issued by the Sponsor and with any guarantee now or hereafter entered into by the Sponsor in respect of any preferred or preference stock of any Affiliate of the Sponsor.

By acceptance, the Holder agrees to treat for United States federal income tax purposes the Debentures as indebtedness and the Trust Common Securities as evidence of indirect beneficial ownership in the Debentures.

A-2-2

IN WITNESS WHEREOF, the Trust has executed this certificate this -----
day of _____, 2001.

American Equity Capital Trust III

By: -----
Name:
Title:

A-2-3

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Trust Common Security will be fixed at a rate per annum of [-]% (the "Coupon Rate") of the stated liquidation amount of \$25 per Trust Common Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one quarter will bear interest thereon compounded quarterly at the Coupon Rate (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Property Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

Except as otherwise described below, distributions on the Trust Common Securities will be cumulative, will accrue from [-] and will be payable quarterly and in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing on [-], to Holders as they appear on the books and records of the Trust on the relevant record dates. So long as no Indenture Event of Default has occurred and is continuing, the Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for successive periods not exceeding 20 consecutive quarters (each an "Extension Period") during which Extension Period no interest shall be due and payable on the Debentures; provided, that no Extension Period shall last beyond the date of maturity of the Debentures. As a consequence of such extension, Distributions will also be deferred. Despite such extension, quarterly Distributions will continue to accrue with interest thereon

(to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

The Trust Common Securities shall be redeemable as provided in the Declaration.

A-2-4

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Trust Common Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints

agent to transfer this Trust Common Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date: -----

Signature: -----

(Sign exactly as your name appears on the other side of this Trust Common Security Certificate)

Signature Guarantee: (*)

(*)(Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medal lion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Property Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

A-2-5

EXHIBIT B

SPECIMEN OF DEBENTURE

See Exhibit A of Indenture

B-1

EXHIBIT C

PURCHASE AGREEMENT

C-1

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY,
AS ISSUER

AND
FIRST UNION TRUST COMPANY, NATIONAL ASSOCIATION,
AS TRUSTEE

INDENTURE

DATED AS OF [-], 2001

\$[-]

[-]% JUNIOR SUBORDINATED DEBENTURES DUE [-]

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iv

EXHIBIT A - Form of Debenture

ANNEX A - Form of Amended and Restated Declaration of Trust, among the Company, as Sponsor, First Union Trust Company, National Association, as Property Trustee, First Union Trust Company, National Association, as Delaware Trustee, and Debra J. Richard son and Wendy L. Carlson, as Administrative Trustees, dated as of [-], 2001

Note: This table of contents shall not, for any purpose, be deemed to be a part of the Indenture.

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INDENTURE, dated as of [-], 2001, between American Equity Investment Life Holding Company, a corporation duly organized and existing under the laws of the State of Iowa (the "Company"), having its principal office at 5000 Westown Parkway, Suite 440, West Des Moines, IA 50266, and First Union Trust Company, National Association, as trustee, having its principal office at One Rodney Square, 920 King Street, Suite 102, Wilmington, DE 19801 (the "Trustee").

RECITALS OF THE COMPANY

WHEREAS, American Equity Capital Trust III, a Delaware business trust (the "Trust") governed by the Amended and Restated Declaration of Trust, dated as of [-], 2001 (the "Declaration"), by and among the Company, as sponsor, First Union Trust Company, National Association, as property trustee (the "Property Trustee"), First Union Trust Company, National Association, as Delaware trustee (the "Delaware Trustee"), and Debra J. Richardson and Wendy L. Carlson, as administrative trustees (the "Administrative Trustees"), will issue and sell [-] [-]% Trust Preferred Securities (the "Trust Preferred Securities") representing undivided beneficial interests in the assets of the Trust, with a liquidation amount of \$25 per Trust Preferred Security, or \$[-] in the aggregate; and

WHEREAS, the Trust will issue and sell to the Company [-] [-]% common securities (the "Trust Common Securities" and, together with the Trust Preferred Securities, the "Trust Securities") representing undivided beneficial interests in the assets of the Trust with a liquidation amount of \$25 per Trust Common Security, or \$[-] in the aggregate; and

WHEREAS, pursuant to the Declaration, the Trust will use the proceeds from the sale of the Trust Securities to purchase from the Company the [-]% Junior Subordinated Debentures Due [-] described in this Indenture (the "Debentures") in an aggregate principal amount of \$[-]; and

WHEREAS, in connection with the issuance and sale by the Trust of the Trust Preferred Securities and the issuance and sale of the Debentures by the Company to the Trust, the Company has agreed to irrevocably guarantee the payment in full of the distributions on the Trust Preferred Securities, the amount payable upon redemption of the Trust Preferred Securities and, generally, the liquidation preference of the Trust Preferred Securities, to the extent the Trust has funds available therefor, pursuant to the Trust

Preferred Securities Guarantee Agreement of even date herewith (the "Guarantee") between the Company and First Union Trust Company, National Association, as Guarantee Trustee, for the benefit of the holders of the Trust Preferred Securities; and

WHEREAS, the Company has duly authorized the creation of the Debentures, this Indenture sets forth the terms and conditions thereof, and all things necessary to make this Indenture a valid agreement of the Company, subject to execution and delivery of this Indenture by the Company and the Trustee, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Debentures by the Holders (as defined herein) as provided for herein, it is mutually agreed, for the equal and proportionate benefit of the Holders, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. DEFINITIONS.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Additional Interest" has the meaning specified in Section 301.

"Additional Payments" means Compounded Interest and Additional Interest, if any.

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"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. 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.

"Agent" means any Registrar, Paying Agent or co-registrar.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day other than a Saturday, Sunday or day on which banking institutions in West Des Moines, Iowa or in Wilmington, Delaware are authorized or required by law to close.

"Clearing Agency" has the meaning specified in the Declaration.

"Closing Date" has the meaning specified in the Declaration.

"Commission" means the United States Securities and Exchange Commission.

"Common Stock" includes any stock of any class of the Company which has no preference with respect to dividends or to amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which is not subject to redemption by the Company.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board of Directors, its Presi-

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dent or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Compounded Interest" has the meaning specified in Section 312.

"Corporate Trust Office" means the principal office of the Trustee in Wilmington, Delaware, at which at any particular time its corporate trust business shall be administered and which at the date of this Indenture is One Rodney Square, 920 King Street, Suite 102, Wilmington, Delaware 19801.

"Debentures" has the meaning specified in the Recitals to this instrument.

"Declaration" has the meaning specified in the Recitals to this instrument.

"Declaration Event of Default" means a "Declaration Event of Default" as defined in the Declaration.

"Defaulted Interest" has the meaning specified in Section 307.

"Delaware Trustee" has the meaning specified in the Recitals to this instrument.

"Depository" has the meaning specified in the Declaration.

"Direct Action" means a proceeding directly instituted by a holder of Trust Preferred Securities for enforcement of payment to such holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Trust Preferred Securities of such holder on or after the respective due date specified in the Debentures, if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of the Company to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date.)

"Dissolution Event" means that, as a result of the occurrence and continuation of a Special Event, the Trust is to be dissolved in accordance with the Declaration and the Debentures held by the Property Trustee are to be distributed to the holders of Trust Securities pro rata in accordance with the Declaration.

"Dissolution Tax Opinion" has the meaning specified in the Declaration.

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"Escrow Agreement" means that certain Escrow Agreement, dated as of [-], between the Company, First Union Trust Company, National Association, as trustee under this Indenture and [-], as escrow agent, pursuant to which the Company has agreed to deposit certain zero coupon securities with the escrow agent to secure the Company's obligations to pay amounts due on the Debentures.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor legislation.

"Extension Period" has the meaning specified in Section 312.

"Global Debenture" has the meaning specified in Section 203.

"Guarantee" has the meaning specified in the Recitals to this instrument.

"Holder" means a Person in whose name a Debenture is registered in the Register.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

"Indenture Event of Default" has the meaning specified in Section 501.

"Interest Payment Date" has the meaning specified in Section 301.

"Investment Company Event" has the meaning specified in the Declaration.

"Maturity", when used with respect to any Debenture, means the date on which the principal of such Debenture becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Ministerial Action" has the meaning specified in Section 1109.

"90-Day Period" has the meaning specified in Section 1109.

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"Non Book-Entry Trust Preferred Securities" has the meaning specified in Section 203.

"No Recognition Opinion" has the meaning specified in the Declaration.

"Officers' Certificate" means a certificate signed by the Chairman of the Board of Directors, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 1004 shall be the principal executive, financial or accounting officer of the Company.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be acceptable to the Trustee.

"Outstanding", when used with respect to Debentures, means, as of the date of determination, all Debentures theretofore authenticated and delivered under this Indenture, except: (i) Debentures theretofore canceled by the Trustee or delivered to the Trustee for cancellation; (ii) Debentures for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Debentures; provided, that if such Debentures are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and (iii) Debentures that have been paid pursuant to Section 306 or in exchange for or in lieu of which other Debentures have been authenticated and delivered pursuant to this Indenture, other than any such Debentures with respect to which there shall have been presented to the Trustee proof satisfactory to it that such Debentures are held by a bona fide purchaser in whose hands such Debentures are valid obligations of the Company; provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Debentures have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Debentures owned by the Company or any other obligor upon the Debentures or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Debentures which the Trustee knows to be so owned shall be so disregarded. Debentures so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Debentures and that the pledgee is not the Company or any other obligor upon the Debentures or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of or interest on any Debentures on behalf of the Company.

"Person" means any individual, corporation, company, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Debenture" of any particular Debenture means every previous Debenture evidencing all or a portion of the same debt as that evidenced by such particular Debenture; and, for the purposes of this definition, any Debenture authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Debenture shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Debenture.

"Property Trustee" has the meaning specified in the Recitals to this instrument.

"pro rata", when used with respect to any payment, distribution or treatment of the Debentures, shall mean pro rata to each Holder of Debentures according to the aggregate principal amount of the Debentures Outstanding; provided that in the event any Debentures are held by the Company or any affiliate thereof and an Indenture Event of Default has occurred and is continuing, any funds available for such payment shall first be paid to each Holder of the Debentures (other than the Company or any affiliate thereof) pro rata according to the aggregate principal amount of the Debentures held by each such Holder relative to the aggregate principal amount of all Debentures Outstanding and held by such Holders, and only after satisfaction of all amounts owed to such Holders of the Debentures (other than the Company or any affiliate thereof), any additional funds available for such payment shall be made to the Company or any affiliate thereof pro rata according to the aggregate principal amount of Debentures held by them.

"Redemption Date", when used with respect to any Debenture to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price" means 100% of the principal amount of the Debentures to be redeemed plus accrued and unpaid interest (including Additional Payments, if any) to the Redemption Date.

"Redemption Tax Event" has the meaning specified in Section 1109.

"Redemption Tax Opinion" has the meaning set forth in the Declaration.

"Register" and "Registrar" have the respective meanings specified in Section 305.

"Regular Record Date" has the meaning specified in Section 301.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, any assistant vice president, the treasurer, any assistant treasurer, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Senior Debt" means with respect to the Company (i) the principal, premium, if any, and interest with respect to (A) indebtedness of such obligor for money borrowed and (B) indebtedness evidenced by securities, debentures, bonds or other similar instruments issued by such obligor, (ii) all capital lease obligations of such obligor, (iii) all obligations of such obligor issued or assumed as the deferred purchase price of property, all conditional sale obligations of such obligor and all obligations of such obligor under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business), (iv) all obligations of such obligor for the reimbursement of any letter of credit, banker's acceptance, security purchase facility (or repurchase agreement) or similar credit transaction, (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons for the payment of which such obligor

is responsible or liable as obligor, guarantor or otherwise, and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of such obligor (whether or not such obligation is assumed by such obligor), except for (1) any such indebtedness that is by its terms subordinated to or PARI PASSU with the Debentures and (2) any indebtedness between or among such obligor or its affiliates, including all other debt securities and guarantees in respect of those debt securities issued to any other trust, or a trustee of such trust, partnership, or other entity affiliated with the Company that is, directly or indirectly, a financing vehicle of the Company (a "Financing Entity") in connection with the issuance by such Financing Entity of preferred securities or other securities which rank junior to or PARI PASSU with, the Trust Preferred Securities. Such Senior Debt shall continue to be Senior Debt and entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of such Senior Debt, other than any amendment, modification or waiver relating to the Escrow Agreement.

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"Special Event" has the meaning specified in the Declaration.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Debenture or any installment of interest thereon, means the date specified in such Debenture as the fixed date on which the principal, together with any accrued and unpaid interest (including Compounded Interest), of such Debenture or such installment of interest is due and payable.

"Subsidiary" of any Person means (i) a corporation more than 50% of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Tax Event" has the meaning specified in the Declaration.

"Trust" has the meaning specified in the Recitals to this instrument.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Trust Common Securities" has the meaning specified in the recitals to this Instrument.

"Trust Common Securities Guarantee" means any guarantee that the Company may enter into that operates directly or indirectly for the benefit of holders of Trust Common Securities of the Trust.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

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"Trust Preferred Securities" has the meaning specified in the Recitals to this instrument.

"Trust Preferred Securities Certificate" has the meaning specified in the Declaration.

"Trust Preferred Securities Guarantee" means any guarantee that the Company may enter into that operates directly or indirectly for the benefit of holders of Trust Preferred Securities of the Trust.

"Trust Securities" has the meaning specified in the Recitals to this instrument.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Voting Stock" of any Person means capital stock of such Person which ordinarily has voting power for the election of directors (or Persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

SECTION 102. COMPLIANCE CERTIFICATES AND OPINIONS.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act or reasonably requested by the Trustee in connection with such application or request. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the applicable provisions of the Trust Indenture Act and any other applicable requirement set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

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(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 103. FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. ACTS OF HOLDERS; RECORD DATES.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor

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signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument

or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee or the Company, as the case may be, deems sufficient.

(c) The Company may, in the circumstances permitted by the Trust Indenture Act, fix any day as the record date for the purpose of determining the Holders of Outstanding Debentures entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Holders. If not set by the Company prior to the first solicitation of a Holder made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the 30th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 701) prior to such first solicitation or vote, as the case may be. With regard to any record date, only the Holders on such date (or their duly designated proxies) shall be entitled to give or take, or vote on, the relevant action.

(d) The ownership of Debentures shall be proved by the Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Debenture shall bind every future Holder of the same Debenture and the Holder of every Debenture issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Debenture.

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(f) Without limiting the foregoing, a Holder entitled hereunder to give or take any such action with regard to any particular Debenture may do so with regard to all or any part of the principal amount of such Debenture or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any different part of such principal amount.

SECTION 105. NOTICES, ETC., TO TRUSTEE AND THE COMPANY.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Senior Corporate Trust Officer, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. NOTICE TO HOLDERS; WAIVER.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at such Holder's address as it appears in the Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Any notice when mailed to a Holder in the aforesaid manner shall be conclusively deemed to have been received by such Holder whether or not actually received by such Holder. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

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In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 107. CONFLICT WITH TRUST INDENTURE ACT.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that would be required under such Act to be a part of and govern this Indenture, were this Indenture qualified under such Act, the latter provision shall control. If any provision of this Indenture modifies or excludes any such provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

SECTION 108. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. SEPARABILITY CLAUSE.

In case any provision in this Indenture or in the Debentures shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. BENEFITS OF INDENTURE.

Nothing in this Indenture or in the Debentures, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the holders of Senior Debt, the holders of Trust Preferred Securities (to the extent provided herein) and the Holders of Debentures, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. GOVERNING LAW.

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THIS INDENTURE AND THE DEBENTURES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF IOWA, WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAWS.

SECTION 113. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Debenture shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Debentures) payment of interest or principal of the Debentures need not be made on such date, but may be made on the next succeeding Business Day (except that, if such Business Day is in the next succeeding calendar year, such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, shall be the immediately preceding Business Day) with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity; provided, that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

ARTICLE TWO

DEBENTURE FORMS

SECTION 201. FORMS GENERALLY.

The Debentures and the Trustee's certificates of authentication shall be substantially in the form of Exhibit A which is hereby incorporated in and expressly made a part of this Indenture. The Debentures may have notations, legends or endorsements required by law, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). The Company shall furnish any such legend not contained in Exhibit A to the Trustee in writing. Each Debenture shall be dated the date of its authentication. The terms and provisions of the Debentures set forth in Exhibit A are part of the terms of this Indenture and to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

The definitive Debentures shall be typewritten or printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Debentures, as evidenced by their execution of such Debentures.

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SECTION 202. INITIAL ISSUANCE TO PROPERTY TRUSTEE.

The Debentures initially issued to the Property Trustee of the Trust shall be in the form of one or more individual certificates in definitive, fully registered form without distribution coupons.

SECTION 203. GLOBAL DEBENTURE.

(a) In connection with a Dissolution Event,

(i) the Debentures may be presented to the Trustee by the Property Trustee in exchange for a global Debenture in an aggregate principal amount equal to the aggregate principal amount of all outstanding Debentures (a "Global Debenture"), to be registered in the name of the Clearing Agency, or its nominee, and delivered by the Trustee to the Clearing Agency for crediting to the accounts of its participants pursuant to the instructions of the Company and the Clearing Agency will act as Depositary for the Debentures. The Company, upon any such presentation, shall execute a Global Debenture in such aggregate principal amount and deliver the same to the Trustee for authentication and delivery in accordance with this Indenture. Payments on the Debentures issued as a Global Debenture will be made to the Depositary; and

(ii) if any Trust Preferred Securities are held in non book-entry certificated form, the Debentures may be presented to the Trustee by the Property Trustee and any Trust Preferred Securities Certificate which represents Trust Preferred Securities other than Trust Preferred Securities held by the Clearing Agency or its nominee ("Non Book-Entry Trust Preferred Securities") will be deemed to represent beneficial interests in Debentures presented to the Trustee by the Property Trustee having an aggregate principal amount equal to the aggregate liquidation amount of the Non Book-Entry Trust Preferred Securities until such Non Book-Entry Trust Preferred Securities are presented to the Registrar for transfer or reissuance at which time such Non Book-Entry Trust Preferred Securities will be canceled and a Debenture, registered in the name of the holder of the Non Book-Entry Trust Preferred Securities or the transferee of the holder of such Non Book-Entry Trust Preferred Securities, as the case may be, with an aggregate principal amount equal to the aggregate liquidation amount of the Non Book-Entry Trust Preferred Securities canceled, will be executed by the Company and delivered to the Trustee for authentication and delivery in accordance with this Indenture.

(b) Except as provided in (c) below, a Global Debenture may be transferred, in whole but not in part, only to another nominee of the Depositary, or to a successor Depositary selected or approved by the Company or to a nominee of such successor Depositary.

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(c) If at any time the Depositary notifies the Company that it is unwilling or unable to continue as Depositary or if at any time the Depositary for such series shall no longer be registered or in good standing under the Exchange Act or other applicable statute or regulation, and a successor Depositary for such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such condition, as the case may be, the Company will execute, and the Trustee, upon receipt of a Company Order with respect to authentication and delivery, will authenticate and deliver the Debentures in accordance with the provisions set forth in this Section 203(c) in definitive registered form, in

authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Debenture in exchange for such Global Debenture. In addition, the Company may at any time determine that the Debentures shall no longer be represented by a Global Debenture. In such event the Company will execute, and the Trustee, upon receipt of an Officers' Certificate evidencing such determination by the Company and a Company Order with respect to authentication and delivery, will authenticate and deliver the Debentures in accordance with the provisions set forth in this Section 203(c) in definitive registered form, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Debenture in exchange for such Global Debenture. Upon the exchange of the Global Debenture for such Debentures in definitive registered form, in authorized denominations, the Global Debenture shall be canceled by the Trustee. Such Debentures in definitive registered form issued in exchange for the Global Debenture shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Debentures to the Depositary for delivery to the Persons in whose names such Debentures are so registered.

ARTICLE THREE

THE DEBENTURES

SECTION 301. TITLE AND TERMS.

The aggregate principal amount of Debentures that may be authenticated and delivered under this Indenture is limited to the sum of \$[-], except for Debentures authenticated and delivered upon transfer of, or in exchange for, or in lieu of, other Debentures pursuant to Section 304, 305, 306 or 906.

The Debentures shall be known and designated as the "[-]% Junior Subordinated Debentures Due [-]" of the Company. Their Stated Maturity shall be [-], and they shall bear interest at the rate of [-]% per annum, from [-], 2001 or from the most recent Interest Payment Date (as defined below) to which interest has been paid or duly

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provided for, as the case may be, payable quarterly (subject to deferral as set forth herein), in arrears, on March 31, June 30, September 30 and December 31 (each an "Interest Payment Date") of each year, commencing [-], 2001 until the principal thereof is paid or made available for payment, and they shall be paid to the Person in whose name such Debenture (or one or more Predecessor Debentures) is registered at the close of business on the regular record date for such interest installment, which, in respect of any Debentures of which the Property Trustee is the Holder or a Global Debenture, shall be the close of business on the Business Day next preceding that Interest Payment Date. Notwithstanding the foregoing sentence, if the Trust Preferred Securities are no longer in book-entry only form or, except if the Debentures are held by the Property Trustee, the Debentures are not represented by a Global Debenture, the regular record date for such interest installment shall be the close of business on the date which is 15 days prior to each Interest Payment Date (such record date, the "Regular Record Date"). Interest will compound quarterly and will accrue at the rate of [-]% per annum on any interest installment in arrears or during an extension of an interest payment period as set forth in Section 312 hereof.

The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. Except as provided in the following sentence, the amount of interest payable for any period shorter than a full quarterly period for which interest is computed, will be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any date on which interest is payable on the Debentures is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

If at any time while the Property Trustee is the Holder of any Debentures, the Trust or the Property Trustee is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any such case, the Company will pay as additional interest ("Additional Interest") on the Debentures held by the Property Trustee, such amounts as shall be required so that the net amounts received and retained by the Trust and the Property Trustee after paying any such taxes, duties, assessments or other governmental charges will be not less

than the amounts the Trust and the Property Trustee would have received had no such taxes, duties, assessments or other governmental charges been imposed.

The principal of and interest on the Debentures shall be payable at the office or agency of the Company in the United States maintained for such purpose and at

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any other office or agency maintained by the Company for such purpose in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Register.

The Debentures shall be redeemable as provided in Article Eleven hereof.

The Debentures shall be subordinated in right of payment to Senior Debt as provided in Article Twelve hereof.

SECTION 302. DENOMINATIONS.

The Debentures shall be issuable only in registered form without coupons and only in denominations of \$25 and integral multiples thereof.

SECTION 303. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

The Debentures shall be executed on behalf of the Company by its Chairman of the Board of Directors, its President or one of its Vice Presidents. The signature of any of these officers on the Debentures may be manual or facsimile.

Debentures bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Debentures or did not hold such offices at the date of such Debentures.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Debentures executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Debentures; and the Trustee in accordance with such Company Order shall authenticate and make available for delivery such Debentures as in this Indenture provided and not otherwise.

No Debenture shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Debenture a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Debenture shall be conclusive evidence, and the only evidence, that such Debenture has been duly authenticated and delivered hereunder.

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SECTION 304. TEMPORARY DEBENTURES.

Pending the preparation of definitive Debentures, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Debentures which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Debentures in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Debentures may determine, as evidenced by their execution of such Debentures.

If temporary Debentures are issued, the Company will cause definitive Debentures to be prepared without unreasonable delay. After the preparation of definitive Debentures, the temporary Debentures shall be exchangeable for definitive Debentures upon surrender of the temporary Debentures at any office or agency of the Company designated pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Debentures the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a like principal amount of definitive Debentures of authorized denominations. Until so exchanged the temporary Debentures shall in all respects be entitled to the same benefits under this Indenture as definitive Debentures.

(a) General.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes collectively referred to as the "Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Debentures and of transfers of Debentures. The Trustee is hereby appointed "Registrar" for the purpose of registering Debentures and transfers of Debentures as herein provided.

Upon surrender for registration of transfer of any Debenture at an office or agency of the Company designated pursuant to Section 1002 for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Debentures of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Debentures may be exchanged for other Debentures of any authorized denominations and of a like aggregate principal amount,

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upon surrender of the Debentures to be exchanged at such office or agency. Whenever any Debentures are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Debentures which the Holder making the exchange is entitled to receive.

All Debentures issued upon any registration of transfer or exchange of Debentures shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Debentures surrendered upon such registration of transfer or exchange.

Every Debenture presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Debentures, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Debentures, other than exchanges pursuant to Section 304 or 906 not involving any transfer.

(b) Transfer Procedures.

Upon any distribution of the Debentures to the holders of the Trust Preferred Securities in accordance with the Declaration, the Company and the Trustee shall enter into a supplemental indenture pursuant to Section 901(6) to provide for transfer procedures and restrictions with respect to the Debentures substantially similar to those contained in the Declaration to the extent applicable in the circumstances existing at the time of such distribution.

SECTION 306. MUTILATED, DESTROYED, LOST AND STOLEN DEBENTURES.

If any mutilated Debenture is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Debenture of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Debenture and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of

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them harmless, then, in the absence of notice to the Company or the Trustee that such Debenture has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Debenture, a new Debenture of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Debenture has

become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Debenture, pay such Debenture.

Upon the issuance of any new Debenture under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Debenture issued pursuant to this Section in lieu of any destroyed, lost or stolen Debenture shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Debenture shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debentures duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debentures.

SECTION 307. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Interest on any Debenture which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Debenture (or one or more Predecessor Debentures) is registered at the close of business on the Regular Record Date.

Any interest on any Debenture which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Debentures (or their respective Predecessor Debentures)

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are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner (a "Special Record Date"). The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Debenture and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Debentures (or their respective Predecessor Debentures) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Debenture delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Debenture shall carry the rights to interest accrued and unpaid, and to accrue (including in each such case Compounded Interest), which were carried by such other Debenture.

SECTION 308. PERSONS DEEMED OWNERS.

Prior to due presentment of a Debenture for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Debenture is registered as

the owner of such Debenture for the purpose of receiving payment of principal of and (subject to Section 307) interest (including Additional Interest and Compounded Interest) on such Debenture and for all

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other purposes whatsoever, whether or not such Debenture be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. CANCELLATION.

All Debentures surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Debentures previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Debentures so delivered shall be promptly canceled by the Trustee. No Debentures shall be authenticated in lieu of or in exchange for any Debentures canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Debentures held by the Trustee shall be disposed of as directed by a Company Order; provided, however, that the Trustee shall not be required to destroy the certificates representing such canceled Debentures.

SECTION 310. RIGHT OF SET OFF.

Notwithstanding anything to the contrary in this Indenture, the Company shall have the right to set off any payment it is otherwise required to make hereunder to the extent the Company has theretofore made, or is concurrently on the date of such payment making, a payment under the Guarantee.

SECTION 311. CUSIP NUMBERS.

The Company in issuing the Debentures may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Debentures or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Debentures, and any such redemption shall not be affected by any defect in or omission of such numbers.

SECTION 312. OPTION TO EXTEND INTEREST PAYMENT PERIOD.

(a) So long as no Indenture Event of Default has occurred and is continuing, the Company shall have the right at any time during the term of the Debentures to defer interest payments from time to time by extending the interest payment period for successive periods not exceeding 20 consecutive quarters for each such period (an

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"Extension Period"); except that no Extension Period may extend beyond the maturity of the Debentures. At the end of each Extension Period, the Company shall pay all interest then accrued and unpaid together with interest thereon compounded quarterly at the rate specified for the Debentures to the extent permitted by applicable law ("Compounded Interest"); provided, that during any Extension Period, the Company shall not (a) declare or pay dividends on, or make a distribution with respect to, or redeem or purchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (i) purchases or acquisitions of shares of Common Stock (or Common Stock equivalents) in connection with the satisfaction by the Company of its obligations under any employee benefit or agent plans or the satisfaction by the Company of its obligations pursuant to any contract or security requiring the Company to purchase shares of Common Stock (or Common Stock equivalents), (ii) purchases of shares of Common Stock (or Common Stock equivalents) from officers or employees of the Company or its subsidiaries upon termination of employment or retirement not pursuant to any obligation under any contract or security requiring the Company to purchase shares of Common Stock (or Common Stock equivalents), (iii) as a result of a reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, (iv) dividends or distributions of shares of Common Stock on Common Stock or (v) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged), (b) make any payment of principal (and premium, if any) or interest on or repay, repurchase or redeem any debt securities (including guarantees) issued by the

Company that rank PARI PASSU with or junior to the Debentures and (c) make any guarantee payments with respect to any of the foregoing (other than pursuant to the Guarantee). Upon the termination of any Extension Period and the payment of all amounts then due, the Company may commence a new Extension Period, subject to the above requirements. No interest during an Extension Period, except at the end thereof, shall be due and payable.

(b) If the Property Trustee is the sole Holder of the Debentures at the time the Company selects an Extension Period, the Company shall give written notice to the Administrative Trustees, the Property Trustee and the Trustee of its selection of such Extension Period at least one Business Day prior to the earlier of (i) the date the distributions on the Trust Preferred Securities are payable or (ii) the date the Trust is required to give notice to any applicable self-regulatory organization or to holders of the Trust Preferred Securities on the record date or the date such distributions are payable, but in any event not less than ten Business Days prior to such record date.

(c) If the Property Trustee is not the sole Holder of the Debentures at the time the Company selects an Extension Period, the Company shall give the Holders of the Debentures and the Trustee written notice of its selection of such Extension Period at

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least ten Business Days prior to the earlier of (i) the Interest Payment Date or (ii) the date the Company is required to give notice to any applicable self-regulatory organization or to Holders of the Debentures on the record or payment date of such related interest payment, but in any event not less than two Business Days prior to such record date.

(d) The quarter in which any notice is given pursuant to paragraphs (b) and (c) hereof shall be counted as one of the 20 quarters permitted in the maximum Extension Period permitted under paragraph (a) hereof.

SECTION 313. PAYING AGENT AND REGISTRAR.

The Trustee will initially act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-registrar without prior notice. The Company or any of its Affiliates may act in any such capacity.

SECTION 314. CALCULATION OF ORIGINAL ISSUE DISCOUNT.

The Company shall file with the Trustee promptly at the end of each calendar year a written notice specifying the amount of original issue discount, if any (including daily rates and accrual periods), accrued on Outstanding Debentures as of the end of such year.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

SECTION 401. SATISFACTION AND DISCHARGE OF INDENTURE.

This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Debentures herein expressly provided for), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when (1) either (A) all Debentures theretofore authenticated and delivered (other than (i) Debentures which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Debentures for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or (B) all such Debentures not theretofore delivered to the Trustee for cancellation have become due and payable, and the Company has deposited or caused to be deposited with the Trustee funds in trust for the purpose and in an amount sufficient to pay and discharge the entire indebtedness

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on such Debentures not theretofore delivered to the Trustee for cancellation, for principal and interest (including Compounded Interest) to the date of such deposit (in the case of Debentures which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be; (2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and (3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for or relating to the satisfaction and

discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of Clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. APPLICATION OF TRUST MONEY.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Debentures and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal and interest for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

REMEDIES

SECTION 501. INDENTURE EVENTS OF DEFAULT.

"Indenture Event of Default," wherever used herein, means any one of the following events that has occurred and is continuing (whatever the reason for such Indenture Event of Default and whether it shall be occasioned by the provisions of Article Twelve or be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) failure for 30 days to pay interest on the Debentures, including any Additional Interest and Compounded Interest in respect thereof, when due; provided, that a valid extension of an interest payment period will not constitute a default in the payment of interest (including any Additional Interest or Compounded Interest) for this purpose;

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(2) failure to pay principal of or premium, if any, on the Debentures when due whether at maturity, upon redemption, by declaration or otherwise;

(3) failure to observe or perform any other covenant contained in this Indenture for 90 days after notice to the Company by the Trustee or by the Holders of not less than a majority in aggregate principal amount of Outstanding Debentures;

(4) entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of substantially all of the property of the Company, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days;

(5) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company to the entry of a decree or order for relief in respect of itself in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by the Company to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of substantially all of the property of the Company, or the making by the Company of an assignment for the benefit of creditors, or the admission by the Company in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(6) the voluntary or involuntary dissolution, winding up or

termination of the Trust, except in connection with (i) the distribution of Debentures to holders of Trust Preferred Securities in liquidation of the Trust upon the occurrence of a Dissolution Event, or (ii) certain mergers, consolidations or amalgamations, each as permitted by the Declaration.

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SECTION 502. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Indenture Event of Default occurs and is continuing, then, and in every such case, the Trustee or the Holders of not less than a majority in principal amount of the Outstanding Debentures may declare the principal of all the Debentures and any other amounts payable hereunder to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal and all accrued interest shall become immediately due and payable.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided in this Article hereinafter, the Holders of a majority in aggregate principal amount of the Outstanding Debentures, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest (including any Additional Interest and Compounded Interest) on all Debentures,

(B) the principal of any Debentures which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Debentures, and

(C) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default, other than the non-payment of the principal of Debentures which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513. No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

The Company covenants that if:

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(1) default is made in the payment of any interest (including any Additional Interest or Compounded Interest) on any Debenture when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of any Debenture at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Debentures, the whole amount then due and payable on such Debentures for principal and interest (including any Additional Payments) and, to the extent that payment thereof shall be legally enforceable, interest on any overdue principal and on any overdue interest (including any Additional Interest and Compounded Interest), at the rate borne by the Debentures, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Indenture Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of any judicial proceeding relative to the Company (or any

other obligor upon the Debentures), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganiza-

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tion, arrangement, adjustment or composition affecting the Debentures or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF DEBENTURES.

All rights of action and claims under this Indenture or the Debentures may be prosecuted and enforced by the Trustee without the possession of any of the Debentures or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Debentures in respect of which such judgment has been recovered.

SECTION 506. APPLICATION OF MONEY COLLECTED.

Subject to Article Twelve, any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or interest (including any Additional Payments), upon presentation of the Debentures and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of and interest (including any Additional Payments) on the Debentures in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Debentures for principal and interest (including any Compounded Interest), respectively.

SECTION 507. LIMITATION ON SUITS.

No Holder of any Debenture shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

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(1) such Holder has previously given written notice to the Trustee of a continuing Indenture Event of Default;

(2) the Holders of not less than a majority in aggregate principal amount of the Outstanding Debentures shall have made written request to the Trustee to institute proceedings in respect of such Indenture Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding;

and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Debentures; it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders. The limitations specified in (1) through (5) above shall not apply to a suit initiated by a Holder of a Debenture for enforcement of payment of interest, principal or premium, if any, on such Debenture on or after the respective due dates of such payments expressed in such Debenture.

SECTION 508. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL AND INTEREST.

Notwithstanding any other provision in this Indenture, the Holder of any Debenture shall have the right, which is absolute and unconditional, to receive payment of the principal of and (subject to Section 307) interest (including any Additional Payments) on such Debenture on the respective Stated Maturities expressed in such Debenture (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment and such rights shall not be impaired without the consent of such Holder.

SECTION 509. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or

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abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debentures in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee or of any Holder of any Debenture to exercise any right or remedy accruing upon any Indenture Event of Default shall impair any such right or remedy or constitute a waiver of any such Indenture Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. CONTROL BY HOLDERS.

The Holders of a majority in principal amount of the Outstanding Debentures shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; provided, that (1) such direction shall not be in conflict with any rule of law or with this Indenture; and (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. WAIVER OF PAST DEFAULTS.

Subject to Section 902 hereof, the Holders of not less than a majority in principal amount of the Outstanding Debentures may on behalf of the Holders of all the Debentures waive any past default hereunder and its

consequences, except a default (1) in the payment of the principal of, premium, if any, or interest (including any Additional

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Payments) on any Debenture (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Trustee); or (2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Debenture affected; provided, however, that if the Debentures are held by the Trust or a trustee of the Trust, such waiver shall not be effective until the holders of a majority in liquidation amount of Trust Securities shall have consented to such waiver; provided, further, that if the consent of the Holder of each Outstanding Debenture is required, such waiver shall not be effective until each holder of the Trust Securities shall have consented to such waiver.

Upon any such waiver, such default shall cease to exist, and any Indenture Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; provided, that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company or the Trustee or in any suit for the enforcement of the right to receive the principal of and interest (including any Additional Payments) on any Debenture.

SECTION 515. WAIVER OF STAY OR EXTENSION LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension of law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 516. ENFORCEMENT BY HOLDERS OF TRUST PREFERRED SECURITIES.

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Notwithstanding the foregoing, if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of the Company to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable, the Company acknowledges that, in such event, a holder of Trust Preferred Securities may institute a Direct Action for payment on or after the respective due date specified in the Debentures. The Company may not amend the Indenture to remove the foregoing right to bring a Direct Action without the prior written consent of all the holders of Trust Preferred Securities. Notwithstanding any payment made to such holder of Trust Preferred Securities by the Company in connection with a Direct Action, the Company shall remain obligated to pay the principal of or interest on the Debentures held by the Trust or the Property Trustee and the Company shall be subrogated to the rights of the holder of such Trust Preferred Securities with respect to payments on the Trust Preferred Securities to the extent of any payments made by the Company to such holder in any Direct Action. The holders of Trust Preferred Securities will not be able to exercise directly any other remedy available to the Holders of the Debentures.

ARTICLE SIX

THE TRUSTEE

SECTION 601. CERTAIN DUTIES AND RESPONSIBILITIES.

The duties and responsibilities of the Trustee shall be as provided

by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 602. NOTICE OF DEFAULTS.

The Trustee shall give the Holders notice of any default hereunder as and to the extent provided by the Trust Indenture Act; provided, however, that in the case of any default of the character specified in Section 501(3), no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Indenture Event of Default.

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SECTION 603. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel of its choice and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reason able security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to reasonable examination of the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the

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Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) the Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith, without negligence or willful misconduct, and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

SECTION 604. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF DEBENTURES.

The recitals contained herein and in the Debentures, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Debentures. The Trustee shall not be accountable for the use or application by the Company of the Debentures or the proceeds thereof.

SECTION 605. MAY HOLD DEBENTURES.

The Trustee, any Paying Agent, any Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Debentures and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Registrar, or such other agent.

SECTION 606. MONEY HELD IN TRUST.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 607. COMPENSATION AND REIMBURSEMENT.

The Company agrees:

(1) to pay to the Trustee from time to time such reasonable compensation as the Company and the Trustee shall from time to time agree in writing for all services rendered by it hereunder;

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(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, fees, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee and any predecessor Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

When the Trustee incurs expenses or renders services in connection with an Indenture Event of Default specified in Section 501(5) or Section 501(6), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Indenture.

SECTION 608. DISQUALIFICATION; CONFLICTING INTERESTS.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 609. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 60 days after the giving of such notice of removal, the Trustee to be removed may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Debentures, delivered to the Trustee and to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 60 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(d) If at any time: (1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Debenture for at least six months, or (2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or (3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Company by Board Resolution may remove the Trustee, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Debenture for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Debentures delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If

no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Debenture for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 611. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; provided, that on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments required to more fully and certainly vest in and confirm to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible

under this Article.

SECTION 612. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Debentures shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and

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deliver the Debentures so authenticated with the same effect as if such successor Trustee had itself authenticated such Debentures.

SECTION 613. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Debentures), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 701. COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF HOLDERS.

The Company will furnish or cause to be furnished to the Trustee (a) within 14 days after each record date for payment of interest, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders, as of such record date, and (b) at any other time, within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Trustee; excluding from any such list names and addresses received by the Trustee in its capacity as Registrar.

SECTION 702. PRESERVATION OF INFORMATION; COMMUNICATIONS TO HOLDERS.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Debentures, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Holder of Debentures, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

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SECTION 703. REPORTS BY TRUSTEE.

(a) Within 60 days after December 31 of each year, commencing December 31, [-], the Trustee shall transmit by mail to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Debentures are listed, with the Commission and with the Company. The Company will notify the Trustee when the Debentures are listed on any stock exchange.

SECTION 704. REPORTS BY COMPANY.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; provided, that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

The Company shall also provide to the Trustee on a timely basis such information as the Trustee requires to enable the Trustee to prepare and file any form required to be submitted by the Company with the Internal Revenue Service and the Holders of the Debentures relating to original issue discount, including, without limitation, Form 1099-OID or any successor form.

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

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The Company shall not consolidate with or merge with or into any other Person or, directly or indirectly, convey, transfer or lease all or substantially all of its properties and assets on a consolidated basis to any Person, unless:

(1) the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer or lease, all or substantially all of the properties and assets of the Company on a consolidated basis shall be a corporation, partnership or trust, shall be organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the Debentures and the performance or observance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Company or a Subsidiary as a result of such transaction as having been incurred by the Company or such Subsidiary at the time of such transaction, no Indenture Event of Default, and no event which, after notice or lapse of time or both, would become an Indenture Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

This Section shall only apply to a merger or consolidation in which the Company is not the surviving corporation and to conveyances, leases and transfers by the Company as transferor or lessor.

SECTION 802. SUCCESSOR SUBSTITUTED.

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of all or substantially all the properties and assets of the Company on a consolidated basis in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the

Company herein, and thereafter the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Debentures.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Debentures;

(2) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company;

(3) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture; provided, that such action pursuant to this clause shall not adversely affect the interests of the Holders of the Debentures or, so long as any of the Trust Preferred Securities shall remain outstanding, the holders of the Trust Preferred Securities; or

(4) to make provision for transfer procedures, certification, the form of restricted securities legends, if any, to be placed on Debentures, and all other matters required pursuant to Section 305(b) or otherwise necessary, desirable or appropriate in connection with the issuance of Debentures to holders of Trust Preferred Securities in the event of a distribution of Debentures by the Trust upon the occurrence of a Dissolution Event.

SECTION 902. SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Debentures, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee

may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Debenture affected thereby:

(1) extend the Stated Maturity of the principal of, or any installment of interest (including any Additional Payments) on, any Debenture, or reduce the principal amount thereof, or reduce the rate or extend the time for payment of interest thereon, or reduce any premium payable upon the redemption thereof, or change the place of payment where, or the coin or currency in which, any Debenture or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or modify the provisions of this Indenture with respect to the subordination of the Debentures in a manner adverse to the Holders,

(2) reduce the percentage in principal amount of the Outstanding Debentures, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section or Section 513, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Debenture affected thereby; provided, that if the Debentures are held by the Trust or a trustee of the Trust, such supplemental indenture shall not be effective until the holders of a majority

in liquidation amount of Trust Securities shall have consented to such supplemental indenture; provided, further, that if the consent of the Holder of each Outstanding Debenture is required, such supplemental indenture shall not be effective until each holder of the Trust Securities of the Trust shall have consented to such supplemental indenture.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any indenture supplemental hereto. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to consent to such supplemental inden-

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ture, whether or not such Holders remain Holders after such record date; provided, that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 90 days after such record date, any such consent previously given shall automatically and without further action by any Holder be canceled and of no further effect.

SECTION 903. EXECUTION OF SUPPLEMENTAL INDENTURES.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Debentures theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. No such supplemental indenture shall directly or indirectly modify the provisions of Article Twelve in any manner which might terminate or impair the rights of the Senior Debt pursuant to such subordination provisions.

SECTION 905. [Intentionally Omitted].

SECTION 906. REFERENCE IN DEBENTURES TO SUPPLEMENTAL INDENTURES.

Debentures authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Debentures so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Debentures.

ARTICLE TEN

COVENANTS; REPRESENTATIONS AND WARRANTIES

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SECTION 1001. PAYMENT OF PRINCIPAL AND INTEREST.

The Company will duly and punctually pay the principal of and interest on the Debentures in accordance with the terms of the Debentures and this Indenture.

SECTION 1002. MAINTENANCE OF OFFICE OR AGENCY.

The Company will maintain in the United States an office or agency where Debentures may be presented or surrendered for payment, where Debentures may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Debentures and this Indenture may be served. The Company will give prompt written notice

to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in the United States) where the Debentures may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the United States for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 1003. MONEY FOR DEBENTURE PAYMENTS TO BE HELD IN TRUST.

If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of or interest on any of the Debentures, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of the principal of or interest on any Debentures, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

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The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will (i) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (ii) during the continuance of any default by the Company (or any other obligor upon the Debentures) in the making of any payment in respect of the Debentures, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent as such.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or interest on any Debenture and remaining unclaimed for two years after such principal or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of any such Debenture shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease.

SECTION 1004. STATEMENT BY OFFICERS AS TO DEFAULT.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the material terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

SECTION 1005. LIMITATION ON DIVIDENDS; TRANSACTIONS WITH AFFILIATES; COVENANTS AS TO THE TRUST.

(a) The Company covenants that so long as the Debentures are outstanding, if (i) there shall have occurred and be continuing any event that with the giving of notice or the lapse of time or both, would constitute an Indenture Event of Default, (ii) the Company shall be in default with respect to its payment of any obligations under the Guarantee, or (iii) the Company has exercised its option to defer interest payments on the Debentures by extending the interest payment period and such period, or any extension thereof, shall be continuing, then the Company (a) shall not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (i) purchases or acquisitions of shares of Common Stock (or Common Stock equivalents) in connection with the satisfaction by the Company of its obligations under any employee benefit or agent plans or the satisfaction by the Company of its obligations pursuant to any contract or security requiring the Company to purchase shares of Common Stock (or Common Stock equivalents), (ii) purchases of shares of Common Stock (or Common Stock equivalents) from officers or employees of the Company or its subsidiaries upon termination of employment or retirement not pursuant to any obligation under any contract or security requiring the Company to purchase shares of Common Stock (or Common Stock equivalents), (iii) as a result of a reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, (iv) dividends or distributions of shares of Common Stock on Common Stock of the Company or (v) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged), (b) shall not make any payment of principal (or premium, if any) or interest on or repay, repurchase or redeem any debt securities (including guarantees) issued by the Company that rank PARI PASSU with or junior to the Debentures, and (c) shall not make any guarantee payments with respect to the foregoing (other than pursuant to the Guarantee).

(b) The Company also covenants and agrees (i) that it shall directly or indirectly maintain 100% ownership of the Trust Common Securities; provided, however, that any permitted successor of the Company hereunder may succeed to the Company's ownership of such Trust Common Securities and (ii) that it shall use its reasonable efforts, consistent with the terms and provisions of the Declaration, to cause the Trust (x) to remain a statutory business trust, except in connection with the distribution of the Debentures to the holders of Trust Securities in liquidation of the Trust upon the occurrence of a Dissolution Event, or certain mergers, consolidations or amalgamations, each as permitted by the Declaration, and (y) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

(c) The Company also covenants and agrees that it shall not (i) incur any additional indebtedness for money borrowed, unless the holders of such indebtedness

have entered into agreements with the Company waiving their rights with respect to the Escrow Fund (as defined in the Escrow Agreement) or (ii) issue any trust preferred stock that ranks senior to the Trust Preferred Securities, whether as to dividends or distributions, or which ranks on a parity with or senior to the Trust Preferred Securities with respect to distributions involving or relating to the Zero Coupon Securities (as defined in the Escrow Agreement), or proceeds from the sale thereof, held in the Escrow Account (as defined in the Escrow Agreement).

SECTION 1006. PAYMENT OF EXPENSES OF THE TRUST.

In connection with the offering, sale and issuance of the Debentures to the Property Trustee in connection with the sale of the Trust Securities by the Trust, the Company shall:

(a) pay for all costs, fees and expenses relating to the offering, sale and issuance of the Debentures, including compensation of the Trustee under the Indenture in accordance with the provisions of Section 607 of this Indenture;

(b) be responsible for and pay for all debts and obligations (other than with respect to the Trust Securities) of the Trust, pay for all costs and expenses of the Trust (including, but not limited to, costs and expenses relating to the organization of the Trust, the offering, sale and issuance of the Trust Securities, the fees and expenses of the Property Trustee and the Delaware Trustee, the costs and expenses relating to the operation of the Trust, including without limitation, costs and expenses of accountants,

attorneys, statistical or bookkeeping services, expenses for printing and engraving and computing or accounting equipment, paying agent(s), registrar(s), transfer agent(s), duplicating, travel and telephone and other telecommunications expenses and costs and expenses incurred in connection with the acquisition, financing, and disposition of Trust assets); and

(c) pay any and all taxes (other than United States withholding taxes attributable to the Trust or its assets) and all liabilities, costs and expenses with respect to such taxes of the Trust.

ARTICLE ELEVEN

REDEMPTION OF DEBENTURES

SECTION 1101. RIGHT OF REDEMPTION.

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(a) The Debentures may be redeemed, at the election of the Company, in whole or in part, in cash at the Redemption Price, at any time on or after [-], 2006. If the Debentures are redeemed in part, the Debentures to be redeemed shall be selected on a pro rata basis from the outstanding Debentures not previously called for redemption.

(b) The Debentures may be redeemed, at the election of the Company, in whole (but not in part), at any time, in cash at the Redemption Price, within 90 days following the occurrence of a Redemption Tax Event; provided, however, that if at the time, there is available to the Company or the Trust the opportunity to eliminate, within such 90 Day Period, the Redemption Tax Event by taking some Ministerial Action, such as filing a form or making an election, or pursuing some other similar reasonable measure, which in the reasonable judgment of the Company has or will cause no adverse effect on the Trust, the Holders of the Trust Securities or the Company and will involve no material cost, then the Company or the Trust shall pursue such measure in lieu of redemption.

SECTION 1102. APPLICABILITY OF ARTICLE.

Redemption of Debentures at the election of the Company, as permitted by Section 1101, shall be made in accordance with such provision and this Article.

SECTION 1103. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem Debentures pursuant to Section 1101 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 60 days and no more than 90 days prior to the Redemption Date fixed by the Company, notify the Trustee in writing of such Redemption Date and of the principal amount of Debentures to be redeemed and provide a copy of the notice of redemption to be given to Holders of Debentures to be redeemed pursuant to Section 1105.

SECTION 1104. [THIS SECTION INTENTIONALLY OMITTED.]

SECTION 1105. NOTICE OF REDEMPTION.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Debentures to be redeemed, at such Holder's address appearing in the Register.

All notices of redemption shall identify the Debentures to be redeemed (including, if relevant, CUSIP number) and shall state:

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(1) the Redemption Date,

(2) the Redemption Price,

(3) that on the Redemption Date the Redemption Price will become due and payable upon each such Debenture to be redeemed and that interest thereon will cease to accrue on and after said date, and

(4) the place or places where such Debentures are to be surrendered for payment of the Redemption Price.

If less than all of the Debentures are to be redeemed, the notice of redemption shall specify the numbers of the Debentures to be redeemed.

Notice of redemption of Debentures to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1106. DEPOSIT OF REDEMPTION PRICE.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Debentures which are to be redeemed on that date.

SECTION 1107. DEBENTURES PAYABLE ON REDEMPTION DATE.

Notice of redemption having been given as aforesaid, the Debentures so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Debentures shall cease to bear interest. Upon surrender of any such Debenture for redemption in accordance with said notice, such Debenture shall be paid by the Company at the Redemption Price, together with accrued interest (including Additional Payments, if any) to the Redemption Date; provided, however, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Debentures, or one or more Predecessor Debentures, registered as such at the close of business on the relevant Record Dates according to the terms and the provisions of Section 307.

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If any Debenture called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Debenture.

SECTION 1108. [THIS SECTION INTENTIONALLY OMITTED.]

SECTION 1109. TAX EVENT REDEMPTION.

If a Tax Event has occurred and is continuing and:

(a) the Company has received a Redemption Tax Opinion; or

(b) after receiving a Dissolution Tax Opinion, the Administrative Trustees shall have been informed by tax counsel rendering the Dissolution Tax Opinion that a No Recognition Opinion cannot be delivered to the Trust (each such case, a "Redemption Tax Event"), then, notwithstanding Section 1109(a) but subject to Section 1109(b), the Company shall have the right upon not less than 30 days nor more than 60 days' notice to the Holders of the Debentures to redeem the Debentures in whole (but not in part) for cash within 90 days following the occurrence of such Redemption Tax Event (the "90-Day Period") at the Redemption Price; provided, however, that if, at the time there is available to the Company or the Trust the opportunity to eliminate within the 90-Day Period, the Redemption Tax Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure which, in the reasonable judgment of the Company, has or will cause no adverse effect on the Company, the Trust or the Holders of the Trust Securities and will involve no material cost (a "Ministerial Action"), the Company or the Trust shall pursue such Ministerial Action or other measure in lieu of redemption, and provided, further, that the Company shall have no right to redeem the Debentures while the Trust is pursuing any Ministerial Action or other similar measure pursuant to its obligations under the Declaration. Payment of the Redemption Price shall be made prior to 12:00 noon, Central time, on the date of such redemption or such earlier time as the Company determines; provided, that the Company shall deposit with the Trustee an amount sufficient to make such redemption payment by 10:00 a.m. Central Time on the date such redemption payment is to be made. Any redemption pursuant to this Section 1109 shall be made pursuant to the provisions of Sections 1101 through 1108 hereof.

SECTION 1110. NO SINKING FUND.

The Debentures are not entitled to the benefit of any sinking fund.

ARTICLE TWELVE

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SUBORDINATION OF DEBENTURES

SECTION 1201. AGREEMENT TO SUBORDINATE.

The Company covenants and agrees, and each Holder of Debentures by such Holder's acceptance thereof likewise covenants and agrees, that all Debentures shall be issued subject to the provisions of this Article Twelve; and each Holder of a Debenture, whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions. The payment by the Company of the principal of, premium, if any, and interest (including Additional Payments) on all Debentures issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and junior in right of payment to the prior payment in full of all existing and future Senior Debt, whether outstanding at the date of this Indenture or thereafter incurred; provided however, that no provision of this Article Twelve shall prevent the occurrence of any default or Indenture Event of Default hereunder.

SECTION 1202. DEFAULT ON SENIOR DEBT.

In the event and during the continuation of any default by the Company in the payment of principal, premium, interest or any other payment due on any Senior Debt continuing beyond the period of grace, if any, specified in the instrument evidencing such Senior Debt, unless and until such default shall have been cured or waived or shall have ceased to exist, and in the event that the maturity of any Senior Debt has been accelerated because of a default, then no payment shall be made by the Company with respect to the principal of (including redemption payments, if any), premium, if any, or interest on the Debentures.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee when such payment is prohibited by the preceding paragraph of this Section 1202, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Debt or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Debt may have been issued, as their respective interests may appear, but only to the extent that the holders of the Senior Debt (or their representative or representatives or a trustee) notify the Trustee in writing within 90 days of such payment of the amounts then due and owing on the Senior Debt and only the amounts specified in such notice to the Trustee shall be paid to the holders of Senior Debt.

SECTION 1203. LIQUIDATION; DISSOLUTION; BANKRUPTCY.

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Upon any payment by the Company or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding up or liquidation or reorganization of the Company, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all principal of, and premium, if any, and interest due or to become due on, all Senior Debt must be paid in full before any payment is made on account of the principal (and premium, if any) or interest on the Debentures; and upon any such dissolution or winding up or liquidation or reorganization, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Debentures or the Trustee would be entitled, except for the provisions of this Article Twelve, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Debentures or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Debt (pro rata to such holders on the basis of the respective amounts of Senior Debt held by such holders, as calculated by the Company) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Debt may have been issued, as their respective interests may appear, to the extent necessary to pay such Senior Debt in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Debt, before any payment or distribution is made to the Holders of Debentures or to the Trustee.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee or the Holders of the Debentures before all Senior Debt is paid in full, or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Senior Debt or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Debt may have been issued, as their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Debt

remaining unpaid to the extent necessary to pay such Senior Debt in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Debt.

For purposes of this Article Twelve, the words, "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article Twelve with respect to the Debentures to the payment of all Senior Debt which may at the time be outstanding; provided, that (i) such Senior

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Debt is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of such Senior Debt are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company with or into, another Person or the liquidation or dissolution of the Company following the conveyance, transfer or lease of all or substantially all its properties and assets on a consolidated basis to another Person upon the terms and conditions provided for in Article Eight hereof shall not be deemed a dissolution, winding up, liquidation or reorganization for the purposes of this Section 1203 if such other Person shall, as a part of such consolidation, merger, conveyance, transfer or lease, comply with the conditions stated in Article Eight hereof. Nothing in Section 1202 or in this Section 1203 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 607 hereof.

SECTION 1204. SUBROGATION.

Subject to the payment in full of all Senior Debt, the rights of the Holders of the Debentures shall be subrogated to the rights of the holders of such Senior Debt to receive payments or distributions of cash, property or securities of the Company, as the case may be, applicable to such Debentures until the principal of (and premium, if any), and interest on the Senior Debt shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of such Senior Debt of any cash, property or securities to which the Holders of the Debentures or the Trustee would be entitled except for the provisions of this Article Twelve, and no payment pursuant to the provisions of this Article Twelve, to or for the benefit of the holders of such Senior Debt by Holders of the Debentures or the Trustee, shall, as between the Company, its creditors other than holders of Senior Debt, and the Holders of the Debentures, be deemed to be a payment by the Company to or on account of such Debentures. It is understood that the provisions of this Article Twelve are and are intended solely for the purposes of defining the relative rights of the Holders of the Debentures, on the one hand, and the holders of such Senior Debt on the other hand.

Nothing contained in this Article Twelve or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as between the Company, its creditors, other than the holders of Senior Debt, and the Holders of the Debentures, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Debentures the principal of (and premium, if any) and interest on the Debentures as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Debentures and creditors of the Company, as the case may be, other than the holders of Senior Debt, nor shall anything herein or therein prevent the Trustee or the Holder of any Debenture from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject

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to the rights, if any, under this Article Twelve of the holders of such Senior Debt in respect of cash, property or securities of the Company, as the case may be, received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article Twelve, the Trustee, subject to the provisions of Section 603, and the Holders of the Debentures, shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of the Debentures, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Debt and other indebtedness of the Company, as the case may be, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article

SECTION 1205. TRUSTEE TO EFFECTUATE SUBORDINATION.

Each Holder of Debentures by such Holder's acceptance thereof authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article Twelve and appoints the Trustee as such Holder's attorney-in-fact for any and all such purposes.

SECTION 1206. NOTICE BY THE COMPANY.

The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company which would prohibit the making of any payment of monies to or by the Trustee in respect of the Debentures pursuant to the provisions of this Article Twelve. Notwithstanding the provisions of this Article Twelve or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or by the Trustee in respect of the Debentures pursuant to the provision of this Article Twelve, unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office of the Trustee from the Company or a holder or holders of Senior Debt or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 603 hereof, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice provided for in this Section 1206 at least three Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (and premium, if any) or interest on any Debenture), then, anything herein contained to

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the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary which may be received by it within three Business Days prior to such date.

The Trustee, subject to the provisions of Section 603, shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Debt (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of such Senior Debt or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Article Twelve, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Debt held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the right of such Person under this Article Twelve, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 1207. RIGHTS OF THE TRUSTEE; HOLDERS OF SENIOR DEBT.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article Twelve in respect of any Senior Debt at any time held by it, to the same extent as any other holder of Senior Debt, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Debt of the Company, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article Twelve, and no implied covenants or obligations with respect to the holders of such Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of such Senior Debt and, subject to the provisions of Section 603, the Trustee shall not be liable to any holder of such Senior Debt if it shall pay over or deliver to Holders of Debentures, the Company or any other Person money or assets to which any holder of such Senior Debt shall be entitled by virtue of this Article Twelve or otherwise.

SECTION 1208. SUBORDINATION MAY NOT BE IMPAIRED.

No right of any present or future holder of any Senior Debt to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in

good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Debt may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Debentures, without incurring responsibility to the holders of the Debentures and without impairing or releasing the subordination provided in this Article Twelve or the obligations hereunder of the Holders of the Debentures to the holders of Senior Debt, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, such Senior Debt, or otherwise amend or supplement in any manner such Senior Debt or any instrument evidencing the same or any agreement under which such Senior Debt is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing such Senior Debt; (iii) release any Person liable in any manner for the collection of such Senior Debt; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

ARTICLE THIRTEEN

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 1301. NO RECOURSE.

No recourse under or upon any obligation, covenant or agreement of this Indenture, or of any Debenture, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, stockholder, officer or director, past, present or future as such, of the Company or of any predecessor or successor corporation, either directly or through the Company or any such predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, stockholders, officers or directors as such, of the Company or of any predecessor or successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Debentures or implied therefrom; and that any and all such personal liability of every name and nature, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against every such incorporator, stockholder, officer or director as such, because of the creation of the

indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Debentures or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issuance of such Debentures.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

ARTICLE FOURTEEN

LISTING ON AN EXCHANGE

SECTION 1401. LISTING ON AN EXCHANGE.

In connection with the distribution of the Debentures to the holders of the Trust Preferred Securities upon a Dissolution Event, the Company will use its best efforts to list such Debentures on the New York Stock Exchange or on such other exchange as the Trust Preferred Securities are then listed.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

AMERICAN EQUITY INVESTMENT
LIFE HOLDING COMPANY

By: _____
Name:
Title:

FIRST UNION TRUST COMPANY,
NATIONAL ASSOCIATION, as trustee

By: _____
Name:
Title:

EXHIBIT A
FORM OF DEBENTURE

[FORM OF FACE OF DEBENTURE]

[IF THE DEBENTURE IS TO BE A GLOBAL DEBENTURE, INSERT - This Debenture is a Global Debenture within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depositary or a nominee of a Depositary. This Debenture is exchangeable for Debentures registered in the name of a person other than the Depositary or its nominee only in the limited circumstances described in the Indenture, and no transfer of this Debenture (other than a transfer of this Debenture as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary) may be registered except in limited circumstances.]

Unless this Debenture is presented by an authorized representative of The Depositary Trust Company (55 Water Street, New York, New York) to the issuer or its agent for registration of transfer, exchange or payment, and any Debenture issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depositary Trust Company and any payment hereon is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.]

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

[-]% Junior Subordinated Debenture due [-]

No. _____ \$ _____
CUSIP No. _____

American Equity Investment Life Holding Company, a corporation duly organized and existing under the laws of the State of Iowa (herein called "the Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to First Union Trust Company, National Association, as Property Trustee of American Equity Capital Trust III under that certain Amended and Restated Declaration of Trust, dated as of [-] (the "Declaration"), or registered assigns, the principal sum of _____ Dollars (\$) on [-].

Interest Payment Dates: March 31, June 30, September 30 and December 31, commencing [-], subject to the Company's right to defer interest payments as described herein.

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Regular Record Dates: the close of business on the regular record date for such interest installment, which shall be the close of business on the Business Day next preceding such Interest Payment Date. [IF PURSUANT TO THE PROVISIONS OF THE INDENTURE THE DEBENTURES ARE NO LONGER REPRESENTED BY A GLOBAL DEBENTURE -- which shall be the close of business on the 15th day

immediately preceding each Interest Payment Date, commencing [-].]
If any date on which interest payable on the Debentures is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

Reference is hereby made to the further provisions of this Debenture set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Debenture shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

Dated: _____, ____.

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

By: _____
Name:
Title:

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TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debentures referred to in the within-mentioned Indenture.

Dated: _____, ____.

FIRST UNION TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Signatory

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[FORM OF REVERSE OF DEBENTURE]

AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

[-]% Junior Subordinated Debenture due [-]*

(1) Interest. American Equity Investment Life Holding Company, an Iowa corporation (the "Company"), is the issuer of this [-]% Junior Subordinated Debenture Due [-] (the "Debenture") limited in aggregate principal amount to \$[-] issued under the Indenture hereinafter referred to. The Company promises to pay interest on the Debentures in cash from [-] or from the most recent interest payment date to which interest has been paid or duly provided for, quarterly (subject to deferral for up to 20 consecutive quarters as described in Section 3 hereof) in arrears on March 31, June 30, September 30 and December 31 of each year (each day an "Interest Payment Date"), commencing [-], at the rate of [-]% per annum (subject to increase as provided in Section 12 hereto) plus Additional Interest and Compounded Interest if any, until the principal hereof shall have become due and payable.

The amount of interest payable for any interest period will be computed on the basis of a 360-day year of twelve 30-day months. The amount

of interest payable for any period shorter than a full quarterly period for which interest is computed will be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any date on which interest is payable on the Debentures is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

(2) Additional Interest. The Company shall pay to American Equity Capital Trust III (and its permitted successors or assigns under the Declaration) (the "Trust") such amounts as shall be required so that the net amounts received and retained by the Trust after paying any taxes, duties, assessments or other governmental charges of whatever nature (other than withholding taxes) imposed on the Trust by the United States or any other taxing authority ("Additional Interest") will be not less than the amounts the Trust would have received had no such taxes, duties, assessment or governmental charges been imposed.

*All terms used in this Debenture which are defined in the Indenture referred to herein or in the Declaration attached as Annex A thereto shall have the meanings assigned to them in the Indenture or the Declaration, as the case may be.

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(3) Option to Extend Interest Payment Period. So long as no Indenture Event of Default has occurred and is continuing, the Company shall have the right at any time during the term of the Debentures to defer interest payments from time to time by extending the interest payment period for successive periods not exceeding 20 consecutive quarters for each such period; except that no Extension Period may extend beyond the maturity of the Debentures. At the end of each Extension Period, the Company shall pay all interest then accrued and unpaid together with interest thereon compounded quarterly at the rate specified for the Debentures to the extent permitted by applicable law ("Compounded Interest"); provided, that during any Extension Period, the Company shall not (a) declare or pay dividends on, or make a distribution with respect to, or redeem or purchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (i) purchases or acquisitions of shares of Common Stock (or Common Stock equivalents) in connection with the satisfaction by the Company of its obligations under any employee benefit or agent plans or the satisfaction by the Company of its obligations pursuant to any contract or security requiring the Company to purchase shares of Common Stock (or Common Stock equivalents), (ii) purchases of shares of Common Stock (or Common Stock equivalents) from officers or employees of the Company or its subsidiaries upon termination of employment or retirement not pursuant to any obligation under any contract or security requiring the Company to purchase shares of Common Stock (or Common Stock equivalents), (iii) as a result of a reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, (iv) dividends or distributions of shares of Common Stock on Common Stock or (v) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged), (b) make any payment of principal of (premium, if any) or interest on or repay, repurchase or redeem any debt securities (including guarantees) issued by the Company that rank PARI PASSU with or junior to the Debentures and (c) make any guarantee payments with respect to any of the foregoing (other than pursuant to the Guarantee).

Prior to the termination of any such Extension Period, the Company may further extend such Extension Period; provided, that such Extension Period together with all previous and further extensions thereof may not exceed 20 consecutive quarters and may not extend beyond the maturity of the Debentures. Upon the termination of any Extension Period and the payment of all amounts then due, the Company may commence a new Extension Period, subject to the above requirements. No interest during an Extension Period, except at the end thereof, shall be due and payable.

If the Property Trustee is the sole holder of the Debentures at the time the Company selects an Extension Period, the Company shall give notice to the

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Administrative Trustees, the Property Trustee and the Trustee of its selection of such Extension Period at least one Business Day prior to the earlier of (i) the date the distributions on the Trust Preferred Securities are payable or (ii) if the Trust Preferred Securities are listed on the New York Stock Exchange or other stock exchange or quotation system, the date the Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Trust Preferred Securities on the record date or the date such distributions are payable, but in any event not less than ten Business Days prior to such record date.

If the Property Trustee is not the sole holder of the Debentures at the time the Company selects an Extension Period, the Company shall give the Holders of the Debentures and the Trustee notice of its selection of an Extension Period at least ten Business Days prior to the earlier of (i) the next succeeding Interest Payment Date or (ii) the date the Company is required to give notice to the New York Stock Exchange or any applicable self-regulatory organization on the record or payment date of such related interest payment, but in any event not less than two Business Days prior to such record date.

The quarter in which any notice is given pursuant to the second and third paragraphs of this Section 3 shall be counted as one of the 20 quarters permitted in the maximum Extension Period permitted under the first paragraph of this Section 3.

(4) Method of Payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Debenture (or one or more Predecessor Debentures) is registered at the close of business on the regular record date for such interest installment, which shall be the close of business on the Business Day next preceding such Interest Payment Date. [IF PURSUANT TO THE PROVISIONS OF THE INDENTURE THE NOTES ARE NO LONGER REPRESENTED BY A GLOBAL NOTE -- which shall be the close of business on the 15th day of the month in which such Interest Payment Date occurs.] (the "Regular Record Date"), commencing [-]. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Debenture (or one or more Predecessor Debentures) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Debentures not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Debentures may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

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Payment of the principal of and interest on this Debenture will be made at the office or agency of the Company maintained for that purpose in West Des Moines, Iowa, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that, at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Register or by wire transfer to an account appropriately designated by the Person entitled thereto.

(5) Paying Agent and Registrar. The Trustee will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-registrar without prior notice. The Company or any of its Affiliates may act in any such capacity.

(6) Indenture. The Company issued the Debentures under an indenture, dated as of [-] (the "Indenture"), between the Company and First Union Trust Company, National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company and the Holders of the Debentures, and of the terms upon which the Debentures are, and are to be, authenticated and delivered. The terms of the Debentures include those stated in the Indenture and those made part of the Indenture by the incorporation of certain provisions of the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbbb) ("TIA") as in effect on the date of the Indenture. The Debentures are subject to, and qualified by, all such terms, certain of which are summarized hereon, and holders are referred to the

Indenture and the TIA for a statement of such terms. The Debentures are unsecured general obligations of the Company limited to \$[-] in aggregate principal amount and subordinated in right of payment to all existing and future Senior Debt of the Company. No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Debenture at the times, place and rate, and in the coin or currency, herein prescribed or to convert this Debenture as provided in the Indenture.

(7) Optional Redemption. The Debentures are subject to redemption, at the election of the Company, in whole or in part, for cash at the Redemption Price, at any time on or after [-], 2006. Any redemption pursuant to this Section 7 will be made upon not less than 30 nor more than 60 days' notice.

(8) Optional Redemption Upon Tax Event. The Debentures are subject to redemption, at the election of the Company, in whole (but not in part), for cash at the Redemption Price, at any time within 90 days following the occurrence and continuation

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of a Redemption Tax Event (as defined in the Declaration). Any redemption pursuant to this Section 8 will be made upon not less than 30 nor more than 60 days' notice.

(9) Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of the Debentures to be redeemed at his address of record. The Debentures in denominations larger than \$[-] may be redeemed in part but only in integral multiples of \$[-]. In the event of a redemption of less than all of the Debentures, the Debentures will be chosen for redemption by the Trustee in accordance with the Indenture. On and after the Redemption Date, interest ceases to accrue on the Debentures or portions of them called for redemption.

If this Debenture is redeemed subsequent to a Regular Record Date with respect to any Interest Payment Date specified above and on or prior to such Interest Payment Date, then any accrued interest will be paid to the person in whose name this Debenture is registered at the close of business on such record date.

(10) Redemption of Trust Securities. Upon the repayment of the Debentures, whether at maturity, upon any acceleration, earlier redemption or otherwise, the proceeds from such repayment or payment shall simultaneously be applied to redeem Trust Securities having an aggregate liquidation amount equal to the Debentures so repaid or redeemed at the applicable redemption price together with accrued and unpaid distributions through the date of redemption; provided, that holders of the Trust Securities shall be given not less than 30 nor more than 60 days notice of such redemption. There are no sinking fund payments with respect to the Debentures.

(11) Subordination. The payment of the principal of, interest on or any other amounts due on the Debentures is subordinated in right of payment to all existing and future Senior Debt (as defined below) of the Company, as described in the Indenture. Each holder, by accepting a Debenture, agrees to such subordination and authorizes and directs the Trustee on its behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and appoints the Trustee as its attorney-in-fact for such purpose.

"Senior Debt" shall mean with respect to the Company (i) the principal, premium, if any, and interest in respect of (A) indebtedness of such obligor for money borrowed and (B) indebtedness evidenced by securities, debentures, bonds or other similar instruments issued by such obligor, (ii) all capital lease obligations of such obligor, (iii) all obligations of such obligor issued or assumed as the deferred purchase price of property, all conditional sale obligations of such obligor and all obligations of such obligor under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business), (iv) all obligations of such obligor for the

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reimbursement of any letter of credit, banker's acceptance, security

purchase facility (or repurchase agreement) or similar credit transaction, (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons for the payment of which such obligor is responsible or liable as obligor, guarantor or otherwise, and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of such obligor (whether or not such obligation is assumed by such obligor), except for (1) any such indebtedness that is by its terms subordinated to or PARI PASSU with the Debentures and (2) any indebtedness between or among such obligor or its affiliates, including all other debt securities and guarantees in respect of those debt securities issued to any other trust, or a trustee of such trust, partnership, or other entity affiliated with the Company that is, directly or indirectly, a financing vehicle of the Company (a "Financing Entity") in connection with the issuance by such Financing Entity of Trust Preferred Securities or other securities which rank junior to, or PARI PASSU with, the Trust Preferred Securities. Such Senior Debt shall continue to be Senior Debt and entitled to the subordination provisions hereof irrespective of any amendment, modification or waiver of any term of such Senior Debt, other than any amendment, modification or waiver relating to the Escrow Agreement.

(12) Registration, Transfer, Exchange and Denominations. As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Debenture is registrable in the Register, upon surrender of this Debenture for registration of transfer at the office or agency of the Company in West Des Moines, Iowa, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Debentures, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Debentures are issuable only in registered form without coupons in denominations of \$25 and integral multiples thereof. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Prior to due presentment of this Debenture for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Debenture is registered as the owner hereof for all purposes, whether or not this Debenture be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

(13) Persons Deemed Owners. Except as provided in Section 4 hereof, the registered Holder of a Debenture may be treated as its owner for all purposes.

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(14) Unclaimed Money. If money for the payment of principal or interest remains unclaimed for two years, the Trustee and the Paying Agent shall pay the money back to the Company at its written request. After that, holders of Debentures entitled to the money must look to the Company for payment unless an abandoned property law designates another Person and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

(14) Defaults and Remedies. The Debentures shall have the Indenture Events of Default as set forth in Section 501 of the Indenture. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Trustee by notice to the Company or the holders of not less than a majority in aggregate principal amount of the then Outstanding Debentures by notice to the Company and the Trustee may declare all the Debentures to be due and payable immediately.

The holders of a majority in principal amount of the Debentures then Outstanding by written notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration. Holders may not enforce the Indenture or the Debentures except as provided in the Indenture. Subject to certain limitations, holders of a majority in principal amount of the then Outstanding Debentures issued under the Indenture may direct the Trustee in its exercise of any trust or power. The Company must furnish annually compliance certificates to the Trustee. The above description of Events of Default and remedies is qualified by reference to, and subject in its entirety by, the more complete description thereof contained in the Indenture.

(15) Amendments, Supplements and Waivers. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the

modification of the rights and obligations of the Company and the rights of the Holders of the Debentures under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Debentures at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Debentures at the time Outstanding, on behalf of the Holders of all the Debentures, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Debenture shall be conclusive and binding upon such Holder and upon all future Holders of this Debenture and of any Debenture issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Debenture.

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(16) Trustee Dealings with the Company. The Trustee, in its individual or any other capacity, may become the owner or pledgee of the Debentures and may otherwise deal with the Company or an Affiliate with the same rights it would have, as if it were not Trustee, subject to certain limitations provided for in the Indenture and in the TIA. Any Agent may do the same with like rights.

(17) No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Debentures or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder of the Debentures by accepting a Debenture waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Debentures.

(18) Governing Law. THE INTERNAL LAWS OF THE STATE OF IOWA SHALL GOVERN THE INDENTURE AND THE DEBENTURES WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS THEREOF.

(19) Authentication. The Debentures shall not be valid until authenticated by the manual signature of an authorized officer of the Trustee or an authenticating agent.

The Company will furnish to any Holder of the Debentures upon written request and without charge a copy of the Indenture. Requests may be made to:

American Equity Investment Life Holding Company
5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266
Attention: Chief Financial Officer

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ASSIGNMENT FORM

To assign this Debenture, fill in the form below:

(I) or (we) assign and transfer this Debenture to

(Insert assignee's social security or taxpayer identification no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ agent to transfer this Debenture on the books of the Company. The agent may substitute another to act for him.

Your Signature: _____

(Sign exactly as your name appears on the other side of this Debenture)

Date: _____

Signature Guarantee:* _____

* Signature must be guaranteed by a commercial bank, trust company or member firm of The New York Stock Exchange, Inc.

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TRUST PREFERRED SECURITIES GUARANTEE AGREEMENT
American Equity Investment Life Holding Company

Dated as of [-]

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TRUST PREFERRED SECURITIES GUARANTEE AGREEMENT

This TRUST PREFERRED SECURITIES GUARANTEE AGREEMENT (this "Trust Preferred Securities Guarantee"), dated as of [-], is executed and delivered by American Equity Investment Life Holding Company, an Iowa corporation (the "Guarantor"), and First Union Trust Company, National Association, as trustee (the "Preferred Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Trust Preferred Securities (as defined herein) of American Equity Capital Trust III, a Delaware statutory business trust (the "Trust").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust, dated as of [-] (the "Declaration"), among the trustees of the Trust named therein, the Guarantor, as sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Trust, the Trust is issuing on the date hereof [-] preferred securities, having an aggregate liquidation amount of \$[-] designated the "[-]% Trust Preferred Securities" (the "Trust Preferred Securities");

WHEREAS, as incentive for the Holders to purchase the Trust Preferred Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Trust Preferred Securities Guarantee, to guarantee the obligations of the Trust to the Holders of Trust Preferred Securities on the terms and conditions set forth herein; and

WHEREAS, the Guarantor is also executing and delivering a guarantee agreement (the "Trust Common Securities Guarantee") on substantially identical terms to this Trust Preferred Securities Guarantee for the benefit of the holders of the Trust Common Securities (as defined herein), except that if an Indenture Event of Default (as defined herein) has occurred and is continuing, the rights of holders of the Trust Common Securities to receive Guarantee Payments (as defined in the Trust Common Securities Guarantee) under the Trust Common Securities Guarantee shall be subordinated to the rights of Holders of Trust Preferred Securities to receive Guarantee Payments (as defined herein) under this Trust Preferred Securities Guarantee;

NOW, THEREFORE, in consideration of the purchase by each Holder of Trust Preferred Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Trust Preferred Securities Guarantee for the benefit of the Holders.

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ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1 DEFINITIONS AND INTERPRETATION.

In this Trust Preferred Securities Guarantee, unless the context otherwise requires:

(a) capitalized terms used in this Trust Preferred Securities Guarantee but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) terms defined in the Declaration as at the date hereof have the same meaning when used in this Trust Preferred Securities Guarantee unless otherwise defined in the Trust Preferred Securities Guarantee;

(c) a term defined anywhere in this Trust Preferred Securities Guarantee has the same meaning throughout;

(d) all references to "the Trust Preferred Securities Guarantee" or "this Trust Preferred Securities Guarantee" are to this Trust Preferred Securities Guarantee as modified, supplemented or amended from time to time;

(e) all references in this Trust Preferred Securities Guarantee to Articles and Sections are to Articles and Sections of this Trust Preferred Securities Guarantee, unless otherwise specified;

(f) a term defined in the Trust Indenture Act has the same meaning when used in this Trust Preferred Securities Guarantee, unless otherwise defined in this Trust Preferred Securities Guarantee or unless the context otherwise requires;

(g) a reference to the singular includes the plural and vice versa;

(h) a reference to any Person shall include its successors and assigns;

(i) a reference to any agreement or instrument shall mean such agreement or instrument, as supplemented, modified, amended, or amended and restated, and in effect from time to time; and

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(j) a reference to any statute, law, rule or regulation, shall include any amendments thereto applicable to the relevant Person, and any successor statute, law, rule or regulation.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

"Business Day" means any day other than a Saturday, Sunday or day on which banking institutions in West Des Moines, Iowa or in Wilmington, Delaware are authorized or required by any applicable law or executive order to close.

"Company Common Stock" means the common stock, par value \$1.00 per share, of the Guarantor.

"Corporate Trust Office" means the office of the Preferred Guarantee Trustee at which the corporate trust business of the Preferred Guarantee Trustee shall, at any particular time, be principally administered, which office at the date of execution of this Trust Preferred Securities Guarantee is located at One Rodney Square, 920 King Street, Suite 102, Wilmington, Delaware 19801.

"Covered Person" means any Holder or beneficial owner of Trust Preferred Securities.

"Debentures" means the [-]% Junior Subordinated Debentures due [-] of the Guarantor held by the Property Trustee (as defined in the Declaration).

"Event of Default" means a default by the Guarantor on any of its payment or other obligations under this Trust Preferred Securities Guarantee.

"Guarantee Payments" means the following payments or distributions, without duplication, with respect to the Trust Preferred Securities, to the extent not paid or made by the Trust: (i) any accrued and unpaid Distributions (as defined in the Declaration) that are required to be paid on such Trust Preferred Securities to the extent the Trust shall have funds available therefor, (ii) the redemption price, including all accrued and unpaid Distributions to the date of redemption (the "Redemption Price"), with respect to any Trust Preferred Securities called for redemption by the Trust to the extent the Trust has funds available therefor, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Trust (other than in connection with a distribution of the Debentures to the Holders in exchange for Trust Preferred Securities or the redemption of all of the Trust Preferred Securities as provided in the Declaration), the lesser of (a) the aggregate of the total liquidation amount and all accrued and unpaid Distributions on the Trust Preferred Securities to the date of payment, to the extent the Trust shall have funds available therefor, and (b) the amount of assets of the Trust remaining available for distribution to Holders upon liquidation of the Trust (in either case, the "Liquidation Distribution"). If an Indenture Event of Default has occurred and is continuing, the rights of holders of the Trust Common Securities to receive Guarantee Payments under the Trust Common Securities Guarantee are subordinate to the rights of Holders of Trust Preferred Securities to receive Guarantee Payments under this Trust Preferred Securities Guarantee.

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"Holder" shall mean any holder, as registered on the books and records of the Trust, of any Trust Preferred Securities; provided, however, that in determining whether the holders of the requisite percentage of Trust Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"Indemnified Person" means the Preferred Guarantee Trustee, any Affiliate of the Preferred Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives, nominees, custodians or agents of the Preferred Guarantee Trustee.

"Indenture" means the Indenture, dated as of [-], among the Guarantor and First Union Trust Company, National Association, as trustee, pursuant to which the Debentures are to be issued to the Property Trustee of the Trust.

"Indenture Event of Default" means an "Indenture Event of Default" as defined in the Indenture.

"Indenture Trustee" means the Person acting as trustee under the Indenture, initially First Union Trust Company, National Association.

"Majority in liquidation amount of the Trust Preferred Securities" means, except as provided by the Trust Indenture Act, a vote by Holder(s) of Trust Preferred Securities, voting separately as a class, of more than 50% of the liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all Trust Preferred Securities.

"Officers' Certificate" means, with respect to any Person, a certificate signed by two Authorized Officers of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Trust Preferred Securities Guarantee shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Guarantee Trustee" means First Union Trust Company, National Association, until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Trust Preferred Securities Guarantee and thereafter means each such Successor Preferred Guarantee Trustee.

"Responsible Officer" means, with respect to the Preferred Guarantee Trustee, any officer within the Corporate Trust Office of the Preferred Guarantee Trustee, including any vice president, any assistant vice president, any assistant secretary, the treasurer, any assistant treasurer or other officer of the Corporate Trust Office of the Preferred Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Successor Preferred Guarantee Trustee" means a successor Preferred Guarantee Trustee possessing the qualifications to act as Preferred Guarantee Trustee under Section 4.1.

"Trust Common Securities" means the securities representing common undivided beneficial interests in the assets of the Trust.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

ARTICLE II

TRUST INDENTURE ACT

Section 2.1 TRUST INDENTURE ACT; APPLICATION.

(a) This Trust Preferred Securities Guarantee is subject to the provisions of the Trust Indenture Act, which provisions are incorporated by reference in and made part of this Trust Preferred Securities Guarantee and this Trust Preferred Securities Guarantee shall, to the extent applicable, be governed by such provisions; and

(b) if and to the extent that any provision of this Trust Preferred Securities Guarantee limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

Section 2.2 LISTS OF HOLDERS OF SECURITIES.

(a) The Guarantor shall provide the Preferred Guarantee Trustee with a list, in such form as the Preferred Guarantee Trustee may reasonably require, of the names and addresses of the Holders of the Trust Preferred Securities ("List of Holders") as of such date, (i) within 14 days after each record date for payment of Distributions, and (ii) at any other time within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Preferred Guarantee Trustee; provided that the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Preferred Guarantee Trustee by the Guarantor. The Preferred Guarantee Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Preferred Guarantee Trustee shall comply with its obligations under Section 311(a), Section 311(b) and Section 312(b) of the Trust Indenture Act.

Section 2.3 REPORTS BY THE PREFERRED GUARANTEE TRUSTEE. Within 60 days after December 31 of each year, the Preferred Guarantee Trustee shall provide to the Holders of the Trust Preferred Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Preferred Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

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Section 2.4 PERIODIC REPORTS TO PREFERRED GUARANTEE TRUSTEE. The Guarantor shall provide to the Preferred Guarantee Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

Section 2.5 EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT. The Guarantor shall provide to the Preferred Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Trust Preferred Securities Guarantee that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

Section 2.6 EVENTS OF DEFAULT; WAIVER. The Holders of a Majority in liquidation amount of Trust Preferred Securities may, by vote, on behalf of the Holders of all of the Trust Preferred Securities, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Trust Preferred Securities Guarantee, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 2.7 EVENT OF DEFAULT; NOTICE.

(a) The Preferred Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Trust Preferred Securities, notices of all Events of Default of which the Preferred Guarantee Trustee is deemed to have knowledge (as defined in Section 2.7(b)), unless such defaults have been cured before the giving of such notice; provided that the Preferred Guarantee Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Preferred Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Trust Preferred Securities.

(b) The Preferred Guarantee Trustee shall be deemed to have knowledge of an Event of Default if (i) the Preferred Guarantee Trustee shall have received written notice of such Event of Default or (ii) a Responsible Officer of the Preferred Guarantee Trustee charged with the administration of the Declaration shall have obtained actual knowledge of such Event of Default.

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Section 2.8 CONFLICTING INTERESTS. The Declaration shall be deemed to be specifically described in this Trust Preferred Securities Guarantee for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III

POWERS, DUTIES AND RIGHTS OF PREFERRED GUARANTEE TRUSTEE

Section 3.1 POWERS AND DUTIES OF THE PREFERRED GUARANTEE TRUSTEE.

(a) This Trust Preferred Securities Guarantee shall be held by the Preferred Guarantee Trustee for the benefit of the Holders of the Trust Preferred Securities, and the Preferred Guarantee Trustee shall not transfer this Trust Preferred Securities Guarantee to any Person except a Holder of Trust Preferred Securities exercising his or her rights pursuant to Section 5.5(b) or to a Successor Preferred Guarantee Trustee on acceptance by such Successor Preferred Guarantee Trustee of its appointment to act as Successor Preferred Guarantee Trustee. The right, title and interest of the Preferred Guarantee Trustee shall automatically vest in any Successor Preferred Guarantee Trustee, and such vesting and cessation of title shall be effective whether or not

conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Preferred Guarantee Trustee.

(b) If an Event of Default of which the Preferred Guarantee Trustee is deemed to have knowledge (as defined in Section 2.7(b)) has occurred and is continuing, the Preferred Guarantee Trustee shall enforce this Trust Preferred Securities Guarantee for the benefit of the Holders of the Trust Preferred Securities.

(c) The Preferred Guarantee Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Trust Preferred Securities Guarantee, and no implied covenants shall be read into this Trust Preferred Securities Guarantee against the Preferred Guarantee Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6) and of which the Preferred Guarantee Trustee is deemed to have knowledge (as defined in Section 2.7(b)), the Preferred Guarantee Trustee shall exercise such of the rights and powers vested in it by this Trust Preferred Securities Guarantee, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

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(d) No provision of this Trust Preferred Securities Guarantee shall be construed to relieve the Preferred Guarantee Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Preferred Guarantee Trustee shall be determined solely by the express provisions of this Preferred Securities Guarantee, and the Preferred Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Preferred Securities Guarantee, and no implied covenants or obligations shall be read into this Trust Preferred Securities Guarantee against the Preferred Guarantee Trustee; and

(B) in the absence of bad faith on the part of the Preferred Guarantee Trustee, the Preferred Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Preferred Guarantee Trustee and conforming to the requirements of this Trust Preferred Securities Guarantee; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Preferred Guarantee Trustee, the Preferred Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Trust Preferred Securities Guarantee;

(ii) the Preferred Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Preferred Guarantee Trustee, unless it shall be proved that the Preferred Guarantee Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

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(iii) the Preferred Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Trust Preferred Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Preferred Guarantee Trustee, or exercising any trust or power conferred upon the Preferred Guarantee Trustee under this Trust Preferred Securities Guarantee; and

(iv) no provision of this Trust Preferred Securities Guarantee shall require the Preferred Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Preferred Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Trust Preferred

Securities Guarantee or indemnity, reasonably satisfactory to the Preferred Guarantee Trustee, against such risk or liability is not reasonably assured to it.

Section 3.2 CERTAIN RIGHTS OF PREFERRED GUARANTEE TRUSTEE.

(a) Subject to the provisions of Section 3.1:

(i) The Preferred Guarantee Trustee may conclusively rely, and shall be fully protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(ii) Any direction or act of the Guarantor contemplated by this Trust Preferred Securities Guarantee shall be sufficiently evidenced by an Officers' Certificate.

(iii) Whenever, in the administration of this Trust Preferred Securities Guarantee, the Preferred Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Preferred Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Guarantor.

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(iv) The Preferred Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument (or any rerecording, refiling or registration thereof).

(v) The Preferred Guarantee Trustee may consult with counsel of its selection, and the written advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees. The Preferred Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Trust Preferred Securities Guarantee from any court of competent jurisdiction.

(vi) The Preferred Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Preferred Securities Guarantee at the request or direction of any Holder, unless such Holder shall have provided to the Preferred Guarantee Trustee such security and indemnity, reasonably satisfactory to the Preferred Guarantee Trustee, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Preferred Guarantee Trustee; provided that nothing contained in this Section 3.2(a)(vi) shall be taken to relieve the Preferred Guarantee Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Trust Preferred Securities Guarantee.

(vii) The Preferred Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Preferred Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

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(viii) The Preferred Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, nominees, custodians or attorneys, and the Preferred Guarantee Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(ix) Any action taken by the Preferred Guarantee Trustee or its agents hereunder shall bind the Holders of the Trust Preferred Securities, and the signature of the Preferred Guarantee Trustee or its

agents alone shall be sufficient and effective to perform any such action. No third party shall be required to inquire as to the authority of the Preferred Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Trust Preferred Securities Guarantee, both of which shall be conclusively evidenced by the Preferred Guarantee Trustee's or its agent's taking such action.

(x) Whenever in the administration of this Trust Preferred Securities Guarantee the Preferred Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Preferred Guarantee Trustee (i) may request instructions from the Holders of a Majority in liquidation amount of the Trust Preferred Securities, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in conclusively relying on or acting in accordance with such instructions.

(xi) The Preferred Guarantee Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Trust Preferred Securities Guarantee.

(b) No provision of this Trust Preferred Securities Guarantee shall be deemed to impose any duty or obligation on the Preferred Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Preferred Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Preferred Guarantee Trustee shall be construed to be a duty.

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Section 3.3 NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF TRUST PREFERRED SECURITIES GUARANTEE. The recitals contained in this Trust Preferred Securities Guarantee shall be taken as the statements of the Guarantor, and the Preferred Guarantee Trustee does not assume any responsibility for their correctness. The Preferred Guarantee Trustee makes no representation as to the validity or sufficiency of this Trust Preferred Securities Guarantee.

ARTICLE IV

PREFERRED GUARANTEE TRUSTEE

Section 4.1 PREFERRED GUARANTEE TRUSTEE; ELIGIBILITY.

(a) There shall at all times be a Preferred Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.1(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Preferred Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Preferred Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

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(c) If the Preferred Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Preferred Guarantee Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

Section 4.2 APPOINTMENT, REMOVAL AND RESIGNATION OF PREFERRED GUARANTEE TRUSTEE.

(a) Subject to Section 4.2(c), the Preferred Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor.

(b) Subject to Section 4.2(c), the Preferred Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Preferred Guarantee Trustee and delivered to the Guarantor.

(c) The Preferred Guarantee Trustee shall hold office and shall not be removed in accordance with Section 4.2(a) or resign in accordance with Section 4.2(b) unless and until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Preferred Guarantee Trustee and delivered to the Guarantor and, in the case of a resignation in accordance with Section 4.2(b), the resigning Preferred Guarantee Trustee.

(d) If no Successor Preferred Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery to the Guarantor of an instrument of removal or resignation, the resigning or removed Preferred Guarantee Trustee may petition any court of competent jurisdiction for appointment of a Successor Preferred Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Preferred Guarantee Trustee.

(e) No Preferred Guarantee Trustee shall be liable for the acts or omissions to act of any Successor Preferred Guarantee Trustee.

(f) Upon termination of this Trust Preferred Securities Guarantee or removal or resignation of the Preferred Guarantee Trustee pursuant to this Section 4.2, the Guarantor shall pay to the Preferred Guarantee Trustee all amounts accrued to the date of such termination, removal or resignation.

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ARTICLE V

TRUST PREFERRED SECURITIES GUARANTEE

Section 5.1 TRUST PREFERRED SECURITIES GUARANTEE. The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Trust), as and when due, regardless of any defense, right of set-off or counterclaim that the Trust may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Trust to pay such amounts to the Holders.

Section 5.2 SUBORDINATION. If an Indenture Event of Default has occurred and is continuing, the rights of holders of Trust Common Securities to receive Guarantee Payments under the Trust Common Securities Guarantee are subordinate to the rights of Holders of Trust Preferred Securities to receive Guarantee Payments under this Trust Preferred Securities Guarantee.

Section 5.3 WAIVER OF NOTICE AND DEMAND. The Guarantor hereby waives notice of acceptance of this Trust Preferred Securities Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Trust or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

Section 5.4 OBLIGATIONS NOT AFFECTED. The obligations, covenants, agreements and duties of the Guarantor under this Trust Preferred Securities Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Trust of any express or implied agreement, covenant, term or condition relating to the Trust Preferred Securities to be performed or observed by the Trust;

(b) the extension of time for the payment by the Trust of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Trust Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Trust Preferred Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution or other sum payable that results from the extension of any

interest payment period on the Debentures or any extension of the maturity date of the Debentures permitted by the Indenture);

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(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Trust Preferred Securities, or any action on the part of the Trust granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust;

(e) any invalidity of, or defect or deficiency in, the Trust Preferred Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.4 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

Section 5.5 RIGHTS OF HOLDERS.

(a) The Holders of a Majority in liquidation amount of the Trust Preferred Securities have the right to direct the time, method and place of the conducting of any proceeding for any remedy available to the Preferred Guarantee Trustee in respect of this Trust Preferred Securities Guarantee or exercising any trust or power conferred upon the Preferred Guarantee Trustee under this Trust Preferred Securities Guarantee.

(b) Any Holder of Trust Preferred Securities may institute a legal proceeding against the Guarantor to enforce the obligations of the Guarantor under this Trust Preferred Securities Guarantee without first instituting a legal proceeding against the Trust, the Preferred Guarantee Trustee or any other Person.

(c) If an Indenture Event of Default constituting the failure to pay interest, principal or premium, if any, on the Debentures on the date such interest, principal or premium, if any, is otherwise payable has occurred and is continuing, then a Holder of Trust Preferred Securities may directly, at any time on or after the respective due date specified in the Debentures for such payment, institute a proceeding for enforcement of payment to such Holder of the interest, principal or premium, if any, on the Debentures having a principal amount equal to the aggregate liquidation amount of the Trust Preferred Securities of such Holder. The Holders of Trust Preferred Securities will not be able to exercise directly any other remedy available to the holders of the Debentures unless the Property Trustee (as defined in the Indenture) fails to do so.

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Section 5.6 GUARANTEE OF PAYMENT. This Trust Preferred Securities Guarantee creates a guarantee of payment and not of collection.

Section 5.7 SUBROGATION. The Guarantor shall be subrogated to all (if any) rights of the Holders of Trust Preferred Securities against the Trust in respect of any amounts paid to such Holders by the Guarantor under this Trust Preferred Securities Guarantee; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Trust Preferred Securities Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Trust Preferred Securities Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

Section 5.8 INDEPENDENT OBLIGATIONS. The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Trust with respect to the Trust Preferred Securities, and that the Guarantor shall be

liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Trust Preferred Securities Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.4 hereof.

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ARTICLE VI

LIMITATION OF TRANSACTIONS; SUBORDINATION

Section 6.1 LIMITATION OF TRANSACTIONS. So long as any Trust Preferred Securities remain outstanding, if (i) the Guarantor has exercised its option to defer interest payments on the Debentures by extending the interest payment period and such extension shall be continuing, (ii) the Guarantor shall be in default with respect to its payment or other obligations under the Guarantee or (iii) there shall have occurred and be continuing any event that, with the giving of notice or the lapse of time or both, would constitute an Indenture Event of Default, then the Guarantor shall not (a) declare or pay dividends on, or make a distribution with respect to, or redeem or purchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (1) purchases or acquisitions of shares of Company Common Stock (or Company Common Stock equivalents) in connection with the satisfaction by the Guarantor of its obligations under any employee benefit or agent plans or the satisfaction by the Guarantor of its obligations pursuant to any contract or security requiring the Guarantor to purchase shares of Company Common Stock (or Company Common Stock equivalents), (2) purchases of shares of Company Common Stock (or Company Common Stock equivalents) from officers or employees of the Guarantor or its subsidiaries upon termination of employment or retirement not pursuant to any obligation under any contract or security requiring the Guarantor to purchase shares of Company Common Stock (or Company Common Stock equivalents), (3) as a result of a reclassification of the Guarantor's capital stock or the exchange or conversion of one class or series of the Guarantor's capital stock for another class or series of the Guarantor's capital stock, (4) dividends or distributions of shares of Company Common Stock on Company Common Stock or (5) the purchase of fractional interests in shares of the Guarantor's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged), (b) make any payment of principal of (premium, if any) or interest on or repay, repurchase or redeem any debt securities (including guarantees) issued by the Guarantor that rank PARI PASSU with or junior to the Debentures and (c) make any guarantee payments with respect to any of the foregoing (other than pursuant to the Trust Preferred Securities Guarantee).

Section 6.2 RANKING.

(a) This Trust Preferred Securities Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) senior to the Guarantor's common stock, (ii) PARI PASSU with the most senior preferred or preference securities now or hereafter issued by the Guarantor and with any guarantee now or hereafter entered into by the Guarantor with respect to any preferred or preference securities of the Guarantor or any Affiliate of the Guarantor, and (iii) junior and subordinate in right of payment to all other liabilities of the Guarantor except any liabilities that may be PARI PASSU expressly by their terms.

(b) The holders of any obligations of the Guarantor that are senior in priority to the obligations under this Trust Preferred Securities Guarantee will be entitled to all of the rights inuring to the holders of "Senior Debt" under Article 12 of the Indenture, and the Holders of the Trust Preferred Securities will be subject to all of the terms and conditions of such Article 12 with respect to any claims or rights hereunder with the same effect as though fully set forth herein.

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ARTICLE VII

TERMINATION

Section 7.1 TERMINATION. This Trust Preferred Securities Guarantee shall terminate as to each Holder of Trust Preferred Securities upon (i) full payment of the applicable Redemption Price (as defined in the Declaration) with respect to all Trust Preferred Securities, (ii) the distribution of the Debentures held by the Trust to the Holders of all of the Trust Preferred Securities of the Trust or (iii) liquidation of the Trust, and will terminate completely upon full payment of the amounts payable in accordance with the Declaration of the Trust. Notwithstanding the foregoing, this Trust Preferred Securities Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any Holder of Trust Preferred Securities must

restore payment of any sums paid under the Trust Preferred Securities or under this Trust Preferred Securities Guarantee.

ARTICLE VIII

INDEMNIFICATION

Section 8.1 EXCULPATION.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Trust Preferred Securities Guarantee and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Trust Preferred Securities Guarantee or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Trust Preferred Securities might properly be paid.

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Section 8.2 INDEMNIFICATION. The Guarantor agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 8.2 shall survive the termination of this Trust Preferred Securities Guarantee.

ARTICLE IX

MISCELLANEOUS

Section 9.1 SUCCESSORS AND ASSIGNS. All guarantees and agreements contained in this Trust Preferred Securities Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Trust Preferred Securities then outstanding. Except in connection with any merger or consolidation of the Guarantor with or into another entity or any sale, transfer or lease of the Guarantor's assets to another entity, each as permitted by the Indenture, the Guarantor may not assign its rights or delegate its obligations under this Trust Preferred Securities Guarantee without the prior approval of the Holders of at least a Majority in liquidation amount of the Trust Preferred Securities.

Section 9.2 AMENDMENTS. Except with respect to any changes that do not materially adversely affect the rights of Holders (in which case no consent of Holders will be required), this Trust Preferred Securities Guarantee may be amended only with the prior approval of the Holders of at least a Majority in liquidation amount of the Trust Preferred Securities. The provisions of Section 12.2 of the Declaration with respect to meetings of Holders of the Trust Preferred Securities apply to the giving of such approval.

Section 9.3 NOTICES. All notices provided for in this Trust Preferred Securities Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, sent by facsimile or mailed by registered or certified mail, as follows:

(a) if given to the Preferred Guarantee Trustee, at the Preferred Guarantee Trustee's mailing address set forth below (or such other address as the Preferred Guarantee Trustee may give notice of to the Holders of the Trust Preferred Securities):

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One Rodney Square
920 King Street
Suite 102
Wilmington, Delaware 19801
Attention: Corporate Trust Administration

(b) if given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Trust Preferred Securities):

American Equity Investment Life Holding Company
5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266
Attention: Chief Financial Officer

(c) If given to any Holder of Trust Preferred Securities, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 9.4 BENEFIT. This Trust Preferred Securities Guarantee is solely for the benefit of the Holders of the Trust Preferred Securities and, subject to Section 3.1(a), is not separately transferable from the Trust Preferred Securities.

Section 9.5 GOVERNING LAW. THIS TRUST PREFERRED SECURITIES GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF IOWA AND ALL RIGHTS AND REMEDIES SHALL BE GOVERNED BY SUCH LAWS WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAWS.

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THIS TRUST PREFERRED SECURITIES GUARANTEE is executed as of the day and year first above written.

AMERICAN EQUITY INVESTMENT LIFE
HOLDING COMPANY

By: _____
Name:
Title:

FIRST UNION TRUST COMPANY,
NATIONAL ASSOCIATION, as Preferred
Guarantee Trustee

By: _____
Name:
Title:

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TRUST COMMON SECURITIES GUARANTEE AGREEMENT
American Equity Investment Life Holding Company

Dated as of [-]

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This TRUST COMMON SECURITIES GUARANTEE AGREEMENT (this "Trust Common Securities Guarantee"), dated as of [-], is executed and delivered by American Equity Investment Life Holding Company, an Iowa corporation (the "Guarantor"), and First Union Trust Company, National Association, as trustee (the "Common Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Trust Common Securities (as defined herein) of American Equity Capital Trust III, a Delaware statutory business trust (the "Trust").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust, dated as of [-] (the "Declaration"), among the trustees of the Trust named therein, the Guarantor, as sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Trust, the Trust is issuing

on the date hereof [-] common securities, having an aggregate liquidation amount of \$[-] designated the "Trust Common Securities" (the "Trust Common Securities");

WHEREAS, as incentive for the Holders to purchase the Trust Common Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Trust Common Securities Guarantee, to guarantee the obligations of the Trust to the Holders of Trust Common Securities on the terms and conditions set forth herein; and

WHEREAS, the Guarantor is also executing and delivering a guarantee agreement (the "Trust Preferred Securities Guarantee") on substantially identical terms to this Trust Common Securities Guarantee for the benefit of the holders of the Trust Preferred Securities (as defined herein), except that if an Indenture Event of Default (as defined herein) has occurred and is continuing, the rights of holders of the Trust Common Securities to receive Guarantee Payments (as defined herein) under the Trust Common Securities Guarantee shall be subordinated to the rights of Holders of Trust Preferred Securities to receive Guarantee Payments (as defined in the Trust Preferred Securities Guarantee) under this Trust Common Securities Guarantee;

NOW, THEREFORE, in consideration of the purchase by each Holder of Trust Common Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Trust Common Securities Guarantee for the benefit of the Holders.

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ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1 DEFINITIONS AND INTERPRETATION.

In this Trust Common Securities Guarantee, unless the context otherwise requires:

(a) capitalized terms used in this Trust Common Securities Guarantee but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) terms defined in the Declaration as at the date hereof have the same meaning when used in this Trust Common Securities Guarantee unless otherwise defined in the Trust Common Securities Guarantee;

(c) a term defined anywhere in this Trust Common Securities Guarantee has the same meaning throughout;

(d) all references to "the Trust Common Securities Guarantee" or "this Trust Common Securities Guarantee" are to this Trust Common Securities Guarantee as modified, supplemented or amended from time to time;

(e) all references in this Trust Common Securities Guarantee to Articles and Sections are to Articles and Sections of this Trust Common Securities Guarantee, unless otherwise specified;

(f) a term defined in the Trust Indenture Act has the same meaning when used in this Trust Common Securities Guarantee, unless otherwise defined in this Trust Common Securities Guarantee or unless the context otherwise requires;

(g) a reference to the singular includes the plural and vice versa;

(h) a reference to any Person shall include its successors and assigns;

(i) a reference to any agreement or instrument shall mean such agreement or instrument, as supplemented, modified, amended, or amended and restated, and in effect from time to time; and

(j) a reference to any statute, law, rule or regulation, shall include any amendments thereto applicable to the relevant Person, and any successor statute, law, rule or regulation.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

"Business Day" means any day other than a Saturday, Sunday or day on which banking institutions in West Des Moines, Iowa or in Wilmington, Delaware are authorized or required by any applicable law or executive order to close.

"Common Guarantee Trustee" means First Union Trust Company, National Association, until a Successor Common Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Trust Common Securities Guarantee and thereafter means each such Successor Common Guarantee Trustee.

"Company Common Stock" means the common stock, par value \$1.00 per share, of the Guarantor.

"Corporate Trust Office" means the office of the Common Guarantee Trustee at which the corporate trust business of the Common Guarantee Trustee shall, at any particular time, be principally administered, which office at the date of execution of this Trust Common Securities Guarantee is located at One Rodney Square, 920 King Street, Suite 102, Wilmington, Delaware 19801.

"Covered Person" means any Holder or beneficial owner of Trust Common Securities.

"Debentures" means the [-]% Junior Subordinated Debentures due [-] of the Guarantor held by the Property Trustee (as defined in the Declaration).

"Event of Default" means a default by the Guarantor on any of its payment or other obligations under this Trust Common Securities Guarantee.

"Guarantee Payments" means the following payments or distributions, without duplication, with respect to the Trust Common Securities, to the extent not paid or made by the Trust: (i) any accrued and unpaid Distributions (as defined in the Declaration) that are required to be paid on such Trust Common Securities to the extent the Trust shall have funds available therefor, (ii) the redemption price, including all accrued and unpaid Distributions to the date of redemption (the "Redemption Price"), with respect to any Trust Common Securities called for redemption by the Trust to the extent the Trust has funds available therefor, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Trust (other than in connection with a distribution of the Debentures to the Holders in exchange for Trust Common Securities or the redemption of all of the Trust Common Securities as provided in the Declaration), the lesser of (a) the aggregate of the total liquidation amount and all accrued and unpaid Distributions on the Trust Common Securities to the date of payment, to the extent the Trust shall have funds available therefor, and (b) the amount of assets of the Trust remaining available for distribution to Holders upon liquidation of the Trust (in either case, the "Liquidation Distribution"). If an Indenture Event of Default has occurred and is continuing, the rights of holders of the Trust Common Securities to receive Guarantee Payments under this Trust Common Securities Guarantee are subordinate to the rights of Holders of Trust Preferred Securities to receive Guarantee Payments under the Trust Preferred Securities Guarantee.

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"Holder" shall mean any holder, as registered on the books and records of the Trust, of any Trust Common Securities.

"Indemnified Person" means the Common Guarantee Trustee, any Affiliate of the Common Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives, nominees, custodians or agents of the Common Guarantee Trustee.

"Indenture" means the Indenture, dated as of [-], among the Guarantor and First Union Trust Company, National Association, as trustee, pursuant to which the Debentures are to be issued to the Property Trustee of the Trust.

"Indenture Event of Default" means an "Indenture Event of Default" as defined in the Indenture.

"Indenture Trustee" means the Person acting as trustee under the Indenture, initially First Union Trust Company, National Association.

"Majority in liquidation amount of the Trust Common Securities" means, except as provided by the Trust Indenture Act, a vote by Holder(s) of Trust Common Securities, voting separately as a class, of more than 50% of the liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all Trust Common Securities.

"Officers' Certificate" means, with respect to any Person, a certificate signed by two Authorized Officers of such Person. Any Officers'

Certificate delivered with respect to compliance with a condition or covenant provided for in this Trust Common Securities Guarantee shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

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(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Responsible Officer" means, with respect to the Common Guarantee Trustee, any officer within the Corporate Trust Office of the Common Guarantee Trustee, including any vice president, any assistant vice president, any assistant secretary, the treasurer, any assistant treasurer or other officer of the Corporate Trust Office of the Common Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Successor Common Guarantee Trustee" means a successor Common Guarantee Trustee possessing the qualifications to act as Common Guarantee Trustee under Section 4.1.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

"Trust Preferred Securities" means the securities representing preferred undivided beneficial interests in the assets of the Trust.

ARTICLE II

TRUST INDENTURE ACT

Section 2.1 TRUST INDENTURE ACT; APPLICATION.

(a) This Trust Common Securities Guarantee is subject to the provisions of the Trust Indenture Act that would be required to be part of this Trust Common Securities Guarantee were this Trust Common Securities Guarantee to be qualified under the Trust Indenture Act, which provisions are incorporated by reference in and made part of this Trust Common Securities Guarantee and this Trust Common Securities Guarantee shall, to the extent applicable, be governed by such provisions; and

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(b) if and to the extent that any provision of this Trust Common Securities Guarantee limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

Section 2.2 LISTS OF HOLDERS OF SECURITIES.

(a) The Guarantor shall provide the Common Guarantee Trustee with a list, in such form as the Common Guarantee Trustee may reasonably require, of the names and addresses of the Holders of the Trust Common Securities ("List of Holders") as of such date, (i) within 14 days after each record date for payment of Distributions, and (ii) at any other time within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Common Guarantee Trustee; provided that the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Common Guarantee Trustee by the Guarantor. The Common Guarantee Trustee may destroy any List of Holders

previously given to it on receipt of a new List of Holders.

(b) The Common Guarantee Trustee shall comply with its obligations under Section 311(a), 311(b) and Section 312(b) of the Trust Indenture Act.

Section 2.3 REPORTS BY THE COMMON GUARANTEE TRUSTEE. Within 60 days after December 31 of each year, the Common Guarantee Trustee shall provide to the Holders of the Trust Common Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Common Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

Section 2.4 PERIODIC REPORTS TO COMMON GUARANTEE TRUSTEE. The Guarantor shall provide to the Common Guarantee Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

Section 2.5 EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT. The Guarantor shall provide to the Common Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Trust Common Securities Guarantee that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

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Section 2.6 EVENTS OF DEFAULT; WAIVER. The Holders of a Majority in liquidation amount of Trust Common Securities may, by vote, on behalf of the Holders of all of the Trust Common Securities, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Trust Common Securities Guarantee, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 2.7 EVENT OF DEFAULT; NOTICE.

(a) The Common Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Trust Common Securities, notices of all Events of Default of which the Common Guarantee Trustee is deemed to have knowledge (as defined in Section 2.7(b)), unless such defaults have been cured before the giving of such notice; provided that the Common Guarantee Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Common Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Trust Common Securities.

(b) The Common Guarantee Trustee shall be deemed to have knowledge of an Event of Default if (i) the Common Guarantee Trustee shall have received written notice of such Event of Default or (ii) a Responsible Officer of the Common Guarantee Trustee charged with the administration of the Declaration shall have obtained actual knowledge of such Event of Default.

Section 2.8 CONFLICTING INTERESTS. The Declaration shall be deemed to be specifically described in this Trust Common Securities Guarantee for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

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ARTICLE III

POWERS, DUTIES AND RIGHTS OF COMMON GUARANTEE TRUSTEE

Section 3.1 POWERS AND DUTIES OF THE COMMON GUARANTEE TRUSTEE.

(a) This Trust Common Securities Guarantee shall be held by the Common Guarantee Trustee for the benefit of the Holders of the Trust Common Securities, and the Common Guarantee Trustee shall not transfer this Trust Common Securities Guarantee to any Person except a Holder of Trust Common Securities exercising his or her rights pursuant to Section 5.5(b) or to a Successor Common Guarantee Trustee on acceptance by such Successor Common Guarantee Trustee of its appointment to act as Successor Common Guarantee Trustee. The right, title and interest of the Common Guarantee Trustee shall automatically vest in any Successor Common Guarantee Trustee, and such vesting and cessation of title shall be effective whether or not conveying documents

have been executed and delivered pursuant to the appointment of such Successor Common Guarantee Trustee.

(b) If an Event of Default of which the Common Guarantee Trustee is deemed to have knowledge (as defined in Section 2.7(b)) has occurred and is continuing, the Common Guarantee Trustee shall enforce this Trust Common Securities Guarantee for the benefit of the Holders of the Trust Common Securities.

(c) The Common Guarantee Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Trust Common Securities Guarantee, and no implied covenants shall be read into this Trust Common Securities Guarantee against the Common Guarantee Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6) and of which the Common Guarantee Trustee is deemed to have knowledge (as defined in Section 2.7(b)), the Common Guarantee Trustee shall exercise such of the rights and powers vested in it by this Trust Common Securities Guarantee, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(d) No provision of this Trust Common Securities Guarantee shall be construed to relieve the Common Guarantee Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Common Guarantee Trustee shall be determined solely by the express provisions of this Common Securities Guarantee, and the Common Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Common Securities Guarantee, and no implied covenants or obligations shall be read into this Trust Common Securities Guarantee against the Common Guarantee Trustee; and

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(B) in the absence of bad faith on the part of the Common Guarantee Trustee, the Common Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Common Guarantee Trustee and conforming to the requirements of this Trust Common Securities Guarantee; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Common Guarantee Trustee, the Common Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Trust Common Securities Guarantee;

(ii) the Common Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Common Guarantee Trustee, unless it shall be proved that the Common Guarantee Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Common Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Trust Common Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Common Guarantee Trustee, or exercising any trust or power conferred upon the Common Guarantee Trustee under this Trust Common Securities Guarantee; and

(iv) no provision of this Trust Common Securities Guarantee shall require the Common Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Common Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Trust Common Securities Guarantee or indemnity, reasonably satisfactory to the Common Guarantee Trustee, against such risk or liability is not

Section 3.2 CERTAIN RIGHTS OF COMMON GUARANTEE TRUSTEE.

(a) Subject to the provisions of Section 3.1:

(i) The Common Guarantee Trustee may conclusively rely, and shall be fully protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(ii) Any direction or act of the Guarantor contemplated by this Trust Common Securities Guarantee shall be sufficiently evidenced by an Officers' Certificate.

(iii) Whenever, in the administration of this Trust Common Securities Guarantee, the Common Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Common Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Guarantor.

(iv) The Common Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument (or any rerecording, refiling or registration thereof).

(v) The Common Guarantee Trustee may consult with counsel of its selection, and the written advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees. The Common Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Trust Common Securities Guarantee from any court of competent jurisdiction.

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(vi) The Common Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Common Securities Guarantee at the request or direction of any Holder, unless such Holder shall have provided to the Common Guarantee Trustee such security and indemnity, reasonably satisfactory to the Common Guarantee Trustee, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Common Guarantee Trustee; provided that nothing contained in this Section 3.2(a)(vi) shall be taken to relieve the Common Guarantee Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Trust Common Securities Guarantee.

(vii) The Common Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Common Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(viii) The Common Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, nominees, custodians or attorneys, and the Common Guarantee Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(ix) Any action taken by the Common Guarantee Trustee or its agents hereunder shall bind the Holders of the Trust Common Securities, and the signature of the Common Guarantee Trustee or its agents alone shall be sufficient and effective to perform any such

action. No third party shall be required to inquire as to the authority of the Common Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Trust Common Securities Guarantee, both of which shall be conclusively evidenced by the Common Guarantee Trustee's or its agent's taking such action.

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(x) Whenever in the administration of this Trust Common Securities Guarantee the Common Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Common Guarantee Trustee (i) may request instructions from the Holders of a Majority in liquidation amount of the Trust Common Securities, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in conclusively relying on or acting in accordance with such instructions.

(xi) The Common Guarantee Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Trust Common Securities Guarantee.

(b) No provision of this Trust Common Securities Guarantee shall be deemed to impose any duty or obligation on the Common Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Common Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Common Guarantee Trustee shall be construed to be a duty.

Section 3.3 NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF TRUST COMMON SECURITIES GUARANTEE. The recitals contained in this Trust Common Securities Guarantee shall be taken as the statements of the Guarantor, and the Common Guarantee Trustee does not assume any responsibility for their correctness. The Common Guarantee Trustee makes no representation as to the validity or sufficiency of this Trust Common Securities Guarantee.

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ARTICLE IV

COMMON GUARANTEE TRUSTEE

Section 4.1 COMMON GUARANTEE TRUSTEE; ELIGIBILITY.

(a) There shall at all times be a Common Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.1(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Common Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Common Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Common Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Common Guarantee Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

Section 4.2 APPOINTMENT, REMOVAL AND RESIGNATION OF COMMON GUARANTEE TRUSTEE.

(a) Subject to Section 4.2(c), the Common Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor.

(b) Subject to Section 4.2(c), the Common Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Common Guarantee Trustee and delivered to the Guarantor.

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(c) The Common Guarantee Trustee shall hold office and shall not be removed in accordance with Section 4.2(a) or resign in accordance with Section 4.2(b) unless and until a Successor Common Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Common Guarantee Trustee and delivered to the Guarantor and, in the case of a resignation in accordance with Section 4.2(b), the resigning Common Guarantee Trustee.

(d) If no Successor Common Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery to the Guarantor of an instrument of removal or resignation, the resigning or removed Common Guarantee Trustee may petition any court of competent jurisdiction for appointment of a Successor Common Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Common Guarantee Trustee.

(e) No Common Guarantee Trustee shall be liable for the acts or omissions to act of any Successor Common Guarantee Trustee.

(f) Upon termination of this Trust Common Securities Guarantee or removal or resignation of the Common Guarantee Trustee pursuant to this Section 4.2, the Guarantor shall pay to the Common Guarantee Trustee all amounts accrued to the date of such termination, removal or resignation.

ARTICLE V

TRUST COMMON SECURITIES GUARANTEE

Section 5.1 TRUST COMMON SECURITIES GUARANTEE. The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Trust), as and when due, regardless of any defense, right of set-off or counterclaim that the Trust may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Trust to pay such amounts to the Holders.

Section 5.2 SUBORDINATION. If an Indenture Event of Default has occurred and is continuing, the rights of holders of Trust Common Securities to receive Guarantee Payments under this Trust Common Securities Guarantee are subordinate to the rights of Holders of Trust Preferred Securities to receive Guarantee Payments under the Trust Preferred Securities Guarantee.

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Section 5.3 WAIVER OF NOTICE AND DEMAND. The Guarantor hereby waives notice of acceptance of this Trust Common Securities Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Trust or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

Section 5.4 OBLIGATIONS NOT AFFECTED. The obligations, covenants, agreements and duties of the Guarantor under this Trust Common Securities Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Trust of any express or implied agreement, covenant, term or condition relating to the Trust Common Securities to be performed or observed by the Trust;

(b) the extension of time for the payment by the Trust of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Trust Common Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Trust Common Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution or other sum payable that results from the extension of any interest payment

period on the Debentures or any extension of the maturity date of the Debentures permitted by the Indenture);

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Trust Common Securities, or any action on the part of the Trust granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust;

(e) any invalidity of, or defect or deficiency in, the Trust Common Securities;

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(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.4 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

Section 5.5 RIGHTS OF HOLDERS.

(a) The Holders of a Majority in liquidation amount of the Trust Common Securities have the right to direct the time, method and place of the conducting of any proceeding for any remedy available to the Common Guarantee Trustee in respect of this Trust Common Securities Guarantee or exercising any trust or power conferred upon the Common Guarantee Trustee under this Trust Common Securities Guarantee.

(b) Any Holder of Trust Common Securities may institute a legal proceeding against the Guarantor to enforce the obligations of the Guarantor under this Trust Common Securities Guarantee without first instituting a legal proceeding against the Trust, the Common Guarantee Trustee or any other Person.

(c) If an Indenture Event of Default constituting the failure to pay interest, principal or premium, if any, on the Debentures on the date such interest, principal or premium, if any, is otherwise payable has occurred and is continuing, then a Holder of Trust Common Securities may directly, at any time on or after the respective due date specified in the Debentures for such payment, institute a proceeding for enforcement of payment to such Holder of the interest, principal or premium, if any, on the Debentures having a principal amount equal to the aggregate liquidation amount of the Trust Common Securities of such Holder. The Holders of Trust Common Securities will not be able to exercise directly any other remedy available to the holders of the Debentures unless the Property Trustee (as defined in the Indenture) fails to do so.

Section 5.6 GUARANTEE OF PAYMENT. This Trust Common Securities Guarantee creates a guarantee of payment and not of collection.

Section 5.7 SUBROGATION. The Guarantor shall be subrogated to all (if any) rights of the Holders of Trust Common Securities against the Trust in respect of any amounts paid to such Holders by the Guarantor under this Trust Common Securities Guarantee; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Trust Common Securities Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Trust Common Securities Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

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Section 5.8 INDEPENDENT OBLIGATIONS. The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Trust with respect to the Trust Common Securities, and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant

to the terms of this Trust Common Securities Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.4 hereof.

ARTICLE VI

LIMITATION OF TRANSACTIONS; SUBORDINATION

Section 6.1 LIMITATION OF TRANSACTIONS. So long as any Trust Common Securities remain outstanding, if (i) the Guarantor has exercised its option to defer interest payments on the Debentures by extending the interest payment period and such extension shall be continuing, (ii) the Guarantor shall be in default with respect to its payment or other obligations under the Trust Common Securities Guarantee or (iii) there shall have occurred and be continuing any event that, with the giving of notice or the lapse of time or both, would constitute an Indenture Event of Default, then the Guarantor shall not (a) declare or pay dividends on, or make a distribution with respect to, or redeem or purchase or acquire, or make a liquidation payment with respect to, any of its capital stock (other than (1) purchases or acquisitions of shares of Company Common Stock (or Company Common Stock equivalents) in connection with the satisfaction by the Guarantor of its obligations under any employee benefit or agent plans or the satisfaction by the Guarantor of its obligations pursuant to any contract or security requiring the Guarantor to purchase shares of Company Common Stock (or Company Common Stock equivalents), (2) purchases of shares of Company Common Stock (or Company Common Stock equivalents) from officers or employees of the Guarantor or its subsidiaries upon termination of employment or retirement not pursuant to any obligation under any contract or security requiring the Guarantor to purchase shares of Company Common Stock (or Company Common Stock equivalents), (3) as a result of a reclassification of the Guarantor's capital stock or the exchange or conversion of one class or series of the Guarantor's capital stock for another class or series of the Guarantor's capital stock, (4) dividends or distributions of shares of Company Common Stock on Company Common Stock or (5) the purchase of fractional interests in shares of the Guarantor's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged), (b) make any payment of principal of (premium, if any) or interest on or repay, repurchase or redeem any debt securities (including guarantees) issued by the Guarantor that rank PARI PASSU with or junior to the Debentures and (c) make any guarantee payments with respect to any of the foregoing (other than pursuant to the Trust Common Securities Guarantee).

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Section 6.2 RANKING.

(a) This Trust Common Securities Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) senior to the Guarantor's common stock, (ii) PARI PASSU with the most senior preferred or preference securities now or hereafter issued by the Guarantor and with any guarantee now or hereafter entered into by the Guarantor with respect to any preferred or preference securities of the Guarantor or any Affiliate of the Guarantor, and (iii) junior and subordinate in right of payment to all other liabilities of the Guarantor except any liabilities that may be PARI PASSU expressly by their terms.

(b) The holders of any obligations of the Guarantor that are senior in priority to the obligations under this Trust Common Securities Guarantee will be entitled to all of the rights inuring to the holders of "Senior Debt" under Article 12 of the Indenture, and the Holders of the Trust Common Securities will be subject to all of the terms and conditions of such Article 12 with respect to any claims or rights hereunder with the same effect as though fully set forth herein.

ARTICLE VII

TERMINATION

Section 7.1 TERMINATION. This Trust Common Securities Guarantee shall terminate as to each Holder of Trust Common Securities upon (i) full payment of the applicable Redemption Price (as defined in the Declaration) with respect to all Trust Common Securities, (ii) the distribution of the Debentures held by the Trust to the Holders of all of the Trust Common Securities of the Trust or (iii) liquidation of the Trust, and will terminate completely upon full payment of the amounts payable in accordance with the Declaration of the Trust. Notwithstanding the foregoing, this Trust Common Securities Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any Holder of Trust Common Securities must restore payment of any sums paid under the Trust Common Securities or under this Trust Common Securities Guarantee.

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ARTICLE VIII

INDEMNIFICATION

Section 8.1 EXCULPATION.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Trust Common Securities Guarantee and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Trust Common Securities Guarantee or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Trust Common Securities might properly be paid.

Section 8.2 INDEMNIFICATION. The Guarantor agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 8.2 shall survive the termination of this Trust Common Securities Guarantee.

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ARTICLE IX

MISCELLANEOUS

Section 9.1 SUCCESSORS AND ASSIGNS. All guarantees and agreements contained in this Trust Common Securities Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Trust Common Securities then outstanding. Except in connection with any merger or consolidation of the Guarantor with or into another entity or any sale, transfer or lease of the Guarantor's assets to another entity, each as permitted by the Indenture, the Guarantor may not assign its rights or delegate its obligations under this Trust Common Securities Guarantee without the prior approval of the Holders of at least a Majority in liquidation amount of the Trust Common Securities.

Section 9.2 AMENDMENTS. Except with respect to any changes that do not materially adversely affect the rights of Holders (in which case no consent of Holders will be required), this Trust Common Securities Guarantee may be amended only with the prior approval of the Holders of at least a Majority in liquidation amount of the Trust Common Securities. The provisions of Section 12.2 of the Declaration with respect to meetings of Holders of the Trust Common Securities apply to the giving of such approval.

Section 9.3 NOTICES. All notices provided for in this Trust Common Securities Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, sent by facsimile or mailed by registered or certified mail, as follows:

(a) if given to the Common Guarantee Trustee, at the Common Guarantee Trustee's mailing address set forth below (or such other address as the Common Guarantee Trustee may give notice of to the Holders of the Trust Common Securities):

First Union Trust Company, National Association
One Rodney Square
920 King Street
Suite 102
Wilmington, Delaware 19801

(b) if given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Trust Common Securities):

American Equity Investment Life Holding Company
5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266
Attention: Chief Financial Officer

(c) If given to any Holder of Trust Common Securities, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 9.4 BENEFIT. This Trust Common Securities Guarantee is solely for the benefit of the Holders of the Trust Common Securities and, subject to Section 3.1(a), is not separately transferable from the Trust Common Securities.

Section 9.5 GOVERNING LAW. THIS TRUST COMMON SECURITIES GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF IOWA AND ALL RIGHTS AND REMEDIES SHALL BE GOVERNED BY SUCH LAWS WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAWS.

THIS TRUST COMMON SECURITIES GUARANTEE is executed as of the day and year first above written.

AMERICAN EQUITY INVESTMENT LIFE
HOLDING COMPANY

By: _____
Name:
Title:

FIRST UNION TRUST COMPANY,
NATIONAL ASSOCIATION, as Common
Guarantee Trustee

By: _____
Name:
Title:

ESCROW AGREEMENT

ESCROW AGREEMENT, dated as of [-], between American Equity Investment Life Holding Company (the "Company"), First Union Trust Company, National Association, as trustee under the Indenture (as hereinafter defined) (the "Trustee") and [-], as escrow agent (the "Escrow Agent").

W I T N E S S E T H

WHEREAS, the Company has authorized the issuance of up to [-] aggregate principal amount of its [-]% Junior Subordinated Debentures (the "Debentures") pursuant to an Indenture, dated as of [-], between the Company and the Trustee (the "Indenture");

WHEREAS, American Equity Capital Trust III (the "Trust"), a subsidiary of the Company, has authorized the issuance of up to [-] of its [-]% Trust Preferred Securities (with a liquidation amount of \$25 per preferred security) (the "Trust Preferred Securities");

WHEREAS, the Trust proposes to use the proceeds of the sale of Trust Preferred Securities to purchase [-] aggregate principal amount of the Debentures;

WHEREAS, the Trust has sold the Trust Preferred Securities in an underwritten public offering (the "Offering") pursuant to a Registration Statement on Form S-1 (Registration No. 33-[-]) filed with the Securities and Exchange Commission on [-] (the "Registration Statement"), a copy of which is attached as Exhibit A hereto; and

WHEREAS, the Registration Statement provides that the Company shall enter into an escrow agreement with an escrow agent pursuant to which the Company shall deliver zero coupon securities (the "Zero Coupon Securities") issued by the United States government and certain of its agencies and instrumentalities which mature on or before [-], the maturity date of the Debentures (the "Maturity Date"), to the escrow agent who shall (i) deposit the Zero Coupon Securities into an escrow account and (ii) upon any failure by the Company to pay any amount due on the Debentures at the Maturity Date, sell all or a portion of the Zero Coupon Securities and use the net proceeds therefrom to pay all or a portion of the amounts then due on the Debentures.

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

Section 1. DEPOSIT OF ESCROW AMOUNT.

(a) Within three business days of the execution and delivery of this Agreement, the Company shall deliver the Zero Coupon Securities to the Escrow Agent.

(b) The Escrow Agent shall hold the Zero Coupon Securities in escrow on behalf of the Company (the "Escrow Account") upon the terms and subject to the conditions set forth in this Agreement. All proceeds from the retirement at maturity or prior sale of the Zero Coupon Securities and all interest and all other income earned thereon (the "Proceeds") shall be added to the Escrow Account and held and disposed of by the Escrow Agent pursuant to the terms of this Agreement. The Zero Coupon Securities and the Proceeds shall hereinafter be referred to as the "Escrow Fund."

Section 2. RELEASE OF THE ESCROW FUND.

(a) The Trustee shall give the Escrow Agent written notice of its failure to pay any amounts due on the Debentures (the "Escrow Notice") at the Maturity Date no more than ten (10) business days after the occurrence of such failure. The Escrow Notice shall specify (i) the amount the Company has failed to pay on the Debentures (the "Shortfall Amount") and (ii) the name of the paying agent under the Indenture and the place at which the Escrow Fund, or portion thereof, shall be released. The Trustee shall also include in the Escrow Notice instructions to the Escrow Agent to sell all or a portion of the Zero Coupon Securities, if necessary, in order to pay the Shortfall Amount to the holders of the Debentures. The Escrow Agent shall sell the Zero Coupon Securities in accordance with the instructions contained in the Escrow Notice and shall release the Shortfall Amount to the paying agent under the Indenture at the time and place specified in such notice.

(b) Notwithstanding anything expressed or implied to the contrary in this Agreement, the Escrow Agent shall promptly deliver or pay to the Company upon the earlier to occur of (i) satisfaction of all amounts due on the Debentures under the Indenture and (ii) termination of this Agreement by a written instrument signed by the Company and the Escrow Agent any Zero Coupon

Section 3. RIGHTS AND DUTIES OF ESCROW AGENT.

(a) The Escrow Agent shall receive from the Company reasonable compensation for its services hereunder, including reimbursement of all reasonable expenses and disbursements incurred or made by the Escrow Agent in performance of its duties hereunder, including the reasonable fees and disbursements of its counsel.

(b) The Escrow Agent may resign and be discharged from its duties hereunder at any time by giving notice of such resignation to the Company, such resignation to take effect upon the earlier of (i) the appointment of a successor escrow agent by the Company or (ii) 30 days after the giving of such notice (provided that, prior to the expiration of such 30-day period, the resigning Escrow Agent shall have deposited the Escrow Fund with a successor escrow agent appointed by a court of competent jurisdiction). The Escrow Agent may be dismissed by the Company with or without cause; provided that a successor escrow agent shall be appointed by the Company prior to the date on which the dismissal of the Escrow Agent becomes effective.

(c) The Escrow Agent undertakes to perform only such duties as are specifically set forth herein and shall have no implied duties, nor shall the permissive right or power to take any action be construed as a duty to take such action under any circumstances. The Escrow Agent may conclusively rely and shall be protected in acting or refraining from acting on any written notice, instrument or signature believed by it to be genuine and to have been signed or presented by the proper party or parties duly authorized to do so. The Escrow Agent shall have no responsibility for the contents of any writing contemplated herein and may reasonably rely without any liability upon the contents thereof. Notwithstanding anything to the contrary contained in this Agreement, where any action is specified to be taken by the Escrow Agent upon delivery by the Company of a notice, certificate or instructions to the Escrow Agent, the Escrow Agent shall not be deemed to have notice of or be obligated to take any action with respect to any default or other fact or event until the Company has acted by delivering a certificate, notice or instructions to the Escrow Agent (none of which shall be binding upon the Escrow Agent unless in writing) as to the specific default, fact or event and the action to be taken hereunder and indicating in writing that a copy of such certificate, notice or instructions has been delivered to the other party. The Company acknowledges that the Escrow Agent is bound only by the terms of this Agreement and that the Escrow Agent shall not be required to use its discretion with respect to any matter that is the subject of this Agreement or with respect to instructions received under this Agreement. The Escrow Agent may execute any of its duties under this Agreement by or through agents or receivers.

(d) The Escrow Agent shall not be liable for any action taken or omitted to be taken by it in good faith and believed by it to be authorized hereby or within the rights or powers conferred upon it hereunder, nor for any action taken or omitted to be taken by it in good faith and in accordance with advice of counsel (which counsel may be of the Escrow Agent's own choosing), and shall not be liable for any mistakes of fact or error of judgment or for any acts or omissions of any kind unless caused by its own willful misconduct, bad faith or gross negligence.

(e) The Escrow Agent shall not be obligated to risk its own funds in the administration of the Escrow Fund and shall have a lien against any funds, securities or other property in its possession or control and shall have a lien against the Escrow Fund for its fees, expenses and advances. The Escrow Agent need not take any action under this Agreement which may involve it in any expense or liability until indemnified to its reasonable satisfaction for any expense or liability it reasonably believes it may incur.

(f) Unless specifically required by this Agreement, the Escrow Agent shall not be required to give any bond or surety or report to any court despite any statute, custom or rule to the contrary.

Section 3. MISCELLANEOUS.

(a) Nothing in this Agreement shall constitute a payment, redemption or discharge by the Company of the issued and outstanding Debentures. The Zero Coupon Securities and the Proceeds shall constitute the property of the Company for all purposes. The Company shall report, for all tax purposes, all income, gain, loss, deduction and expense arising in connection with the Escrow Fund in the same manner and at the same time as would have been the case if the Escrow Account had not been created and the Company had directly held the Zero

(b) This Agreement shall be construed and the rights and duties of the parties determined in accordance with the laws of the State of Iowa, without giving effect to the principles of conflicts of laws thereof.

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(c) It is understood and agreed that should any dispute arise with respect to the delivery, ownership, right of possession and/or disposition of the Escrow Fund, or should any claim be made upon the Escrow Fund by a third party, the Escrow Agent, upon receipt of written notice of such dispute or claim by the Company or by a third party, is authorized and directed to retain in its possession without liability to anyone, all or any of the Escrow Fund until such dispute shall have been settled either by the mutual agreement of the parties involved or by a final order, decree or judgment of a court in the United States of America, the time for perfection of any appeal of such order, decree or judgment having expired; provided that the Company shall promptly give the Escrow Agent written notice of its receipt of such dispute or claim. The Escrow Agent may, but shall be under no duty whatsoever to, institute or defend any legal proceedings which relate to the Escrow Fund. In the event the Escrow Agent becomes involved in litigation arising out of or in connection with this Agreement, the Escrow Agent is hereby authorized to deposit with the clerk of the court in which such litigation is pending any or all of the Escrow Fund, less its fees, expenses and advances, and shall then stand fully relieved and discharged of any further duties hereunder. Also, in the event the Escrow Agent is threatened with litigation arising out of or in connection with this Agreement, it is authorized to implead all interested parties in any court of competent jurisdiction and to deposit with the clerk of such court the Escrow Fund, less its fees, expenses and advances, and shall then stand fully relieved and discharged of any duties hereunder.

(d) The Company agrees to indemnify and hold harmless the Escrow Agent from and against any loss, liability or expense reasonably incurred, without negligence or bad faith on its part, arising out of or in connection with this Agreement, including the expense of defending itself against any claim or liability in the premises. This indemnity agreement shall survive the termination of this Agreement.

(e) This Agreement may not be altered or modified without the express written consent of the parties hereto. No course of conduct shall constitute a waiver of any of the terms and conditions of this Agreement, unless such waiver is specified in writing, and then only to the extent so specified. A waiver of any of the terms and conditions of this Agreement on one occasion shall not constitute a waiver of the other terms of this Agreement, or of such terms and conditions on any other occasion.

(f) The parties acknowledge and agree that each holder of the Debentures and each holder of the Trust Preferred Securities, in purchasing or otherwise acquiring such Debentures or Trust Preferred Securities, as applicable, is a third-party beneficiary of the parties' performance hereunder.

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(g) This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, executors, successors and assigns.

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

(i) Section headings contained in this Agreement have been inserted for reference purposes only, and shall not be construed as part of this Agreement.

(j) All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (unless otherwise specifically provided for herein if so given) by personal delivery, cable, telegram, telex or telecopy, or by mail (registered or certified mail, postage prepaid, return receipt requested) to the respective parties as follows:

NOTICES TO THE COMPANY:

American Equity Investment Life Holding Company
5000 Westown Parkway, Suite 440
West Des Moines, Iowa 50266
Attention: Chief Financial Officer

NOTICES TO TRUSTEE
First Union Trust Company,
National Association
One Rodney Square
920 King Street
Suite 102
Wilmington, Delaware 19801
Attention: Corporate Trust Department

NOTICES TO ESCROW AGENT:
[-]
Attention: Corporate Trust Department

or to such other person or address as any party may have furnished to the others in writing in accordance herewith; provided, however, that notice of change of address shall be effective only upon receipt.

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(k) This Agreement shall continue in force until the earlier to occur of (i) the distribution of the entire Escrow Fund pursuant to the terms hereof or (ii) the termination of this Agreement by a written instrument signed by the Company, the Trustee and the Escrow Agent.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered on the date first written above.

AMERICAN EQUITY INVESTMENT LIFE
HOLDING COMPANY

By: _____
Title:

FIRST UNION TRUST COMPANY,
NATIONAL ASSOCIATION

By: _____
Title:

[ESCROW AGENT]

By: _____
Title:

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CREDITOR AGREEMENT

CREDITOR AGREEMENT (the "Agreement"), dated as of [-], between American Equity Investment Life Holding Company (the "Company") and [-] (the "Creditor").

WHEREAS, [describe financing agreements ("Financing Agreements") with all creditors (collectively, the "Creditors")];

WHEREAS, the Company proposes to issue up to \$[-] aggregate principal amount of its [-]% Junior Subordinated Debentures (the "Debentures") to its affiliate, American Equity Capital Trust III (the "Trust") in exchange for [-] common securities of the Trust;

WHEREAS, the Trust proposes to issue up to [-] of its [-]% Trust Preferred Securities (with a liquidation amount of \$25 per preferred security) (the "Trust Preferred Securities") to the public in a registered public offering (the "Offering");

WHEREAS, the Trust proposes to use the proceeds of the Offering to purchase [-] aggregate principal amount of the Debentures;

WHEREAS, pursuant to the Offering, the Company will be required to place zero coupon securities issued by the United States government or agency thereof with an aggregate face amount of \$[-] and with maturity dates on or before the maturity date of the Debentures (the "Zero Coupon Securities") in an escrow account, which Zero Coupon Securities (or proceeds therefrom) will be used to secure the Company's obligations to pay amounts due on the Debentures at maturity of the Debentures (the "Escrow Account");

WHEREAS, in connection with the Offering, the Company has requested, among other things, that the Creditors:

(a) waive any default under, or violation of, the Financing Agreements which may arise as a result of the Company's issuance of the Debentures, pursuant to the terms and conditions of a Registration Statement on Form S-1, a copy of which is attached as Exhibit A hereto (the "Registration Statement");

(b) acknowledge and agree that the Escrow Account does not constitute Collateral as defined pursuant to the terms of the Financing Agreements; and

(c) waive and release any and all claims and interests, if any, that the Creditors may have with respect to the Escrow Account as creditors or stockholders of the Company or any other entity, whether secured, general unsecured or otherwise.

WHEREAS, in connection herewith, the other Creditors are entering into agreements substantially similar to this agreement; and

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

Section 1. ACKNOWLEDGMENT.

1.1 The Creditor hereby acknowledges and represents that it owns the principal amount of [debt instrument] set forth opposite its name on the signature page hereto and that it has not assigned or otherwise transferred any portion of its rights or obligations under the Financing Agreements to any other person or entity.

1.2 Notwithstanding any provision to the contrary contained in the Financing Agreements, the Creditor hereby expressly acknowledges and agrees that the Escrow Account does not constitute Collateral (as defined in the Financing Agreements) pursuant to the terms of such agreements.

Section 2. ESCROW ACCOUNT WAIVER AND RELEASE.

2.1 Notwithstanding any provision to the contrary contained in the Financing Agreements, the Creditor hereby absolutely, unconditionally and irrevocably relinquishes, waives, disclaims, releases and renders ineffective any and all rights, powers and interests and all manner of claims, whether now existing or arising in the future, which it may have as a creditor of the Company or any other entity, whether secured, general unsecured or otherwise, or as a stockholder of the Company or any other entity with respect to the Escrow Account.

2.2 In the event of (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, arrangement, reorganization or other similar case or proceeding in connection therewith under Title 11 of the United States Code, as hereafter amended, or under any other applicable bankruptcy, insolvency or other similar law, now or hereafter in effect, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, relative to the Company, or to its assets, (b) any liquidation, dissolution or other winding up of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshaling of assets and liabilities of the Company, then the Creditor agrees that it shall not be entitled to any payment or distribution of any kind or character of assets of the Escrow Account, whether in cash, property or securities, by setoff or otherwise.

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Section 3. FINANCING AGREEMENT CONSENT AND WAIVER.

3.1 The Creditor hereby consents to and waives any default under, or violation of the covenants under the Financing Agreements, arising as a result of, or in connection with, the issuance of up to \$[-] aggregate principal amount of Debentures, the creation and use of the Escrow Account or the transactions contemplated in the Registration Statement.

Section 4. MISCELLANEOUS.

4.1 ADEQUATE REMEDIES. Breach of this Agreement by any of the parties hereto will result in damage to the other parties for which money will not be an adequate remedy. Each party shall be entitled, in addition to monetary damages or other relief at law, to specific performance and injunctive or other equitable relief as a remedy for any such breach. The parties each agree to waive (a) any requirement for the securing or posting of a bond in connection with such remedy and (b) any claim that the provisions of 11 U.S.C. Section 105 or 362 in any manner stay any right to seek forthwith any available remedy for such breach.

4.2 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa.

4.3 AGREEMENT CONTROLLING - ENTIRE AGREEMENT. This Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be altered, modified or amended in any respect, nor may any right, power or privilege of any party hereunder and thereunder be waived or released or discharged, except upon execution by all parties hereto of a written instrument so providing. In the event that any provision in this Agreement is in conflict with, or inconsistent with, any provision of the Financing Agreements, as such agreements may exist from time to time, this Agreement shall exclusively govern and control. Notwithstanding anything contained in this Agreement, except as specifically provided for herein, this Agreement shall not be deemed to restrict, impair or otherwise limit the terms and provisions of the Financing Agreements.

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4.4 FURTHER ASSURANCES. The Creditor hereby expressly agrees to execute and deliver to the Company, from time to time hereafter, all financing statements, security agreements, amendments thereto, or other documents, as the Company may reasonably request in order to more effectively enforce the agreements contained herein.

4.5 THIRD-PARTY BENEFICIARIES. The parties acknowledge and agree that each holder of the Debentures and each holder of the Trust Preferred Securities, in purchasing or otherwise acquiring such Debentures or Trust Preferred Securities, as applicable, has relied and will hereafter continue to rely upon the parties' performance of their respective obligations hereunder, and as a result such holders of the Debentures and Trust Preferred Securities are third party beneficiaries of the parties' performance hereunder.

4.6 SUCCESSORS AND ASSIGNS. The parties hereby acknowledge and agree that this Agreement shall be binding upon and inure to the benefit of each and all of them and their respective legal representatives, heirs, successors and assigns under the Financing Agreements. Notwithstanding anything to the contrary contained in the Financing Agreements, the Creditor agrees that it will not assign or otherwise transfer any of its rights or obligations under any of the Financing Agreements to any person or entity, unless and until such person or entity has delivered to the other parties hereto a signed valid undertaking to be bound by the terms of this Agreement.

4.7 COUNTERPARTS. This Agreement may be executed in any number of counterparts, and each of such counterparts shall for all purposes be deemed to

be an original, and all such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

PRINCIPAL AMOUNT OF
INDEBTEDNESS

AMERICAN EQUITY INVESTMENT LIFE
HOLDING COMPANY

By: _____

Its:
[CREDITOR]

\$[-]

By: _____
Its:

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Exhibit 12.1--Statement Regarding Computation of Ratios of Consolidated
Earnings to Combined Fixed Charges and Preferred Stock
Dividends

American Equity Investment Life Holding Company
Ratio of Consolidated Earnings to Combined Fixed Charges and
Preferred Securities Dividends and Distributions
(Thousands of Dollars)

| Six Months | Year Ended | |
|--------------|------------|--|
| December | | |
| 31, Ended - | | |
| ----- | | |
| ----- | | |
| ----- | | |
| ----- | | |
| June 30, | | |
| 2001 2000 | | |
| 1999 1998 | | |
| 1997 1996 - | | |
| ----- | | |
| ----- | | |
| ----- | | |
| ----- | | |
| --- | | |
| Consolidated | | |
| income | | |
| before | | |
| income | | |
| taxes, | | |
| minority | | |
| interest in | | |
| earnings of | | |
| subsidiaries | | |
| and | | |
| cumulative | | |
| effect | | |
| adjustment | | |
| \$ 9,072 | | |
| \$14,618 \$ | | |
| 3,095 \$ | | |
| 1,004 | | |
| \$(4,760) | | |
| \$(1,139) | | |
| Interest | | |
| expense on | | |
| notes | | |
| payable | | |
| 1,651 2,339 | | |
| 896 789 980 | | |
| 494 | | |
| Interest | | |
| expense on | | |
| amounts due | | |
| under | | |
| repurchase | | |
| agreements | | |
| 951 3,267 | | |
| 3,491 1,529 | | |
| 292 -- | | |
| Interest | | |
| expense on | | |
| General | | |
| Agency | | |
| Commission | | |
| and | | |
| Servicing | | |
| Agreement | | |
| 3,062 5,958 | | |
| 3,861 1,652 | | |
| 183 -- | | |
| Preferred | | |
| security | | |
| dividends | | |
| 3,724 7,449 | | |
| 2,082 -- -- | | |
| -- Interest | | |
| portion of | | |
| rental | | |

expense 96
192 151 117
115 49 ----
--- -----
----- ---

- -----
Consolidated
earnings
\$18,556
\$33,823
\$13,576 \$
5,091
\$(3,190) \$
(596)
=====
=====
=====
=====
=====
=====
Interest
expense on
notes
payable
1,651 2,339
896 789 980
494
Interest
expense on
amounts due
under
repurchase
agreements
951 3,267
3,491 1,529
292 --
Interest
expense on
General
Agency
Commission
and
Servicing
Agreement
3,062 5,958
3,861 1,652
183 --
Preferred
security
dividends
3,724 7,449
2,082 -- --
-- Interest
portion of
rental
expense 96
192 151 117
115 49 ----
--- -----
----- ---

- -----
Combined
fixed
charges and
preferred
stock
dividends \$
9,484
\$19,205
\$10,481 \$
4,087 \$
1,570 \$ 543
=====
=====
=====
=====
=====
=====
Ratio of
consolidated

earnings to
combined
fixed
charges and
preferred
stock
dividends
2.0 1.8 1.3
1.2 (2.0)
(a) (1.1)
(a) =====
=====

(a) The deficiency for 1997 and 1996 is \$4,760,000 and \$1,139,000,
respectively.

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated March 2, 2001, in the Registration Statement (Form S-1) and related Prospectus of American Equity Investment Life Holding Company and American Equity Capital Trust III for the registration of the Cumulative Trust Preferred Securities.

/s/ Ernst & Young LLP

Des Moines, Iowa
November 5, 2001

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, THAT I, John C. Anderson, Director of American Equity Investment Life Holding Company (the "Company"), do hereby constitute and appoint David J. Noble and Wendy Carlson, and each of them (with full power to each of them to act alone), attorney and agent for me and in my name and on my behalf to sign all Registration Statements on Form S-1, Form 8-A or other appropriate Forms and any amendments or supplements thereto of the Company which shall be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, with respect to the proposed registration of the Trust Preferred Securities of American Equity Capital Trust III and the Company's Junior Subordinated Debentures and Guarantee related thereto.

I hereby give and grant to said attorneys and agents, and each of them acting alone, full power and authority to generally do and perform all acts and things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present; and I hereby ratify and confirm all that said attorneys and agents, and each of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of November, 2001.

/s/ John C. Anderson

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, THAT I, James M. Gerlach, Director of American Equity Investment Life Holding Company (the "Company"), do hereby constitute and appoint David J. Noble and Wendy Carlson, and each of them (with full power to each of them to act alone), attorney and agent for me and in my name and on my behalf to sign all Registration Statements on Form S-1, Form 8-A or other appropriate Forms and any amendments or supplements thereto of the Company which shall be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, with respect to the proposed registration of the Trust Preferred Securities of American Equity Capital Trust III and the Company's Junior Subordinated Debentures and Guarantee related thereto.

I hereby give and grant to said attorneys and agents, and each of them acting alone, full power and authority to generally do and perform all acts and things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present; and I hereby ratify and confirm all that said attorneys and agents, and each of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of November, 2001.

/s/ James M. Gerlach

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, THAT I, Robert L. Hilton, Director of American Equity Investment Life Holding Company (the "Company"), do hereby constitute and appoint David J. Noble and Wendy Carlson, and each of them (with full power to each of them to act alone), attorney and agent for me and in my name and on my behalf to sign all Registration Statements on Form S-1, Form 8-A or other appropriate Forms and any amendments or supplements thereto of the Company which shall be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, with respect to the proposed registration of the Trust Preferred Securities of American Equity Capital Trust III and the Company's Junior Subordinated Debentures and Guarantee related thereto.

I hereby give and grant to said attorneys and agents, and each of them acting alone, full power and authority to generally do and perform all acts and things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present; and I hereby ratify and

confirm all that said attorneys and agents, and each of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of November, 2001.

/s/ Robert L. Hilton

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, THAT I, John M. Matovina, Director of American Equity Investment Life Holding Company (the "Company"), do hereby constitute and appoint David J. Noble and Wendy Carlson, and each of them (with full power to each of them to act alone), attorney and agent for me and in my name and on my behalf to sign all Registration Statements on Form S-1, Form 8-A or other appropriate Forms and any amendments or supplements thereto of the Company which shall be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, with respect to the proposed registration of the Trust Preferred Securities of American Equity Capital Trust III and the Company's Junior Subordinated Debentures and Guarantee related thereto.

I hereby give and grant to said attorneys and agents, and each of them acting alone, full power and authority to generally do and perform all acts and things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present; and I hereby ratify and confirm all that said attorneys and agents, and each of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of November, 2001.

/s/ John M. Matovina

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, THAT I, Ben T. Morris, Director of American Equity Investment Life Holding Company (the "Company"), do hereby constitute and appoint David J. Noble and Wendy Carlson, and each of them (with full power to each of them to act alone), attorney and agent for me and in my name and on my behalf to sign all Registration Statements on Form S-1, Form 8-A or other appropriate Forms and any amendments or supplements thereto of the Company which shall be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, with respect to the proposed registration of the Trust Preferred Securities of American Equity Capital Trust III and the Company's Junior Subordinated Debentures and Guarantee related thereto.

I hereby give and grant to said attorneys and agents, and each of them acting alone, full power and authority to generally do and perform all acts and things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present; and I hereby ratify and confirm all that said attorneys and agents, and each of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of November, 2001.

/s/ Ben T. Morris

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, THAT I, David S. Mulcahy, Director of American Equity Investment Life Holding Company (the "Company"), do hereby constitute and appoint David J. Noble and Wendy Carlson, and each of them (with full power to each of them to act alone), attorney and agent for me and in my name and on my behalf to sign all Registration Statements on Form S-1, Form 8-A or other appropriate Forms and any amendments or supplements thereto of the Company which shall be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or the Securities

Exchange Act of 1934, as amended, with respect to the proposed registration of the Trust Preferred Securities of American Equity Capital Trust III and the Company's Junior Subordinated Debentures and Guarantee related thereto.

I hereby give and grant to said attorneys and agents, and each of them acting alone, full power and authority to generally do and perform all acts and things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present; and I hereby ratify and confirm all that said attorneys and agents, and each of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of November, 2001.

/s/ David S. Mulcahy

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, THAT I, A. J. Strickland, III, Director of American Equity Investment Life Holding Company (the "Company"), do hereby constitute and appoint David J. Noble and Wendy Carlson, and each of them (with full power to each of them to act alone), attorney and agent for me and in my name and on my behalf to sign all Registration Statements on Form S-1, Form 8-A or other appropriate Forms and any amendments or supplements thereto of the Company which shall be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, with respect to the proposed registration of the Trust Preferred Securities of American Equity Capital Trust III and the Company's Junior Subordinated Debentures and Guarantee related thereto.

I hereby give and grant to said attorneys and agents, and each of them acting alone, full power and authority to generally do and perform all acts and things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present; and I hereby ratify and confirm all that said attorneys and agents, and each of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of November, 2001.

/s/ A. J. Strickland, III

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, THAT I, Harley A. Whitefield, Director of American Equity Investment Life Holding Company (the "Company"), do hereby constitute and appoint David J. Noble and Wendy Carlson, and each of them (with full power to each of them to act alone), attorney and agent for me and in my name and on my behalf to sign all Registration Statements on Form S-1, Form 8-A or other appropriate Forms and any amendments or supplements thereto of the Company which shall be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, with respect to the proposed registration of the Trust Preferred Securities of American Equity Capital Trust III and the Company's Junior Subordinated Debentures and Guarantee related thereto.

I hereby give and grant to said attorneys and agents, and each of them acting alone, full power and authority to generally do and perform all acts and things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present; and I hereby ratify and confirm all that said attorneys and agents, and each of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of November, 2001.

/s/ Harley A. Whitefield
