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

FORM 10-K

(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 for the fiscal year ended December 31, 1999 or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 for the transition period from _____ to _____.

Commission File Number: 0-25985

American Equity Investment Life Holding Company

(Exact name of registrant as specified in its charter)

Iowa

42-1447959

(State of Incorporation)

(I.R.S. Employer Identification No.)

5000 Westown Parkway, Suite 440

(515) 221-0002

West Des Moines, Iowa 50266

(Telephone)

(Address of principal executive offices)

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

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

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Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes X No
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Aggregate market value of the voting and non-voting common equity held by
non-affiliates of the registrant: No public market exists nor has active trading
occurred.

Shares of common stock outstanding as of February 29, 2000: 4,712,310

Documents incorporated by reference: Portions of the registrant's
definitive proxy statement for the annual meeting of shareholders to be held
June 30, 2000 are incorporated by reference into Part III of this report.

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K. ☐

PART I

Item 1. Business

American Equity Investment Life Holding Company was formed on December 15, 1995, to develop, market, issue and administer annuities and life insurance through its life insurance subsidiary. We are a full service under writer of a broad array of annuity and insurance products. Our business consists primarily of the sale of equity-index and fixed rate annuities. Our business strategy is to focus on our annuity business and earn predictable returns by managing investment spreads and investment risk.

As a foundation for beginning our business, we acquired two blocks of in-force insurance from American Life and Casualty Insurance Company, the principal operating subsidiary of The Statesman Group, Inc., of which our Chairman, David J. Noble, and our Executive Vice Presidents, James M. Gerlach and Terry A. Reimer, were previously officers. In September 1996, we acquired Century Life Insurance Company which expanded our licensing authority to 23 states and the District of Columbia. We then merged our life subsidiary into Century Life Insurance Company and renamed the merged entity "American Equity Investment Life Insurance 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. Information contained on our website is not a part of this report.

Products

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

Equity-Index Annuities. Equity-index annuities accounted for approximately 64% of the total annuity deposits collected during 1999. 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, 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 asset 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 policyholder 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.

Fixed Rate Annuities. These products, which accounted for approximately 36% of the total annuity deposits collected during 1999, 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. FPDAs are similar to SPDAs in many respects, except that the SPDA 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 90% 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 acknowledgement from the policyholder, upon policy issuance, that a specified portion of the first year interest will not be paid in renewal years. As of December 31, 1999, crediting rates on our outstanding SPDAs and FPDAs generally ranged from 5.00% to 5.85% excluding interest bonuses guaranteed for the first year. The average crediting rate on FPDAs and SPDAs including interest bonuses was 6.51%, and the average crediting rate on those products excluding bonuses was 5.11%.

The policyholder is typically permitted to withdraw all or a part of the premium paid, plus accumulated interest credited to the account (the "accumulation value"), subject to the assessment of a surrender charge for withdrawals in excess of specified limits. Most of 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 five to fifteen years after the date the policy is issued. This surrender charge is initially 9% to 25% of the accumulation value and generally decreases by approximately one to two percentage points per year during the surrender charge period. Surrender charges are set at levels to protect 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 5.10% at December 31, 1999.

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 policyholders. Sales to date have been insignificant.

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 December 31, 1999, the average yield, computed on the amortized cost basis of our investment portfolio, was 7.41%; 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 5.11%.

We manage the index-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, Quantitative and Qualitative Disclosures About Market Risk, and Note 3 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

Marketing

We market our products primarily to individuals in the United States 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 33.5 million Americans age 65 and older in 1995, representing 13% of the U.S. population. By 2030, this sector of the population is expected to increase to 22% of the total population. 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.

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.

We have recruited approximately 18,000 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 42 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 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.

Two of our national marketing organizations accounted for more than 10% of the annuity deposits and insurance premiums collected during 1999. One of these organizations produced approximately 15% of the collections and the other produced approximately 13%. The states with the largest share of direct premiums collected are: California (16.4%), Florida (15.9%), Michigan (5.9%), Texas (5.4%) and Arizona (5.2%).

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. Insurers compete with 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.

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 rating of A- (Excellent) from A. M. Best Company and Api from Standard & Poor's.

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 15 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 10 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. Ratings denoted with a "pi" subscript are insurer financial strength ratings based on an analysis of an insurer's published financial information and additional information in the public domain. They do not reflect in-depth meetings with an insurer's management and are therefore based on less comprehensive information than ratings without a "pi" subscript.

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 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 and 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. We do not use financial or surplus relief reinsurance.

As of December 31, 1999, 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 39% 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. Farm Bureau beneficially owns 33.27% of the Company's common stock. Under this agreement and related administrative services agreements, the Company paid Farm Bureau's affiliate \$155,908 and \$77,954 for the years ended December 31, 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.

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:

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

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.

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.

The Securities and Exchange Commission has 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.

In recent years, the National Association of Insurance Commissioners ("NAIC"), an association of state regulators and their staffs, has approved and recommended to the states for adoption and implementation several model laws and regulations including:

- o investment reserve requirements;
- o risk-based capital ("RBC") standards for determining the level of statutory capital and surplus an insurer must maintain in relation to its investment and insurance risks;
- o codification of insurance accounting principles;
- o additional investment restrictions;
- o restrictions on an insurance company's ability to pay dividends; and
- o life product illustrations

The NAIC is currently developing new model laws or regulations, including:

- o product design standards;

- o reserve requirements; and
- o annuity product illustrations.

These model laws and regulations may be adopted by the various states in which our life subsidiary is licensed, but the ultimate content and timing of any statutes and regulations adopted by the states cannot be determined at this time. It is not possible to predict the future impact of changing state and federal regulations on our operations. Furthermore, there can be no assurance that existing insurance related laws and regulations will not become more restrictive in the future or that laws and regulations enacted in the future will not be more restrictive.

The NAIC's RBC requirements are intended to be used by insurance regulators as an early warning tool to identify deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. 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, 1999, indicate that the ratio of total adjusted capital to RBC for us exceeded by approximately 4 times the highest level at which regulatory action might be triggered.

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

From time to time, various tax law changes have been proposed that could have an adverse effect on 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 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 immediate deduction in the year incurred. This provision increases the tax for statutory accounting purposes which reduces statutory surplus and, accordingly, decreases the amount of cash dividends that may be paid by our life subsidiary.

Employees

As of December 31, 1999, we had 113 full-time employees, of which 103 are located in Des Moines, Iowa, and 10 are located in the Pell City, Alabama offices. 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 and Note 8 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

Item 2. 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 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.

Item 3. Legal Proceedings

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

There is no established public trading market for our common stock. As of February 29, 2000, we had 284 common shareholders.

In 1999, we paid a cash dividend of \$0.02 per share on our common stock and our participating convertible preferred stock. We intend to continue to pay an annual cash dividend on such shares so long as we have sufficient capital and/or future earnings to do so. However, we anticipate retaining most of our future earnings, if any, for use in our operations and the expansion of our business.

Our credit agreement contains a restrictive covenant which limits our ability to declare or pay any dividends. In addition, since we are a holding company, our ability to pay cash dividends depends in large measure on our subsidiaries' ability to make distributions of cash or property to us. Iowa insurance laws restrict the amount of distributions our life subsidiary can pay to us without the approval of the Iowa Insurance Division. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 7 and 10 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

Any further determination as to dividend policy will be made by our board of directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition and future prospects and such other factors as our board of directors may deem relevant.

For information regarding unregistered sales of equity securities during 1999, see our Form 10-Qs for the quarters ending June 30, 1999 and September 30, 1999.

Item 6. Selected Consolidated Financial Data

The following selected consolidated financial data as of and for the periods indicated should be read in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this report.

	Year Ended December 31			
	1999	1998	1997	1996
STATEMENT OF OPERATIONS DATA:				
Revenues				
Insurance policy income	\$ 13,746,532	\$ 11,170,655	\$ 11,436,803	\$14,554,714
Net investment income	64,609,612	26,356,472	4,018,617	865,155
Realized gains on investments	1,454,417	426,782	--	--
Total revenue	79,810,561	37,953,909	15,455,420	15,419,869
Benefits and expenses				
Insurance policy benefits and change in future polic benefits	7,231,895	6,084,893	7,440,080	8,787,700
Interest credited to account balances	41,726,895	15,837,912	2,129,686	77,831
Interest expense on notes payable	896,383	788,770	979,826	493,801
Interest expense on amounts due under repurchase agreements	3,490,849	1,528,718	291,547	--
Amortization of deferred policy acquisition costs and value of insurance in force acquired	11,240,271	3,946,133	1,143,032	879,916
Amortization of goodwill	70,000	70,000	70,000	17,500
Other operating costs and expenses	12,058,398	8,692,813	8,160,863	6,302,094
Total benefits and expenses	76,714,691	36,949,239	20,215,034	16,558,842
Income (loss) before income taxes	3,095,870	1,004,670	(4,759,614)	(1,138,973)
Income tax (expense) benefit	1,369,835	(760,483)	1,390,226	--
	4,465,705	244,187	(3,369,388)	(1,138,973)
Minority interest in earnings of subsidiaries:				
Earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts	(2,022,359)	--	--	--
Net income (loss)	\$ 2,443,346	\$ 244,187	\$ (3,369,388)	\$ (1,138,973)
PER SHARE DATA:				
Basic earnings (loss) per common share	\$ 0.52	\$ 0.05	\$ (2.11)	\$ (1.90)
Diluted earnings (loss) per common share	0.42	0.05	(2.11)	(1.90)
Dividends declared per common share	0.02	--	--	--
BALANCE SHEET DATA (at period end):				
Total assets	\$1,665,503,450	\$683,011,836	\$229,418,131	\$35,214,597
Policy benefit reserves	1,358,875,848	541,082,179	155,998,268	11,846,566
Notes payable	20,600,000	10,000,000	10,000,000	10,000,000
Trust preferred securities issued by subsidiary trusts	98,981,629	--	--	--
Stockholders' equity	34,324,291	66,130,521	54,426,049	10,137,102
OTHER FINANCIAL DATA:				
Life subsidiary statutory capital and surplus at December 31	\$ 139,855,053	\$ 80,947,913	\$ 64,709,809	\$17,302,272
Life subsidiary statutory net income for the year ended December 31	17,837,476	4,803,545	4,470,284	1,174,811

Item 7. Management's discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis reviews our consolidated financial position at December 31, 1999 and 1998, and our consolidated results of operations for the three years ended December 31, 1999, and where appropriate, factors that may affect future financial performance. This analysis should be read in conjunction with the audited consolidated financial statements, notes thereto and selected consolidated financial data appearing elsewhere in this report.

All statements, trend analyses and other information contained in this report 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, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those contemplated by the forward-looking statements. Such factors include, among other things:

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

Results of Operations

Business Overview. We effectively 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 42 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 generally accepted accounting principles, premium collections for deferred annuities are reported as deposit liabilities instead of as revenues. Earnings from products accounted for as deposit liabilities are primarily generated from the excess of net investment income earned over the interest credited to the policyholder, or the "investment spread," as well as realized gains on investments. 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 \$2,443,000 for the year ended December 31, 1999, compared to net income of \$244,000 in 1998 and a net loss of \$3,369,000 in 1997. The trend in net income is a direct result of the substantial growth in our annuity business which began to accelerate in the third quarter of 1997. Annuity reserves grew from \$23,657,000 at June 30, 1997 to \$146,311,000 at December 31, 1997, \$529,765,000 at December 31, 1998 and \$1,342,256,000 at December 31, 1999. New annuity deposits for the year ended December 31, 1999 increased 116% to \$814,605,000, compared to \$377,917,000 for 1998. The 1998 amount represented a 166% increase over the 1997 amount of \$141,854,000, of which \$121,430,000 was collected in the second half of the year. The increased annuity production is a direct result of the growth in our agency force, which increased from approximately 400 agents at December 31, 1996, to 4,450 agents at December 31, 1997, 10,525 agents at December 31, 1998 and 18,000 agents at December 31, 1999.

The growth in our annuity business resulted in a sizeable increase in our investment spread for 1999 and 1998. 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 \$1,542,000 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. The comparison of 1998 to 1997 was also favorably impacted by certain costs and expenses recognized in 1997 as discussed below under Other operating costs and expenses.

Traditional life and accident and health insurance premiums decreased 2% to \$10,294,000 in 1999 and 8% to \$10,528,000 in 1998 from \$11,425,000 in 1997. 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. As a result, sales of such products have declined slightly.

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 437% to \$3,452,000 in 1999, and 5,258% to \$643,000 in 1998, from \$12,000 in 1997. 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 \$60,845,000, \$23,637,000 and \$2,419,000 for 1999, 1998 and 1997, respectively.

Net investment income increased 145% to \$64,610,000 in 1999 and 556% to \$26,356,000 in 1998 from \$4,019,000 in 1997. 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 147% to \$1,499,730,000 at December 31, 1999 and 199% to \$607,764,000 at December 31, 1998 compared to \$203,034,000 at December 31, 1997, while the effective yield earned on average invested assets was 7.34%, 7.46% and 7.80% for 1999, 1998, and 1997, respectively.

Realized gains on investments increased 241% to \$1,454,000 in 1999 compared to \$427,000 in 1998 and \$0 in 1997. 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 Alabama.

Traditional life and accident and health insurance benefits increased 19% to \$7,232,000 in 1999 and decreased 18% to \$6,085,000 in 1998 compared to \$7,440,000 in 1997. The increase in 1999 was attributable to an increase in death benefits and surrenders, and the decrease in 1998 was attributable to a decrease in those items for that year.

Interest credited to annuity policyholder account balances increased 163% to \$41,727,000 in 1999 and 644% to \$15,838,000 in 1998 from \$2,130,000 in 1997. 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 5.11%, 5.20% and 5.43% at December 31, 1999, 1998 and 1997, respectively. The weighted average crediting rate, including interest rate bonuses guaranteed for the first year of the annuity contract, was 6.51%, 7.05%, and 7.25% at December 31, 1999, 1998 and 1997, respectively.

Interest expense on notes payable increased 14% to \$896,000 in 1999 and decreased 19% to \$789,000 in 1998 from \$980,000 in 1997. The 1999 increase is attributable to increases in the outstanding borrowings in the third and fourth quarters of 1999, offset in part by a decrease in the average applicable interest rate. The 1998 decrease is attributable to lower interest rates. The applicable interest rate declined from 8.41% for 1997 to 7.96% for 1998, and 7.52% for 1999.

Interest expense on amounts due under repurchase agreements increased 128% to \$3,491,000 in 1999 and 424% to \$1,529,000 in 1998 from \$292,000 in 1997. These increases were principally attributable to larger average balances of funds borrowed, offset in part by a lower cost of funds in 1999. See Note 7 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

Amortization of deferred policy acquisition costs and value of insurance in force acquired increased 185% to \$11,240,000 in 1999 and 245% to \$3,946,000 in 1998 from \$1,143,000 in 1997. These increases are primarily due to the growth in our annuity business as discussed above.

Other operating costs and expenses increased 39% to \$12,058,000 in 1999 and 7% to \$8,693,000 in 1998 from \$8,161,000 in 1997. These increases are principally attributable to increases in employees and related salaries and costs of employment. The comparison of 1998 to 1997 is also favorably impacted by \$1,864,000 of costs and expenses for two items in 1997. These items were: (i) \$1,236,000

for agency and product development costs that were expensed in 1997 in the year incurred rather than being capitalized and amortized to expense in subsequent years and (ii) \$628,000 for compensation expense as a result of an amendment to the stock option agreement with our chairman and president. See Note 9 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

Income tax expense for 1999 was a benefit of \$1,370,000 compared to an expense of \$760,000 in 1998, and a benefit of \$1,390,000 in 1997. The benefit in 1999 is attributable to: (i) the elimination of the December 31, 1998 valuation allowance on deferred income tax assets of \$1,537,000 and (ii) tax benefits of \$708,000 attributable to the redeemable preferred securities of subsidiaries. Excluding these two items, 1999 income tax expense would have been \$815,000 for an effective income tax rate of 27%. The effective income tax rates for 1998 and 1997, excluding the impact of changes in the valuation allowance for deferred income tax assets were 36% and 44%, respectively. These effective income tax rates varied from the applicable statutory federal income tax rates of 35% for 1999 and 34% for 1998 and 1997 principally because: (i) in 1999, the December 31, 1998 net deferred tax asset was adjusted to the 35% rate; (ii) in 1998, we had certain nondeductible expenses; and (iii) in 1997, we qualified as a small life insurance company under provisions of the Internal Revenue Code and recognized the small company deduction only available to such companies. See Note 6 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

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 8 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report.

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 3% of our invested assets at December 31, 1999 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 \$817,794,000 and \$385,084,000 during 1999 and 1998, respectively, to \$1,358,876,000 at December 31, 1999 and \$541,082,000 at December 31, 1998, 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. 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 matures on March 31, 2001 with 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 shares of Common Stock, warrants to purchase shares of Common Stock and shares of Series Preferred Stock convertible into shares of Common Stock in several private placement offerings as follows:

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

(1) issued to the placement agent in payment of a portion of the compensation due to the placement agent

(2) exercised during 1998

(3) exercised during 1999

(4) issued to the placement agent as part of placement agent compensation; expire on April 30, 2000

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 2,666,250 shares of Common Stock issued in 1997 at \$16 per share were issued in a rights offering to existing stockholders and in connection therewith, certain 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 719,125 management subscription rights were issued to nine officers and directors at that time. The management subscription rights have an exercise price of \$16.00 per share and expire on December 1, 2002. Farm Bureau Life Insurance Company purchased 1,562,500 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 preferred shares are convertible into shares of Common Stock on a one 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 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 \$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 the parent of Farm Bureau Life Insurance Company. Farm Bureau beneficially owns 33.27% of our common stock.

In connection with Trust II's issuance of the 5% 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, 1999, approximately 98% 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, 1999 included \$1,434,164,883 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.

Liquidity of Parent Company. The parent company is a legal entity separate and distinct from its subsidiaries, and has no business operations. The parent company needs liquidity primarily to service its debt, 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 parent company's note receivable from American Equity Investment Service Company (see discussion that follows); (iii) dividends on capital stock and surplus note interest payments from our life subsidiary; (iv) cash on hand (\$683,000 at December 31, 1999); and (v) cash (\$835,000 at December 31, 1999) 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. The parent company may also obtain cash by issuing debt or equity securities.

The payment of dividends or the distributions, including surplus note payments, by 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. For 2000, up to \$16,326,000 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 \$29,259,000 of earned surplus at December 31, 1999.

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 \$120,000,000 plus 25% of statutory

net income for periods subsequent to December 31, 1999. Under the most restrictive of these limitations, \$21,450,000 of earned surplus at December 31, 1999 would be available for distribution by our life subsidiary to the parent company 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 generally accepted accounting principles ("GAAP"). Accordingly, statutory operating results and statutory capital and surplus may differ substantially from amounts reported in the GAAP basis financial statements for comparable items. Information as to statutory capital and surplus and statutory net income for our life subsidiary as of December 31, 1999 and 1998 and for the years ended December 31, 1999, 1998 and 1997 is included in Note 10 of the Notes to Audited Consolidated Financial Statements included elsewhere in this report.

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 the Company's chairman and president, whereby the affiliate acts as a national supervisory agent with responsibility for paying commissions to the Company's 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 account balances of the annuities remaining in force for a period of five years (see Note 11 of the Notes to the Audited Consolidated Financial Statements included elsewhere in this report).

The aggregate amount of first year commissions paid by the affiliate with funds obtained from sources other than the life subsidiary was \$69,127,000 from the inception of the agreement through December 31, 1999, and the aggregate amount of renewal commissions paid by the life subsidiary to the affiliate for the same period was \$22,708,000.

During 1999, the parent company agreed to loan the affiliate up to \$50,000,000 as the source of funds for the affiliate portion of first year commissions and had advanced \$18,175,000 through December 31, 1999 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 affiliate is our bank line of credit, of which \$4,400,000 was available for borrowing at December 31, 1999. We anticipate increasing the maximum borrowing level under our bank line of credit in 2000 in order to be able to continue to make funds available to the affiliate to fund its portion of first year commissions.

Future payments by the life subsidiary on business in force at December 31, 1999 are dependent upon the account balances of the annuities remaining in force on each remaining quarterly renewal commission payment date. Assuming that the account balances remain constant over such remaining renewal commission payments dates, future renewal commission payments by the life subsidiary would be \$4,756,556 per quarterly payment until December, 2002 and \$3,685,274 per quarterly payment from January, 2003 until June, 2005. All such payments would be capitalized as deferred policy acquisition costs and amortized to expense pursuant to the Company's stated accounting policy.

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 have had on our operating results.

Year 2000 Readiness Disclosure

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

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

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

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

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

We experienced no disruptions or other problems with our computer systems on January 1, 2000 or thereafter in connection with date-sensitive processing. We experienced no disruptions in other services such as electronic funds transfers, phone systems or utilities.

Pending Accounting Change

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." Statement No. 133 requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Accounting for gains or losses resulting from changes in the values of those derivatives is dependent on the use of the derivative and whether it qualifies for hedge accounting. The Statement is effective for us in the year 2001, with earlier adoption encouraged. We have not yet determined the effect that adoption of this new Statement will have on our operations or financial position.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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 December 31, 1999, the effective duration of our fixed maturity securities and short-term investments was approximately 8.6 years and the estimated duration of our insurance liabilities was approximately 6.9 years.

If interest rates were to increase 10% from levels at December 31, 1999, 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 \$62,673,000. 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.

Item 8. Consolidated Financial Statements and Supplementary Data.

The financial statements are included as a part of this report on form 10-K on pages F-1 through F-29.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

The information required by Part III is incorporated by reference from our definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after December 31, 1999.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

Financial Statements and Financial Statement Schedules. See Index to Consolidated Financial Statements on page F-1 for a list of financial statements and financial statement schedules included in this report.

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

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

Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended December 31, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 20th day of March, 2000.

AMERICAN EQUITY INVESTMENT
LIFE HOLDING COMPANY

By: /s/ D.J. NOBLE

D.J. Noble, President

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

Signature -----	Title (Capacity) -----	Date ----
/s/ D.J. NOBLE ----- D.J. Noble	Chairman of the Board and President, (Principal Executive Officer)	March 20, 2000
/s/ WENDY L. CARLSON ----- Wendy L. Carlson	Chief Financial Officer and General Counsel (Principal Financial Officer)	March 20, 2000
/s/ TERRY A. REIMER ----- Terry A. Reimer	Chief Operating Officer and Executive Vice President (Principal Accounting Officer)	March 20, 2000
/s/ JAMES M. GERLACH ----- James M. Gerlach	Director	March 20, 2000
/s/ ROBERT L. HILTON ----- Robert L. Hilton	Director	March 20, 2000
/s/ BEN T. MORRIS ----- Ben T. Morris	Director	March 20, 2000
/s/ DAVID S. MULCAHY ----- David S. Mulcahy	Director	March 20, 2000
/s/ A.J. STRICKLAND, III ----- A.J. Strickland, III	Director	March 20, 2000
/s/ HARLEY A. WHITFIELD ----- Harley A. Whitfield	Director	March 20, 2000
/s/ JOHN C. ANDERSON ----- John C. Anderson	Director	March 20, 2000

American Equity Investment Life
Holding Company

Consolidated Financial Statements

Years ended December 31, 1999, 1998 and 1997

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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, 1999 and 1998, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedules listed in the Index on page F-1. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with 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, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Des Moines, Iowa
March 1, 2000

American Equity Investment Life Holding Company
Consolidated Balance Sheets

	December 31	
	1999	1998
	-----	-----
Assets		
Cash and investments:		
Fixed maturity securities:		
Available-for-sale, at market (amortized cost:		
1999 - \$1,070,465,367; 1998 - \$600,300,562)	\$ 997,019,819	\$601,897,562
Held for investment, at amortized cost		
(market: 1999 - \$315,974,664)	398,467,247	--
Equity securities, at market		
(cost: 1999 - \$8,019,999)	7,613,489	--
Derivative instruments	44,209,883	16,171,621
Policy loans	231,068	192,184
Cash and cash equivalents	5,881,515	15,891,779
	-----	-----
Total cash and investments	1,453,423,021	634,153,146
Receivable from other insurance companies	597,956	616,737
Premiums due and uncollected	1,097,105	1,684,698
Accrued investment income	14,183,386	2,946,796
Receivables from related parties	18,896,009	89,427
Property, furniture and equipment, less accumulated		
depreciation: 1999 - \$1,632,011; 1998 - \$859,085	1,346,325	1,242,228
Value of insurance in force acquired	752,427	1,068,906
Deferred policy acquisition costs	126,684,495	32,005,772
Intangibles, less accumulated amortization		
1999 - \$681,412; 1998 - \$472,306	2,238,004	646,142
Deferred income tax asset	43,036,868	8,289,499
Federal income taxes recoverable	1,662,522	-
Other assets	1,214,545	117,035
Assets held in separate account	370,787	151,450
	-----	-----
Total assets	\$1,665,503,450	\$683,011,836
	=====	=====

See accompanying notes.

American Equity Investment Life Holding Company
Consolidated Balance Sheets

(continued)

	December 31	
	1999	1998
Liabilities and Stockholders' Equity		
Liabilities:		
Policy benefit reserves:		
Traditional life and accident and health insurance products	\$ 15,059,895	\$ 11,317,156
Annuity and single premium universal life products	1,343,815,953	529,765,023
Other policy funds and contract claims	11,553,574	6,315,598
Provision for experience rating refunds	544,610	833,679
Amounts due to related parties	10,003,258	2,438,600
Notes payable	20,600,000	10,000,000
Amounts due under repurchase agreements	86,968,750	49,000,000
Amounts due on securities purchased	29,713,749	-
Federal income taxes payable	--	1,648,822
Other liabilities	13,566,954	5,410,987
Liabilities related to separate account	370,787	151,450
Total liabilities	1,532,197,530	616,881,315
Commitments and contingencies		
Minority interest in subsidiaries: company-obligated mandatorily redeemable preferred securities of subsidiary trusts	98,981,629	--
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	625,000	625,000
Common Stock, par value \$1 per share - 25,000,000 shares authorized; issued and outstanding:		
1999 - 4,712,310 shares; 1998 - 4,581,962 shares	4,712,310	4,581,962
Additional paid-in capital	66,057,863	64,783,117
Accumulated other comprehensive income (loss)	(35,234,635)	420,035
Retained-earnings deficit	(1,836,247)	(4,279,593)
Total stockholders' equity	34,324,291	66,130,521
Total liabilities and stockholders' equity	\$ 1,665,503,450	\$ 683,011,836

See accompanying notes

American Equity Investment Life Holding Company

Consolidated Statements of Operations

	1999	Year ended December 31 1998	1997
	-----	-----	-----
Revenues:			
Traditional life and accident and health insurance premiums	\$10,294,437	\$10,528,108	\$11,424,907
Annuity and single premium universal life product charges	3,452,095	642,547	11,896
Net investment income	64,609,612	26,356,472	4,018,617
Realized gains on investments	1,454,417	426,782	--
	-----	-----	-----
Total revenues	79,810,561	37,953,909	15,455,420
Benefits and expenses:			
Insurance policy benefits and change in future policy benefits	7,231,895	6,084,893	7,440,080
Interest credited to account balances	41,726,895	15,837,912	2,129,686
Interest expense on notes payable	896,383	788,770	979,826
Interest expense on amounts due under repurchase agreements	3,490,849	1,528,718	291,547
Amortization of deferred policy acquisition costs and value of insurance in force acquired	11,240,271	3,946,133	1,143,032
Amortization of goodwill	70,000	70,000	70,000
Other operating costs and expenses	12,058,398	8,692,813	8,160,863
	-----	-----	-----
Total benefits and expenses	76,714,691	36,949,239	20,215,034
	-----	-----	-----
Income (loss) before income taxes	3,095,870	1,004,670	(4,759,614)
Income tax benefit (expense):			
Current	(14,188,656)	(5,311,080)	(2,565,057)
Deferred	15,558,491	4,550,597	3,955,283
	-----	-----	-----
	1,369,835	(760,483)	1,390,226
Minority interests in subsidiaries:			
Earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts	(2,022,359)	--	--
	-----	-----	-----
Net income (loss)	\$ 2,443,346	\$ 244,187	\$ (3,369,388)
	=====	=====	=====
Basic earnings (loss) per common share	\$ 0.52	\$ 0.05	\$ (2.11)
	=====	=====	=====
Diluted earnings (loss) per common share	\$ 0.42	\$ 0.05	\$ (2.11)
	=====	=====	=====

See accompanying notes.

Consolidated Statements of Changes in Stockholders' Equity

American Equity Investment Life Holding Company

	Preferred Stock -----
Balance at January 1, 1997	\$ --
Comprehensive loss:	
Net loss for year	--
Change in net unrealized investment gains/losses	--
Total comprehensive loss	
Issuance of 3,240,864 shares of common stock,	
less issuance expenses of \$2,928,493	--
Compensation expense related to issuance of stock	
options and warrants	--

Balance at December 31, 1997	--
Comprehensive income:	
Net income for year	--
Change in net unrealized investment gains/losses	--
Total comprehensive income	
Issuance of 161,098 shares of common stock, less issuance	
expenses of \$329,700	--
Issuance of 625,000 shares of 1998 Series A Participating	
Preferred Stock, less issuance expenses of \$31,930	625,000

Balance at December 31, 1998	625,000
Comprehensive loss:	
Net income for year	--
Change in net unrealized investment gains/losses	--
Total comprehensive loss	
Issuance of 130,348 shares of common stock, less issuance	
expenses of \$21,756	--
Dividends on preferred stock (\$.02 per share)	--
Dividends on common stock (\$.02 per share)	--

Balance at December 31, 1999	\$625,000
	=====

See accompanying notes.

American Equity Investment Life Holding Company

Consolidated Statements of Changes in Stockholders' Equity

(continued)

Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained- Earnings Deficit	Total Stockholders' Equity
-----	-----	-----	-----	-----
\$1,180,000	\$10,313,050	\$ (201,556)	\$ (1,154,392)	\$ 10,137,102
--	--	--	(3,369,388)	(3,369,388)
--	--	411,856	--	411,856

				(2,957,532)
3,240,864	43,377,615	--	--	46,618,479
--	628,000	--	--	628,000
-----	-----	-----	-----	-----
4,420,864	54,318,665	210,300	(4,523,780)	54,426,049
--	--	--	244,187	244,187
--	--	209,735	--	209,735

				453,922
161,098	1,121,382	--	--	1,282,480
--	9,343,070	--	--	9,968,070
-----	-----	-----	-----	-----
4,581,962	64,783,117	420,035	(4,279,593)	66,130,521
--	--	--	2,443,346	2,443,346
--	--	(35,654,670)	--	(35,654,670)

				(33,211,324)
130,348	1,381,492	--	--	1,511,840
--	(12,500)	--	--	(12,500)
--	(94,246)	--	--	(94,246)
-----	-----	-----	-----	-----
\$4,712,310	\$66,057,863	\$ (35,234,635)	\$ (1,836,247)	\$ 34,324,291
=====	=====	=====	=====	=====

See accompanying notes.

American Equity Investment Life Holding Company

Consolidated Statements of Cash Flows

	1999	Year ended December 31 1998	1997
	-----	-----	-----
Operating activities			
Net income (loss)	\$ 2,443,346	\$ 244,187	\$ (3,369,388)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Adjustments related to interest sensitive products:			
Interest credited to account balances	41,726,895	15,837,912	2,129,686
Annuity and single premium universal life product charges	(3,452,095)	(642,547)	(11,896)
Increase in traditional life and accident and health insurance reserves	3,742,739	1,629,777	287,197
Policy acquisition costs deferred:			
Commissions paid to related party	(73,804,373)	(24,164,726)	(3,353,491)
Other	(3,590,628)	(1,908,540)	(789,435)
Amortization of deferred policy acquisition costs	10,923,792	3,672,039	761,032
Amortization of discount and premiums on fixed maturity securities and derivative instruments	(10,765,015)	(12,975,476)	(997,853)
Provision for depreciation and other amortization	1,298,511	991,569	913,168
Compensation expense related to issuance of stock options and warrants	--	--	628,000
Realized gains on investments	(1,454,417)	(426,782)	--
Deferred income taxes	(15,558,491)	(4,550,597)	(3,955,283)
Change in other operating assets and liabilities:			
Federal income taxes recoverable	(1,662,522)	--	--
Federal income taxes payable	(1,648,822)	(913,920)	2,562,742
Accrued investment income	(11,236,590)	(1,184,172)	(1,347,769)
Other policy funds and contract claims	5,237,976	3,960,442	1,279,542
Amounts due to related parties	7,564,658	--	--
Receivables from related parties	(18,806,582)	--	--
Other liabilities	8,155,967	4,309,326	2,282,475
Other	(650,621)	(72,751)	(271,762)
Net cash used in operating activities	(61,536,272)	(16,194,259)	(3,253,035)

See accompanying notes.

American Equity Investment Life Holding Company

Consolidated Statements of Cash Flows

(continued)

	Year ended December 31		
	1999	1998	1997
	-----	-----	-----
Investing activities			
Sales, maturities or repayments of investments:			
Fixed maturity securities - available-for-sale	\$ 308,669,843	\$ 222,745,031	\$ 22,591,487
Derivative instruments	1,541,669	--	--
	-----	-----	-----
	310,211,512	222,745,031	22,591,487
Acquisitions of investments:			
Fixed maturity securities - available-for-sale	(734,248,023)	(602,830,456)	(200,181,267)
Fixed maturity securities - held for investment	(310,499,557)	--	--
Equity securities	(8,019,999)	--	--
Derivative instruments	(39,396,518)	(11,539,179)	(1,815,674)
Proceeds received from futures contract	4,969,781		
Policy loans	(38,884)	(8,831)	(26,830)
	-----	-----	-----
	(1,087,233,200)	(614,378,466)	(202,023,771)
Proceeds from sale of property	--	2,094,619	--
Purchases of property, furniture and equipment	(877,023)	(625,567)	(1,123,129)
	-----	-----	-----
Net cash used in investing activities	(777,898,711)	(390,164,383)	(180,555,413)
Financing activities			
Receipts credited to annuity and single premium universal life policyholder account balances	816,126,324	377,917,332	141,853,600
Return of annuity and single premium universal life policyholder account balances	(60,844,621)	(23,637,290)	(2,419,197)
Financing fees deferred	(1,800,968)	--	--
Proceeds from notes payable	10,600,000	--	--
Increase in amounts due under repurchase agreements	37,968,750	49,000,000	--
Proceeds from issuance of company-obligated mandatorily redeemable preferred securities of subsidiary trusts	25,970,140	--	--
Net proceeds from sale of preferred stock	--	9,968,070	--
Net proceeds from issuance of common stock	1,511,840	1,282,480	46,618,479
Dividends paid	(106,746)	--	--
	-----	-----	-----
Net cash provided by financing activities	829,424,719	414,530,592	186,052,882
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	(10,010,264)	8,171,950	2,244,434
Cash and cash equivalents at beginning of year	15,891,779	7,719,829	5,475,395
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 5,881,515	\$ 15,891,779	\$ 7,719,829
	=====	=====	=====
Supplemental disclosures of cash flow information			
Cash paid during year for:			
Interest	\$ 4,903,561	\$ 1,995,789	\$ 1,113,886
Income taxes	17,500,000	6,225,000	2,315
Non-cash investing and financing activities:			
Bonus interest deferred as policy acquisition costs	7,602,004	5,909,679	1,035,325
Issuance of common stock in payment of deferred compensation	90,400	--	--
Exchange of held for investment fixed maturity securities for company-obligated mandatorily redeemable preferred securities of subsidiary trusts	72,490,000	--	--

See accompanying notes.

American Equity Investment Life Holding Company

Notes to Consolidated Financial Statements

December 31, 1999

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 42 states and the District of Columbia at December 31, 1999. 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. (formed in 1998), 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 American Equity Investment Properties, L.C. All significant inter-company 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.

Certain amounts in the 1998 and 1997 consolidated financial statements have been reclassified to conform to the 1999 financial statement presentation.

Investments

Fixed maturity securities (bonds and redeemable preferred stocks that mature 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.

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 with 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.

These options are reported at fair value in the consolidated balance sheets. The options are purchased at the time the related annuity policies are issued, with similar maturity dates and benefit features that fluctuate as the value of the options change. Changes in the unrealized appreciation of the options (\$12,762,839, \$8,061,627 and \$839,359 during the years ended December 31, 1999, 1998 and 1997, respectively) are offset by changes to the policy benefit liabilities in the consolidated statements of operations.

The Company's hedging strategy attempts to mitigate any potential risk of loss under these agreements through a regular monitoring process which evaluates the program's effectiveness. The Company is exposed to risk of loss in the event of nonperformance by the counterparties and, accordingly, the Company purchases its option contracts from multiple counterparties and evaluates the creditworthiness of all counterparties prior to purchase of the contracts. At December 31, 1999, 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 values 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 value in the investment is reduced to its estimated realizable value and a specific writedown is taken. Such reductions in carrying value are recognized as realized losses and charged to income. Realized gains and losses on sales are determined on the basis of specific identification of investments.

Market values, as reported herein, of 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.

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 \$2,949,107 in 1999, \$1,908,540 in 1998 and \$789,435 in 1997) 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 that 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.

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 and 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.

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 operations. 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 operations.

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 12.0% in 1999 and 1998, and from 3.0% to 12.4% in 1997. A portion of this amount (\$7,602,004, \$5,909,679 and \$1,035,325 during the years ended December 31, 1999, 1998 and 1997, respectively) represents an additional interest credit on first-year premiums payable until the first contract anniversary date (first-year bonus interest). Such amounts have been offset against interest credited to account balances and deferred as policy acquisitions costs.

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

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

Certain policies of the Company include provisions for refunds of premiums based upon annual experience of the underlying business equal to net premiums received less a 16% administrative fee and less claims incurred. Such amounts (1999 - \$1,206,348; 1998 - \$523,807; and 1997 - \$711,129) are reported as a reduction of traditional life and accident and health insurance premiums in the consolidated statements of operations.

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

During 1999, the Company increased the number of authorized shares of common stock, \$1 par value, from 10,000,000 to 25,000,000. In connection with the issuance of the Company's common stock under certain private placement offerings, the Company issued warrants to purchase one additional share of common stock for every five shares that were purchased. In addition, warrants to purchase 80,000 shares of the Company's common stock were issued in 1997 in connection with the amendment of the Stock Option Agreement with the Company's chairman (see Note 9). During 1999, 114,083 warrants were exercised at a price of \$12.00 per share. During 1998, 157,398 warrants were exercised at a price of \$10.00. At December 31, 1999, the Company had warrants for 148,250 shares outstanding with exercise prices of \$12.00 per share (68,250 shares) and \$10.00 per share (80,000 shares). All of the warrants expire on April 30, 2000.

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

Recognition of Premium Revenues and Costs

Revenues for annuity and 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).

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.

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 (losses) included in net income (loss) which merely represent transfers from unrealized to realized gains and losses. These amounts totaled \$983,264 and \$35,886 in 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 \$471,153 in 1999 and \$115,864 in 1998.

Pending Accounting Change

In June 1998, the Financial Accounting Standards Board 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 Statement is effective for the Company in the year 2001, with earlier adoption encouraged. The Company has not yet determined the effect 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.

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.

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:

	1999		December 31 1998	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Fixed maturity securities:				
Available-for-sale	\$ 997,019,819	\$ 997,019,819	\$601,897,562	\$601,897,562
Held-for-investment	398,467,247	315,974,664	--	--
Equity securities	7,613,489	7,613,489	--	--
Derivative instruments	44,209,883	44,209,883	16,171,621	16,171,621
Policy loans	231,068	231,068	192,184	192,184
Cash and cash equivalents	5,881,515	5,881,515	15,891,779	15,891,779
Separate account assets	370,787	370,787	151,450	151,450
Liabilities				
Annuity and single premium universal life reserves	1,343,815,953	1,149,271,147	529,765,023	458,253,796
Notes payable	20,600,000	20,600,000	10,000,000	10,000,000
Amounts due under repurchase agreements	86,968,750	86,968,750	49,000,000	49,000,000
Separate account liabilities	370,787	370,787	151,450	151,450
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts	98,981,629	98,981,629	--	--

3. Investments

At December 31, 1999 and 1998, the amortized cost and estimated fair value of fixed maturity securities and equity securities were as follows:

December 31, 1999 -----	Amortized Cost -----	Gross Unrealized Gains -----	Gross Unrealized Losses -----	Estimated Fair Value -----
Fixed maturity securities				
Available-for-sale				
United States Government and agencies	\$ 642,115,817	\$ 111,819	\$ (39,229,308)	\$602,998,328
State, municipal and other governments	4,539,257	--	(379,607)	4,159,650
Public utilities	12,201,799	--	(1,362,599)	10,839,200
Corporate securities	300,422,046	408,652	(28,539,013)	272,291,685
Redeemable preferred stocks	9,240,340	--	(824,220)	8,416,120
Mortgage and asset-backed securities	101,946,108	642,075	(4,273,347)	98,314,836
	-----	-----	-----	-----
	\$1,070,465,367	\$1,162,546	\$ (74,608,094)	\$997,019,819
	=====	=====	=====	=====
Held for investment				
United States Government and agencies	\$ 323,311,715	\$ --	\$ (74,631,915)	\$248,679,800
Redeemable preferred stocks	75,155,532	--	(7,860,668)	67,294,864
	-----	-----	-----	-----
	\$ 398,467,247	\$ --	\$ (82,492,583)	\$315,974,664
	=====	=====	=====	=====
Equity securities				
Non-redeemable preferred stocks	\$ 6,850,000	\$ --	\$ (227,160)	\$ 6,622,840
Common stocks	1,169,999	--	(179,350)	990,649
	-----	-----	-----	-----
	\$ 8,019,999	\$ --	\$ (406,510)	\$ 7,613,489
	=====	=====	=====	=====
December 31, 1998 -----				
Fixed maturity securities				
Available-for-sale				
United States Government and agencies	\$ 385,393,461	\$ 854,292	\$ (23,637)	\$386,224,116
State, municipal and other governments	4,227,231	--	(3,231)	4,224,000
Public utilities	9,869,720	194,810	--	10,064,530
Corporate securities	191,393,819	1,036,268	(525,097)	191,904,990
Mortgage and asset-backed securities	9,416,331	64,400	(805)	9,479,926
	-----	-----	-----	-----
	\$ 600,300,562	\$2,149,770	\$ (552,770)	\$601,897,562
	=====	=====	=====	=====

The amortized cost and estimated fair value of fixed maturity securities at December 31, 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 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
Due after one year through five years	\$ 13,815,639	\$ 13,480,248	\$ --	\$ --
Due after five years through ten years	148,996,868	144,701,650	--	--
Due after ten years through twenty years	492,734,730	469,617,702	--	--
Due after twenty years	312,972,022	270,905,383	398,467,247	315,974,664
	968,519,259	898,704,983	398,467,247	315,974,664
Mortgage-backed and asset-backed securities	101,946,108	98,314,836	--	--
	\$1,070,465,367	\$997,019,819	\$398,467,247	\$315,974,664

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, 1999 and 1998:

	December 31 1999	1998
Net unrealized gains (losses) on available-for-sale fixed maturity and equity securities	\$ (73,852,058)	\$1,597,000
Adjustments for assumed changes in amortization of deferred policy acquisition costs	19,644,927	(960,583)
Deferred income tax benefit (expense)	18,972,496	(216,382)
Net unrealized gains (losses) reported as accumulated other comprehensive income (loss)	\$ (35,234,635)	\$ 420,035

Components of net investment income are as follows:

	1999	Year ended December 31	
		1998	1997
Fixed maturity securities	\$69,877,178	\$28,304,437	\$5,131,361
Equity securities	456,000	--	--
Derivative instruments	(6,151,600)	(1,767,580)	(589,484)
Policy loans	19,722	8,338	12,281
Cash and cash equivalents	487,254	331,530	124,393
Other	951,035	55,109	--
	65,639,589	26,931,834	4,678,551
Less investment expenses	(1,029,977)	(575,362)	(659,934)
Net investment income	\$64,609,612	\$26,356,472	\$4,018,617

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

	Amortized Cost	Gross Realized Gains	Gross Realized Losses	Proceeds from Sale
	-----	-----	-----	-----
Year ended December 31, 1999				
Scheduled principal repayments, calls and tenders	\$195,837,799	\$ --	\$ --	\$195,837,799
Sales	112,919,296	322,454	(409,706)	112,832,044
	-----	-----	-----	-----
	\$308,757,095	\$322,454	\$ (409,706)	\$308,669,843
	=====	=====	=====	=====
Year ended December 31, 1998				
Scheduled principal repayments, calls and tenders	\$157,731,977	\$ --	\$ --	\$157,731,977
Sales	64,861,304	163,865	(12,115)	65,013,054
	-----	-----	-----	-----
	\$222,593,281	\$163,865	\$ (12,115)	\$222,745,031
	=====	=====	=====	=====

For the year ended December 31, 1999, realized gains on investments consisted of net losses of \$87,252 on the sale of available-for-sale fixed maturity securities and a gain of \$1,541,669 on the termination of a total return swap. For the year ended December 31, 1998, realized gains of \$426,782 consisted of net gains on sales of available-for-sale fixed maturities of \$151,750 and a gain on the sale of real property of \$275,032. The Company did not have any realized gains for the year ended December 31, 1997.

The change in unrealized appreciation/depreciation on investments for the year ended December 31, 1999 aggregated (\$75,449,058), and consisted of unrealized depreciation on available-for-sale fixed maturity securities and equity securities of \$75,042,548 and \$406,510, respectively. The changes in unrealized appreciation/depreciation on investments aggregated \$905,405 and \$893,151 for the years ended December 31, 1998 and 1997, respectively, and were 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 \$39,794,388 in 1999, \$695,670 in 1998 and \$481,295 in 1997.

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 gains totaling \$4,969,781 for 1999 (\$0 in 1998) 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. The notional amount of outstanding agreements to sell securities was \$204,600,000 at

December 31, 1999. A fixed maturity security with an amortized cost of \$14,932,303 has been deposited with a broker dealer to establish a margin account for the futures contracts.

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 investment income. If a total return swap agreement is terminated early any resulting gain or loss is recognized as realized gain or loss. In 1999, the Company recognized net investment expense of \$2,069,355 related to payments made on settlement dates, and realized a gain of \$1,541,669 on the termination of one total return swap agreement. The notional amount of outstanding agreements was \$332,000,000 at December 31, 1999.

At December 31, 1999, affidavits of deposits covering fixed maturity securities and short-term investments with a amortized cost of \$1,388,740,914 were on deposit with state agencies to meet regulatory requirements.

At December 31, 1999, 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	Issuer	Estimated Fair Value	Amortized Cost
FBL Capital Trust I	\$67,294,864	\$75,155,532	United Dominion Realty	\$4,802,600	\$5,162,500
AIG Global Trust	19,000,000	19,000,008	U.S. Tr Cap A 144A	5,262,046	5,355,772
Knight Funding, Ltd	19,053,000	18,430,348	Nationwide Health Prop.	4,890,600	6,043,729
Northwest Airlines	10,135,483	10,123,774	BT Capital Trust	4,868,000	5,334,466
Sutter CBO	10,353,000	10,000,000	Health Care Properties	4,815,000	5,000,000
South Street CBO	9,520,839	9,737,000	Keycorp Inst.. Cap-A 144A	4,701,920	5,265,316
FMR Corp.	9,662,600	10,084,411	Chase Capital I	4,894,450	5,166,715
Nations Bank	9,890,000	13,059,307	Fortress CBO C	4,482,500	4,634,799
Evaluated Loan Collateral	9,108,000	9,108,000	Harcourt Gen. Inc.	4,607,000	4,944,039
M&I Capital Trust	9,125,000	10,406,323	BS Com. Mtg. 1999-C1-D	4,295,800	4,723,306
American Financial Group	8,793,200	9,357,988	Orng & Rkld Utilities	4,397,000	4,962,985
Genamerica Capital I	8,586,000	9,593,719	Simon Debartolo	4,375,586	5,005,544
Jet Equipment Trust	8,250,000	8,214,878	Developers Div. Rlty	4,215,250	5,013,067
Ikon Capital, Inc.	7,841,120	7,975,587	NJ Econ Dev Authority	4,159,650	4,539,257
JPM Capital Trust	7,700,000	8,473,156	Citicorp Capital II	4,018,006	4,322,442
Bear Stearns M.T. Notes	7,680,000	7,930,144	Witco Corp.	3,845,000	4,698,565
Commercial Net I	7,388,480	7,699,283	Southern Co. Cap. Trust	3,823,200	4,261,940
Land O' Lake Capital Tr.	6,837,432	8,078,789	First Industrial LP Mtn	3,800,000	4,090,222
New Plan Excel Realty Tr.	6,622,840	6,850,000	New Plan Realty Tr. Mtn	3,654,800	4,171,590
Engelhard Corp.	5,516,400	5,896,425	Spieker Properties	3,583,720	4,031,540
Farmers Exchange Capital	5,250,000	5,800,300	Lehman Bros. Holdings	3,508,000	4,879,094
Hilton Hotels Corp.	5,246,850	5,966,360	Nascor 1998-026-A13	3,442,684	3,423,260
Health Care Property	5,146,680	5,565,410	EOP Operating LP	3,436,400	3,973,337
Juniper 99 A-3a	4,615,650	5,000,000			

4. Value of Insurance In Force Acquired

An analysis of the value of insurance in force acquired for the years ended December 31, 1999, 1998 and 1997 is as follows:

	Year ended December 31		
	1999	1998	1997
	-----	-----	-----
Balance at beginning of year	\$1,068,906	\$1,343,000	\$1,725,000
Accretion of interest during the year	55,000	71,000	91,000
Amortization of asset	(371,479)	(345,094)	(473,000)
	-----	-----	-----
Balance at end of year	\$ 752,427	\$1,068,906	\$1,343,000
	=====	=====	=====

Amortization of the value of insurance in force acquired for the next five years is expected to be as follows: 2000 - \$232,000; 2001 - \$104,000; 2002 - \$104,000; 2003 - \$103,000; and 2004 - \$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 \$1,110,871, \$567,027 and \$722,545 and insurance benefits have been reduced by \$335,558, \$375,592 and \$503,154 during the years ended December 31, 1999, 1998 and 1997, 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 33.27% of the Company's common stock. Under this agreement and related administrative services agreements, the Company paid Equitrust \$155,908 and \$77,954 for the years ended December 31, 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.

The activity in the liability for unpaid claims and related adjustment expense for the years ended December 31, 1999, 1998 and 1997, 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
	-----	-----	-----	-----
Year ended December 31, 1999				
1999	\$ --	\$ 550,877	\$ 319,145	\$ 231,732
1998 and prior	672,661	(186,097)	124,112	362,452
	-----	-----	-----	-----
	672,661	\$ 364,780	\$ 443,257	594,184
		=====	=====	
Active life reserve	1,518,222			1,575,828
	-----			-----
Total accident and health reserves	\$ 2,190,883			\$ 2,170,012
	=====			=====
Year ended December 31, 1998				
1998	\$ --	\$ 580,845	\$ 318,507	\$ 262,338
1997 and prior	667,287	(133,100)	123,864	410,323
	-----	-----	-----	-----
	667,287	\$ 447,745	\$ 442,371	672,661
		=====	=====	
Active life reserve	1,406,694			1,518,222
	-----			-----
Total accident and health reserves	\$ 2,073,981			\$ 2,190,883
	=====			=====
Year ended December 31, 1997				
1997	\$ --	\$ 556,302	\$ 296,060	\$ 260,242
1996 and prior	629,651	(107,471)	115,135	407,045
	-----	-----	-----	-----
	629,651	\$ 448,831	\$ 411,195	667,287
		=====	=====	
Active life reserve	1,350,132			1,406,694
	-----			-----
Total accident and health reserves	\$ 1,979,783			\$ 2,073,981
	=====			=====

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 1999; 34% in 1998 and 1997) as follows.

	Year ended December 31		
	1999	1998	1997
	-----	-----	-----
Income (loss) before income taxes	\$ 3,095,870	\$ 1,004,670	\$ (4,759,614)
	=====	=====	=====
Income tax benefit (expense) on income (loss) before income taxes at statutory rate	\$ (1,083,555)	\$ (341,588)	\$ 1,618,269
Tax effect of:			
Earnings on company-obligated mandatorily redeemable preferred securities of subsidiary trusts	708,000	--	--
State income taxes	61,000	59,000	129,000
Small company deduction	--	--	331,000
Change in valuation allowance on deferred income tax assets	1,537,000	(397,000)	(707,000)
Other	147,390	(80,895)	18,957
	-----	-----	-----
Income tax benefit (expense)	\$ 1,369,835	\$ (760,483)	\$ 1,390,226
	=====	=====	=====

The tax effect of individual temporary differences at December 31, 1999 and 1998, is as follows:

	December 31	
	1999	1998
	-----	-----
Deferred income tax assets:		
Policy benefit reserves	\$ 55,066,000	\$ 17,810,000
Provision for experience rating refunds	191,000	283,000
Unrealized depreciation on available-for-sale fixed maturity securities and equity securities	18,972,496	--
Deferred compensation	426,000	350,000
Net operating loss carryforwards	1,609,000	1,182,000
Other	15,372	66,000
	-----	-----
	76,279,868	19,691,000
Deferred income tax liabilities:		
Unrealized appreciation of available-for-sale fixed maturity securities	--	(216,382)
Accrued discount on fixed maturity securities	(800,000)	--
Deferred policy acquisition costs	(31,861,000)	(8,939,000)
Value of insurance in force acquired	(263,000)	(363,000)
Other	(319,000)	(346,119)
	-----	-----
	(33,243,000)	(9,864,501)
Valuation allowance on deferred income tax assets	--	(1,537,000)
	-----	-----
Deferred income tax asset	\$ 43,036,868	\$ 8,289,499
	=====	=====

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.

The Company has net operating loss carryforwards for tax purposes of \$3,978,000 at December 31, 1999, which expire in 2010 through 2014. None of these carryforwards is currently available to reduce the tax provisions for financial reporting purposes.

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. The notes bear interest (7.56% at December 31, 1999) 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 March 31, 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 \$68,139,218 and \$28,216,906 for the years ended December 31, 1999 and 1998, respectively, and were collateralized by investment securities with fair market values approximately equal to the amount due. At December 31, 1999, the Company has securities lending programs with First Union Securities, Inc. and Bear, Stearns & Co., Inc. with amounts due to each of \$57,906,250 and \$29,062,500, respectively. The weighted average interest rate on amounts due under repurchase agreements was 5.12% and 5.42% for the years ended December 31, 1999 and 1998, respectively.

8. Minority Interests in Subsidiary Trusts

During 1999, American Equity Capital Trust I ("Trust I"), a wholly-owned subsidiary of the Company, issued \$25,970,140 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, 1999, 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"). 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 the parent of Farm Bureau Life Insurance Company. Farm Bureau beneficially owns 33.27% of our common stock.

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.

9. 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 \$10,000 in 1999, \$10,000 in 1998, and \$9,500 in 1997) to the plan. The Company contributes an additional amount, subject to limitations, based on the voluntary contribution of the employee. Further, the plan provides for additional employer contributions based on the discretion of the Board of Directors. Plan contributions charged to expense were \$41,703, \$25,231 and \$19,434 for the years ended December 31, 1999, 1998 and 1997 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, 1999 and 1998, these individuals have earned, and the Company has reserved for future issuance, 96,060 and 96,958 shares of common stock, respectively, pursuant to these arrangements. The Company has also accrued \$1,097,933 and \$1,017,333 as an other liability at December 31, 1999 and 1998, respectively, representing the value associated with the shares earned. In September, 1999, a retired employee received a distribution of 9,040 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, 1999, 1998 and 1997, agents earned the right to receive 112,596, 83,861 and 13,131 shares, respectively. These shares will be awarded at the end of the vesting period of 4 years for the 1999 and 1998 programs, and 3 years for the 1997 program. A portion of the awards may be subject to forfeiture if certain production levels are not met over the remaining vesting period. The Company recognizes commission expense as the awards vest. For the years ended December 31, 1999 and 1998, agents vested in 53,042 and 25,342 shares of common stock, respectively, and the Company recorded commission expense (which was subsequently capitalized as deferred policy acquisition costs) of \$1,379,092 and \$295,354, respectively, under these plans. Amounts accrued are reported as other liabilities until the stock has been issued. At December 31, 1999, the Company has reserved 209,588 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 1999.

During 1997, a Stock Option Agreement with the Company's Chairman (and owner of 8.6% of its outstanding common stock at December 31, 1999) was amended to fix the number of options and warrants to purchase shares of the Company's common stock at 400,000. Certain of these options and warrants have an exercise price of \$10.00 per share and expire in 2000 (80,000 warrants) and 2007 (200,000 options). The remaining 120,000 options can be exercised at anytime at fair value and expire in 2007. In connection with the 1997 amendment, the Company recorded compensation expense of \$628,000. In 1999, the Stock Option Agreement was further amended to fix the exercise price of the 120,000 options previously exercisable at fair market value at \$22.00 per share.

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

Changes in the number of stock options outstanding during the years ended December 31, 1999, 1998 and 1997 are as follows (excluding options on 120,000 shares that were exercisable at fair value in 1998 and 1997 and converted to a fixed exercise price in 1999):

	Number of Shares	Weighted- Average Exercise Price per Share	Total Exercise Price
Outstanding at January 1, 1997	612,000	\$ 10.00	\$ 6,120,000
Granted	341,700	10.98	3,750,400
Cancelled	(412,000)	10.00	(4,120,000)
Exercised	(200)	10.00	(2,000)
Forfeited	(5,800)	10.00	(58,000)
	535,700	10.62	5,690,400
Outstanding at December 31, 1997			
Granted	38,500	16.00	616,000
Canceled	(16,500)	10.18	(168,000)
Exercised	(700)	11.71	(8,200)
Outstanding at December 31, 1998			
Granted	557,000	11.01	6,130,200
Granted	95,920	22.44	2,152,240
Converted	120,000	22.00	2,640,000
Canceled	(1,550)	20.06	(31,000)
Exercised	(7,225)	10.27	(74,200)
Outstanding at December 31, 1999	764,145	14.16	\$10,817,240

Stock options outstanding at December 31, 1999 (all currently exercisable) are follows:

	Number	Weighted- Average Remaining Life (in Years)
Exercise price:		
\$10.00	375,000	7.18
\$12.00	122,600	7.55
\$16.00	51,675	8.73
\$22.00	204,370	8.26
\$26.00	10,500	9.92
	764,145	7.67

At December 31, 1999, the Company had 47,730 shares of common stock available for future grant under the 1996 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 719,125 shares of the Company's common stock to certain officers and directors. The subscription rights have an exercise price of \$16.00 per share, were fully exercisable immediately, and expire on December 1, 2002.

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

	Year ended December 31		
	1999	1998	1997
	----	----	----
Risk-free interest rate	4.73%	5.40%	6.50%
Dividend yield	0%	0%	0%
Weighted-average expected life	3 years	3 years	3 years

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

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

	Year ended December 31		
	1999	1998	1997
	-----	-----	-----
Net income (loss), as reported	\$2,443,346	\$244,187	\$ (3,369,388)
Net income (loss), pro forma	2,035,000	189,000	(4,903,000)
Basic earnings per common share, as reported	0.52	0.05	(2.11)
Basic earnings per common share, pro forma	0.43	0.04	(3.07)
Diluted earnings per common share, as reported	0.42	0.05	(2.11)
Diluted earnings per common share, pro forma	0.35	0.04	(3.07)

10. Life Insurance Subsidiary

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

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 2000, the life insurance subsidiary could pay dividends to its parent of approximately \$16,326,000 without prior approval from regulatory authorities.

The financial statements of American Equity Investment Life Insurance Company included herein 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) acquisition costs of acquiring new business are deferred and amortized over the life of the policies rather than charged to operations as incurred; (c) the excess of purchase price over net assets acquired in business combinations is allocated to identifiable intangibles such as value of insurance in force acquired, rather than being entirely attributable to goodwill (a portion of which may be non-admitted); (d) policy reserves on traditional life and accident and health 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; (e) future policy benefit reserves on certain universal life and annuity products are based on full account values, rather than discounting methodologies utilizing statutory interest rates; (f) reinsurance amounts are shown as gross amounts, net of an allowance for uncollectible amounts, on the consolidated balance sheet rather than netted against the corresponding receivable or payable; (g) deferred income taxes are provided for the

difference between the financial statement and income tax bases of assets and liabilities; (h) net realized gains or losses attributed to changes in the level of interest rates in the market are recognized as gains or losses in the statement of operations when the sale is completed rather than deferred and amortized over the remaining life of the fixed maturity security or mortgage loan; (i) declines in the estimated realizable value of investments are charged to the statement of operations for declines in value, when such declines in value are judged to be other than temporary rather than through the establishment of a formula-determined statutory investment reserve (carried as a liability), changes in which are charged directly to surplus, (j) agents' balances and certain other assets designated as "non-admitted assets" for statutory purposes are reported as assets rather than being charged to surplus; (k) revenues for universal life and annuity products consist of policy charges for the cost of insurance, policy administration charges, amortization of policy initiation fees and surrender charges assessed rather than premiums received; and (l) pension income or expense is recognized in accordance with SFAS No. 87, Employers' Accounting for Pensions, rather than in accordance with rules and regulations permitted by the Employee Retirement Income Security Act of 1974; (m) surplus notes are reported as a liability rather than as a component of capital and surplus; and (n) assets and liabilities are restated to fair values when a change in ownership occurs, rather than continuing to be presented at historical cost.

Net income for the life insurance subsidiary as determined in accordance with statutory accounting practices was \$17,837,476, \$4,803,545 and \$4,470,284 in 1999, 1998 and 1997, respectively, and total statutory capital and surplus of the life insurance subsidiary was \$139,855,053 and \$80,947,913 at December 31, 1999 and 1998, respectively.

In 1998, the NAIC adopted codified statutory accounting principles (Codification). Codification will likely change, to some extent, prescribed statutory accounting practices and may result in changes to the accounting practices that the Company uses to prepare its statutory-basis financial statements, to be effective January 1, 2001. Codification will require adoption by the various states before it becomes the prescribed statutory basis of accounting for insurance companies domesticated within those states. Accordingly, before Codification becomes effective for the Company, the State of Iowa must adopt Codification as the prescribed basis of accounting on which domestic insurers must report their statutory-basis results to the Insurance Division, Department of Commerce, of the State of Iowa. At this time it is anticipated that the State of Iowa will adopt Codification. However, based on current guidance, management believes that the impact of Codification will not be material to the Company's statutory-basis financial statements.

11. Commitments and Contingencies

The Company has a General Agency Commission and Servicing Agreement with American Equity Investment Service Company (the Service Company), wholly-owned by the Company's chairman, whereby, the Service Company acts as a national supervisory agent with responsibility for paying commissions to agents of the Company. Under the terms of the original agreement, the Service Company was required to pay the greater of (a) 5% of the premiums collected by the Company on the sale of certain annuity products, or (b) 50% of the agent's commissions payable by the Company on the sale of those same policies. In return, the Company agreed to pay quarterly renewal commissions to the Service Company equal to .3275% 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.

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.

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.

During the years ended December 31, 1999, 1998 and 1997, the Service Company paid \$37,722,852, \$19,933,480, and \$11,470,576 respectively, to agents of the Company and the Company paid renewal commissions to the Service Company of \$14,566,020, \$6,781,288 and \$1,360,410, respectively. At December 31, 1999 and 1998, amounts payable to the Service Company by the life insurance subsidiary included in amounts due to related parties were \$10,003,258 and \$2,438,600, respectively.

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 December 31, 1999, amounts advanced to and interest receivable from the Service company were \$18,175,000 and \$581,957, respectively.

The Company leases its home office space and certain equipment under operating leases which expire through June 2004. During the years ended December 31, 1999, 1998 and 1997, rent expense on the home office space totaled \$451,748, \$350,174 and \$334,627, respectively. At December 31, 1999, minimum rental payments due under all noncancellable operating leases with initial terms of one year or more are:

Year ending December 31:	
2000	\$ 538,000
2001	535,000
2002	528,000
2003	520,000
2004	265,000

	\$ 2,386,000
	=====

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

12. Earnings per share

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

	Year ended December 31		
	1999	1998	1997
	-----	-----	-----
Numerator:			
Net income (loss)	\$ 2,443,346	\$ 244,187	\$ (3,369,388)
Dividends on preferred stock	(12,500)	--	--
	-----	-----	-----
Numerator for basic earnings (loss) per common share	2,430,846	244,187	(3,369,388)
Dividends on preferred stock	12,500	--	--
	-----	-----	-----
Numerator for diluted earnings (loss) per common share	\$ 2,443,346	\$ 244,187	\$ (3,369,388)
	=====	=====	=====
Denominator:			
Weighted average shares outstanding	4,669,429	4,464,912	1,598,695
Effect of dilutive securities:			
Preferred stock	625,000	3,425	--
Warrants	84,586	117,370	--
Stock options and management subscription rights	342,801	114,788	--
Deferred compensation agreements	117,487	13,533	--
	-----	-----	-----
Adjusted weighted average shares outstanding	5,839,303	4,714,028	1,598,695
	=====	=====	=====
Basic earnings (loss) per common share	\$ 0.52	\$ 0.05	\$ (2.11)
	=====	=====	=====
Diluted earnings (loss) per common share	\$ 0.42	\$ 0.05	\$ (2.11)
	=====	=====	=====

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.

Schedule I

Summary of Investments - Other Than

Investments in Related Parties

American Equity Investment Life Holding Company

December 31, 1999

Type of Investment	Cost (1)	Value	Amount at Which Shown in Balance Sheet
Fixed maturity securities			
Available for sale			
United States Government and agencies	\$ 642,115,817	\$ 602,998,328	\$ 602,998,328
State, municipal and other governments	4,539,257	4,159,650	4,159,650
Public utilities	12,201,799	10,839,200	10,839,200
Corporate securities	300,422,046	272,291,685	272,291,685
Redeemable preferred stocks	9,240,340	8,416,120	8,416,120
Mortgage and asset-backed securities	101,946,108	98,314,836	98,314,836
	1,070,465,367	997,019,819	997,019,819
Held for investment			
United States Government and agencies	323,311,715	248,679,800	323,311,715
Redeemable preferred stocks	75,155,532	67,294,864	75,155,532
	398,467,247	315,974,664	398,467,247
Total fixed maturity securities	1,468,932,614	1,312,994,483	1,395,487,066
Equity securities:			
Non-redeemable preferred stocks	6,850,000	6,622,840	6,622,840
Common stocks	1,169,999	990,649	990,649
Total equity securities	8,019,999	7,613,489	7,613,489
Derivative instruments	22,546,058		44,209,883
Policy loans	231,068		231,068
Short-term investments	45,000		45,000
Total investments	\$1,499,774,739		\$1,447,586,506

(1) On the basis of cost adjusted for repayments and amortization of premiums and accrual of discounts for fixed maturity securities and derivative instruments.

Schedule II

Condensed Financial Information of Registrant

(Parent Company)

American Equity Investment Life Holding Company

Condensed Balance Sheets

	December 31	
	1999	1998
	-----	-----
Assets		
Cash and cash equivalents	\$ 682,980	\$ 2,212,159
Fixed maturity security, held for investment, at amortized cost (market: 1999 -\$43,013,614)	46,667,553	--
Receivables from subsidiary (eliminated in consolidation)	3,194,630	--
Receivables from related parties	18,788,327	--
Property, furniture and equipment, less accumulated depreciation of \$760,956 in 1999 and \$453,927 in 1998	211,050	518,079
Debt issue costs, less accumulated amortization of \$453,912 in 1999 and \$314,805 in 1998	1,765,505	103,642
Deferred income tax asset	1,963,212	--
Investment income due and accrued	546,666	--
Other assets	--	27,699
	-----	-----
	73,819,923	2,861,579
Investment in and advances to subsidiaries (eliminated in consolidation)	86,826,790	74,712,974
	-----	-----
Total assets	\$ 160,646,713	\$ 77,574,553
	=====	=====
Liabilities and Stockholders' Equity		
Liabilities:		
Notes payable	\$ 20,600,000	\$ 10,000,000
Payable to subsidiaries (eliminated in consolidation)	102,028,638	--
Amounts due to related parties	2,591,370	--
Other liabilities	1,102,414	1,444,032
	-----	-----
Total liabilities	126,322,422	11,444,032
Commitments and contingencies		
Stockholders' equity:		
Series Preferred Stock	625,000	625,000
Common Stock	4,712,310	4,581,962
Additional paid-in capital	66,057,863	64,783,117
Accumulated other comprehensive income (loss)	(35,234,635)	420,035
Retained-earnings deficit	(1,836,247)	(4,279,593)
	-----	-----
Total stockholders' equity	34,324,291	66,130,521
	-----	-----
Total liabilities and stockholders' equity	\$ 160,646,713	\$ 77,574,553
	=====	=====

See accompanying note to condensed financial statements.

Schedule II

Condensed Financial Information of Registrant

(Parent Company)

American Equity Investment Life Holding Company

Condensed Statements of Operations

	Year ended December 31		
	1999	1998	1997
	-----	-----	-----
Revenues:			
Net investment income	\$ 1,022,500	\$ 154,307	\$ 50,161
Dividends from subsidiary (eliminated in consolidation)	3,000,000	--	--
Interest from subsidiary (eliminated in consolidation)	46,419	--	--
Surplus note interest from subsidiary (eliminated in consolidation)	1,079,106	157,788	134,077
Interest on note receivable from related party (eliminated in consolidation)	581,957	--	--
	-----	-----	-----
Total revenues	5,729,982	312,095	184,238
Expenses:			
Interest expense on notes payable	896,383	788,770	979,826
Interest expense on debentures issued to subsidiary trusts (eliminated in consolidation)	2,068,778	--	--
Other operating costs and expenses	821,814	818,782	1,281,776
	-----	-----	-----
Total expenses	3,786,975	1,607,552	2,261,602
	-----	-----	-----
Income (loss) before income taxes, equity in undistributed income (loss) of subsidiaries and earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts	1,943,007	(1,295,457)	(2,077,364)
Deferred income tax benefit	1,963,212	--	--
	-----	-----	-----
Income (loss) before equity in undistributed income (loss) of subsidiaries and earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts	3,906,219	(1,295,457)	(2,077,364)
Equity in undistributed income (loss) of subsidiaries (eliminated in consolidation)	559,486	1,539,644	(1,292,024)
	-----	-----	-----
Income (loss) before earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts	4,465,705	244,187	(3,369,388)
Minority interest in subsidiaries - earnings attributable to company- obligated mandatorily redeemable preferred securities of subsidiary trusts	(2,022,359)	--	--
	-----	-----	-----
Net income (loss)	\$ 2,443,346	\$ 244,187	\$ (3,369,388)
	=====	=====	=====

See accompanying note to condensed financial statements.

Schedule II

Condensed Financial Information of Registrant

(Parent Company)

American Equity Investment Life Holding Company

Condensed Statements of Cash Flows

	Year ended December 31		
	1999	1998	1997
	-----	-----	-----
Operating activities			
Net income (loss)	\$ 2,443,346	\$ 244,187	\$ (3,369,388)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Provision for depreciation and amortization	446,136	401,624	306,082
Accrual of discount on fixed maturity security	(333,753)	--	--
Compensation expense related to issuance of stock options and warrants	--	--	628,000
Equity in undistributed loss (income) of subsidiaries	(559,486)	(1,539,644)	1,292,024
Minority interest in subsidiaries - earnings attributable to company-obligated mandatorily redeemable preferred securities of subsidiary trusts	2,022,359	--	--
Accrual of discount on debentures issued to subsidiary trusts	521,489	--	--
Deferred income taxes	(1,963,212)	--	--
Changes in operating assets and liabilities:			
Receivable from subsidiaries	(3,194,630)	126,775	(85,509)
Receivable from related party	(613,327)	--	--
Investment income due and accrued	(546,666)	--	--
Other assets	27,699	(25,657)	(2,042)
Payable to subsidiaries	1,850	(17,247)	(733,313)
Amounts due to related parties	2,591,370	--	--
Other liabilities	(341,620)	481,802	128,634
	-----	-----	-----
Net cash provided by (used in) operating activities	501,555	(328,160)	(1,835,512)

	Year ended December 31		
	1999	1998	1997
	-----	-----	-----
Investing activities			
Capital contributions to subsidiaries	(6,075,159)	(6,600,000)	(42,500,000)
Purchase of surplus notes from subsidiary	(17,000,000)	(5,500,000)	--
Purchase of note receivable from related party	(18,175,000)	--	--
Purchases of property, furniture and equipment	--	(196,117)	(514,269)
	-----	-----	-----
Net cash provided by (used in) investing activities	(41,250,159)	(12,296,117)	(43,014,269)
Financing activities			
Financing fees deferred	(1,800,968)	--	--
Proceeds from notes payable	10,600,000	--	--
Proceeds from issuance of company-obligated mandatorily redeemable preferred securities of subsidiary trusts	29,015,299	--	--
Net proceeds from sale of preferred stock	--	9,968,070	--
Net proceeds from issuance of common stock	1,511,840	1,282,480	46,618,479
Dividends paid	(106,746)	--	--
	-----	-----	-----
Net cash provided by financing activities	39,219,425	11,250,550	46,618,479
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	(1,529,179)	(1,373,727)	1,768,698
Cash and cash equivalents at beginning of year	2,212,159	3,585,886	1,817,188
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 682,980	\$ 2,212,159	\$ 3,585,886
	=====	=====	=====
Supplemental disclosure of cash flow information			
Cash paid during the year for interest:			
Interest on notes payable	\$ 896,383	\$ 467,111	\$ 840,344
Interest paid to subsidiary trusts	1,547,289	--	--
Exchange of fixed maturity securities for debentures issued to subsidiary trusts	72,490,000	--	--
Fixed maturity security contributed to subsidiary	26,156,200	--	--

See accompanying note to condensed financial statements.

Schedule II
Condensed Financial Information of Registrant
(Parent Company)
American Equity Investment Life Holding Company
Note to Condensed Financial Statements
December 31, 1999

1. Basis of Presentation

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

In the parent company-only financial statements, the Company's investment in and advances 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.

Schedule III

Supplementary Insurance Information

American Equity Investment Life Holding Company

December 31, 1999

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, 1999					
Life insurance	\$126,684,495	\$1,358,875,848	\$ -	\$11,553,574	\$13,746,532
Year ended December 31, 1998					
Life insurance	32,005,772	541,082,179	-	6,315,598	11,170,655
Year ended December 31, 1997					
Life insurance	4,282,491	155,998,268	-	2,355,156	11,436,803

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, 1999					
Life insurance	\$64,609,612	\$48,958,790	\$10,923,792	\$16,832,109	\$ -
Year ended December 31, 1998					
Life insurance	26,356,472	21,922,805	3,672,039	11,354,395	-
Year ended December 31, 1997					
Life insurance	4,018,617	9,569,766	761,032	9,884,236	-

Schedule IV

Reinsurance

American Equity Investment Life Holding Company

Segment	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
December 31, 1999					
Life insurance in force	\$1,555,677,000 =====	\$1,268,312 =====	\$ 990,516,000 =====	\$2,544,925,000 =====	38.9% =====
Insurance premiums and other considerations					
Annuity and single premium universal life product charges	\$ 3,452,095	\$ --	\$ --	\$ 3,452,095	- %
Traditional life insurance and accident and health insurance premiums	7,444,448 ----- \$ 10,896,543 =====	1,110,871 ----- \$1,110,871 =====	3,960,860 ----- \$ 3,960,860 =====	10,294,437 ----- \$ 13,746,532 =====	38.5% ----- 28.8% =====
December 31, 1998					
Life insurance in force	\$ 1,407,000 =====	\$ -- =====	\$2,398,544,000 =====	\$2,399,951,000 =====	99.9% =====
Insurance premiums and other considerations					
Annuity product charges	\$ 642,547	\$ --	\$ --	\$ 642,547	- %
Traditional life insurance and accident and health insurance premiums	19,174 ----- \$ 661,721 =====	567,027 ----- 567,027 =====	11,075,961 ----- \$ 11,075,961 =====	10,528,108 ----- \$ 11,170,655 =====	105.2% ----- 99.2% =====
December 31, 1997					
Life insurance in force	\$ -- =====	\$ -- =====	\$2,427,796,000 =====	\$2,427,796,000 =====	100.0% =====
Insurance premiums and other considerations					
Annuity product charges	\$ 11,896	\$ --	\$ --	\$ 11,896	- %
Traditional life insurance and accident and health insurance premiums	-- ----- \$ 11,896 =====	722,545 ----- \$ 722,545 =====	12,147,452 ----- \$ 12,147,452 =====	11,424,907 ----- \$ 11,436,803 =====	106.3% ----- 106.2% =====

EXHIBIT INDEX

Exhibit Number	Description
-----	-----
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*
4.4	Amended and Restated Declaration of Trust of American Equity Capital Trust I dated September 7, 1999
	The Company agrees to furnish the Commission upon its request a copy of any instrument defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries
9	Voting Trust Agreement dated December 30, 1997 among 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 D.J. Noble*
10.4	Warrant to Purchase Common Stock dated May 12, 1997 issued to Sanders Morris Mundy Inc.*
10.5	Deferred Compensation Agreements between American Equity Investment Life Holding Company and (a)ab James M. Gerlach dated June 6, 1996* (b)abTerry A. Reimer dated November 11, 1996* (c)abDavid S. Mulcahy dated December 31, 1997*
21	Subsidiaries of American Equity Investment Life Holding Company
27	Financial Data Schedule

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- * Incorporated by reference to the 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.

AMENDED AND RESTATED BYLAWS

OF

AMERICAN EQUITY INVESTMENT
LIFE HOLDING COMPANY
(an Iowa Corporation)

(hereinafter referred to as "Corporation")

ARTICLE 1

PRINCIPAL OFFICE

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

ARTICLE 2

MEETINGS OF SHAREHOLDERS

Section 2.1 Annual Meeting. The annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held at such place, time and date as shall be designated from time to time by the board of directors.

Section 2.2 Special Meetings. Special meetings of the shareholders, for any purpose or purposes, shall be called in accordance with the Iowa Business Corporation Act.

Section 2.3 Notice of Meetings.

Notice of (i) the place, date and time of all meetings of shareholders; (ii) the initial authorization or issuance, subsequent to the next preceding shareholders' meeting, of shares for promissory notes or promises to render services in the future; (iii) any indemnification of a director required by law to be reported to shareholders; and, (iv) in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting to each shareholder entitled to vote at such meeting and to such other shareholders as are required by law to be given such notice. The board of directors may establish a record date for the determination of shareholders entitled to notice, as provided in Section 5.9 of these bylaws. Notice of adjourned meetings need only be given if required by law or Section 2.14 of these bylaws.

Section 2.4 Waiver of Notice.

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

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

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

Section 2.6 Quorum. Unless otherwise required by law, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the shareholders for the transaction of business. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the shareholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, in the manner provided in Section 2.14, until a quorum shall be present or represented.

Section 2.7 Organization.

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

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

Section 2.8 Voting of Shares.

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

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

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

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

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

Section 2.9 Voting by Proxy or Representative.

(a) At all meetings of the shareholders, a shareholder entitled to vote may vote in person or by proxy appointed in writing. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. An appointment is valid for eleven months unless a longer period is expressly provided in the appointment form.

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

Section 2.10 Inspectors. The board of directors in advance of any meeting of shareholders may (but shall not be obliged to) appoint inspectors to act at such meeting or any adjournment thereof. If inspectors are not so appointed, the officer or person acting as chairperson of any such

meeting, and on the request of any shareholder or his proxy, shall make such appointment. In case any person appointed as inspector shall fail to appear or act, the vacancy may be filled by appointment made by the board of directors in advance of the meeting, or at the meeting by the officer or person acting as chairperson. The inspectors shall register proxies, determine the number of shares outstanding, the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes, ballots, assents or consents, hear and determine all challenges and questions in any way arising in connection with the vote, count and tabulate all votes, assents and consents, determine and announce the result, and do such acts as may appear proper to conduct the election or vote with fairness to all shareholders. The maximum number of such inspectors appointed shall be three, and no inspector whether appointed by the board of directors or by the officer or person acting as chairperson need be a shareholder.

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

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

Section 2.13 Nature of Business at Meetings of Shareholders. No business may be transacted at an annual meeting of shareholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the board of directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any shareholder of the Corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 2.13 and on the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 2.13.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed or public announcement of the date of the annual meeting was made, whichever first occurs. In no event shall the

public announcement of an adjournment of an annual meeting commence a new time period for the giving of a shareholder's notice as described above.

To be in proper written form, a shareholder's notice to the Secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such shareholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (v) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 2.13, provided, however, that, once business has been

properly brought before the annual meeting in accordance with such procedures, nothing in this Section 2.13 shall be deemed to preclude discussion by any shareholder of any such business. If the presiding officer of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the presiding officer shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

For purposes of this Section 2.13, "public announcement" shall mean an announcement in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Section 2.14 Adjourned Meetings. A meeting of shareholders may be adjourned to another time and to another place by either the chairperson of the meeting or a majority of the votes present. When a meeting is adjourned to another place, date or time, notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than one hundred twenty (120) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, notice of the place, date and time of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

ARTICLE 3

BOARD OF DIRECTORS

Section 3.1 Number of Directors The number of directors shall be such number as the board of directors shall at the time have designated.

Section 3.2 Qualifications and General Powers No director is required to be an officer or employee of the Corporation or a resident of the State of Iowa. The business and affairs of the Corporation shall be managed by the board of directors. The board of directors may authorize any officer or officers, agent or agents, to enter into any contract or to execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 3.3 Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board of directors may be made at any annual meeting of shareholders, or at any special meeting of shareholders called for the purpose of electing directors, (a) by or at the direction of the board of directors (or any duly authorized committee thereof) or (b) by any shareholder of the Corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 3.3 and on the record date for the determination of shareholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 3.3.

In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the registered office of the Corporation (a) in the case of an annual meeting, not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed or public announcement of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of shareholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public announcement of the date of the special meeting was made, whichever first occurs. In no event shall the public announcement of an adjournment of an annual or special meeting commence a new time period for the giving of a shareholder's notice as described above.

To be in proper written form, a shareholder's notice to the Secretary must set forth (a) as to each person whom the shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (b) as to the shareholder giving the notice (i) the name and record address of such shareholder, (ii) the class or

series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such shareholder, (iii) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder, (iv) a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.3. If the presiding officer of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the presiding officer shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

For purposes of this Section 3.3, "public announcement" shall mean an announcement in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Section 3.4 Increase in Number of Directors; Tenure. In case the number of directors be increased by thirty percent or less of the number of directors last approved by the shareholders, by amendment to these bylaws by the board of directors or by resolution of the board of directors, the directorships to be filled by reason thereof may be filled by the affirmative vote of a majority of the directors, though less than a quorum of the board of directors.

Section 3.5 Quorum and Manner of Acting. A majority of the number of directors then holding office shall constitute a quorum for the transaction of business; but if at any meeting of the board there be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. At all meetings of directors, a quorum being present, the act of the majority of the directors present at the meeting shall be the act of the board of directors.

Section 3.6 Resignation. Any director of the Corporation may resign at any time by giving written notice to the board of directors, its chairperson or the Corporation. The resignation of any director shall take effect upon delivery of notice thereof or at such later date as shall be specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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

a vacancy, other than a newly created directorship, shall hold office for the unexpired term of his predecessor.

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

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

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

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

Section 3.12 Special Meetings; Notice.

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

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

Section 3.13 Substitutes for Notice. A written waiver of notice signed by a director, whether before or after the time of the meeting stated therein, shall be equivalent to the giving of such notice in due time as required by these bylaws. Attendance of a director at or participation in a meeting shall constitute a waiver of notice of such meeting, unless the director at the beginning

of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

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

Section 3.15 Order of Business.

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

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

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

Section 3.17 Committees.

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

(b) A committee of the board shall not: (i) authorize distributions by the Corporation; (ii) approve or propose to shareholders of the Corporation action that the law requires be approved by shareholders; (iii) fill vacancies on the board of directors of the Corporation or on any of its committees; (iv) amend the articles of incorporation of the Corporation; (v) adopt, amend or repeal bylaws of the Corporation; (vi) approve a plan of merger not requiring shareholder approval; (vii) authorize or approve reacquisition of shares by the Corporation, except according to a formula or

method prescribed by the board of directors; or (viii) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the board of directors may authorize a committee or a senior executive officer of the Corporation to do so within limits specifically prescribed by the board of directors.

ARTICLE 4

OFFICERS

Section 4.1 Generally. The officers of the Corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the board of directors), a Secretary, a Treasurer and such other officers as may from time to time be appointed by the board of directors. One person may hold the offices and perform the duties of any two or more of said offices. In its discretion, the board of directors may delegate the powers or duties of any officer to any other officer or agents, notwithstanding any provision of these bylaws, and the board of directors may leave unfilled for any such period as it may fix, any office except those of President, Treasurer and Secretary. The officers of the Corporation shall be appointed annually by the board of directors at the annual meeting thereof. Each such officer shall hold office until the next succeeding annual meeting of the board of directors and until his successor shall have been duly chosen and shall qualify or until his death or until he shall resign or shall have been removed.

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

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

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

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

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

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

ARTICLE 5

SHARES, THEIR ISSUANCE AND TRANSFER

Section 5.1 Consideration for Shares. The board of directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the Corporation, including cash, promissory notes, services performed, contracts for services to be performed, or other securities of the Corporation. Before the Corporation issues shares, the board

of directors must determine that the consideration received or to be received for shares to be issued is adequate. If the Corporation issues or authorizes the issuance of shares for promissory notes or for promises to render services in the future, the Corporation shall report in writing to the shareholders the number of shares authorized or issued and the consideration received by the Corporation with or before the notice of the next shareholders' meeting.

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

Section 5.3 Execution of Certificates. The certificates for shares of stock shall be numbered in the order in which they shall be issued and shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary of the Corporation, and may be sealed with the seal (if any) of the Corporation or a facsimile thereof. The signatures of the President or Vice President and the Secretary or Assistant Secretary or other persons signing for the Corporation upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the Corporation itself or an employee of the Corporation. In case any officer or other authorized person who has signed or whose facsimile signature has been placed upon such certificate for the Corporation shall have ceased to be such officer or employee or agent before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer or employee or agent at the date of its issue.

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

Section 5.5 Cancellation. Every certificate surrendered to the Corporation for exchange or transfer shall be cancelled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so cancelled, except in cases provided in Section 5.8 of these bylaws.

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

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

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

Section 5.9 Record Date. The board may fix, in advance, a date as the record date for any determination of shareholders for any purpose such date in every case to be not more than seventy (70) days prior to the date on which the particular action or meeting, requiring such determination of shareholders, is to be taken or held. If no record date is so fixed for the determination of shareholders, the close of business on the day before the date on which the first notice of a shareholders' meeting is delivered or the date on which the resolution of the board of directors declaring a share dividend or distribution (other than in connection with a repurchase or reacquisition of shares) is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, unless the board of directors selects a new record date or unless a new record date is required by law.

ARTICLE 6

MISCELLANEOUS PROVISIONS

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

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

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

Section 6.4 Voting of Stocks Owned by the Corporation. In the absence of a resolution of the board of directors to the contrary, the President of the Corporation or any Vice President acting within the scope of his or her authority as provided in Section 4.4 of these bylaws, are authorized and empowered on behalf of the Corporation to attend, vote, grant discretionary proxies to be used at any meeting of shareholders of any corporation in which this Corporation holds or owns shares of stock, and in that connection, on behalf of this Corporation, to execute a waiver of notice of any such meeting. The board of directors shall have authority to designate any officer or person as a proxy or attorney-in-fact to vote shares of stock in any other corporation in which this Corporation may own or hold shares of stock.

Section 6.5 Shareholders' Right to Information.

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

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

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

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

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

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

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

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

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

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

(2) Accounting records of the Corporation; and

(3) The record of shareholders of the Corporation.

ARTICLE 7

INDEMNIFICATION OF DIRECTORS

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

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

ARTICLE 8

AMENDMENTS TO BYLAWS

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

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AMENDED AND RESTATED DECLARATION OF TRUST

AMERICAN EQUITY CAPITAL TRUST I

Dated as of September 7, 1999

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AMENDED AND RESTATED
DECLARATION OF TRUST
OF
AMERICAN EQUITY CAPITAL TRUST I
September 7, 1999

AMENDED AND RESTATED DECLARATION OF TRUST ("Declaration"), dated and effective as of September 7, 1999, 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 I (the "Trust"), a trust under the Business Trust Act (as defined herein) pursuant to a Declaration of Trust dated as of July 9, 1999 (the "Original Declaration") and a Certificate of Trust filed with the Secretary of State of the State of Delaware on July 9, 1999, 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 any Trustee other than the Property Trustee and the Delaware Trustee.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

"Agent" means any Registrar, Paying Agent, Conversion Agent or co-registrar.

"Authorized Officer" of a Person means any Person that is authorized to bind such Person.

"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 ss.3801 et seq., as it may be amended from time to time, or any successor legislation.

"Certificate" means a certificate in definitive form representing a Trust Common Security or a Trust Preferred Security.

"Closing Date" means September 7, 1999 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.

"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 Convertible 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.

"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" means the Restricted Definitive Trust Preferred Security and any other Trust Preferred Securities in definitive form issued by the Trust.

"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.

"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.

"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 September 7, 1999, 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 West Des Moines State Bank, an Iowa banking corporation, 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.

"Offering Memorandum" means the confidential private placement memorandum, dated July 12, 1999, relating to the issuance by the Trust of the 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 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 3.8(h).

"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.

"Placement Agent" means EVEREN Securities, Inc.

"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).

"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.

"Restricted Definitive Trust Preferred Security" has the meaning set forth in Section 7.3.

"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).

"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 September 7, 1999, of the Sponsor with respect to the Trust Common Securities.

"Trust Preferred Securities" has the meaning specified in Section 7.1(a).

"Trust Preferred Securities Guarantee" means the guarantee agreement, dated as of September 7, 1999, of the Sponsor with respect to the Trust Preferred Securities.

"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.

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 ss.ss. 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.

(b) The Property Trustee shall comply with its obligations under ss.ss. 311(a), 311(b) and 312(b) of the Trust Indenture Act.

Section 2.3 Reports by the Property Trustee. Within 60 days after

November 15 of each year, commencing November 15, 1999 the Property Trustee shall provide to the Holders of the Trust Preferred Securities such reports as are required by ss. 313 of the Trust Indenture Act, if any, in the form and in the manner provided by ss. 313 of the Trust Indenture Act. The Property Trustee shall also comply with the requirements of ss. 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 ss. 314 of the Trust Indenture Act (if any) and the compliance certificate required by ss. 314 of the Trust Indenture Act in the form, in the manner and at the times required by ss. 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 ss. 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to ss. 314(c)(1) may be given in the form of an Officers' Certificate.

Section 2.6 Declaration Events of Default; Waiver.

(a) 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; or

(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.

The foregoing provisions of this Section 2.6(a) shall be in lieu of ss. 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. 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) 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 (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 ss.ss. 316(a)(1)(A) and 316(a)(1)(B) of the Trust Indenture Act and such ss.ss. 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) 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 ss. 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.

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 I,"

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.

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; 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.

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) prepare and deliver an Offering Memorandum, in final form prepared by the Sponsor, in relation to the offering and sale of Trust Preferred Securities, to the Placement Agent for distribution to selected "accredited investors" (as defined in Rule 501(a) of Regulation D promulgated by the Commission under the Securities Act); and

(ii) 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 ss.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;

(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 give the certificate required by ss. 314(a)(4) of the Trust Indenture Act to the Property Trustee, which certificate may be executed by any Administrative Trustee;

(j) to incur expenses that are necessary or incidental to carry out any of the purposes of the Trust;

(k) to act as, or appoint another Person to act as, registrar and transfer agent for the Securities;

(l) 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;

(m) 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;

(n) 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;

(o) 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

(p) 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;

(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).

(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

(ii) a Successor Property Trustee 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) The Property Trustee will act as Paying Agent and Registrar to pay Distributions, redemption payments or liquidation payments on behalf of the Trust with respect to all Securities and such Paying Agent shall comply with ss. 317(b) of the Trust Indenture Act. Any Paying Agent may be removed by the Property Trustee at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Property Trustee.

(i) 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.

(j) 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:

(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;

(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.

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.

(vi) 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;

(vii) 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;

(viii) 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;

(ix) 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;

(x) 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;

(xi) 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;

(xii) 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

(xiii) 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.

(a) 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 ss. 3807 of the Business Trust Act.

Section 3.12 Not Responsible for Recitals or Issuance of Securities.

(a) 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 July 9, 2030.

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) 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;

(iv) 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;

(v) such Successor Entity has a purpose substantially identical to that of the Trust;

(vi) 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

(vii) 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.

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 the Offering Memorandum;

(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 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; and

(c) to negotiate the terms of other related agreements in connection with the sale of the Trust Preferred Securities.

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.

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 ss. 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 ss. 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of ss. 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.

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 Initial Administrative Trustees.

(a) 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

The initial Property Trustee shall be:

West Des Moines State Bank
1601 22nd/ Street
West Des Moines, Iowa 50266
Attn: Corporate Trust Administration

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 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; and

(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:

(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.

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 governmental filing; and

(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.

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 convertible 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 convertible 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 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.

(c) 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.

(d) Every Person, by virtue of having become a Holder 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.

(e) The Securities shall have no preemptive rights.

Section 7.2 Execution and Authentication.

(a) The Securities shall be signed on behalf of the Trust by an Administrative Trustee. In case any Administrative Trustee of the Trust who shall have signed any of the Securities shall cease to be such Administrative Trustee before the Securities so signed shall be delivered by the Trust, such Securities nevertheless may be delivered as though the person who signed such Securities had not ceased to be such Administrative Trustee; and any Securities may be signed on behalf of the Trust by such persons who, at the actual date of execution of such Security, shall be the Administrative Trustees of the Trust, although at the date of the execution and delivery of the Declaration any such person was not such an Administrative Trustee.

(b) One Administrative Trustee shall sign the Trust Preferred Securities for the Trust by manual or facsimile signature. Unless otherwise determined by the Trust, such signature shall, in the case of Trust Common Securities, be a manual signature.

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.

Upon a written order of the Trust signed by one Administrative Trustee, the Property Trustee shall authenticate and make available for delivery the Trust Preferred Securities. The aggregate number of Trust Preferred Securities outstanding at any time shall not exceed the number set forth in the Terms except as provided in Section 7.6.

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.

Section 7.3 Form and Dating. The Trust Preferred Securities and the

Property Trustee's certificate of authentication shall be substantially in the form of Exhibit A-1 and the Trust Common Securities shall be substantially in the form of Exhibit A-2, each of which is hereby incorporated in and expressly made a part of this Declaration. 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. The Securities may have 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, 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. Each Trust Preferred Security shall be dated the date of its authentication. The terms and provisions of the Securities set forth in Annex I and the forms of Securities set forth in Exhibits A-1 and A-2 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.

Except as provided in Section 7.9, Trust Preferred Securities shall be issued initially in the form of individual certificates in definitive, fully registered form without distribution coupons and shall bear the Restricted Securities Legend set forth in Exhibit A-1 hereto (the "Restricted Definitive Trust Preferred Securities"). Restricted Definitive Trust Preferred Securities will bear the Restricted Securities

Legend set forth on Exhibit A-1 unless removed in accordance with this Section 7.3 or Section 9.2.

Section 7.4 Registrar, Paying Agent and Conversion Agent. The Trust shall

maintain in West Des Moines, Iowa (i) an office or agency where Trust Preferred Securities may be presented for registration of transfer or exchange (the "Registrar"), (ii) an office or agency where Trust Preferred Securities may be presented for payment (the "Paying Agent") and an office or agency where Trust Preferred Securities may be presented for conversion (the "Conversion Agent"). The Registrar shall keep a register of the Trust Preferred Securities and of their transfer and exchange. The Trust may appoint the Registrar, the Paying Agent and the Conversion Agent and may appoint one or more co-registrars, one or more additional paying agents and one or more additional conversion agents in such other locations as it shall determine. The term "Paying Agent" includes any additional paying agent and the term "Conversion Agent" includes any additional conversion agent. The Trust may change any Paying Agent, Registrar, co-registrar or Conversion Agent without prior notice to any Holder. The Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrative Trustees. The Trust shall notify the Property Trustee of the name and address of any Agent not a party to this Declaration. If the Trust fails to appoint or maintain another entity as Registrar, Paying Agent or Conversion Agent, the Property Trustee shall act as such. The Trust or any of its Affiliates may act as Paying Agent, Registrar, or Conversion Agent. The Trust shall act as Paying Agent, Registrar, co-registrar, and Conversion Agent for the Trust Common Securities.

The Trust initially appoints the Property Trustee as Registrar, Paying Agent and Conversion Agent for the Trust Preferred Securities.

Section 7.5 Paying Agent to Hold Money in Trust. The Trust shall require

each Paying Agent other than the Property Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Property Trustee all money held by the Paying Agent for the payment of principal or distribution on the Securities, and will notify the Property Trustee if there are insufficient funds. While any such insufficiency continues, the Property Trustee may require a Paying Agent to pay all money held by it to the Property Trustee. The Trust at any time may require a Paying Agent to pay all money held by it to the Property Trustee and to account for any money disbursed by it. Upon payment over to the Property Trustee, the Paying Agent (if other than the Trust or an Affiliate of the Trust) shall have no further liability for the money. If the Trust or the Sponsor or an Affiliate of the Trust or the Sponsor acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent.

Section 7.6 Replacement Securities. If the holder of a Security claims

that the Security has been lost, destroyed or wrongfully taken or if such Security is mutilated and is surrendered to the Trust or in the case of the Trust Preferred Securities to the Property Trustee, the Trust shall issue and the Property Trustee shall authenticate and make available for delivery a replacement Security if the Property Trustee's and the Trust's requirements, as the case may be, are met. If required by the Property Trustee or the Trust, an indemnity bond must be sufficient in the judgment of both to protect the Trustees, the Property Trustee, the Sponsor or any authenticating agent from any loss which any of them may suffer if a Security is replaced. The Company may charge for its expenses in replacing a Security.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, or is about to be purchased by the Sponsor pursuant to Article III hereof, the Sponsor in its discretion may, instead of issuing a new Security, pay or purchase such Security, as the case may be.

Every replacement Security is an additional obligation of the Trust.

Section 7.7 Outstanding Trust Preferred Securities. The Trust Preferred

Securities outstanding at any time are all the Trust Preferred Securities authenticated by the Property Trustee except for those canceled by it, those delivered to it for cancellation, and those described in this Section as not outstanding.

If a Trust Preferred Security is replaced, paid or purchased pursuant to Section 7.6 hereof, it ceases to be outstanding unless the Property Trustee receives proof satisfactory to it that the replaced, paid or purchased Trust Preferred Security is held by a bona fide purchaser.

If Trust Preferred Securities are considered paid in accordance with the terms of this Declaration, they cease to be outstanding and Distributions on them shall cease.

A Trust Preferred Security does not cease to be outstanding because one of the Trust, the Sponsor or an Affiliate of the Sponsor holds the Security.

Section 7.8 Trust Preferred Securities in Treasury. In determining whether

the Holders of the required amount of Securities have concurred in any direction, waiver or consent, Trust Preferred Securities owned by the Trust, the Sponsor or an Affiliate of the Sponsor, as the case may be, shall be disregarded and deemed not to be outstanding, except that for the purposes of determining whether the Property Trustee shall be fully protected in relying on any such direction, waiver or consent, only Securities which the Property Trustee knows are so owned shall be so disregarded.

Section 7.9 Temporary Securities. Until definitive Securities are ready

for delivery, the Trust may prepare and, in the case of the Trust Preferred Securities, the Property Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Trust considers appropriate for temporary Securities. Without unreasonable delay, the Trust shall prepare and, in the case of the Trust Preferred Securities, the Property Trustee shall authenticate definitive Securities in exchange for temporary Securities.

Section 7.10 Cancellation. The Trust at any time may deliver Trust

Preferred Securities to the Property Trustee for cancellation. The Registrar, Paying Agent and Conversion Agent shall forward to the Property Trustee any Trust Preferred Securities surrendered to them for registration of transfer, redemption, conversion, exchange or payment. The Property Trustee shall promptly cancel all Trust Preferred Securities surrendered for registration of transfer, redemption, conversion, exchange, payment, replacement or cancellation and shall dispose of canceled Trust Preferred Securities as the Trust directs. The Property Trustee may, but shall not be required to, destroy any such canceled Trust Preferred Securities. The Trust may not issue new Trust Preferred Securities to replace the Trust Preferred Securities that it has paid or that have been delivered to the Property Trustee for cancellation or that any holder has converted.

ARTICLE VII

TERMINATION OF TRUST

Section 8.1 Termination of Trust.

(a) The Trust shall dissolve:

(i) on July 9, 2030, the expiration date of
the Trust;

(ii) upon the bankruptcy of the Sponsor;

(iii) upon the filing of a certificate of
dissolu tion or its equivalent with respect to the Sponsor, 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) after having obtained the consent of at least a Majority in liquidation amount of the Securities, voting together as a single class, to dissolve;

(v) 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;

(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 AND EXCHANGE

Section 9.1 General.

(a) Where Trust Preferred Securities are presented to the Registrar or a co-registrar with a request to register a transfer or to exchange them for an equal number of Trust Preferred Securities represented by different certificates, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met. To permit registrations of transfers and exchanges, the Trust shall issue and the Property Trustee shall authenticate Trust Preferred Securities at the Registrar's request.

(b) 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.

Subject to this Article IX, the Sponsor and any Related Party may only transfer Trust Common Securities 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.

(c) 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.

(d) 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.

Section 9.2 Transfer Procedures and Restrictions.

(a) General. If Trust Preferred Securities are issued upon the

transfer, exchange or replacement of Trust Preferred Securities bearing the Restricted Securities Legend set forth in Exhibit A-1 hereto, or if a request is made to remove such Restricted Securities Legend on Trust Preferred Securities, the Trust Preferred Securities so issued shall bear the Restricted Securities Legend, or the Restricted Securities Legend shall not be removed, as the case may be, unless there is delivered to the Trust and the Property Trustee such satisfactory evidence, which may include an opinion of counsel, as may be required by the Company, that neither the legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144 under the Securities Act or that such Securities are not "restricted" within the meaning of Rule 144 under the Securities Act. Upon provision of such satisfactory evidence, the Property Trustee, at the written direction of the Trust, shall authenticate and deliver Trust Preferred Securities that do not bear the legend.

(b) Transfer and Exchange of Definitive Trust Preferred Securities.

When Definitive Trust Preferred Securities are presented to the Registrar or co-Registrar

(i) to register the transfer of such
Definitive Trust Preferred Securities; or

(ii) to exchange such Definitive Trust
Preferred Securities for an equal number of Definitive Trust
Preferred Securities of another number,

the Registrar or co-registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Definitive Trust Preferred Securities surrendered for transfer or exchange:

(i) shall be duly endorsed or accompanied
by a written instrument of transfer in form reasonably
satisfactory to the Trust and the Registrar or co-Registrar, duly
executed by the Holder thereof or his attorney duly authorized in
writing; and

(ii) in the case of Definitive Preferred
Securities that are Restricted Definitive Preferred Securities,
are being transferred or exchanged pursuant to an effective
registration statement under the Securities Act or, pursuant to
clause (A) or (B) below, and are accompanied by the following
additional information and documents, as applicable:

(A) if such Restricted Preferred Securities are being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect (in the form set forth on the reverse of the Preferred Security); or

(B) if such Restricted Preferred Securities are being transferred pursuant to an exemption from registration in accordance with Rule 144 under the Securities Act: (i) a certification to that effect (in the form set forth on the reverse of the Preferred Security) and (ii) if the Trust or Registrar so requests, evidence reasonably satisfactory to them as to the compliance with the restrictions set forth in the Restricted Securities Legend.

(c) Legend.

(i) Except as permitted by the following paragraph (ii), each Trust Preferred Security certificate (and all Trust Preferred Securities issued in exchange therefor or substitution thereof) shall bear a legend (the "Restricted Securities Legend") in substantially the following form:

THIS SECURITY, ANY CONVERTIBLE DEBENTURE ISSUED IN EXCHANGE FOR THIS SECURITY AND ANY COMMON STOCK ISSUED ON CONVERSION THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, AS SIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. BY THE ACQUISITION HEREOF, THE HOLDER AGREES THAT SUCH HOLDER WILL GIVE EACH PERSON TO WHOM THIS SECURITY IS

TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS
LEGEND. IN THE CASE OF ANY TRANSFER OR OTHER DISPOSITION
MADE OTHERWISE THAN PURSUANT TO AN EFFECTIVE REGISTRATION
STATEMENT UNDER THE SECURITIES ACT, THE HOLDER HEREOF SHALL
BE REQUIRED TO PROVIDE TO THE COMPANY AND THE TRANSFER
AGENT, PRIOR TO SUCH TRANSFER, AN OPINION OF COUNSEL
SATISFACTORY TO THE COMPANY THAT SUCH TRANSFER IS EXEMPT
FROM, OR NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES
ACT AND IN COMPLIANCE WITH ALL APPLICABLE STATE SECURITIES
LAWS.

(ii) Upon any sale or transfer of a
Restricted Trust Preferred Security pursuant to an effective
registration statement under the Securities Act or pursuant to
Rule 144 under the Securities Act, the Registrar shall permit the
Holder thereof to exchange such Restricted Trust Preferred
Security for a Definitive Trust Preferred Security that does not
bear the Restricted Securities Legend and rescind any restriction
on the transfer of such Restricted Trust Preferred Security.

(d) Obligations with Respect to Transfers and Exchanges of Trust

Preferred Securities.

(i) To permit registrations of transfers
and exchanges, the Trust shall execute and the Property Trustee
shall authenticate Definitive Trust Preferred Securities at the
Registrar's or co-Registrar's request.

(ii) Registrations of transfers or exchanges
will be effected without charge, but only upon payment (with such
indemnity as the Trust or the Sponsor may require) in respect of
any tax or other governmental charge that may be imposed in
relation to it. Upon surrender for registration of transfer of
any Securities, the Administrative Trustees shall cause one or
more new Securities to be issued in the name of the designated
transferee or transferees. Every Security 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 Security surrendered for

registration of transfer shall be canceled by the Administrative Trustees. A transferee of a Security shall be entitled to the rights and subject to the obligations of a Holder hereunder upon the receipt by such transferee of a Security. By acceptance of a Security, each transferee shall be deemed to have agreed to be bound by this Declaration.

(iii) The Registrar or co-registrar shall not be required to register the transfer of or exchange of (a) any Definitive Trust Preferred Security selected for redemption in whole or in part pursuant to Article III, except the unredeemed portion of any Definitive Trust Preferred Security being redeemed in part, or (b) any Trust Preferred Security for a period beginning 15 Business Days before the mailing of a notice of an offer to repurchase or redeem Trust Preferred Securities or 15 Business Days before a quarterly distribution date.

(iv) Prior to the due presentation for registrations of transfer of any Trust Preferred Security, the Trust, the Property Trustee, the Paying Agent, the Registrar or any co-registrar may deem and treat the person in whose name a Trust Preferred Security is registered as the absolute owner of such Trust Preferred Security for the purpose of receiving Distributions on such Trust Preferred Security and for all other purposes whatsoever, and none of the Trust, the Property Trustee, the Paying Agent, the Registrar or any co-registrar shall be affected by notice to the contrary.

(v) All Trust Preferred Securities issued upon any transfer or exchange pursuant to the terms of this Declaration shall evidence the same security and shall be entitled to the same benefits under this Declaration as the Trust Preferred Securities surrendered upon such transfer or exchange.

(e) No Obligation of the Property Trustee. (i) All notices and

communications to be given to the Holders and all payments to be made to Holders under the Trust Preferred Securities shall be given or made only to or upon the order of the registered Holders.

(ii) The Property Trustee and Registrar shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Declaration or under applicable law with respect to any transfer of any interest in any Trust Preferred Security other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly

required by, the terms of this Declaration, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

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.

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.

(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 ss. 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 Act), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.

(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.

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.

(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 Trust Common Security Holder of the Trust.

(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 Trust Common Security Holder of the Trust, that, based upon the facts known to the Administrative Trustees, counsel or the Trust Common Security Holder 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 Trust Common Security Holder reasonably determine that such person deliberately breached his duty to the Trust or its Common or Trust Preferred Security Holders.

(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 Security 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.

(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 depositary 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.

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

(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;

(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.

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 or the terms of the Securities. 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 represented by the Certificates 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:

(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 or the Trust Indenture Act 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.

ARTICLE XII

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 (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.

(e) 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 a 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.

(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):

West Des Moines State Bank
1601 22nd Street
West Des Moines, Iowa 50266

Attention: Corporate Trust Administration
Phone: 515-222-2300
Fax: 515-222-2357

(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):

First Union Trust Company, National Association
One Rodney Square, Suite 102
920 King Street
Wilmington, DE 19801
Attn: Corporate Trust Administration
Phone: 302-888-7539
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):

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

(e) if given to any other Holder, at the address set forth on the books and records of the Trust or the Registrar, as applicable.

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.

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 Enforce ability. 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.

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

/s/ Debra J. Richardson

WENDY L. CARLSON,
as Administrative Trustee

/s/ Wendy L. Carlson

FIRST UNION TRUST COMPANY,
NATIONAL ASSOCIATION,
as Delaware Trustee

By: /s/ Sterling C. Correia

Name: Sterling C. Correia
Title: Vice President

WEST DES MOINES STATE BANK,
as Property Trustee

By: /s/ David V. Maurer

Name: Senior Vice President/Senior
Trust Officer

Title:

AMERICAN EQUITY INVESTMENT LIFE
HOLDING COMPANY,
as Sponsor

By: /s/ Terry A. Reimer

Name: Terry A. Reimer
Title: Executive Vice President

TERMS OF
8% CONVERTIBLE TRUST PREFERRED SECURITIES
8% CONVERTIBLE TRUST COMMON SECURITIES

Pursuant to Section 7.1 of the Amended and Restated Declaration of Trust, dated as of September 7, 1999 (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 Offering Memorandum referred to below):

(16) Designation and Number.

(a) "Trust Preferred Securities." 750,669.67 (or up to an aggregate of 1,000,000 if additional Trust Preferred Securities are issued after the initial Closing Date in accordance with the Declaration) Trust Preferred Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of \$22,520,090 (or up to \$30,000,000 in the aggregate if additional Trust Preferred Securities are issued after the initial Closing Date in accordance with the Declaration) and a liquidation amount with respect to the assets of the Trust of \$30 per Trust Preferred Security, are hereby designated for the purposes of identification only as "8% Convertible Trust Preferred Securities (liquidation amount \$30 per Convertible Trust Preferred Security)" (the "Trust Preferred Securities"). The Trust Preferred Security 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.

(b) "Trust Common Securities." 23,216.59 (or up to an aggregate of 30,928 if additional Trust Common Securities are issued after the initial Closing Date in accordance with the Declaration) Trust Common Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of \$696,497.63 (or up to \$927,840 in the aggregate if additional Trust Common Securities are issued after the initial Closing Date in accordance with the Declaration) and a liquidation amount with respect to the assets of the Trust of \$30 per Trust Common Security, are hereby designated for the purposes of identification only as "8% Convertible Trust Common Securities (liquidation amount \$30 per Convertible Trust Common Security)" (the "Trust Common Securities"). The Trust Common Security 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.

(17) Distributions.

(a) Distributions payable on each Security will be fixed at a rate per annum of 8% (the "Coupon Rate") of the stated liquidation amount of \$30 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.

(b) Distributions on the Securities will be cumulative, will accrue from August 30, 1999 and will 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 December 31, 1999, when, as and if available for payment by the Property Trustee, except as otherwise described below. 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 stated maturity of the Debentures. 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.

(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. The relevant record dates shall be 15 days prior to the relevant payment dates, except as otherwise described in this Annex I to the Declaration. 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 "Description of the Trust Preferred Securities-- Payment and Registrar, Transfer Agent, Paying Agent and Conversion Agent" in the Offering Memorandum. The relevant record dates for the Trust Common Securities shall be the same record dates as for the Trust

Preferred Securities. Distributions payable on any Securities that are not punctually paid on any Distribution payment date, as a result of the Debenture 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. 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.

(d) In the event of an election by the Holder to convert its Securities through the Conversion Agent into Common Stock of the Debenture Issuer pursuant to the terms of the Securities as forth in this Annex I to the Declaration, no payment, allowance or adjustment shall be made with respect to accumulated and unpaid Distributions on such Securities, or be required to be made; provided that Holders of Securities at the close of business on any record date for the payment of Distributions will be entitled to receive the Distributions payable on such Securities on the corresponding payment date notwithstanding the conversion of such Securities into Common Stock of the Debenture Issuer following such record date.

(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 (as defined herein) among the Holders of the Securities.

(18) 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 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 \$30 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 19 below.

(19) Redemption and Distribution.

(a) Upon the repayment of the Debentures in whole or in part, whether at maturity, upon acceleration, earlier redemption or otherwise, 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 Offering Memorandum), 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.

(b) If fewer than all of the outstanding Securities are to be so redeemed, the Trust Common Securities and the Trust Preferred Securities will be redeemed Pro Rata and the Trust Preferred Securities to be redeemed will be as described in paragraph 4(f) (ii) below.

(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 (as defined below), 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 sole 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.

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 \$30 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 Offering Memorandum (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.

"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 Offering Memorandum.

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 and (ii) certificates representing Securities 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) 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.

(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.

(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 (which notice will be irrevocable), then (A) with respect to Preferred Securities held in book-entry form, 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 Trust will irrevocably deposit with the Paying Agent funds sufficient to 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).

(iv) In the event of any redemption in part, the Trust shall not be required to (i) issue, register the transfer of or exchange of any Trust Preferred Security during a period beginning at the opening of business 15 days before any selection for redemption of Trust Preferred Securities and ending at the close of business on the earliest date in which the relevant notice of redemption is deemed to have been

given to all holders of Trust Preferred Securities to be so redeemed or (ii) register the transfer of or exchange of any Trust Preferred Securities so selected for redemption, in whole or in part, except for the unredeemed portion of any Trust Preferred Securities being redeemed in part.

(v) 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 Holders of such certificates and (B) in respect of the Trust Common Securities, the Holder thereof.

(vi) 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.

(20) Conversion Rights.

The Holders of Securities shall have the right at any time on or after the earlier to occur of (i) September 30, 2002 and (ii) the 91st day immediately following the closing of an underwritten initial public offering of common stock of the Company, or any other class of capital stock, rights, options or warrants of the Company in respect of which common stock of the Company is issuable upon the exercise, exchange or conversion thereof (the "Company's IPO"), and prior to 5:00 p.m. (Central time) on the Business Day immediately preceding the date of repayment of such Securities, whether at maturity or upon redemption, to cause the Conversion Agent to convert Securities, on behalf of the converting Holders, into shares of Common Stock of the Debenture Issuer in the manner described herein on and subject to the following terms and conditions:

(a) The Securities will be convertible at the office of the Conversion Agent into fully paid and nonassessable shares of Common Stock of the Debenture Issuer pursuant to the Holder's direction to the Conversion Agent to exchange such Securities for a portion of the Debentures theretofore held by the Trust at an initial conversion price equal to the lesser of (i) \$30 per share of Common Stock (equivalent to a conversion rate of one share of Common Stock for each Trust Preferred Security) and (ii) 90% of the initial price per share to the public of Common Stock in the Company's IPO, subject to certain adjustments set forth in the terms of the Debentures (as so adjusted, the "Conversion Price").

(b) In order to convert Securities into Common Stock of the Debenture Issuer the Holder shall submit to the Conversion Agent at the office referred to above an irrevocable request to convert Securities on behalf of such Holder (the "Conversion Request"), together, with such certificates. The Conversion Request shall (i) set forth the number of Securities to be converted and the name or names, if other than the Holder, in which the shares of Common Stock of the Debenture Issuer should be issued and (ii) direct the Conversion Agent (A) to exchange such Securities for a portion of the

Debentures held by the Trust (at the rate of exchange specified in the preceding paragraph) and (B) to immediately convert such Debentures on behalf of such Holder, into Common Stock of the Debenture Issuer (at the conversion rate specified in the preceding paragraph). The Conversion Agent shall notify the Trust of the Holder's election to exchange Securities for a portion of the Debentures held by the Trust and the Trust shall, upon receipt of such notice, deliver to the Conversion Agent the appropriate principal amount of Debentures for exchange in accordance with this Section. The Conversion Agent shall thereupon notify the Debenture Issuer of the Holder's election to convert such Debentures into shares of Common Stock of the Debenture Issuer. Holders of Securities at the close of business on a Distribution record date will be entitled to receive the Distribution payable on such securities on the corresponding Distribution payment date notwithstanding the conversion of such Securities following such record date but prior to such distribution payment date. Except as provided above, neither the Trust nor the Sponsor will make, or be required to make, any payment, allowance or adjustment upon any conversion on account of any accumulated and unpaid Distributions accrued on the Securities (including any Additional Interest and Compounded Interest accrued thereon) surrendered for conversion, or on account of any accumulated and unpaid dividends on the shares of Common Stock of the Debenture Issuer issued upon such conversion. The Debenture Issuer shall make no payment or allowance for distributions on the shares of Common Stock of the Debenture Issuer issued upon such conversion, except to the extent that such shares of Common Stock of the Debenture Issuer are held of record on the record date for any such distributions and except as provided in Section 1309 of the Indenture. Securities shall be deemed to have been converted immediately prior to the close of business on the day on which a Notice of Conversion relating to such Securities is received the Trust in accordance with the foregoing provision (the "Conversion Date"). The Person or Persons entitled to receive the Common Stock of the Debenture Issuer issuable upon conversion of the Debentures shall be treated for all purposes as the record holder or holders of such Common Stock of the Debenture Issuer at such time. As promptly as practicable on or after the Conversion Date, the Debenture Issuer shall issue and deliver at the office of the Conversion Agent a certificate or certificates for the number of full shares of Common Stock of the Debenture Issuer issuable upon such conversion, together with the cash payment, if any, in lieu of any fraction of any share to the Person or Persons entitled to receive the same, unless otherwise directed by the Holder in the notice of conversion and the Conversion Agent shall distribute such certificate or certificates to such Person or Persons.

(c) Each Holder of a Security by his acceptance thereof appoints West Des Moines State Bank as "Conversion Agent" for the purpose of effecting the conversion of Securities in accordance with this Section. In effecting the conversion and transactions described in this Section, the Conversion Agent shall be acting as agent of the Holders of Securities directing it to effect such conversion transactions. The Conversion Agent is hereby authorized (i) to exchange Securities from time to time for Debentures held by the Trust in connection with the conversion of such Securities in accordance with this Section and (ii) to convert all or a portion of the Debentures into Common Stock of the Debenture Issuer and thereupon to deliver such shares of Common Stock of the Debenture Issuer in accordance with the provisions of this

Section and to deliver to the Trust a new Debenture or Debentures for any resulting unconverted principal amount.

(d) No fractional shares of Common Stock of the Debenture Issuer will be issued as a result of conversion, but in lieu thereof, such fractional interest will be payable in cash (based on the applicable conversion price on the date such Securities are surrendered for conversion) by the Debenture Issuer to the Trust, which in turn will make such payment to the Holder or Holders of Securities so converted.

(e) The Debenture Issuer shall at all times reserve and keep available out of its authorized and unissued Common Stock of the Debenture Issuer, solely for issuance upon the conversion of the Debentures, free from any preemptive or other similar rights, such number of shares of Common Stock of the Debenture Issuer as shall from time to time be issuable upon the conversion of all the Debentures then outstanding. Notwithstanding the foregoing, the Debenture Issuer shall be entitled to deliver upon conversion of Debentures, shares of Common Stock of the Debenture Issuer reacquired and held in the treasury of the Debenture Issuer (in lieu of the issuance of authorized and unissued shares of Common Stock of the Debenture Issuer), so long as any such treasury shares are free and clear of all liens, charges, security interests or encumbrances. Any shares of Common Stock of the Debenture Issuer issued upon conversion of the Debentures shall be duly authorized, validly issued and fully paid and nonassessable. The Trust shall deliver the shares of Common Stock of the Debenture Issuer received upon conversion of the Debentures to the converting Holder free and clear of all liens, charges, security interests and encumbrances, except for United States withholding taxes. Each of the Debenture Issuer and the Trust shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law in order to enable the Debenture Issuer to lawfully issue Common Stock of the Debenture Issuer to the Trust upon conversion of the Debentures and the Trust to lawfully deliver the Common Stock of the Debenture Issuer to each Holder upon conversion of the Securities.

(f) The Debenture Issuer will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Common Stock of the Debenture Issuer on conversion of Debentures and the delivery of the shares of Common Stock of the Debenture Issuer by the Trust upon conversion of the Securities. The Debenture Issuer shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock of the Debenture Issuer in a name other than that in which the Securities so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Trust the amount of any such tax, or has established to the satisfaction of the Trust that such tax has been paid.

(g) Nothing in the preceding Paragraph (f) shall limit the requirement of the Trust to withhold taxes pursuant to the terms of the Securities or set forth in this Annex I to the Declaration or to the Declaration itself or otherwise require the Property Trustee or the Trust to pay any amounts on account of such withholdings.

(21) Voting Rights - Trust Preferred Securities.

(a) Except as provided under paragraphs 6(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.

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.

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.

(22 Voting Rights - Trust Common Securities.

(a) Except as provided under paragraphs 7(b), (c) and 8, 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 second to last 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 7(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.

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.

(23) 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 23(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.

(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 9(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.

(24) 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.

(25) 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.

(26) 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.

(27) No Preemptive Rights.

The Holders of the Securities shall have no preemptive rights to subscribe for any additional securities.

(28) 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.

FORM OF TRUST PREFERRED SECURITY

[FORM OF FACE OF SECURITY]

THIS SECURITY, ANY CONVERTIBLE DEBENTURE ISSUED IN EXCHANGE FOR THIS SECURITY AND ANY COMMON STOCK ISSUED ON CONVERSION THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. BY THE ACQUISITION HEREOF, THE HOLDER AGREES THAT SUCH HOLDER WILL GIVE EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN THE CASE OF ANY TRANSFER OR OTHER DISPOSITION MADE OTHERWISE THAN PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, THE HOLDER HEREOF SHALL BE REQUIRED TO PROVIDE TO THE COMPANY AND THE TRANSFER AGENT, PRIOR TO SUCH TRANSFER, AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH TRANSFER IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT AND IN COMPLIANCE WITH ALL APPLICABLE STATE SECURITIES LAWS.

A-1-1

Certificate Number
Number of Trust Preferred Securities
[CUSIP NO.]
[ISIN NO.]
Trust Preferred Securities

of

American Equity Capital Trust I

8% Convertible Trust Preferred Securities
(liquidation amount \$30 per Convertible Trust Preferred Security)

American Equity Capital Trust I, 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 8% Convertible Trust Preferred Securities (liquidation amount \$30 per Convertible 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 September 7, 1999, 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.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

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.

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.

A-1-3

IN WITNESS WHEREOF, the Trust has executed this certificate this ____ day of _____, 199__.

American Equity Capital Trust I

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: _____, ____

West Des Moines State Bank, 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 8% (the "Coupon Rate") of the stated liquidation amount of \$30 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 August 30, 1999 and will be payable quarterly and in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing on December 31, 1999, to Holders of record fifteen (15) days prior to such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures. 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.

The Trust Preferred Securities shall be convertible into shares of Common Stock of American Equity Investment Life Holding Company, through (i) the exchange of Trust Preferred Securities for a portion of the Debentures and (ii) the immediate conversion of such Debentures into Common Stock of American Equity Investment

Life Holding Company, in the manner and according to the terms set forth in the Declaration.

A-1-6

CONVERSION REQUEST

To: West Des Moines State Bank
as Property Trustee of
American Equity Capital Trust I

The undersigned owner of these Trust Preferred Securities hereby irrevocably exercises the option to convert these Trust Preferred Securities, or the portion below designated, into Common Stock of AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (the "American Equity Common Stock") in accordance with the terms of the Amended and Restated Declaration of Trust (the "Declaration"), dated as of September 7, 1999, by Debra J. Richardson and Wendy L. Carlson, as Administrative Trustees, First Union Trust Company, National Association, as Delaware Trustee, West Des Moines State Bank, as Property Trustee, American Equity Investment Life Holding Company, as Sponsor, and by the Holders, from time to time, of individual beneficial interests in the Trust to be issued pursuant to the Declaration. Pursuant to the aforementioned exercise of the option to convert these Trust Preferred Securities, the undersigned hereby directs the Conversion Agent (as that term is defined in the Declaration) to (i) exchange such Trust Preferred Securities for a portion of the Debentures (as that term is defined in the Declaration) held by the Trust (at the rate of exchange specified in the terms of the Trust Preferred Securities set forth as Annex I to the Declaration) and (ii) immediately convert such Debentures on behalf of the undersigned, into American Equity Common Stock (at the conversion rate specified in the terms of the Trust Preferred Securities set forth as Annex I to the Declaration).

The undersigned does also hereby direct the Conversion Agent that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Date: _____, ____

in whole ____ in part ____

Number of Trust Preferred Securities to be converted:

If a name or names other than the undersigned, please indicate in the spaces below the name or names in which the shares of American Equity Common Stock are to be issued, along with the address or addresses of such person or persons.

Signature (for conversion only)
Please Print or Typewrite Name and Address,
Including Zip Code, and Social Security or
Other Identifying Number

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 Medallion Program ("STAMP")
or such other "signature guarantee program" as may be determined by the
Registrar in addition to, or in substitution for, STAMP, all in accordance with
the Securities Exchange Act of 1934, as amended.)

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 Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

FORM OF TRUST COMMON SECURITY

[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.

OTHER THAN AS PROVIDED IN THE DECLARATION (AS DEFINED HEREIN), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT TO A RELATED PARTY (AS DEFINED IN THE DECLARATION) OF AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Certificate Number
Number of Trust Common Securities

Trust Common Securities

of

American Equity Capital Trust I

8% Convertible Trust Common Securities
(liquidation amount \$30 per Convertible Trust Common Security)

American Equity Capital Trust I, 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 common securities of the Trust representing undivided beneficial interests in the assets of the Trust designated the 8% Convertible Trust Common Securities (liquidation amount \$30 per Convertible 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 September 7, 1999, 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.

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.

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.

IN WITNESS WHEREOF, the Trust has executed this certificate this day of

_____, ____.

American Equity Capital Trust I

By: _____

Name:

Title:

A-1-12

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Trust Common Security will be fixed at a rate per annum of 8% (the "Coupon Rate") of the stated liquidation amount of \$30 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 August 30, 1999 and will be payable quarterly and in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing on December 31, 1999, to Holders of record fifteen (15) days prior to such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures. 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.

The Trust Common Securities shall be convertible into shares of Common Stock of American Equity Investment Life Holding Company, through (i) the exchange of Trust Common Securities for a portion of the Debentures and (ii) the immediate conversion of such Debentures into Common Stock of American Equity Investment Life Holding Company, in the manner and according to the terms set forth in the Declaration.

CONVERSION REQUEST

To: West Des Moines State Bank
as Property Trustee of
American Equity Capital Trust I

The undersigned owner of these Trust Common Securities hereby irrevocably exercises the option to convert these Trust Common Securities, or the portion below designated, into Common Stock of AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY (the "American Equity Common Stock") in accordance with the terms of the Amended and Restated Declaration of Trust (the "Declaration"), dated as of September 7, 1999, 1999, by Debra J. Richardson and Wendy L. Carlson, as Administrative Trustees, First Union Trust Company, National Association, as Delaware Trustee, West Des Moines State Bank, as Property Trustee, American Equity Investment Life Holding Company, as Sponsor, and by the Holders, from time to time, of individual beneficial interests in the Trust to be issued pursuant to the Declaration. Pursuant to the aforementioned exercise of the option to convert these Trust Common Securities, the undersigned hereby directs the Conversion Agent (as that term is defined in the Declaration) to (i) exchange such Trust Common Securities for a portion of the Debentures (as that term is defined in the Declaration) held by the Trust (at the rate of exchange specified in the terms of the Trust Common Securities set forth as Annex I to the Declaration) and (ii) immediately convert such Debentures on behalf of the undersigned, into American Equity Common Stock (at the conversion rate specified in the terms of the Trust Common Securities set forth as Annex I to the Declaration).

The undersigned does also hereby direct the Conversion Agent that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Date: _____, ____

in whole ___ in part ___

Number of Trust Common Securities to be converted:

If a name or names other than the undersigned, please indicate in the spaces below the name or names in which the shares of American Equity Common Stock are to be issued, along with the address or addresses of such person or persons.

Signature (for conversion only)
Please Print or Typewrite Name and Address,
Including Zip Code, and Social Security or
Other Identifying Number

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 Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

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 Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

SPECIMEN OF DEBENTURE

See Exhibit A of Indenture

=====

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

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1999 GENERAL AGENCY COMMISSION AND SERVICING AGREEMENT, dated as of June 30, 1999, between: AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY, an Iowa insurance corporation ("American Equity"), and AMERICAN EQUITY INVESTMENT SERVICE COMPANY, an Iowa corporation ("AEISC").

WHEREAS, the parties have previously engaged in a general agency commission and servicing agreement pursuant to the Restated and Amended General Agency Commission and Servicing Agreement dated as of June 30, 1997;

WHEREAS, the parties have determined to renew their respective agency relationship pursuant to the terms and conditions of this 1999 General Agency Commission and Servicing Agreement;

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

Section 1. Definitions.

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

"Account Surrender Value" shall mean the Accumulated Value of any

Eligible Contract (or portion thereof) that has been terminated (whether in whole or in part or by surrender, withdrawal or death).

"Accumulated Value" shall mean, with respect to any Eligible Contract

as at any date of determination thereof, the accumulated value as defined in such Eligible Contract.

"AEISC Amount" The term "AEISC Amount" shall mean, with respect to any

Eligible Contract: (i) 50% of the Sales Agent Commission payable with respect to all such Eligible Contracts issued during the period from July 1, 1999 through and including August 31, 1999; and (ii) 30% of the Sales Agent Commission payable with respect to all such Eligible Contracts issued from September 1, 1999 until such time as this Agreement is terminated or modified by mutual agreement of the parties.

"Affiliate" of American Equity shall mean any other person controlling

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

"Annual Statement" shall have the meaning assigned thereto in Section

5.02 hereof.

"Commission Accumulated Value" shall mean, as at any Commission Payment

Date an amount equal to the aggregate of the Accumulated Values of all Eligible
Contracts that are in force on such Commission Payment Date.

"Commission Agreement": An agreement between American Equity and any

Person (other than the Borrower) the terms of which govern the rights and
obligations of such Person with American Equity in respect of such Person's
acting as an agent of American Equity for the sale of Eligible Contracts.

"Commission Payment Dates" shall mean the last day of each calendar

quarter beginning with the second calendar quarter of 2000.

"Eligible Contract" shall mean a deferred annuity contract, including

either a fixed rate annuity or an equity index annuity issued by American Equity
and sold by a Sales Agent to a person in a jurisdiction in which American Equity
and AEISC (or its duly-appointed representative) are duly licensed to issue such
contracts or act as an insurance agency therein, as applicable, and is, and any
Replacement Contract issued with respect of any such contract.

"Gross Agent Commission Schedule" shall mean the Gross Agent Commission

Schedule in effect with respect to Eligible Contracts as established by American
Equity from time to time.

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

or determination.

"Person": Any natural person, corporation, partnership, joint venture,

firm, association, trust, unincorporated organization, government or
governmental agency or political subdivision or any other entity, whether acting
in an individual, fiduciary or other capacity.

"Replacement Contract" shall mean any individual annuity contract with

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

"Sales Agent" shall mean each person (other than American Equity or

AEISC) who is a party to a Commission Agreement.

"Sales Agent Commission": With respect to the initial sale of any

Eligible Contract, the commission payable by American Equity in connection with
such sale to the Agent who

sold such Eligible Contract, which commission shall not exceed, in respect of such Eligible Contract, the greater of 15% or the commission rate indicated on the Gross Agent Commission schedule.

"SAP" shall mean those accounting practices required or permitted by

the Division of Insurance, Department of Commerce of the State of Iowa consistently applied throughout the specified period and in the immediately prior comparable period.

Section 2. Sales Agent Commissions.

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

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

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

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

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

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

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

Section 3. Payment of General Agency Commissions.

3.01 General Agency Current Commissions. American Equity shall pay to AEISC general agency current commissions ("Current Commissions") no later than 10:00 a.m., Central Standard Time, on each Commission Payment Date in an amount equal to (i) 0.325 % of the Commission Accumulated Value of all Eligible Contracts produced on or before August 31, 1999; and 0.25% of the Commission Accumulated Value of all Eligible

Contracts produced on or after September 1, 1999. The determination of Commission Accumulated Value for purposes of the preceding sentence shall be made in each case as of the preceding Commission Payment Date.

3.02 General Agency Supplemental Commissions.

(a) If (i) the aggregate amount of the Account Surrender Values of each Eligible Contract (or portion thereof) that has been terminated (whether in whole or in part or by surrender, withdrawal or death) during the calendar quarter immediately preceding the Commission Payment Date equals or exceeds an amount equal to 1.88% of the Commission Accumulated Value or (ii) American Equity shall have a rating of less than "A-" by A.M. Best & Company or "Api" by Standard & Poors, American Equity shall pay to AEISC general agency supplemental commissions ("Supplemental Commissions"), no later than 10:00 a.m., Central

Standard Time, on each Commission Payment Date in an amount equal to 50% of the surrender charges paid to American Equity with respect to each such Eligible Contract (or portion thereof) that has been terminated (whether in whole or in part or by surrender, withdrawal or death) during such calendar quarter.

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

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

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

3.04 Termination of Commission Obligations. On June 30, 2005, no further Current Commissions, Supplemental Commissions, or Reimbursement Commissions will be due from American Equity to AEISC.

3.05 Payment of Commissions.

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

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

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

Section 4. Servicer.

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

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

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

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

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

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

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

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

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

5.02 Financial Condition and Other Information.

(a) American Equity has delivered to AEISC a copy of: (i) the annual statement of American Equity submitted to the Iowa Division of Insurance (the "Annual Statement") for the year ended December 31, 1998

and (ii) the affirmative certification of its actuary as to the adequacy of the reserves for liabilities determined in accordance with SAP reflected on the Annual Statement for the year ended December 31, 1998. The Annual Statement and Actuarial Certification described above in this paragraph (a) are hereinafter collectively called the "Financial Statements." The Financial Statements

(including in each case, without limitation, the related schedules and notes) fairly present the financial condition of American Equity. The Financial Statements described in clause (i) have been prepared in accordance with SAP consistently applied by American Equity throughout the periods involved.

(b) There are no material liabilities, contingent or otherwise, of American Equity as of December 31, 1998 not reflected in the Annual Statement of American Equity as of said date referred to in clause (i) of paragraph (a). Since said date, there has been no change in the financial condition, operations, business or prospects of American Equity from that set forth in the Financial Statements as at said date, other than changes in the ordinary course of business which have not, either individually or in the aggregate, been materially adverse to the financial condition, operations, business or prospects of American Equity.

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

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

American Equity is not in default under any Order of any court, arbitrator or Governmental Body. American Equity is not in violation of any statute or other rule or regulation of any Governmental Body the violation of which could be expected to have a material adverse effect on the financial condition, operation, business or prospects of American Equity.

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

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

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

5.07 ERISA. No employee benefit plan established or maintained by American Equity or to which American Equity has made contributions, which is subject to Part 3 of Subtitle B of Title 1 of ERISA, or Section 412 of the Code, including, without limitation, to the knowledge of American Equity, any Multiemployer Plan, has an accumulated funding deficiency (as such term is defined in Section 302 of ERISA or Section 412 of the Code), or had such a deficiency as of the last day of the most recent fiscal year of such plan heretofore ended, and each such plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and any applicable federal or state law. No liability to PBGC (other than required insurance premiums, all of which have been paid when due) has been incurred with respect to any such plan and there has not been any reportable event within the meaning of ERISA, or any other event or condition, which presents a material risk of termination of any such plan by PBGC. To the knowledge of American Equity after due inquiry, neither any such plan nor any trust created thereunder, nor any trustee or administrator thereof, has engaged in a prohibited transaction (as such term is defined in Section 4975 of the Code) nor will the transactions contemplated by this Agreement constitute such a prohibited transaction, in any such case that could subject any such plan, trust, trustee (to the extent indemnified by American Equity), administrator or American Equity to any tax or penalty on prohibited transactions imposed under Section 4975 or ERISA or by Section 502(i) of ERISA which could have a material adverse effect on the business, operations or properties of American Equity. No liability has been incurred by American Equity with respect to any Multiemployer Plan, within the meaning of Section 4001(a)(3) of ERISA as a result of the complete or partial withdrawal by American Equity from such Multiemployer Plan under Section 4201 or 4204 of ERISA that could have a material adverse effect on the business, operations or properties of American Equity; nor has American Equity been notified by any such Multiemployer Plan that such Multiemployer Plan is in reorganization or insolvency under and within the meaning of Section 4241 or 4245 of ERISA or that such Multiemployer Plan intends to terminate or has been terminated under Section 4041A or ERISA.

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

5.09 Investment Company Act. American Equity is not an "investment company", or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

5.10 Public Utility Holding Company Act. American Equity is not a "holding company," or an "affiliate" of a "holding company" or a "subsidiary company" of "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 6. Representations and Warranties of AEISC. AEISC represents and warrants to American Equity as of the date hereof as follows:

6.01 Corporate Existence. Subject, in the case of clauses (a) and (b) hereof, to Section 6.07 hereof, AEISC: (a) is a corporation duly organized and validly existing under the laws of the State of Iowa; (b) has all requisite corporate power, and has all governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and (c) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary. The Company has no Subsidiaries.

6.02 Financial Condition. The balance sheet of AEISC as at December 31, 1996 heretofore furnished to American Equity, is complete and correct and fairly presents the financial condition of AEISC as at said date, all in accordance with generally accepted accounting principles and practices. AEISC did not have on said date any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in said balance sheet as at said date. Since December 31, 1996, there has been no material adverse change in the financial condition, operations, business or prospects of AEISC from that set forth in said financial statement as at said date. AEISC has not paid any salary or any other form of compensation for services to any Person; incurred any obligation, contractually or otherwise, to any Person except as was necessary or advisable for the compliance with Section 6.01 hereof; or created or maintained any Plan or been a participant in any Multiemployer Plan.

6.03 Litigation. There are no legal or arbitral proceedings or any proceedings by or before any court, arbitrator or Governmental Body, now pending or (to the knowledge of AEISC) threatened against AEISC.

6.04 No Breach. None of the execution and delivery of this Agreement, the consummation of the transactions herein contemplated and compliance with the terms and provisions hereof will conflict with or result in a breach of, or require any consent under, the charter or by-laws of AEISC, or any applicable statute, other rule or regulation, or any Order of any Governmental Body, or any agreement or instrument to which AEISC is a party or by which it is bound or to which it is subject, or constitute a default under any such agreement or instrument, or (except for the Liens created pursuant to the Security Documents) result in the creation or imposition of any Lien upon any other revenues or assets of AEISC pursuant to the terms of any such agreement or instrument.

6.05 Corporate Action. AEISC has all necessary corporate power and authority to execute, deliver and perform its obligations under this Agreement; the execution, delivery and

performance by AEISC of this Agreement has been duly authorized by all necessary corporate action on its part; and this Agreement has been duly and validly executed and delivered by AEISC and constitutes, when executed and delivered, its legal, valid and binding obligation, enforceable in accordance with its terms.

6.06 Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any Governmental Body are necessary for the execution, delivery or performance by AEISC of this Agreement or for the validity or enforceability thereof, except as provided in Section 6.07 hereof.

6.07 Insurance Agency Licenses. AEISC has made application to the appropriate state authorities in each jurisdiction in which it anticipates it will conduct business to enable it or its duly appointed representative to act as a licensed insurance agency in such jurisdiction.

Section 7. Certain Covenants of AEISC.

7.01 Delivery of Information, Etc. AEISC will:

(a) furnish to American Equity, its counsel, accountants and other representatives full access to all of its properties, books, contracts, commitments, reports and records and shall furnish American Equity with all information concerning its business and affairs as American Equity may request; and

(b) pay and otherwise perform fully and in a timely manner all of its obligations under this Agreement.

7.02 Corporate Existence, Etc. AEISC will:

(a) preserve and maintain its corporate existence and all of its material rights, privileges and franchises;

(b) comply with the requirements of all applicable statutes, other rules and regulations and Orders of any court, arbitrator or Governmental Body if failure to comply with such requirements would not adversely affect the financial condition, operations, business or prospects of AEISC;

(c) pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained;

(d) maintain all of its properties used or useful in its business in good working order and condition, ordinary wear and tear excepted; and

(e) permit representatives of American Equity, during normal business hours, to examine, copy and make extracts from its books and records, to inspect its properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by American Equity.

7.03 Insurance. AEISC will keep insured, by financially sound and reputable insurers, all property of a character usually insured by corporations engaged in the same or similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such corporations and carry such other insurance as is usually carried by such corporations.

7.04 Prohibition of Fundamental Changes. AEISC will not enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution). AEISC will not acquire any business or assets from, or capital stock of, or be a party to any acquisition of, any Person. AEISC will not convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or a substantial part of its business or assets, whether now owned or hereafter acquired.

Section 8. Certain Covenants of American Equity.

8.01 Delivery of Information. American Equity will furnish to AEISC:

(a) on or prior to the last day of each Calendar Quarter, a Settlement Statement in form and content satisfactory to the parties;

(b) within 60 days after the end of each of American Equity's fiscal years, copies of the Annual Statement of American Equity;

(c) within 60 days after the end of each of American Equity's fiscal quarters, copies of the quarterly financial statements of American Equity prepared in accordance with SAP as filed with the Iowa Division of Insurance for such accounting period;

(d) as soon as available and in any event within 120 days after each calendar year, a report of Ernst & Young or other independent accountants of recognized national standing selected by American Equity and reasonably satisfactory to AEISC, which shall indicate that based upon a review by such auditors of appropriate American Equity financial records all amounts due from American Equity to AEISC hereunder were properly computed and paid;

(e) at any time and from time to time upon the request of AEISC, a report of an independent actuarial firm of recognized national standing selected by American Equity and reasonably satisfactory to AEISC containing a comparison of the actuarial experience with respect to Eligible Contracts during any given calendar period with the assumptions with respect thereto; and

(f) such other documentation and information relating to Eligible Contracts as AEISC shall reasonably request.

8.02 Litigation. American Equity will promptly give to AEISC notice of all legal or arbitral proceedings, and of all proceedings by or before any court, arbitrator or Governmental Body affecting American Equity except proceedings which, if adversely determined, would not have a material adverse effect on the financial condition, operations, business or prospects of American Equity and any material development in respect of such legal or other proceedings.

8.03. Corporate Existence, Etc. American Equity will: preserve and maintain its corporate existence and all rights, privileges and franchises; comply with the requirements of all applicable statutes, other rules and regulations and orders of any court, arbitrator or Governmental Body if failure to comply with such requirements would adversely affect the financial condition, operations, business or prospects of American Equity; pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained; maintain all of its properties used or useful in its business in good working order and condition, ordinary wear and tear excepted; and permit representatives of AEISC during normal business hours to examine, copy and make extracts from its books and records (which shall be maintained at the office of American Equity and shall include all records that are necessary to comply with all of American Equity's obligations under the Basic Documents, including manually maintained list, computer generated printouts that identify all of the Eligible Contracts to inspect its properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by AEISC. American Equity will not default or permit any event of default to occur or be continuing under any indebtedness for borrowed money of American Equity or its parent company, American Equity Investment Life Holding Company, a Delaware corporation.

8.04 Insurance. American Equity will keep insured by financially sound and reputable insurers all property of a character usually insured by corporations engaged in the same or similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such corporations and carry such other insurance as is usually carried by such corporations.

8.05 Correction of Errors. As soon as reasonably practicable after becoming aware of an error in any Settlement Statement previously delivered to AEISC pursuant to Section 8.01(a) hereof, the effect of which error is that American Equity shall have defaulted in the payment when due and payable of any amount payable by it under this Agreement, American Equity will correct any such error by making such payment in the prescribed manner.

8.06 Amendment of Contract Forms. American Equity will not, without the prior written approval of AEISC (which consent shall not be unreasonably withheld), amend, modify, supplement, terminate or waive any of the provisions of the forms of Eligible Contracts as such forms exist on the date hereof.

Section 9. American Equity Option. Notwithstanding anything in this Agreement to the contrary, in the event of a default by AEISC under this Agreement or any other agreement to which AEISC is a party, American Equity shall have the right (but not the obligation) to take such action, on behalf of AEISC or on its own behalf or otherwise, as it deems necessary or desirable to cure such default.

Section 10. Termination. The obligations of AEISC and American Equity shall terminate on June 30, 2005.

Section 11. Miscellaneous.

11.01 Waiver. No failure on the part of either party to this Agreement to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

11.02 Notices. All notices and other communications provided for herein (including, without limitation, any modifications of, or waivers or consents under, this Agreement) shall be given or made by telex, telecopy, telegraph, cable or in writing and telexed, telecopied, telegraphed, cabled, mailed or delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telex or telecopier, delivered to the telegraph or cable office or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as aforesaid.

11.03 Amendments, Etc. No provision of this Agreement may be amended or modified except by an instrument in writing and signed by AEISC and American Equity.

11.04 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.05 Assignments. Neither party to this Agreement may assign its rights or obligations hereunder without the prior written consent of the other party.

11.06 Captions. The table of contents and captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

11.07 Counterparts. This Agreement may be executed in any number of counterparts, all of which all of taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

11.08 Governing Law; Submission to Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the law of the State of Iowa.

11.09 Waiver of Jury Trial. EACH OF AEISC AND AMERICAN EQUITY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

AMERICAN EQUITY INVESTMENT
LIFE INSURANCE COMPANY

AMERICAN EQUITY INVESTMENT
SERVICE COMPANY

By: /s/ Terry A. Reimer

By: /s/ D.J. Noble

Terry A. Reimer, Vice President

D. J. Noble, President

EXHIBIT 21

Subsidiaries of American Equity Investment Life Holding Company

State of
Incorporation

Insurance Subsidiary:

American Equity Investment Life Insurance Company Iowa

Noninsurance Subsidiaries:

American Equity Investment Properties, L.C..... Iowa
American Equity Capital, Inc..... Iowa
American Equity Capital Trust I..... Delaware
American Equity Capital Trust II..... Delaware
American Equity of Hawaii, Inc..... Hawaii

YEAR			
	DEC-31-1999		
	JAN-01-1999		
	DEC-31-1999		
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	597,956		
	126,684,495		
	1,665,503,450		
	1,358,875,848		
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	0		
	11,553,574		
	20,600,000		
	98,981,629		
	625,000		
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	0.42		
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	(186,097)		