AMERICAN NATIONAL FINANCIAL INC
Form 10-K405
March 29, 2001

1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

COMMISSION FILE NO. 0-24961

AMERICAN NATIONAL FINANCIAL, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CALIFORNIA (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	33-0731548 (I.R.S. EMPLOYER IDENTIFICATION NO.)
1111 E. KATELLA AVENUE, SUITE 220 ORANGE, CALIFORNIA 92867 (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)	(714) 289-4300 (REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, NO PAR VALUE	NASDAQ NATIONAL MARKET

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 [ ]

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. [X]

As of March 13, 2001, 7,507,507 shares of common stock (no par value) were outstanding, and the aggregate market value of the shares of the common stock held by non-affiliates of the registrant was $17,319,894. The aggregate market value was computed with reference to the closing price on the NASDAQ National Market on such date.

LOCATION OF EXHIBIT INDEX: The index to exhibits is contained in Part IV herein on page number 50.

The information in Part III hereof is incorporated herein by reference to the Registrant's Proxy Statement on Schedule 14A for the fiscal year ended December 31, 2000, to be filed within 120 days after the close of the fiscal year that is the subject of this Report.

2

TABLE OF CONTENTS

FORM 10-K

		PAGE NO.
	PART I	
Item 1.	Business	1
Item 2.	Properties	15
Item 3.	Legal Proceedings	15
Item 4.	Submission of Matters to a Vote of Security Holders	15
	PART II	
Item 5.	Market for Registrant's Common Stock and Related Stockholder Matters	16
Item 6.	Selected Financial Data	17
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 7A.	Quantitative and Qualitative Disclosures About the Market Risk of Financial Instruments	24
Item 8.	Financial Statements and Supplementary Data	26
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	50
	PART III	
Item 10.	Directors and Executive Officers of the Registrant	50
Item 11.	Executive Compensation	50
Item 12.	Security Ownership of Certain Beneficial Owners and Management	50

Item 13. Certain Relationships and Related Transactions............. 50

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.. 50

PART I

ITEM 1. BUSINESS

American National Financial, Inc., through its subsidiaries (collectively, the "Company" or "ANFI") provides title insurance services as well as other real estate related financial and informational services including escrow, real estate information, trustee sale guarantees, exchange intermediary services, document signing services, property management and appraisals. In addition, the Company obtains specialized services for its customers, which include, but are not limited to tax reporting services and courier services. The company's business is focused on the residential real estate market. The Company generates the majority of its revenue from issuing title insurance policies as an independent agent on behalf of affiliated title underwriters.

The Company was incorporated in November 1996 by its current management, and in July 1997 acquired 60% of the outstanding stock of American Title Company ("ATC") from Fidelity National Financial, Inc. ("FNFI") for $6.0 million in cash. The purchase price was funded with debt incurred by the Company, all of which has been repaid from operations or as a result of the reorganization described below. (See "Reorganization" below) and Note 12 of Notes to Consolidated Financial Statements.) In August 1997, ATC purchased all of the outstanding common stock of Santa Barbara Title Company. In April 1999, Santa Barbara Title Company was merged with ATC. The Company also formed its other subsidiaries, American Document Services, Inc., West Point Appraisal Services, Inc., West Point Support Services, Inc. and West Point Properties, Inc., in 1997. In December 2000, ANFI formed American National Exchange Services, Inc.

ATC, the Company's primary subsidiary, commenced business in 1989, and was acquired by FNFI in January 1996, at which time ATC's operations had been conducted solely in Kern County, California. Following the acquisition by FNFI, ATC pursued an expansion strategy that included acquiring and opening offices in selected other counties located throughout California. In January 1997, FNFI contributed to ATC all of the outstanding stock of American Title Insurance of Arizona, Inc. (formerly known as Nations Title Insurance of Arizona, Inc.), which is an underwritten title company in Phoenix, Arizona and Landmark REO Management Services, Inc., a property management company.

In June 1999, the Company acquired National Title Insurance of New York Inc. ("National"), a New York domiciled underwriter, from a subsidiary of FNFI for $3.25 million. National is licensed to issue title insurance in 34 states, the District of Columbia and the U.S. Virgin Islands, however, it did not underwrite any significant number of title insurance policies through direct operations or agency relationships during 1999 and 2000. The primary purpose of the acquisition is to own an underwriter, which will enable the Company to generate underwriting fees and permit the Company to expand geographically into counties and states in which National is presently licensed. The Company believes this expansion can be accomplished more quickly and cost-effectively through the acquisition than through other means. The Company also believes that the acquisition will expand the business opportunities for its current and potential employees and affiliates, which will aid in the Company's recruitment efforts, and will permit the Company to generate additional revenue by writing title insurance policies in those geographic areas which are not covered by ATC's exclusive agency arrangements with FNTIC and Chicago Title Insurance Company ("CTIC"). See "Relationship with Fidelity National Financial, Inc."

In January 2000, the Company purchased 100% of the stock of Bancserv, Inc., a California corporation located in Yorba Linda, California. Bancserv, Inc., a document company, provides outsource services to the real estate and banking industry through a national network of qualified notaries public. The purchase price was $1.3 million, payable $400,000 in cash and a $900,000 promissory note that bears interest at a rate of 7.5% and is due through January 2005. The note requires monthly principal and interest payments of $15,500 beginning February 14, 2000. At December 31, 2000 the principal balance is $652,000.

In February 2000, the Company purchased 100% of the stock of Pioneer Land Title Corporation ("Pioneer"), a New York corporation. Pioneer provides title and escrow services in the state of New York. The purchase price was $1.8 million, payable $360,000 in cash and a $1.4 million promissory note paid annually that bears interest at 6.6% per annum from the purchase date through the February 2004.

1

4

In February 2000, the Company purchased 100% of the membership interests of Emerald Mortgagee Assistance Company, LLC ("EMAC"), a full service provider of release and assignment document preparation, document retrieval and special title assistance headquartered in Colorado with operations nationwide. The purchase price of $1.9 million was paid in cash of $1.7 million, subject to certain purchase price adjustments based on the combined equity of EMAC and American Research Services, its affiliate, and 58,500 shares of the common stock of the Company.

In September 2000, the Company purchased the assets of CTIC's Pima County, Arizona operation. The acquisition adds five offices, four of them located in Tucson, to the Company's Arizona network. The purchase price was $105,000 payable in cash and the purchase of a title plant in the amount of $322,000 to be paid over a period of ten years with monthly payments of $4,200, with an option to purchase the title plant, when paid in full. The agreement includes monthly access fees of $1,000 per month over the term of the title plant lease.

REORGANIZATION

In November 1998, the Company acquired the remaining 40% of the outstanding common stock of ATC from FNFI in exchange for 2,099,996 shares of Company common stock representing approximately 43% of the outstanding shares immediately prior to the Company's initial public offering. Concurrent with the Reorganization, $3.5 million of the Company's acquisition debt was repaid. The remaining unpaid balance of the acquisition debt in the amount of $1.2 million was assumed by the shareholders of the Company, other than FNFI. (These transactions are collectively referred to as the "Reorganization"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 12 of Notes to Consolidated Financial Statements.

INDUSTRY OVERVIEW

The title insurance industry consists of insurers ("underwriters") who issue policies through direct operations or through agents. The Company's principal subsidiary, ATC, is an agent, known in California as an "underwritten title company." ATC has entered into an Issuing Agency Agreement to issue policies on behalf of Fidelity National Title Insurance Company ("FNTIC") and CTIC, subsidiaries of FNFI, insurers which are licensed in California and

Arizona, among other states. See "Relationship with Fidelity National Financial, Inc."

The Company provides title insurance services as well as other real estate related financial and informational services including escrow, real estate information, trustee sale guarantees, appraisals and exchange intermediary services. In addition, the Company obtains specialized services for its customers, which include, but are not limited to, tax reporting services, and courier services. The Company's business is focused on the residential real estate market and in 2000 generated the majority of its revenues from issuing title insurance policies as an independent agent on behalf of FNTIC and CTIC. For the years ended December 31, 2000, 1999 and 1998, net title service revenue represented approximately 52.8%, 57.5% and 57.0% of the Company's revenues, respectively.

The Company's primary operations are conducted through 18 branches, consisting of 65 offices, located in major counties throughout California and Arizona (Maricopa, Pinal and Pima). Each of the Company's branches process real estate transactions within the geographical area of the branch or region. Each branch is operated as a separate profit center.

During 1999 and 2000, the Company established offices in Tennessee, Florida, Colorado and New York to expand its current customer base by developing agency relationships and its ancillary service companies.

TITLE POLICIES

Title insurance policies insure title to real estate. The beneficiaries of title insurance policies are generally buyers of real property or mortgage lenders. The policy protects the insured against title defects, liens and encumbrances not specifically excepted from its coverage. Most mortgage lenders require title insurance as a condition to making loans secured by real estate.

Title insurance is different from other types of insurance because it relates to past events which affect title to property at the time of closing and not unforeseen future events. Prior to issuing policies, underwriters can reduce or eliminate future losses by accurately performing searches and examinations.

Title insurance policies are issued on the basis of a preliminary title report or commitment. These reports are prepared after a search of public records, maps and other relevant documents to ascertain title ownership and the existence of easements, restrictions, rights of way, conditions, encumbrances or other matters affecting the title to, or use of, real property. A visual inspection or survey of the property may also be made prior to the issuance of certain title insurance policies. Copies of public records, maps and other relevant historical documents are compiled and indexed in a "title plant" in order to facilitate the preparation of preliminary reports without the necessity of manually searching public records. Each title plant relates to a particular county and is kept current on a periodic basis by the continual addition of copies of recorded documents which affect real property in the particular county. Title companies often subscribe to independent title information services to assist in the updating of their title plants and the maintenance of title records.

The major expense of a title company is the cost of the search and examination function performed in preparing preliminary title reports, commitments and title policies, rather than the claim losses associated with the issuance of these policies. The premium for title insurance is due in full at the closing of the real estate transaction and is based upon the purchase price of the property insured or the amount of the mortgage loan and upon the type of coverage. Coverage under the policy generally terminates upon resale or refinance of the property. The terms of coverage have become relatively standardized in accordance with forms approved by state or national trade associations, such as the American Land Title Association, the California Land Title Association, New York Land Title Association and the Land Title Association of Arizona. Among the most commonly issued title insurance policies are standard or extended coverage policies for owners and lenders and trustee sale guarantees, which provide assurances to trustees concerning certain information in connection with nonjudicial foreclosures.

THE TITLE POLICY AND UNDERWRITING PROCESS

A brief description of the process of issuing a title insurance policy, which usually occurs over a thirty to ninety day period, is as follows:

(i) The customer, typically a real estate salesperson or broker, escrow agent or lender, places an order for a title policy.

(ii) After the relevant historical data on the property is compiled, the title officer prepares a preliminary title report which documents (a) the current status of title and conditions affecting the property, (b) any exclusions, exceptions and/or limitations which the title underwriter might include in the policy and (c) specific issues which need to be addressed and resolved by the parties to the transaction before the title policy will be issued. The preliminary report is circulated to all the parties for consideration of any specific issues.

(iii) After the specific issues identified in the preliminary report are resolved, an escrow agent closes the transaction in accordance with the instructions of the parties and the title underwriter's conditions.

(iv) Once the transaction is closed and all monies have been released, the title underwriter or agent issues the policies (a) to the owner and the lender on a new home sale or resale transaction or (b) to the lender only, on a refinance transaction.

The terms and conditions upon which title to real property will be insured are determined in accordance with the standards, policies and procedures of the title underwriter. The underwriter may have a relationship with a third party agent, under which the agent issues the title insurance policy on behalf of the underwriter. The agent performs the search and examination function and retains a majority of the title premium as a commission. The underwriter receives the remainder of the premium collected by the agent in exchange for assuming the risk on the policy.

Underwriting practices in California, Arizona and New York are generally dictated by the California, Arizona and New York Land Title Associations, although the underwriter's personnel interpret the application of these rules to specific circumstances. Underwriters, such as FNTIC and CTIC, also maintain and distribute current information on title practices and procedures to its issuing agents. The acquisition of National, which closed in June 1999, positively impacted the Company's balance sheet and significantly expanded the states in which the Company is licensed to do business.

The maximum amount of liability for an insurer, under a title insurance policy is usually the face amount of the policy plus the cost of defending the insured's title against an adverse claim. The reserve for claim losses is based upon known claims, as well as losses the insurer expects to incur based on historical experience and other factors, including industry averages, claim loss history, legal environment, geographic considerations, expected recoupments and the types of policies written. The title underwriter establishes a reserve for each known claim based on a review and evaluation of potential liability.

A third party agent that issues title insurance on behalf of an insurer is not subject to the same liability that the insurer faces under the policy. The agent is not assuming risk on the title policy and its liability with respect to the issuance of the policy is typically limited to a specific amount, pursuant to an agreement with the insurer.

ECONOMIC FACTORS AFFECTING THE INDUSTRY

Title insurance revenue is closely related to the level of real estate activity and the average price of real estate sales. Real estate sales are directly affected by the availability of funds to finance purchases. Other factors affecting real estate activity include demand, mortgage interest rates, family income levels and general economic conditions. While the level of sales activity was relatively depressed in certain geographical areas during the early 1990's, decreases in mortgage interest rates since late 1995 and the resulting improvement in the real estate market have had a favorable effect on the level of real estate activity, including refinancing transactions, new home sales and resales. The overall economic environment, stable mortgage interest rates and strength in the real estate market, especially in California, contributed to very positive conditions for the industry throughout 1997, 1998 and the first quarter 1999. However, mortgage rates began to climb during the last half of 1999 and continued through 2000, virtually eliminating the volume of refinance activity experienced in the prior year and early 1999. The interest rate volatility during 2000 created some operational challenges for the industry and it is impossible to predict the future direction interest rates and the real estate market may move or fluctuate.

COMPETITIVE FACTORS

A key competitive factor in the title insurance business is the ability to develop and maintain a qualified and experienced group of professionals through which services are delivered to customers. Title insurance business is typically generated through relationships with persons in the real estate industry such as independent escrow companies, real estate brokers and agents, developers, mortgage brokers, mortgage bankers, financial institutions and attorneys. Thus, the relationships and contacts maintained by sales personnel are critical to generating such business. In addition, the quality of a title company's service, its responsiveness and its ability to adapt to customer's needs are important in attracting and maintaining customers. Other competitive factors include the financial strength and reputation of the insurer.

The Company believes that the price of title insurance is typically not an important competitive factor. In both California and Arizona, where the Company's primary operations are currently conducted, the minimum price of title insurance is filed by the title underwriter and is regulated by the Department of Insurance in California and by the State Banking Commission in Arizona. In the event the Company expands its operations into states where regulatory authorities do not control prices, the price of title insurance may also become an important competitive factor.

TITLE INSURANCE OPERATIONS

The Company's primary subsidiary, ATC, is an underwritten title company licensed by the Department of Insurance of the State of California. ATC is not a title underwriter, but rather its current business is limited to issuing policies as an agent on behalf of FNTIC and CTIC, subsidiaries of FNFI. ATC acts exclusively as an agent for FNTIC and CTIC with respect to the procurement of title insurance policies in 15 selected counties in California and three counties in Arizona, subject to certain exceptions. These exclusive arrangements with FNTIC and CTIC do not apply to other counties into which the Company may expand in the future due to the National acquisition. ATC's net title service revenue consists of 88% of the gross title insurance premiums collected on policies issued pursuant to its agreement with FNTIC and CTIC. The remaining 12% is comprised of an 11% underwriting fee paid to the underwriter and a 1% administrative service fee, paid to FNTIC. As an agent, ATC is not subject to the loss and reserve requirements applicable to insurers, and pursuant to its agreements with FNTIC and CTIC, ATC's liability is limited to the first $5,000 of loss under any policy issued by it on behalf of FNTIC and CTIC, except in the case of negligence, or willful or reckless conduct. To date, the amounts paid by the Company to FNTIC in reimbursement of FNTIC's claims losses under this arrangement have not been material. See "Relationship with Fidelity National Financial, Inc."

The Company maintains 18 primary branches consisting of 65 offices located in California and Arizona. Each of the Company's branches process real estate transactions within the geographical area of the branch or region. Each branch is operated as a separate profit center. In the years ended December 31, 2000, 1999, and 1998, the following branch operations of the Company accounted for the indicated percentages of total gross title insurance premium revenues:

	DECEMBER 31					
	2000		1999		1998	
	(AMOUNTS IN THOUSANDS, EXCEPT PERCENTAGES)					
	PREMIUMS	PERCENT	PREMIUMS	PERCENT	PREMIUMS	P
Alameda, CA	$ 5,173	10.4%	$ 3,693	6.3%	$ 4,642	
Contra Costa, CA	2,672	5.4	2,775	4.8	3,257	
Inland Empire, CA (Riverside and San Bernardino)	2,666	5.4	2,646	4.5	2,842	
Kern, CA	2,776	5.6	3,096	5.3	3,003	
Los Angeles, CA	8,931	18.0	10,013	17.2	8,491	
Orange, CA	11,536	23.2	15,909	27.2	15,766	
Maricopa, AZ	3,105	6.3	4,045	6.8	3,912	
Pima, AZ	537	1.1				
Sacramento, CA	397	0.8	1,257	2.2	682	
San Diego, CA	3,340	6.7	3,831	6.6	4,615	
San Mateo, CA	1,188	2.4	1,263	2.2	937	
Santa Barbara, CA	556	1.1	684	1.2	518	
Santa Clara, CA	2,110	4.2	4,028	6.9	5,551	
Ventura, CA	4,718	9.5	5,130	8.8	4,990	
	$49,705	100.0%	$58,370	100.0%	$59,206	

TITLE PLANTS

To facilitate the preparation of title reports without the necessity of manually searching official public records, copies of public records, maps and other relevant historical documents are sometimes compiled and indexed in a "title plant." Each title plant relates to a particular county and is kept current on a frequent basis by the addition of copies of recorded documents which affect real property. Title companies often subscribe to independent title information services to assist in the updating of their title plants and the maintenance of title records.

The Company leases title plants from FNTIC in Kern, San Mateo and Santa Clara counties and CTIC in Tucson, AZ for an aggregate payment of $14,700 per month. At the expiration of the lease, the Company will have an option to acquire these title plants for nominal consideration. See "Relationship with Fidelity National Financial, Inc." The Company has also entered into a capital lease with Title Records, Inc. for the use of a title plant in Los Angeles County, and has the right to acquire a copy of the public records, maps and other relevant historical documents at that plant. The Company accesses title plants in the other counties in which it operates through joint plant user agreements with Smart Title Solutions and Security Union Title Insurance Company, a subsidiary of FNFI. See "Relationship with Fidelity National Financial, Inc."

Maintenance activities related to title plants constitute a significant item of expense, since each document must be reviewed and indexed. These costs plus the costs of subscribing to various title information services and other plant expenses range from approximately $2,000 to $25,000 per month, per county.

ESCROW SERVICES

The escrow services provided by the Company include all of those typically required in connection with residential and commercial real estate purchase and finance activities. Fees from escrow services represented approximately 26.6%, 28.2% and 26.5% of the Company's revenues in 2000, 1999 and 1998, respectively. The fluctuation in revenues in 2000 and 1999 compared to 1998 is primarily attributable to the opening of 10 new escrow offices by the Company in California during 1999 and 1998, and the operational challenges the industry faced due to interest rate volatility and the decline in the refinance activity during the current year.

Escrow operations are regulated by state insurance authorities; the Company has the flexibility to establish different fee schedules in different counties. The Company believes that the acquisition of National will enable the Company to expand its escrow operations into counties in which it does not presently hold the necessary licenses. The Company intends to evaluate these expansion opportunities on a county by county basis.

OTHER REAL ESTATE RELATED SERVICES

In addition to issuing title insurance policies and providing escrow services, the Company provides other real estate related services, including those described below. Such services accounted for approximately 19.4% in 2000, 13.2% in 1999 and 16.1% in 1998, respectively.

Document Preparation Services. The Company's subsidiary, American Document Services, Inc. offers a variety of services relating to the documentation of real estate transactions. Such services include (i) the preparation of reconveyance and assignment documents, (ii) file research and document retrieval services, and (iii) recording services, including retrieval of recorded documents. The Company is capable of providing these services in every county and township in the United States. The Company's ability to provide these services is facilitated by independent abstract companies, title companies and law firms.

Appraisal Services. The Company's subsidiary, West Point Appraisal Services, Inc., is an appraisal management company offering a variety of residential appraisal services to meet the varying needs of its customers. The appraisal services are also provided through independent approved fee appraisers.

Inspection Services. The Company's subsidiary, West Point Properties, Inc, is an inspection company providing inspection services to its customers. These services are provided through independently contracted inspectors.

Shortened Title Assurance Reports ("STAR" Product). The Company's STAR Product serves as a low-cost, limited form of title protection for the benefit of lenders in subordinate loan transactions where the primary lending criteria is the borrower's creditworthiness rather than the security interest in the real property.

National Title Services. The Company's central order processing unit ("NTS") provides customers with a centralized location through which they can order title and escrow services. The services offered through the NTS Unit can be provided on a nationwide basis.

Trustee Sale Guarantee. The Company's National Default Services ("NDS") division provides a central location for all trustee sale guarantee requests throughout California. The Company's services include providing ten-day letter information, customized accounting and reporting documents, fast track messenger services and electronic file transfers. NDS services provide assurances to trustees concerning certain information in connection with nonjudicial foreclosures of property secured by a deed of trust. Because the number of foreclosures tends to increase as the real estate market and the economy decline, the Company's NDS division tends to be countercyclical to its title insurance business.

Property Management Services. ATC's subsidiary, Landmark REO Management Services, Inc., provides property management and disposition services for foreclosure properties throughout the United States. These services include the initial property inspection, eviction coordination, property maintenance, the retention of a local broker, and the supervision of escrow for the sale of the property. The Company's property management services are provided in connection with foreclosures and therefore tend to be countercyclical to its title insurance business.

Document Signing Services. ANFI's subsidiary, Bancserv, Inc. provides outsource services to the real estate and banking industry through a national network of qualified notaries public.

Exchange Services. ANFI's subsidiary, American National Exchange Services, Inc. provides full service, Section 1031 under the Internal Revenue Code exchange intermediary services, which can facilitate safe, effective and creative solutions for a range of exchange transactions involving single units to large commercial and/or industrial properties.

TITLE LOSSES AND RESERVES

As an agent, ATC is not subject to the loss and reserve requirements applicable to insurers, and pursuant to its agreements with FNTIC and CTIC, ATC's liability is limited to the first $5,000 of loss under any policy issued by it on behalf of FNTIC and CTIC, except in the case of negligence, or willful or reckless conduct. To date, the amounts paid by the Company to FNTIC and CTIC in reimbursement of FNTIC's and CTIC's claims losses under these arrangements have not been material.

UNDERWRITING, LOSSES AND RESERVES

The Company believes that the level of risk undertaken pursuant to its underwriting standards is consistent with that of the industry. The maximum amount of liability under a title insurance policy is usually the face amount of the policy plus the cost of defending the insured's title against an adverse claim. The reserve for claim losses includes known claims as well as losses National expects to incur, net of recoupments. Each known claim is reserved for on the basis of a review as to the estimated amount of the claim and the costs required to settle the claim. Reserves for claims which are incurred but not reported are provided for at the time premium revenue is recognized based on historical loss experience and other factors, including industry averages, claim loss history, legal environment, geographic considerations and types of policies written. The occurrence of a significant major claim (those greater than $500,000) in any given period could have a material adverse effect on National's financial condition and results of operations for such period.

If a loss is related to a policy issued by an independent agent, National may proceed against the independent agent pursuant to the terms of the agency agreement. In any event, National may proceed against third parties who are responsible for any loss sustained under the title insurance policy under rights of subrogation.

The Company believes that its quality controls and underwriting standards will help minimize its net title claims paid. The Company will further reduce its losses by following aggressive recoupment procedures under rights of subrogation or warranties and by carefully reviewing all claims.

Courts and juries sometimes award damages against insurance companies, including title insurance companies, in excess of policy limits. Such awards are typically based on allegations of fraud, misrepresentation, deceptive trade practices or other wrongful acts commonly referred to as "bad faith." Although National

has not experienced damage awards materially in excess of policy limits, the possibility of such bad faith damage awards may cause increased costs and difficulty in settling title claims.

National generally pays losses in cash. In some instances claims are settled by purchasing the interest of the insured in the real property or the interest of the adverse claimant. Such interests are generally recorded as an asset on National's books at the lower of cost or fair value less selling costs and any related indebtedness is carried as a liability.

National also accrues reserves related for losses arising from the escrow, closing and disbursement functions due to fraud or operational error based on historical experience.

REINSURANCE

In the ordinary course of business, National reinsures certain risks with other title insurers for the purpose of limiting its maximum loss exposure and also assumes reinsurance for certain risks of other title insurers for the purpose of earning additional income. National cedes or assumes a portion of certain policy liabilities under agent fidelity, excess of loss and case-by-case reinsurance agreements. Reinsurance agreements provide that the reinsurer is liable for loss and loss adjustment expense payments exceeding the amount retained by the ceding company. However, the ceding company remains primarily liable in the event the reinsurer does not meet its contractual obligations. National did not assume or cede any significant policy liabilities during 2000 and 1999, respectively

COMPETITION

The title insurance industry is highly competitive in the attraction and retention of customers and independent agents. The number of competing companies and the size of such companies varies in the different geographic areas in which the Company conducts its business. Generally, the Company is in competition with many other title insurers and agents, with the most effective competition coming from companies which possess greater capital resources. Approximately 1,700 title companies, less than 75 of which are underwriters, are members of the American Land Title Association, the title insurance industry's national trade association.

The title insurance industry, however, is heavily concentrated; for example, it is estimated that the five largest title insurance underwriters, either directly or through their agents, accounted for approximately 81% of the policy premium revenue in the United States in 2000 and 90% in 1999. In the Company's principal markets, competitors currently include direct operations and agents of the title insurance subsidiaries of FNFI, Chicago Title Corporation (which was acquired by FNFI on March 20, 2000), First American Financial Corporation, LandAmerica Financial Group, Inc., Old Republic International Corporation and Stewart Information Services Corporation, as well as numerous independent agency operations at the local level. The Company may also face competition from entrants into the industry and the geographic markets it plans to service.

The industry for escrow and other real estate related services provided by the Company is also highly competitive and extremely fragmented. The Company's competition with respect to such services includes not only other title underwriters and title agents in the insurance industry, but also companies, both local and national, that specialize in providing a particular service.

Because the parties to a real estate transaction are usually concerned with time schedules and costs associated with delays in closing the transaction, competition is based primarily on the quality and timeliness of service. The Company believes that its competitive position is enhanced by its quality customer service. The Company believes that the price of title insurance is typically not an important competitive factor.

MARKETING

The Company attempts to increase the volume of its title insurance and real estate related services business primarily through customer solicitation by sales personnel. The primary source of this business is from independent escrow companies, real estate brokers and agents, developers, mortgage brokers, mortgage bankers, financial institutions and attorneys. The Company believes that the personal contacts maintained by

its sales personnel with these customers are critical to generating title insurance business. The Company therefore actively encourages its branch personnel to continually develop new business relationships with persons in the real estate business community. In addition to generating business through direct solicitation and general advertising, the Company believes that excellent service is an important competitive factor in attracting and retaining customers, and measures customer service in terms of quality and timeliness in the delivery of services.

REGULATION

Title insurance companies, including underwriters, underwritten title companies and independent agents, are subject to extensive regulation under applicable state laws. As an agent, the Company is subject to regulation in California and Arizona. In California, the Company is regulated by the Department of Insurance, and Arizona is regulated by the State Banking Department, State of Arizona. See Note 9 to Notes to the Consolidated Financial Statements. Such regulations include licensing requirements for the counties in which the Company operates, and regulations relating to minimum levels of net worth and working capital.

Current regulations require that ATC maintain a minimum net worth of $400,000. The net worth of ATC was $23.0 million as of December 31, 2000 and $20.4 million as of December 31, 1999. See Note 9 of Notes to Consolidated Financial Statements.

Insurance underwriters are usually subject to a holding company act in their state of domicile which regulates, among other matters, the ability to pay dividends and investment policies. The laws of most states in which National transacts business establish supervisory agencies with broad administrative powers relating to issuing and revoking licenses to transact business, regulating trade practices, licensing agents, approving policy forms, accounting principles, financial practices, establishing reserve and capital and surplus requirements, defining suitable investments for reserves, capital and surplus and approving rate schedules. In 1998, the National Association of Insurance Commissioners approved codified accounting practices that changed the definition of what constitutes prescribed statutory accounting practices and will result in changes to the accounting policies that insurance enterprises use to prepare their statutory financial statements commencing in 2001. The change in statutory accounting practice did not significantly effect the Company.

Pursuant to statutory accounting requirements of the various states in which National is licensed, it must defer a portion of premiums earned as an unearned premium reserve for the protection of policyholders and must maintain qualified assets in an amount equal to the statutory requirements. The level of unearned premium reserve required to be maintained at any time is determined on a quarterly basis by statutory formula based upon either the age, number of policies and dollar amount of policy liabilities underwritten or the age and dollar amount of statutory premiums written. The statutory unearned premium reserve required and reported for National was $3.2 million and $3.7 million as of December 31, 2000 and 1999, respectively.

National is regulated by the Insurance Commissioner of the State of New York. Regulatory examinations usually occur at three year intervals and examination was in progress for National (1998). In December 2000, the New York Department of Insurance issued its draft report of the December 31, 1998 examination. In February 2001, the Company accepted the report as issued by the State of New York Insurance Department for the 1998 examination. National was then notified that the report was adopted and filed by the Department.

The Auditor Division of the Controller of the State of California is currently conducting an examination of the funds due the State of California under various escheatment regulations for the years ended December 31, 1998 and prior. The Company has not yet received a preliminary report as the audit is ongoing. The Company does not believe that either the examinations performed by the insurance regulators or the Controller of the State of California will have a material impact on its financial position, its results of operations or its statutory capital and surplus.

Statutorily calculated net worth determines the maximum insurable amount under any single title insurance policy. As of January 1, 2001, National's self-imposed single policy maximum insurable amount, which complies with statutory limitations, was $6.0 million.

National is subject to regulations that restrict its ability to pay dividends or make other distributions of cash or property to its parent company without prior approval from the Department of Insurance of the State of New York. The maximum amount of dividends which can be paid by National to shareholders without prior approval of the Insurance Commissioner is subject to restrictions. No dividends, including all dividends paid in the preceding twelve months, which exceed 10% of the outstanding capital shares can be paid without prior approval unless after deducting dividends National has surplus to policyholders at least equal to the greater of 50% of its reinsurance reserves or 50% of the minimum capital required. Additionally, dividends are further limited to National's earned surplus. Based on this formula, National could not pay dividends or make distributions as of January 1, 2001.

Pursuant to statutory requirements of the State of New York, National must maintain certain levels of minimum capital and surplus. The statutory capital and surplus of National subsidiary was $3.3 million and $2.5 million as of December 31, 2000 and 1999, respectively. The statutory earnings of National were $684,000 and $426,000, for the years ended December 31, 2000 and 1999, respectively. National is compliant with the minimum statutory requirements as of December 31, 2000.

RATINGS

National is regularly assigned ratings by independent agencies designed to indicate their financial condition and/or claims paying ability. Financial data and other information are supplied to the rating agencies and subjected to quantitative and qualitative analyses from which the ratings are derived. National's rating, as assigned during 2000 and 1999, is listed below:

	DEMOTECH, INC. (FINANCIAL STABILITY RATING)
National Title Insurance of New York, Inc.....	A

INVESTMENT POLICIES AND INVESTMENT PORTFOLIO

The Company's and National's investment policy is designed to maintain a high quality portfolio, maximize income, minimize interest rate risk and match the duration of the portfolio to the Company's liabilities. It is the practice of the Company to purchase investment grade fixed maturity securities. The Company's portfolio is subject to economic conditions and normal market risks and uncertainties.

All of National's investment assets qualify as "admitted assets" and for purposes of capital and surplus and unearned premium reserves as prescribed by various state insurance regulations. These investments are restricted by the state insurance regulations of its domiciliary state and are limited primarily to cash and cash equivalents, federal and municipal governmental securities and other corporate investments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital

Resources."

The carrying amount of all of the Company's investments, which approximates the fair value of total investments, was $10.5 and $14.0 million at December 31, 2000 and 1999, respectively.

The following table sets forth certain information regarding the investment ratings of the Company's fixed maturity portfolio at December 31, 2000 and 1999:

	DECEMBER 31						
	2000				1999		
RATINGS(1)	AMORTIZED COST	% OF TOTAL	FAIR VALUE	% OF TOTAL	AMORTIZED COST	% OF TOTAL	FAIR VALUE
	(AMOUNTS IN THOUSANDS)						
AAA......................	$ 1,777	16.5%	$ 1,780	16.9%	$ 4,002	27.9%	$ 3,98
AA.......................	628	5.8	627	6.0	1,830	12.8	1,78
A........................	5,196	48.1	5,230	49.7	6,895	48.1	6,75
Other....................	3,195	29.6	2,896	27.5	1,600	11.2	1,49
	$10,796	100.0%	$10,533	100.0%	$14,327	100.0%	$14,02

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(1) Ratings as assigned by Standard & Poor's Corporation

The following table sets forth certain information regarding the Company's fixed maturity securities at December 31, 2000 and 1999. Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Fixed maturity securities with an amortized cost of $9.0 million and $2.9 million, and a fair value of $8.5 million and $2.8 million were callable at December 31, 2000 and 1999:

	DECEMBER 31						
	2000				1999		
MATURITY	AMORTIZED COST	% OF TOTAL	FAIR VALUE	% OF TOTAL	AMORTIZED COST	% OF TOTAL	FAIR VALUE
	(AMOUNTS IN THOUSANDS)						
One year or less..........	$ --	--%	$ --	--%	$ 100	.7%	$ 10
After one year through five years..............	7,573	83.8	7,610	89.9	12,766	89.1	12,50
After five years through ten years...............	1,466	16.2	852	10.1	1,461	10.2	1,42
	$9,039	100.0%	$8,462	100.0%	$14,327	100.0%	$14,02

Equity securities at December 31, 2000 and 1999 consist of investments as follows:

	DECEMBER 31			
	2000		1999	
	COST	FAIR VALUE	COST	FAIR VALUE
	(AMOUNTS IN THOUSANDS)			
Industrial, miscellaneous and all other	$1,757	$2,071	$100	$100

The Company's investment results for the years ended December 31, 2000, 1999 and 1998 were as follows:

	DECEMBER 31		
	2000	1999	1998
	(AMOUNTS IN THOUSANDS)		
Net investment loss(1)(2)	$ (139)	$ --	$ --
Average invested assets(1)	10,533	14,022	--
Effective loss on average invested assets(1)	1.3%	--	--

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(1) Excludes investments in real estate.

(2) Net investment income as reported in the Condensed Consolidated Statements of Earnings has been adjusted in the presentation above to provide the tax equivalent yield on tax exempt investments and to exclude net realized capital gains on the sale of investments and other assets. Net realized capital loss totalled ($139,000), $0 and $0 in 2000, 1999 and 1998, respectively.

RELATIONSHIP WITH FIDELITY NATIONAL FINANCIAL, INC.

The Company has a relationship with FNFI, and a common director, resulting from FNFI's involvement in the organization and growth of the Company, FNFI's equity ownership position in the Company and existing business and contractual relationships between the two companies. The Company's principal subsidiary, ATC, was a wholly owned subsidiary of FNFI until July 1, 1997, when the Company acquired 60% of ATC's outstanding common stock for $6.0 million in cash. As a result of the Reorganization and following the Company's initial public offering, FNFI currently owns approximately 28.2% of the outstanding common stock of the Company. See "Reorganization", and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Recent Developments" and Note 12 of Notes to Consolidated Financial Statements.

Operationally, the Company and FNTIC continue to have a close working relationship. FNTIC and CTIC entered into an Issuing Agency Agreement with ATC whereas ATC agreed that until June 30, 2007 it will act as an agent for FNTIC and CTIC with respect to the procurement of title insurance policies in 15 counties in California and Arizona, subject to certain exceptions. This exclusive arrangement with FNTIC and CTIC does not apply to other counties into which the Company may expand in the future. Under the Issuing Agency Agreement, in addition to furnishing title insurance products and services, FNTIC provides a wide variety of administrative services for ATC, including accounting, legal and human resources services. ATC pays FNTIC a management fee of 1% of gross premiums for these services. This administrative services arrangement is terminable by ATC upon 90 days notice to FNTIC.

EMPLOYEES

As of December 31, 2000, the Company had 790 full time employees. The Company believes its success depends significantly on attracting and retaining talented and experienced personnel. The Company locates and recruits its personnel primarily through personal contacts in the industry. The Company's executive officers are actively involved in the recruitment process. The Company offers competitive packages of base and incentive compensation and benefits in order to attract and motivate its employees. The Company believes that its relations with employees are good.

RISK FACTORS

The Company's securities are speculative in nature and an investment in such securities involves a high degree of risk. Prospective investors should consider, along with the other information contained in this Annual Report, the following considerations and risks in evaluating an investment in the Company.

Cyclical Nature of Real Estate Market

The title insurance industry is dependent on the volume of real estate transactions that occur. Substantially all of the Company's title insurance, escrow and other real estate service business result from sales and refinancings of real estate, primarily residential properties, and from the construction and sale of new properties. Real estate activity is cyclical in nature and is highly sensitive to the cost and availability of long-term mortgage funds and general economic conditions. Real estate activity and, in turn, the Company's revenue base, can be adversely affected during periods of high interest rates and/or limited money supply. During 1998 and first half of 1999, low mortgage interest rates and a strong California real estate market contributed to increased residential transaction activity. However, mortgage rates began to climb during the last half of 1999 and 2000, virtually eliminating the volume of refinance activity experienced in the prior year and early 1999. It is impossible to predict the future direction interest rates and the real estate market may move or fluctuate. No assurance can be given that historical levels of premiums and fees received by the Company will be available to the Company in the future.

Geographic Concentration

The Company derived substantially all of its revenues from real estate transactions occurring in California. Due to the relatively high cost of real estate in California, the real estate market may be more

12

15

sensitive to fluctuations in interest rates and general economic conditions than other regions of the United States. Adverse economic conditions affecting the California real estate market could have a material adverse effect on the

Company's business, financial condition and results of operations.

Risks Associated with the Relationship with FNFI

The Company maintains a close relationship with FNFI and its subsidiaries and relies upon them for a number of services in connection with its operations. The Company has agreed that until June 30, 2007 it will act exclusively as an agent for FNTIC and CTIC with respect to the procurement of title insurance policies in 13 selected counties in California and three counties in Arizona, subject to certain exceptions. In exchange for a management fee, FNTIC provides a variety of administrative services for ATC, including accounting, legal and human resources services. The unexpected loss of FNTIC or CTIC underwriting or administrative services, for any reason, could result in an interruption in the Company's operations until such services are secured elsewhere, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Certain of FNFI's subsidiaries are competitors of the Company in several of the markets in which the Company operates. A director and certain officers of the Company are also directors or officers of FNFI. Accordingly, there is a possibility that the interests of the Company and FNFI might conflict. There can be no assurance that the directors or officers of the Company, in satisfying their fiduciary duties and the requirements of applicable statutory laws to ensure such conflicts are properly resolved, can or will act in the best interests of the Company.

Risks Associated with National

In June 1999, ATC acquired all of the outstanding capital stock of National. Due to the affiliated nature of the parties this should not be considered an arm's length transaction. National, a New York domiciled insurance underwriter, is currently licensed to issue title insurance policies in 34 states, the District of Columbia and the U.S. Virgin Islands. An element of the Company's business strategy is to utilize National not only as a means to generate underwriting premiums but to expand geographically into states where the Company does not currently operate. This is the primary purpose of the National acquisition. In addition, National does not currently underwrite a significant amount of title insurance policies through direct operations or agency relationships and the Company will be required to commit resources to establish direct operations and agency relationships in order to realize the benefits of this acquisition. Cash resources for the development of National is expected to be provided by current cash balances and internally generated funds. National's principal value lies in the licenses it holds to operate as an underwriter in 34 states, the District of Columbia and U.S. Virgin Islands, and the strategic options the Company pursues in utilizing the licenses. There can be no assurance that the Company will be able to develop any significant business or generate title insurance premiums through National, or that it will realize any of the benefits anticipated from the acquisition of National.

Competition

The title insurance business is very competitive, primarily in the areas of service and expertise. The size and financial strength of the title insurer who underwrites the policies are also important factors in decisions relating to the purchase of title insurance. Many of the Company's competitors have greater financial, personnel, marketing and other resources than the Company, and some are underwritten by larger title insurance companies. Also, the removal of regulatory barriers in the future might result in new competitors, including financial institutions, entering the title insurance business. Intense competition among the more established title insurance companies and any such new entrants could have a material adverse effect on the business, financial condition and results of operations of the Company.

Risks Related to Possible Acquisitions

An element of the Company's business strategy is to expand its operations through the acquisition of complementary businesses. The Company has no agreements, understandings or commitments and is not currently engaged in negotiations with respect to any additional acquisition. There can be no assurance that the Company will be able to identify, acquire, profitably manage or successfully integrate any businesses into the Company without incurring substantial expenses, delays or other operational or financial problems. Moreover, competition for acquisition candidates is intense, which could both increase the price of any acquisition targets and decrease the number of attractive companies available for acquisition. Furthermore, acquisitions involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, increased costs to improve managerial, operational, financial and administrative systems, legal liabilities, and amortization of acquired intangible assets, some or all of which could materially and adversely affect the Company's business, operating results and financial condition. The Company may have to issue additional equity securities or incur indebtedness in order to finance the acquisition of other businesses. In addition, there can be no assurance that acquired businesses, if any, will achieve anticipated revenues and earnings or performance at levels historically enjoyed by the Company. The failure of the Company to manage its acquisition strategy successfully could materially and adversely affect the Company's business, operating results and financial condition.

Management of Growth

The Company is currently experiencing significant growth and intends to pursue further growth as part of its business strategy. The Company's ability to effectively manage the growth of its operations will require it to continue to improve its operational, financial and other internal systems and to attract, develop, motivate and retain its employees. The Company's rapid growth has presented and will continue to present numerous operational challenges, such as the assimilation of financial reporting systems, and will increase the demands on the Company's senior management and the Company's systems and internal controls. In addition, the Company's success depends in large part upon its ability to attract, develop, motivate and retain talented employees with significant industry experience and contacts. Such employees are currently in great demand and there is significant competition for employees with the requisite skills and experience from other national and regional title companies. There can be no assurance that the Company will be able to attract and retain the qualified personnel necessary to pursue its growth strategy. There can be no assurance that the Company will be able to maintain or accelerate its current growth, effectively manage its expanding operations or achieve planned growth on a timely or profitable basis. To the extent the Company is unable to manage its growth effectively and efficiently, the Company's business, financial condition and results of operations could be materially and adversely affected.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

The Company wishes to caution readers that the forward-looking statements contained in this Form 10-K under "Item 1. Business," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations", "Item 7A. Quantitative and Qualitative Market Risk Disclosures" and elsewhere in this Form 10-K involve known and unknown risks and uncertainties which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by any forward-looking statements made by or on behalf of the Company. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is filing the following cautionary statements identifying important factors that in some cases have affected, and in the future could cause the Company's actual results to differ materially from those expressed in any such forward-looking statements.

The factors that could cause the Company's results to differ materially include, but are not limited to, general economic and business conditions, including interest rate fluctuations; the impact of competitive products and pricing; success of operating initiatives; adverse publicity; changes in business strategy or development plans; quality of management; availability, terms, and deployment of capital; the results of

financing efforts; business abilities and judgment of personnel; Year 2000 issues, availability of qualified personnel; employee benefit costs and changes in, or the failure to comply with government regulations.

ITEM 2. PROPERTIES

The Company's corporate offices are currently located in Orange, California. Most of the Company's offices are leased, with the exception of a branch office building in Phoenix, Arizona, which the Company owns, and the corporate office building purchased in April, 1999.

The corporate office building located at 1111 E. Katella Avenue, Orange, CA was acquired with the proceeds of a $2.1 million dollar original note that bears interest at the lending institutions prime rate, and monthly principal payments of $4,400 per month and is collateralized by a deed of trust. The outstanding balance at December 31, 2000 is $2.0 million dollars.

ITEM 3. LEGAL PROCEEDINGS

The Company in the ordinary course of business is subject to claims made under, and from time to time is named as defendants in legal proceedings relating to, policies of insurance it has issued or other services performed on behalf of insured policyholders and other customers. The Company also is involved from time to time in routine litigation incidental to the conduct of its business, apart from claims made under title insurance policies. There are currently no material pending litigation proceedings to which the Company is a party or to which any of its property is subject. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Industry Overview Recent Developments" and Note 11 of Notes to Consolidated Financial Statements.

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

The Company did not submit any matters to a vote of security holders in the fourth quarter 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

The Company completed its initial public offering on February 12, 1999. Prior to that time there was no market for the Company's common stock. The following table sets forth the range of high and low closing prices for the common stock on the NASDAQ stock exchange.

	HIGH	LOW	DIVIDENDS DECLARED
Year ended December 31, 2000:			
First quarter	$3.94	$3.00	$0.10
Second quarter	3.75	2.75	.10
Third quarter	3.13	2.68	.10
Fourth quarter	3.20	3.12	.10
Year ended December 31, 1999:			
First quarter	$7.25	$5.00	$0.10
Second quarter	6.06	4.50	.10
Third quarter	5.25	3.38	.10
Fourth quarter	4.06	3.12	.10

DIVIDEND POLICY AND RESTRICTION ON DIVIDEND PAYMENTS

Since the first quarter of 1999, the Company has paid cash dividends on a quarterly basis, which payments have been made at the discretion of the Company's Board of Directors. The continued payment of dividends will depend upon operating results, business requirements, regulatory considerations and other factors. As of March 27, 2001, the Company had less than 800 shareholders of record.

16

19

ITEM 6. SELECTED FINANCIAL DATA

The following information should be read in conjunction with the consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K.

	COMPANY				P
	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED DECEMBER 31, 1997	S
	(AMOUNTS IN THOUSANDS OTHER THAN ORDER AND FEE PE				
BALANCE SHEET DATA:					
Cash and short-term investments	$ 9,865	$ 4,875	$ 10,495	$ 7,224	
Investments	10,533	14,022	N/A	N/A	
Working capital	4,116	3,667	8,776	5,047	
Total assets	53,341	47,324	37,376	22,365	
Due to affiliate	2,294	1,642	1,893	1,411	
Shareholders' equity	31,977	32,031	19,898	1,123	
STATEMENT OF OPERATIONS DATA:					
Net title service					

revenue -- related party......	$ 43,641	$ 51,366	$ 52,092	$18,026
Escrow fees.....................	21,969	25,190	24,267	7,353
Other fees and income...........	16,011	11,814	14,697	5,428
Investment and interest income........................	1,047	930	369	104
Total revenue.................	$ 82,668	$ 89,300	$ 91,425	$30,911
Personnel costs.................	$ 51,189	$ 54,277	$ 49,435	$16,599
Other operating expenses........	22,742	19,226	17,477	8,084
Title plant rent and maintenance..................	5,322	6,264	7,156	2,664
Earnings before minority interest......................	3,415	9,533	17,357	1,790
Net earnings....................	$ 2,015	$ 5,625	$ 6,865	$ 709
PER SHARE DATA:				
Earnings per share:				
Basic.........................	$ .28	$ .82	$ 2.13	$ 0.24
Diluted.......................	.28	.81	1.96	0.23
Weighted average common shares outstanding:				
Basic.........................	7,073	6,869	3,223	2,972
Diluted.......................	7,073	6,902	3,500	3,107
OTHER OPERATING DATA:				
Gross title insurance premiums......................	$ 49,705	$ 58,370	$ 59,206	$20,641
Orders opened(1)................	111,000	119,034	146,932	46,800
Orders closed(1)................	73,200	88,899	98,319	32,600
Average fee per file(1).........	$ 1,109	$ 940	$ 825	$ 886

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(1) Average fee per file information consists of gross title insurance premiums, escrow fees and other title-related fees divided by the number of closed files (not including revenue generated by, or closed files relating to, the Company's STAR Product, which are excluded due to the abbreviated characteristics of the policy). In addition, non title-related revenues and investment income are excluded as there are no associated closed files. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

N/A -- Not applicable

QUARTERLY FINANCIAL DATA

Selected quarterly financial data is as follows:

	QUARTER ENDED			
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
2000				
Revenue.....................................	$17,689	$20,916	$21,562	$22,50
Earnings (loss) before income taxes..........	(563)	1,089	1,384	1,50
Net earnings (loss), basic and diluted				

basis....................................	(332)	643	817	88
Basic earnings (loss) per share.............	(.05)	.09	.11	.1
Diluted earnings (loss) per share...........	(.05)	.09	.11	.1
Dividends paid per share....................	.10	.10	.10	.1
1999				
Revenue....................................	$24,411	$25,367	$21,470	$18,05
Earnings (loss) before income taxes..........	4,822	4,563	1,260	(1,11
Net earnings (loss), basic and diluted				
basis....................................	2,796	2,646	743	(56
Basic earnings (loss) per share.............	.47	.37	.10	(.0
Diluted earnings (loss) per share...........	.46	.37	.10	(.0
Dividends paid per share....................	.10	.10	.10	.1
1998				
Revenue....................................	$18,243	$23,732	$23,748	$25,70
Earnings before income taxes................	3,009	5,654	3,988	4,70
Net earnings (loss), basic and diluted				
basis....................................	1,132	1,954	1,390	2,38
Basic earnings per share....................	.39	.68	.49	.5
Diluted earnings per share..................	.36	.62	.49	.5
Dividends paid per share....................	N/A	N/A	N/A	N/

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to provide information to facilitate the understanding and assessment of significant changes and trends related to the financial condition and results of operations of the Company. This discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto appearing elsewhere herein.

OVERVIEW

The Company's revenue is closely related to the level of real estate activity and the average price of real estate sales. Real estate sales are directly affected by the availability of funds to finance purchases. Other factors affecting real estate activity include demand, mortgage interest rates, family income levels and general economic conditions. While the level of sales activity was relatively depressed in certain geographical areas during the period 1991 through mid-1993, reductions in mortgage interest rates beginning in the latter part of 1991 triggered an increase in refinancing activity, which continued at then record levels through 1993 and into the first quarter of 1994. During 1994 and early 1995, steady interest rate increases caused by actions taken by the Federal Reserve Board resulted in a significant decline in refinancing transactions and a stagnation in residential resales and new home sales. Since late 1995, decreases in mortgage interest rates and the resulting improvement in the real estate market have had a favorable effect on the level of real estate activity, including refinancing transactions, new home sales and resales. The overall economic environment, stable mortgage interest rates and strength in the California and West Coast real estate market contributed to very positive conditions for the industry throughout all of 1996, 1997 and 1998 and the first six months of 1999. However, mortgage rates began to climb during the last half of 1999 and continued through 2000, virtually eliminating the volume of refinance activity experienced in the prior year and early 1999. It is impossible to predict the direction interest rates and the real estate market may move in the future.

The Company's revenues include net title service revenue (which also includes trustee sale guarantee fees), escrow fees, and other fees and revenues.

The Company's operations generate escrow fees from holding and disbursing funds and documents in connection with the closing of real estate transactions. Escrow fees generally fluctuate in a pattern consistent with the fluctuation in net title service revenue. Other fees and revenue primarily consist of real estate information fees, reconveyance fees, recording fees and appraisal fees, and include fees related to the Company's STAR product. Other fees and revenue trend closely with the level of title and escrow business.

Net title service revenue and escrow fee revenues are recognized as income at the time the underlying real estate transaction closes. Expenses directly related to the title and escrow process are recognized as they are incurred, throughout the duration of the transaction. As a result, the Company's recognition of revenue lags approximately 60-90 days behind the recognition of the corresponding expenses. Other fees and revenue are generally recognized as income at the time the underlying transaction closes; however, certain other fees and revenue are recognized as income over the period during which the service is provided. These factors may result in fluctuations in gross margins.

Net title service revenues consist of gross title insurance premiums less fees paid to underwriters. Fees to underwriters represent the portion of gross title insurance premiums paid by the Company's underwritten title companies to FNTIC and CTIC, pursuant to the terms of the Issuing Agency Agreement, and similar fees paid by the Company's other underwritten title company subsidiaries.

Beginning in January 1997, ATC entered into an Issuing Agency Agreement with FNTIC under which ATC pays FNTIC an underwriting fee equal to 11% of the gross title insurance premiums received. In addition, ATC pays FNTIC a fee equal to 1% of gross title insurance premiums for certain accounting, human resources and legal services provided by FNFI. Although the fee for these management services was not negotiated in an arm's length transaction, the Company believes that the amount of these fees is reasonable in light of the level of services received and the estimated costs of performing these services internally.

Beginning in October 2000, ATC entered into an Issuing Agency Agreement with CTIC under which ATC pays CTIC an underwriting fee equal to 11% of gross title premiums received.

While the number of orders that are closed affects the Company's revenue, the largest component of the Company's expenses are personnel costs. Since personnel costs are relatively fixed over the short-term, in a rapidly declining market, reductions in the number of orders can adversely affect margins. Gross margins are also affected by the relative numbers of orders that relate to refinancing transactions as compared to those relating to real estate sale transactions.

The average fee per file and corresponding gross margins are higher for real estate sale and resale transactions than refinance transactions for three principal reasons: (i) a larger percentage of sale and resale orders close as compared to refinance orders, (ii) typically two policies are issued in a resale transaction (one each to the buyer and lender) whereas only one is issued in a refinance transaction and (iii) the base rate charged on sale and resale transactions is typically higher than that charged on refinance transactions.

Because title insurance premiums are calculated with regard to the purchase price of the property or the amount of the related mortgage, average fees per file will also increase during periods in which real estate prices, and corresponding mortgage loans, are increasing.

RESULTS OF OPERATIONS

The following discussion presents a comparison of the Company for 2000, 1999 and 1998.

REVENUE

The following table presents information regarding the components of the Company's revenue:

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998
	(AMOUNTS IN THOUSANDS OTHER THAN ORDERS AND FEE PER FILE)		
Net title service revenue-related party.......	$43,641	$51,366	$52,092
Escrow fees..................................	21,969	25,190	24,267
Other services charges.......................	16,011	11,814	14,697
Investment income............................	1,047	930	369
Total revenue......................	$82,668	$89,300	$91,425
Orders closed................................	73,200	88,900	98,000
Average fee per file.........................	$ 1,109	$ 940	$ 825

Favorable interest rates in 1997, 1998 and through early 1999 triggered refinancing activity at then record levels. The overall economic environment, stable mortgage interest rates and strength in real estate market, especially California, the Company's primary market were positive factors. However, 30-year fixed mortgage rates began to climb during the last half of 1999 and continued into 2000, eliminating the volume of refinance activity experienced in the 1998.

The premium increases from 1998 through the first half of 1999 were indicative of the favorable market conditions existing during that period. In 1999 and continuing through the year 2000, refinancing transactions declined from the 1998 record levels. As the refinance transactions decreased our fee per file increased due to the shift from a refinance market to a market driven by new home purchases and resales.

Total revenues in 2000 decreased $6.6 million or 7.4% to $82.7 million from $89.3 million in 1999. Revenues in 1999 of $89.3 million reflect a 2.3% decrease in 1998 revenues of $91.4 million. Beginning in mid-1999 interest rate increase caused by actions taken by the Federal Reserve Board resulted in a significant decline in refinancing transactions and residential resales and new home sales.

Net Title Service Revenue. Net title service revenue decreased $7.8 million or 15.2% to $43.6 million from $51.4 million in 1999. In 1999, net title service revenue decreased by 1.4% to $51.4 million from $52.1 million in 1998. The decrease in 2000 net title service revenue is consistent with the current real estate environment and the decline in closed title orders during 2000. The average fee per file increased to $1,109 in

2000 compared to $940 in 1999 and $825 in 1998. The fee per file increase is indicative of a change in the percentage mix of title orders closing in a refinance market to the resale higher fee per file business. Gross title premiums were $50.0 million, $58.4 million and $59.2 million in 2000, 1999 and 1998, respectively.

Escrow Fees. Revenues from escrow fees decreased by $3.2 million or 12.7% to $22.0 million in 2000 from $25.2 million in 1999. In 1999, escrow fees increased $923,000 thousand or 3.8% to $25.2 million compared to $24.3 million in 1998. Escrow fees are primarily related to title insurance activity generated by the Company's direct operations. The decrease is primarily the result of the current market conditions and the decline in the refinance activity due to interest rate increases and the decline in closed orders.

Other Service Charges. Other services charges were $16.0 million for the year ended December 31, 2000 as compared to $11.8 million for the 1999 period, an increase on $4.2 million, or 35.6%. In 1999, other service charges decreased $2.9 million, or 19.6%, to $11.8 million from $14.7 million in 1998. The fluctuation in other service charges is a result of the level and mix of business related to the decrease of closed title orders. In 2000 the Company acquired certain ancillary service companies in various separate transactions. The Company's strategy is to strengthen the ancillary service businesses through acquisitions and continues to evaluate opportunities to expand its ancillary services through its core title and escrow business and its national presence. In 1999 the Company closed a branch operation related to the STAR product which, accounted for a significant portion of the decline in other service charges in that period.

Investment Income. Investment income is primarily a function of securities markets asset base interest rates. Prior to 1999, the Company invested in interest bearing accounts and certificates of deposit. During 1999, the Company strengthened its balance sheet with the acquisition of National and proceeds from the Initial Public Offering, shifting the emphasis to a fixed income portfolio. In 2000, investment income increased $117,000 or 12.6% to $1.0 million compared to $930,000 in 1999. During 1999, investment income increased 152.0% to $930,000 from $369,000 in 1998.

EXPENSES

The following table presents the components of the Company's expenses:

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998
	(AMOUNTS IN THOUSANDS)		
Personnel costs	$51,189	$54,277	$49,435
Other operating expenses	22,742	19,226	17,477
Title plant rent and maintenance	5,322	6,264	7,156
Total expenses	$79,253	$79,767	$74,068

The Company's principal costs include personnel costs, other operating expenses and title plant rent and maintenance. Personnel costs include both base salaries and commission expense paid to employees and are the most significant operating expense incurred by the Company.

Other operating expenses consist of facilities expenses, postage and courier services, computer services, professional services, advertising expense, general insurance, trade and note receivable allowances, depreciation and amortization expense and interest expense.

Title plant rent and maintenance costs consist of payments to access title plants and the costs of updating these plants. Title plant rent and maintenance costs include daily update expenses that are dependent on the volume of real estate transaction activity and a rental charge that is based on actual usage.

Personnel Costs. Personnel costs totaled $51.2 million, $54.3 million and $49.4 million for the years ended December 31, 2000,1999 and 1998. As a percentage of total revenue, personnel costs increased to 61.9% in 2000 from 60.8% in 1999, which had previously decreased from 54.1% in 1998. Personnel costs include base salaries, commissions and bonuses paid to employees and are the most significant operating expense incurred by the Company. These costs fluctuate with the level of orders opened and closed and the mix of revenue. The

fluctuation in the Company's personnel expenses is due to the expansion of its direct operation business, in addition to acquiring other operations and hiring additional personnel to expand its national market. The Company has taken significant measures to maintain appropriate personnel levels and costs relative to the volume and mix of business and revenues. The Company continues to monitor the prevailing market conditions and will attempt to respond as necessary.

Other Operating Expenses. Other operating expenses consist of facilities expenses, provision for claim losses, professional services, advertising, postage and courier services, data processing expense, general insurance, trade and notes receivable allowance and depreciation. Other operating expense increased as a percentage of total revenue to 27.5% in 2000 from 21.5% in 1999, which previously decreased from 19.1% in 1998. Other operating expenses totaled $22.7 million, $19.2 million and $17.5 million in 2000, 1999 and 1998, respectively. The primary components of the increase in 2000 was the impact of current year expansion and acquisitions, including travel, conventions and other general and administrative costs. These increases have offset much of the Companies cost control efforts in 2000. In response to market conditions, the Company implemented aggressive cost control programs in order to maintain operating expenses consistent with levels of revenue; however, certain fixed costs are incurred regardless of revenue levels, resulting in year over year percentage fluctuations. The Company continues to review and evaluate operating expenses relative to existing and projected market conditions.

Title Plant Rent and Maintenance Expense. Title plant rent and maintenance expense totaled $5.3 million, $6.3 million and $7.2 million for the years ending December 31, 2000, 1999 and 1998, respectively. Title plant rent and maintenance expense decreased as a percentage of total revenue to 6.4% in 2000 from 7.0% in 1999, which had previously increased to 7.8% in 1998. The year over year fluctuations in plant expense is primarily a result of various contract negotiations within several counties in California and Arizona combined with a reduction of the volume of business during 2000 compared to 1999. The agreements negotiated during 2000 and 1999 resulted in significant cost reductions for the Company.

Income Tax Expense. Income tax expense for 2000, 1999 and 1998 as a percentage of earnings before income taxes was 41.0%, 41.0% and 41.8%, respectively. The fluctuations in income tax expense as a percentage of earnings before income taxes are attributable to the effect of state income taxes on the Company's wholly-owned underwritten title company and the ancillary service companies; a change in the amount and the characteristics of net income, operating income versus investment income; and the tax treatment of certain items.

LIQUIDITY AND CAPITAL RESOURCES

The Company's current cash requirements include debt service, debt relating to capital leases, personnel and other operating expenses, taxes and dividends on its common stock. The Company believes that all anticipated cash requirements for current operations will be met from internally generated funds and through cash received from its subsidiaries. In the future, the Company's cash requirements will include those relating to the development and expansion of National's business. While the Company presently has in place much of the infrastructure (principally consisting of personnel) that will be used for this development, management believes that additional cash resources will be required. The development of direct sales operations for the expansion of National would require more cash resources than developing these operations using agency relationships. Cash requirements for the development of National are expected to be met from current cash balances and internally generated funds.

Two significant sources of the Company's funds are dividends and distributions from its subsidiaries. As a holding company, the Company receives cash from its subsidiaries in the form of dividends and as reimbursement for operating and other administrative expenses it incurs. These reimbursements are executed within the guidelines of various management agreements among the Company and its subsidiaries. The Company's underwritten title company and its ancillary companies collect premiums and fees and pay underwriting fees and operating expenses. These companies are restricted only to the extent of maintaining minimum levels of working capital and net worth, but are not restricted by state regulations or banking authorities in their ability to pay dividends and make distributions.

National is subject to regulations that restrict its ability to pay dividends or make other distributions of cash or property to its parent company without prior approval from the Department of Insurance of the State of New York. The maximum amount of dividends which can be paid by National to shareholders without prior approval of the Insurance Commissioner is subject to restrictions. No dividends, including all dividends paid in the preceding twelve months, which exceed 10% of the outstanding capital shares can be paid without prior approval unless after deducting dividends the Company has surplus to policyholders at least equal to the greater of 50% of its reinsurance reserves or 50% of the minimum capital required. Additionally, dividends are further limited to the Company's earned surplus.

In January 1999, the Company agreed to purchase 100% of the assets of Pacific Printers, a printing company providing affiliated and non-affiliated reproduction of forms and printing material. The purchase price of this acquisition was $125,000, paid in cash.

Net proceeds of approximately $8.4 million were received by the Company in connection with its initial public offering on February 12, 1999. The underwriters exercised an option for over allotment to purchase an additional 150,000 shares at $6 per share on March 31, 1999, which resulted in net proceeds in the amount of $804,000.

In February 1999, a director of the Company exercised options resulting in the Company receiving proceeds in the amount of $220,000.

On April 14, 1999 the Company purchased a home office building located in Orange, CA for $2.6 million. The Company borrowed $2.1 million, secured by a first trust deed. The terms of the note payable require monthly interest payments at prime and monthly principal payments of $4,000. The note matures on April 1, 2004. The costs associated with the relocation to the executive offices were minimal.

In May 1999, the Department of Insurance, State of New York approved the acquisition of National Title Insurance Company of New York, Inc. by the ATC. The $3.25 million transaction was paid in cash in June 1999.

In January 2000, the Company purchased 100% of the stock of Bancserv, Inc., a California corporation located in Yorba Linda, California. Bancserv, Inc. is a document company providing outsource services to the real estate and banking industry through a national network of qualified notaries public. The purchase price was $1.3 million, $400,000 paid in cash and a $900,000 promissory note that bears interest at a rate of 7.5%, and is due in full on January 2005. The note requires monthly payments of $15,500 beginning February 14, 2000.

In February 2000, the Company purchased 100% of the stock of Pioneer Land Title Corporation ("Pioneer"), a New York corporation. Pioneer provides title and escrow services in the state of New York. The purchase price was $1.8 million, $360,000 paid in cash and a $1.4 million promissory note that bears interest at 6.6% per annum from the purchase date through the fourth anniversary date.

In February 2000, the Company purchased 100% of the membership interests of Emerald Mortgagee Assistance Company ("EMAC"), a full service provider of release and assignment document preparation, document retrieval and special title assistance headquartered in Colorado with operations nationwide. The purchase price of $1.9 million was paid in cash of $1.7 million, subject to certain purchase price adjustments based on the combined equity of EMAC and American Research Services, its affiliate, and 58,495 shares of the common stock of the Company.

These transactions were accounted for under the purchase accounting method. The results of operations were included in earnings from the date of the acquisitions through December 31, 2000.

RECENT DEVELOPMENTS

The State Banking Department, State of Arizona ("State Banking Department") delivered their report of Examination of American Title Insurance of Arizona, Inc. (formerly known as Nations Title Insurance of Arizona, Inc.) as of and for the three-year period ending October 31, 1998, on March 4, 1999. The report as forwarded to the Company by State Banking Department indicated that the Company may not have been in

compliance with certain State Banking Department Regulations. The State Banking Department provided the Company with an opportunity to present additional information prior to making their final determination as to compliance. The Company subsequently provided additional information to the State Banking Department for review.

On September 15, 2000, the Company received notice from the State Banking Department stating the matters detailed in the Report of Examination were complete and required no further response.

In December 2000, the Company purchased 13,870 shares, in the amount of $40,000, at an average price of $2.89 per share, pursuant to the Stock Repurchase Program approved by the Board of Directors in September 1999, authorizing the repurchase of 500,000 shares of the Company's common stock.

SEASONALITY

Historically, the greatest volume of residential resale activity has usually occurred in the spring and summer months. However, events during the past five years, including numerous actions taken by the Federal Reserve Board, have caused unusual fluctuations in real estate activity, particularly in the seasonal pattern of residential resale and refinance activity. The Company cannot predict whether this pattern will continue to be affected by such factors.

INFLATION

To the extent real estate prices or mortgage interest rates increase due to inflationary factors, the Company's title service revenue generally increases because premiums are determined in part by the value of property or the amount of the mortgage loan. The Company's personnel costs and other operating expenses are also sensitive to inflation.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative instruments, contracts and hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value.

SFAS 133 was amended by Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB No. 133" ("SFAS 137"). SFAS 137 defers the effective date to all fiscal quarters of fiscal years beginning after June 15, 2000. SFAS 133, as amended by SFAS 137 and Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Hedging Activities -- an amendment of SFAS 133." ("SFAS 138"), is effective for the Company's first quarter in the fiscal year ending December 31, 2001, and did not have a material effect on the Company's financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT THE MARKET RISK OF FINANCIAL INSTRUMENTS

The Company's Consolidated Balance Sheets includes a substantial amount of assets and liabilities whose fair values are subject to market risks. The following sections address the significant market risks associated with the Company's financial activities as of years ended 2000 and 1999.

Interest Rate Risk

The Company's fixed maturity investments and borrowings are subject to interest rate risk. Increases and decreases in prevailing interest rates generally translate into decreases and increases in fair values of those instruments. Additionally, fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other general market conditions.

Equity Price Risk

The carrying values of investments subject to equity price risks are based on quoted market prices or management's estimates of fair value as of the balance sheet date. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Caution should be used in evaluating the Company's overall market risk from the information below, since actual results could differ materially because the information was developed using estimates and assumptions as described below, and because the Company's reserve for claim losses (representing 11.4% of total liabilities) is not included in the hypothetical effects.

The hypothetical effects of changes in market rates or prices on the fair values of financial instruments would have been as follows as of December 31, 2000:

a. An approximate $1.0 million net increase (decrease) in the fair value of fixed maturity securities would have occurred if interest rates had (decreased) increased by 100 basis points. The change in fair values was determined by estimating the present value of future cash flows using various models, primarily duration modeling.

b. It is not anticipated that there would be a significant change in the fair value of other long-term investments or short-term investments if there was a change in market conditions, based on the nature and duration of the financial instruments involved.

c. Interest expense on outstanding debt would have increased (decreased) approximately $19,000, if interest rates increased (decreased) 100 basis points.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL INFORMATION

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

	PAGE NO.
Independent Auditors' Report	27
Consolidated Balance Sheets as of December 31, 2000 and 1999	28
Consolidated Statements of Earnings for the years ended December 31, 2000, 1999 and 1998	29
Consolidated Statements of Comprehensive Earnings for the years ended December 31, 2000, 1999 and 1998	30
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2000, 1999 and 1998	31
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998	32

Notes to Consolidated Financial Statements................. 33

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
American National Financial, Inc.:

We have audited the accompanying Consolidated Balance Sheets of American National Financial, Inc. and subsidiaries as of December 31, 2000 and 1999 and the related Consolidated Statements of Earnings, Comprehensive Earnings, Shareholders' Equity and Cash Flows for each of the years in the three-year period ended December 31, 2000. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Consolidated Financial Statements referred to above present fairly, in all material respects, the consolidated financial position of American National Financial, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California
February 22, 2001

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

ASSETS

	DECEMBER 31	
	2000	1999
Current assets:		
Cash and cash equivalents..................................	$ 9,450	$ 3,361
Short-term investments, at cost, which approximates fair market value..	415	1,514

Accrued investment interest	145	245
Trade receivables, net of allowance for doubtful accounts of $2,118 in 2000 and $2,097 in 1999	3,925	4,526
Notes receivables, net	2,141	1,329
Deferred tax asset	3,182	2,082
Income tax receivable	--	1,128
Prepaid expenses and other current assets	819	995
Total current assets	20,077	15,180
Investment securities available for sale, at fair market value	10,533	14,022
Property and equipment, net	7,502	7,633
Title plants	2,699	2,377
Deposits with the Insurance Commissioner	133	113
Intangibles, net of accumulated amortization of $1,471 in 2000 and $959 in 1999	12,397	7,999
Total assets	$53,341	$47,324
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued expenses	$ 5,998	$ 5,506
Customer advances	3,087	1,779
Current portion of long-term debt	555	53
Current portion of obligations under capital leases with affiliates	113	67
Current portion of obligations under capital leases with non-affiliates	135	125
Reserve for claim losses	2,431	2,341
Income tax payable	1,348	--
Due to affiliate	2,294	1,642
Total current liabilities	15,961	11,513
Long-term debt	3,528	1,991
Obligations under capital leases with affiliates	823	602
Obligations under capital leases with non-affiliates	1,052	1,187
Total liabilities	21,364	15,293
Shareholders' equity:		
Preferred stock, no par value; authorized 5,000,000 shares; issued and outstanding, none	--	--
Common stock, no par value; authorized, 50,000,000 shares; issued and outstanding, 7,439,941 in 2000 and 7,180,495 in 1999	--	--
Additional paid in capital	22,744	21,884
Retained earnings	9,409	10,336
Accumulated other comprehensive loss	(136)	(189)
Less treasury stock, 13,870 shares in 2000 and 0 shares in 1999, at cost	(40)	--
Total shareholders' equity	31,977	32,031
Total liabilities and shareholders' equity	$53,341	$47,324

See accompanying notes to consolidated financial statements

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
Revenues:			
Net title service revenue -- related party	$43,641	$51,366	$52,092
Escrow fees	21,969	25,190	24,267
Other service charges	16,011	11,814	14,697
Investment income	1,047	930	369
Total revenues	82,668	89,300	91,425
Expenses:			
Personnel costs	51,189	54,277	49,435
Other operating expenses includes $3,801, $3,789 and $4,198 with affiliate for the twelve-month period ended December 31, 2000, 1999 and 1998, respectively	22,742	19,226	17,477
Title plant rent and maintenance	5,322	6,264	7,156
Total expenses	79,253	79,767	74,068
Earnings before income taxes and minority interest in net earnings of consolidated subsidiary	3,415	9,533	17,357
Income taxes	1,400	3,908	7,257
Earnings before minority interest in net earnings of consolidated subsidiary	2,015	5,625	10,100
Minority interest in net earnings of consolidated subsidiary	--	--	(3,235)
Net earnings	$ 2,015	$ 5,625	$ 6,865
Basic earnings per share	$ .28	$ .82	$ 2.13
Weighted average shares outstanding, basic basis	7,335	6,869	3,223
Diluted earnings per share	$ .28	$ .81	$ 1.96
Weighted average shares outstanding, diluted basis	7,335	6,902	3,500
Cash dividends per share	$ .40	$ .40	$ --

See accompanying notes to consolidated financial statements

29

32

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
Net earnings	$2,015	$5,625	$6,865
Other comprehensive gain (loss) -- unrealized gain (loss) on investment, securities available for sale(1)	53	(189)	--
Comprehensive earnings	$2,068	$5,436	$6,865

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(1) Net of income tax expense (benefit) of $31, ($116) and $0, for the years ended December 31, 2000, 1999 and 1998, respectively.

See accompanying notes to consolidated financial statements

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	COMMON STOCK		TREASURY STOCK		ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS
	SHARES	AMOUNT	SHARES	AMOUNT		
BALANCE, DECEMBER 31, 1997	2,910,416	$--	--	$ --	$ 414	$ 709
Forfeiture of common stock issued	(93,316)	--	--	--	--	--
Capital contribution	--	--	--	--	1,200	--
Issuance of shares	2,099,996	--	--	--	10,710	--
Net earnings	--	--	--	--	--	6,865
BALANCE, DECEMBER 31, 1998	4,917,096	$--	--	$ --	$12,324	$ 7,574
Unrealized loss on investment securities available for sale	--	--	--	--	--	--
Stock options exercised	332,904	--	--	--	220	--
Cash dividends ($0.40 per share)	--	--	--	--	--	(2,863)
Issuance of shares	1,930,495	--	--	--	9,340	--
Net earnings	--	--	--	--	--	5,625
BALANCE, DECEMBER 31, 1999	7,180,495	$--	--	$ --	$21,884	$10,336
Unrealized gain on investment securities available for sale	--	--	--	--	--	--
Cash dividends ($0.40 per share)	--	--	--	--	--	(2,942)
Issuance of shares	259,446	--	--	--	860	--
Purchase of treasury shares	--	--	(13,870)	(40)	--	--

Net earnings	--	--	--	--	--	2,015
BALANCE, DECEMBER 31, 2000	7,439,941	$--	(13,870)	$(40)	$22,744	$ 9,409

See accompanying notes to consolidated financial statements

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 2,015	$ 5,625	$ 6,865
Adjustments to reconcile net earnings to cash provided by (used in) operating activities:			
Depreciation and amortization	2,514	2,415	1,477
Loss on sale of investments	139	--	30
Minority interest in net earnings of consolidated subsidiary	--	--	3,235
Gain (loss) of sale of property and equipment	(190)	18	(14)
Changes in:			
Accounts receivables, net	939	4,053	(1,767)
Interest receivable	100	(245)	--
Prepaid expenses and other assets	316	503	(344)
Income taxes receivable (payable) and deferred income taxes	1,376	(3,876)	992
Accounts payable and other accrued expenses	(616)	(1,016)	956
Reserve for claim loss	90	(1,970)	--
Due to (from) affiliates	652	(251)	482
Customer advances	1,308	(411)	1,035
Total cash provided by operating activities	8,643	4,845	12,947
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(1,549)	(6,011)	(2,481)
Additions to notes receivable	(1,078)	(1,401)	
Collections on notes receivable	266	72	11
Proceeds from sale of investment securities	3,403	--	70
Purchase of investment securities	--	(9,690)	(250)
Proceeds from short term investments	1,079	--	--
Proceeds from sale of property and equipment	220	395	25
Advance to related party	--	--	(1,561)
Purchase of title plant	--	(75)	--
Acquisition of subsidiaries, net of cash received	(2,542)	(2,550)	(149)
Total cash used in investing activities	(201)	(19,260)	(4,335)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings	--	1,601	(4,830)
Repayment of long-term debt	(570)	--	
Proceeds from stock options exercised	--	220	--

Proceeds from issuance of common stock	660	9,340	--
Payments of capital lease obligations	(205)	(867)	(661)
Dividends paid	(2,198)	(2,863)	--
Repurchase of treasury stock	(40)	--	--
Total cash provided by (used in) financing activities	(2,006)	7,431	(5,491)
Increase (decrease) in cash and cash equivalents	6,089	(6,984)	3,121
Cash and cash equivalents at the beginning of year	3,361	10,345	7,224
Cash and cash equivalents at end of year	$ 9,450	$ 3,361	$10,345
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year:			
Interest	$ 475	$ 174	$ 589
Income taxes	1,741	7,441	5,212
Non-cash investing activities:			
Dividend declared and unpaid	744	--	--
Non-cash financing activities:			
Assumption of debt by shareholders	--	--	1,200
Title plant acquired under non-affiliated capital lease	--	--	1,437
PURCHASE OF SUBSIDIARIES:			
Assets acquired	$ 1,152	$ 5,524	$ 160
Cost in excess of net assets acquired	4,910	1,505	--
Liabilities assumed and debt issued	(3,520)	(4,479)	(11)
Net cash used to acquire business	$ 2,542	$ 2,550	$ 149

See accompanying notes to consolidated financial statements

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000, 1999 AND 1998

1. DESCRIPTION OF BUSINESS

American National Financial, Inc., formerly ATC Holdings, Inc., was incorporated in the State of California in November 1996 as a holding company for certain investments in title and real estate related service companies. In March 1997, 3,026,400 of shares were issued to founding shareholders. Prior to 1997, American National Financial, Inc. and subsidiaries (collectively, "the Company") had substantially no operations. In April 1997, the Company received $6.0 million in proceeds from the issuance of short-term notes payable, of which $870,000 was due to certain members of management and the remainder to a financial institution, in connection with an agreement with Fidelity National Financial, Inc. ("FNFI") to acquire a 60% interest in American Title Company ("ATC"). Upon consummation of the sale in July 1997, the Company paid FNFI $6.0 million for 60% of ATC. In August 1997, the Company refinanced all debt issued in April 1997. In November 1998, the Company acquired the remaining 40% interest in ATC in connection with the Reorganization.

The Company's principal operations are those of ATC. ATC is an underwritten title company ("UTC") in the state of California and is engaged in the business of providing title insurance and other related product services in connection with real estate transactions. The Company operates throughout California and

Maricopa, Pinal and Pima counties located in Arizona. ATC functions as an agent of Fidelity National Title Insurance Company ("FNTIC") and Chicago Title Insurance Company ("CTIC"), affiliates and wholly-owned subsidiaries of FNFI. Title insurance policies are underwritten by FNTIC and CTIC for an underwriting fee. The underwriting agreement generally provides that ATC is liable under any single policy for only the first $5,000 of losses. As a result of the July 1997 transaction with the Company, FNFI agreed to make no claim on ATC for claims arising from policies written prior to January 1, 1997.

In May 1999, the Department of Insurance, State of New York, approved the acquisition of National Title Insurance of New York, Inc., a New York domiciled underwriter, by American Title Company, a subsidiary of American National Financial Inc. from FNFI. National is licensed to issue title insurance policies in 34 states, the District of Columbia and the U.S. Virgin Islands. The $3.25 million dollar purchase price was paid in cash and the transaction was completed in June 1999.

National did not underwrite any significant title insurance policies through direct operations or agency relationships during 1999 and 2000. National will allow the Company to generate additional revenue by writing title insurance policies in those geographic areas which are not covered by ATC's agency arrangements with FNTIC and CTIC. See Note 12.

The Company's other subsidiaries include American Title Insurance of Arizona, Inc., (formerly known as Nations Title Insurance of Arizona, Inc.); Landmark REO Management Services, Inc.; American Document Services, Inc.; West Point Appraisal, Inc.; West Point Properties, Inc.; West Point Support Services, Inc., Pacific Printers, Pioneer Land Title Corporation, Bancserv, Inc., Emerald Mortgagee Assistance Company, National Title Insurance of New York, Inc. and American National Exchange Services, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany profits, transactions and balances have been eliminated.

Cash and Cash Equivalents

For purposes of reporting cash flows, highly liquid instruments purchased with original maturities of three months or less are considered cash equivalents. The carrying amounts reported in the Condensed Consolidated Balance Sheets for these instruments approximate their fair value.

Trade Receivables

The carrying amounts for trade receivables approximate their fair value. Trade receivables are reported net of allowance for doubtful accounts which represents management's estimates of those balances that are uncollectible as of the balance sheet date.

Property and Equipment

Property and equipment are recorded at cost, less depreciation and amortization. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets which range from three to 30 years. Leasehold improvements are amortized on a straight-line basis over the lesser of the term of the applicable lease or the estimated useful lives of such assets.

Title Plants

Title plants are historical title information organized and maintained for use in performing title searches. The December 31, 2000 and 1999 title plant balances are comprised of the Company's capital leases. See Note 11. Costs incurred to maintain, update and operate title plants are expensed as incurred. Sales of title plants are reported at the amount received net of the adjusted costs of the title plant sold. Sales of title plant copies are reported at the amount received. No cost is allocated to the sale of copies of a title plant unless the carrying value of the plant is diminished or impaired. Title plants are not amortized as they are considered to have an indefinite life if maintained.

Investments

Fixed maturity securities are purchased to support the investment strategies of the Company, which are developed based on many factors including rate of return, maturity, credit risk, tax considerations and regulatory requirements. Fixed maturity securities which may be sold prior to maturity to support the Company's investment strategies are carried at fair value and are classified as available for sale. Fair values for fixed maturity securities are principally a function of current interest rates and are based on quoted market prices.

Equity securities are considered to be available for sale and carried at fair value. Fair values are based on quoted market prices.

Short-term investments, which consist primarily of securities purchased under agreements to resell, commercial paper and money market instruments, which have an original maturity of one year or less, are carried at amortized cost, which approximates fair value.

Realized gains and losses on the sale of investments are determined on the basis of the cost of the specific investments sold and are credited or charged to income on a trade date basis. Unrealized gains or losses on fixed maturity and equity securities which are classified as available for sale, net of applicable deferred income taxes (benefits), are excluded from income and credited or charged directly to a separate component of stockholders' equity. If any unrealized losses on fixed maturity or equity securities are deemed other than temporary, such unrealized losses are recognized as realized losses.

Intangible Assets

Intangible assets include acquired licenses to operate within various counties and the cost in excess of net assets acquired in connection with the acquisitions. Intangibles are amortized on a straight-line basis over a composite life of 25 years. Impairment of intangible assets is monitored on a continual basis and is assessed based on an analysis of the cash flows generated by the underlying assets. No impairment of intangible assets has been recognized.

Capital Lease Obligations

Capital lease obligations for title plants are recorded at the present value of the minimum lease payments at the beginning of the lease terms. The monthly payments under the leases are allocated between a reduction of the obligation and interest expense so as to produce a constant periodic rate of interest on the remaining balance of the obligation.

Revenue Recognition

Net title insurance premiums, escrow fees and other related charges are recognized as revenue at the time of closing of the related real estate transaction. Other service charges are recognized when the service is provided. Premiums from title policies written other than those underwritten by National are presented net of the underwriting fee to affiliated underwriters on the accompanying Consolidated Statements of Earnings.

Title and Claim Losses

Expenses are recognized when incurred. A provision for claim losses on title policies is provided at the time of closing of the related real estate transaction to cover anticipated losses up to $5,000 per policy under the underwriting fee with FNTIC and CTIC. The Company's reserve for claim losses in the amount of $683,000 and $821,000 on these policies is included in accounts payable and other accrued expenses as of December 31, 2000 and 1999.

Reserve for Claim Losses

The Company's reserve for claim losses includes known claims as well as losses the Company expects to incur, net of recoupments. Each known claim is reserved for on the basis of a review by the Company as to the estimated amount of the claim and the costs required to settle the claim. Reserves for claims which are incurred but not reported are provided for at the time premium revenue is recognized based on historical loss experience and other factors, including industry averages, claim loss history, current legal environment, geographic considerations and type of policy written. The occurrence of a significant major claim in any given period could have a material adverse effect on the Company's financial condition and results of operations for such period. See Note 8.

Reinsurance

In the ordinary course of business, the Company reinsures certain risks with other insurers for the purpose of limiting its maximum loss exposure and also assumes reinsurance for certain risks of other insurers for the purpose of earning additional revenue. The Company cedes or assumes a portion of certain policy liabilities under agent fidelity, excess of loss and case-by-case reinsurance agreements. Reinsurance agreements provide that in the event of a loss (including costs, attorneys' fees and expenses) exceeding the retained amounts, the reinsurer is liable for the excess amount assumed. However, the ceding company remains primarily liable in

the event the reinsurer does not meet its contractual obligations. Reinsurance activity is not considered significant.

Income Taxes

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities and expected benefits of utilizing net operating loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The impact on deferred taxes of changes in tax rates and laws, if any, are applied to the years during which temporary differences are expected to be settled and recorded in the period enacted.

Segment Reporting

The Company provides a broad range of real estate services. While the Company's chief decision makers monitor the revenue streams by different real estate services, operations are managed and financial performance is evaluated on a Company wide basis. Accordingly, all of the Company operations are considered by management to be aggregated in one reportable operating segment.

Earnings per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Dilutive earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding plus the assumed conversions of dilutive potential securities. The Company has granted certain options which have been treated as common share equivalents for purposes of calculating diluted earnings per share.

	DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net earnings	$2,015	$5,625	$6,865
Weighted average basic shares	7,335	6,869	3,223
Basic earnings per share	$ .28	$ .82	$ 2.13
Weighted average basic shares	7,335	6,869	3,223
Effect of dilutive options	--	33	277
Weighted average dilutive shares	7,335	6,902	3,500
Diluted earnings per share	$ .28	$ .81	$ 1.96

Management Estimates

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

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000, 1999 AND 1998

Certain Reclassifications

Certain reclassifications have been made in the 1999 and 1998 Consolidated Financial Statements to conform to the classifications used in 2000.

3. ACQUISITIONS

In May 1999, the Department of Insurance, State of New York, approved the acquisition of National Title Insurance of New York, Inc., a New York domiciled underwriter by ATC a subsidiary of American National Financial Inc., from Fidelity National Financial, Inc. National Title Insurance Company of New York, Inc. is licensed to issue title insurance policies in 34 states, the District of Columbia and the U.S. Virgin Islands. The $3.25 million dollar purchase price was paid in cash and the transaction was completed in June 1999.

The assets acquired, including cost in excess of net assets acquired, and liabilities assumed in the National acquisition were as follows (amounts in thousands):

Tangible assets acquired at fair value excluding cash received	$ 6,224
Cost in excess of net assets acquired	1,505
Liabilities assumed at fair value	(4,479)
Total purchase price	$ 3,250

The results of operations for National are insignificant for 2000 and 1999.

In January 2000, the Company completed the acquisition of Bancserv, Inc. a California corporation located in the county of Orange, California. Bancserv, Inc. a document company, provides outsource services to the real estate and banking industry through a network of qualified notaries public. The purchase price paid by the company for the acquisition was $1.3 million, payable $400,000 in cash and a $900,000 promissory note subject to certain purchase price adjustments based on the audited closing date balance sheet. The effects of the audit resulted in a purchase price adjustment of $118,000. This transaction was accounted for as a purchase. The balance of the promissory note at December 31, 2000 was $652,000.

The assets acquired, including cost in excess of net assets acquired, and liabilities assumed in the Bancserv acquisition were as follows (amounts in thousands):

Tangible assets acquired at fair value excluding cash received	$ 172

Cost in excess of net assets acquired......................	1,100
Liabilities assumed at fair value..........................	(90)

Total purchase price............................	$1,182
	======

The results of operations for Bancserv are insignificant for 2000.

In February 2000, the purchased 100% of the stock of Pioneer, a New York corporation providing title and escrow services in the state of New York. The purchase price was $1.8 million, payable $360,000 in cash and a $1.4 million promissory note with interest at 6.6% per annum, to be paid in equal annually installments over a five-year period. The balance of the promissory note at December 31, 2000 was $1.4 million. This transaction has been accounted for as a purchase.

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000, 1999 AND 1998

The assets acquired, including cost in excess of net assets acquired, and liabilities assumed in the Pioneer acquisition were as follows (amounts in thousands):

Tangible assets acquired at fair value excluding cash received..	$ 165
Cost in excess of net assets acquired......................	1,725
Liabilities assumed at fair value..........................	(90)

Total purchase price............................	$1,800
	======

The results of operations for Pioneer are insignificant for 2000.

In February 2000, the Company purchased 100% of the membership interests of EMAC, a full service provider of release and assignment document preparation, document retrieval and special title assistance located in Colorado. The purchase price was $1.9 million, $1.7 million was paid in cash, subject to certain purchase price adjustments based on the combined equity of EMAC and American Research Services, its affiliate, and 58,500 shares of the Company common stock. This transaction has been accounted for as a purchase.

The assets acquired, including cost in excess of net assets acquired, and liabilities assumed in the EMAC acquisition were as follows (amounts in thousands):

Tangible assets acquired at fair value excluding cash received..	$ 392
Cost in excess of net assets acquired......................	2,080
Liabilities assumed at fair value..........................	(570)

Total purchase price............................	$1,902
	======

The results of operations for EMAC are insignificant for 2000.

In September 2000, the Company purchased 100% of the assets of CTIC's Pima County, Arizona operations. The purchase price was $105,000 and paid in cash. This transaction has been accounted for as a purchase.

The assets acquired, including cost in excess of net assets acquired, and liabilities assumed, which represents the fair market value of a title plant located in Tucson, in the Pima acquisition were as follows (amounts in thousands):

Tangible assets acquired at fair value excluding cash received	$ 427
Cost in excess of net assets acquired	--
Liabilities assumed at fair value	(322)
Total purchase price	$ 105

The results of operations for Pima County are insignificant for 2000.

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000, 1999 AND 1998

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	DECEMBER 31, 2000	DECEMBER 31, 1999
	(AMOUNTS IN THOUSANDS)	
Furniture, fixtures and equipment	$ 6,720	$ 5,436
Leasehold improvements	1,722	1,153
Office building	3,275	3,275
	11,717	9,864
Accumulated depreciation and amortization	(4,215)	(2,231)
	$ 7,502	$ 7,633

5. INVESTMENT SECURITIES AVAILABLE FOR SALE

It is the practice of the Company to purchase investment grade fixed maturity securities. The securities in the Company's portfolio are subject to economic conditions and normal market risks and uncertainties.

The carrying amount, which approximates the fair value, of total investments was $10.5 million and $14.0 million at December 31, 2000 and 1999, respectively.

	DECEMBER 31, 2000			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALU
		(AMOUNTS IN THOUSANDS)		
Fixed maturity investments (available for sale):				
U.S. government and agencies..................	$ 1,478	$ 23	$ --	$ 1,5
States and political subdivisions.............	7,561	27	(626)	6,9
Corporate securities..........................	1,757	414	(100)	2,0
	$10,796	$464	$(726)	$10,5

	DECEMBER 31, 1999			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALU
		(AMOUNTS IN THOUSANDS)		
Fixed maturity investments (available for sale):				
U.S. government and agencies..................	$ 1,477	$ 7	$ (10)	$ 1,4
States and political subdivisions.............	2,552	6	(17)	2,5
Corporate securities..........................	10,298	--	(291)	10,0
	$14,327	$ 13	$(318)	$14,0

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000, 1999 AND 1998

The following tables sets forth certain information regarding the Company's investment securities at December 31, 2000. Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Investment securities with an amortized cost of $1.7 million and $2.9 million and a fair value of $1.2 million and $2.8 million were callable at December 31, 2000 and 1999, respectively:

	DECEMBER 31, 2000	
	AMORTIZED	FAIR

MATURITY	COST	VALUE
	(AMOUNTS IN THOUSANDS)	
One year or less	$ 1,756	$ 2,071
After one year through five years	7,574	7,610
After five years through ten years	1,466	852
	$10,796	$10,533

Interest and investment income, including realized gains (losses), consist of the following:

	DECEMBER 31,	
	2000	1999
	(AMOUNTS IN THOUSANDS)	
Cash and cash equivalents	$ 222	$291
Fixed maturity securities	645	427
Short term investments	72	193
Notes receivable	107	19
	$1,047	$930

During the years ended December 31, 2000 and 1999, gross realized losses on sales of fixed maturity securities considered available for sale were $134,000 and $0, respectively. Gross realized gains were zero for the years ended December 31, 2000 and 1999.

6. INCOME TAXES

Income taxes (benefit) for years ended December 31, 2000, 1999 and 1998 consists of the following (amounts in thousands):

	2000		
	CURRENT	DEFERRED	TOTAL
Federal	$2,022	$ (895)	$1,127
State and local	478	(205)	273
	$2,500	$(1,100)	$1,400

DECEMBER 31, 2000, 1999 AND 1998

	1999		
	CURRENT	DEFERRED	TOTAL
Federal	$4,024	$ (783)	$3,241
State and local	854	(187)	667
	$4,878	$ (970)	$3,908

	1998		
	CURRENT	DEFERRED	TOTAL
Federal	$7,528	$(1,334)	$6,194
State and local	1,292	(229)	1,063
	$8,820	$(1,563)	$7,257

The effective tax rate for the period reported differs from the Federal statutory income tax rate as follows:

	2000	1999	1998
Statutory Federal income tax rate	34.0%	34.0%	34.0%
Non-deductible expenses	6.9	1.9	2.4
Amortization of intangibles	4.8	1.1	0.4
State taxes, net of Federal benefit	5.7	4.3	5.3
Change in valuation allowance	(9.2)	--	--
Other	(1.2)	(.3)	(.3)
	41.0%	41.0%	41.8%

The deferred tax assets and liabilities at December 31, 2000 consist of the following:

	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
	(AMOUNTS IN THOUSANDS)	
Excess state income tax	$ 124	$ --
Provision for claim losses in excess of statutory amounts	263	--

Excess book over tax provision for bad debts.......	851	--
Employee benefit and vacation accruals............	558	--
Accrued liabilities..............................	1,098	--
Other..	171	--
Excess tax depreciation over book................	402	--
Net operating loss available for carryover.........	996	--
Investment securities............................	121	--
Statutory unearned premium reserve................	--	(873)
	4,584	(873)
Less: valuation allowance.........................	(529)	--
Total deferred taxes....................	$4,055	$(873)

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000, 1999 AND 1998

The deferred tax assets and liabilities at December 31, 1999 consist of the following:

	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
	(AMOUNTS IN THOUSANDS)	
Excess state income tax..........................	$ 259	$ --
Provision for claim losses in excess of statutory amounts..	217	--
Excess book over tax provision for bad debts.......	892	--
Employee benefit and vacation accruals............	212	--
Other..	172	--
Accrued liabilities..............................	803	--
Excess tax depreciation over book................	262	--
Net operating loss available for carryover.........	998	--
Investment securities............................	116	--
Statutory unearned premium reserve................	--	(1,004)
	3,931	(1,004)
Less: valuation allowance.........................	(845)	--
Total deferred taxes....................	$3,086	$(1,004)

Based upon the Company's current and historical pre-tax earnings, management believes it is more likely than not that the Company will realize the benefit of its existing net deferred tax assets. Management believes the existing net deductible temporary differences after considering the valuation allowance will reverse during periods in which the Company generates net taxable income. However, there can be no assurance that the Company will generate any earnings or any specific level of continuing earnings in future years. Certain tax planning or other strategies could be implemented, if necessary, to supplement income from operations to fully realize recorded tax benefits. The valuation allowance in 2000 and 1999 relates to National whose net operating losses are restricted as to their availability.

7. LONG TERM DEBT

In April 1999, the Company completed the purchase of a home office building located in Orange, California for $2.6 million. The Company financed $2.1 million, secured by a first trust deed. The Company is required to make monthly interest payments at prime (9.5%) and principal payments of $4,000. As of December 31, 2000 and 1999, the principal balance was $2.0 million and $2.0 million, respectively. The note matures on April 1, 2004.

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000, 1999 AND 1998

Long term debt consists of the following:

	DECEMBER 31, 2000	DECEMBER 31, 1999
	(AMOUNTS IN THOUSANDS)	
Bank promissory note secured by real estate, with monthly principal payments of $4,000 and interest due at prime, due April 2004	$1,991	$2,044
Promissory note secured by cash surrender value of life insurance policies, with principal and interest due annually at 6.56%, due February 2004	1,440	--
Promissory note, unsecured, with principal and interest due monthly at 7.5%, due January 2005	652	--
	4,083	2,044
Less current portion of long term debt	(555)	(53)
Ending balance	$3,528	$1,991

Principal maturities are as follows (amounts in thousands):

	DECEMBER 31, 2000 (AMOUNTS IN THOUSANDS)
2001	$ 555
2002	566
2003	578
2004	2,369
2005	15
	$4,083

8. SUMMARY OF RESERVE FOR CLAIM LOSSES

A summary of the reserve for claim losses follows:

	DECEMBER 31, 2000	DECEMBER 31, 1999
	(AMOUNTS IN THOUSANDS)	
Beginning balance	$2,341	$ --
Acquisition of National	--	4,311
Change in provision for claim loss	164	(1,979)
Claims paid, net of recoupments	(74)	9
Ending balance	$2,431	$ 2,341

Subsequent to the acquisition of National, the Company re-evaluated the reserve for claim losses for National. Based on that analysis of historical experience, the 1999 reserve was reduced by $2.0 million.

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2000, 1999 AND 1998

9. SHAREHOLDERS' EQUITY

Capital restrictions

Underwritten title companies are subject to certain regulations by insurance regulatory or banking authorities, primarily relating to minimum net worth and working capital. Minimum net worth of $400,000 and minimum working capital of $10,000 is required for ATC. The net worth of ATC was $23.0 million and $20.5 million at December 31, 2000 and 1999, respectively. The working capital of ATC was $7.0 million and $3.7 million on December 31, 2000 and 1999, respectively.

National is subject to regulations that restrict its ability to pay dividends or make other distributions of cash or property to its parent company without prior approval from the Department of Insurance of the State of New York. The maximum amount of dividends which can be paid by National to shareholders without prior approval of the Insurance Commissioner is subject to restrictions. No dividends, including all dividends paid in the preceding twelve months, which exceed 10% of the outstanding capital shares can be paid without prior approval unless after deducting dividends the Company has surplus to policyholders at least equal to the greater of 50% of its reinsurance reserves or 50% of the minimum capital required. Additionally, dividends are further limited to the Company's earned surplus. Based on this formula, the Company could not pay dividends or make distributions as of January 1, 2001.

The statutory capital and surplus of National was $3.3 million and $2.5 million as of December 31, 2000 and 1999. The statutory earnings of the National was $684,000 and $426,000 for the year ended December 31, 2000 and 1999.

Stock Issuance

In February 1999, the Company completed an Initial Public Offering of 1,750,000 shares at $6 per share, resulting in Fidelity National Financial, Inc. owning 31.5% of the outstanding shares and 37.0% owned by management. Net proceeds of approximately $8.4 million was received by the Company. In connection with the offering the underwriters exercised an option for over allotment to purchase an additional 150,000 shares at $6 per share on March 31, 1999.

In December 2000, the Company purchased 13,870 shares in the amount of $40,000, at an average price of $2.89 per share, pursuant to the Stock Repurchase Program approved by the Board of Directors in September 1999 authorizing the repurchase of 500,000 shares of the Company's common stock.

10. EMPLOYEE BENEFIT PLANS

Employee Stock Purchase Plan

In September 1999, shareholders approved the adoption of an Employee Stock Purchase Plan ("ESPP"). Under the terms of the ESPP the plan encourages a sense of proprietorship on the part of the employees of American National Financial, Inc. and its subsidiary corporations by assisting them in making regular purchases of shares of stock of the Company. Company employees may contribute an amount between 5% and 15% of their base salary and certain commissions. The Company contributes varying amounts as specified in the ESPP. During the years ended December 31, 2000 and 1999, 200,946 shares and 30,495 shares were issued and allocated to the employees based on their contributions, at an average price of $3.10 and $4.17 per share, respectively. The Company contributed $41,000 or the equivalent of 13,523 shares for the year ended December 31, 2000 and zero shares in 1999 and in accordance with the employee's matching contribution. A total of 231,452 shares have been issued by the ESPP since the adoption of the plan.

401(k) Plan

The Company offers the American National Financial, Inc. 401(k) Profit Sharing Plan, a qualified voluntary contributory savings plan, available to substantially all employees. Eligible employees may contribute up to 15% of their pretax annual compensation, up to the amount allowed pursuant to the Internal Revenue Code. The Company may elect to make matching contributions. The Company has not made any matching contributions.

Employee and Non-Employee Director Stock Purchase Loan Program

In September 1999, the Company's Board of Directors approved the adoption of the American National Financial, Inc. Employee Stock Purchase Loan Plan ("Employee Plan") and the Non-Employee Director Stock Purchase Loan Program ("Director Program"). The purpose of the Loan Plan and Loan Program is to provide key employees and directors with further incentive to maximize shareholder value. The Company authorized an aggregate of $2.0 million in loans. The Employee Plan and the Director Program funds must be used to make private or open market purchases of Company common stock through a broker-dealer designated by the Company. All loans are full recourse and unsecured, and will have a five-year term. Interest will accrue on the loans at a rate of six and one quarter percent (6 1/4%) per annum due at maturity. At December 31, 2000, interest was paid to the Company in the amount of $105,000. Loans may be prepaid any time without penalty. At December 31, 2000 and 1999, loans were made in the amount of $614,000 and $1.3 million totaling $1.9 million, to purchase 152,640 and 316,767 shares for a total of 469,407 shares of the Company's common stock at an average purchase price of $3.97 per share. The fair values of notes receivable are established using current market rates. The fair value calculated at December 31, 2000 and 1999 was $1.5 million and $1.1 million, respectively.

Stock Option Plan

In June 1999, shareholders approved the adoption of the Stock Option Plan ("1999 Option Plan"). Under the terms of the 1999 Option Plan, the Company may grant stock options to certain executives, key employees and branch managers of the Company and its subsidiaries. The purpose of the 1999 Plan is to attract, retain and reward key employees and to provide incentives to those persons to improve operations and increase profits. Individuals to whom options are granted may reduce the exercise price of such options by electing to defer a portion of their annual bonuses which would otherwise be payable in cash. The maximum number of shares for which options may be granted to any one person during any one calendar year under the 1999 Plan is two hundred thousand (200,000) shares. The number of shares reserved for issuance under the 1999 Plan and subsequent amendments is 1,775,000 shares of common stock. The per share option price is determined at the grant date. The option price may be less than the fair market value of the common stock at the date of grant to reflect the application of the optionee's deferred bonus, if applicable. Options granted under the 1999 Option Plan, shall be fully vested after three years and be exercisable in such installments and for such periods as may be fixed at the time of grant, however, in no event should any stock options extend for a period in excess of 10 years from the date of grant.

In August 1998, the shareholders approved the adoption of the 1998 Incentive Stock Plan (1998 Incentive Plan). Under the terms of the 1998 Incentive Plan, the Company may grant incentive or nonqualified stock options to certain key employees and non-employee directors or officers. The number of shares issuable under the 1998 Incentive Plan is 650,000 shares at not less than 100% and 85% of fair market value on the date of the grant for incentive options and nonqualified options, plus an additional 200,000 shares of common stock on the date of each annual meeting of shareholders. Officers and other key employees of the Company or of an affiliated company are eligible to receive incentive stock options. Officers and other key employees of the Company or of an affiliated company, members of the Board and other service providers are

eligible to receive nonqualified stock options. The term and provision for the termination of each option shall be fixed by the Board of Directors, but no option may be exercisable more than 10 years after the date it is granted. An incentive option granted to a person who is a 10% shareholder on the date of the grant shall not be exercisable more than 5 years after the date it is granted. Each option shall vest and become exercisable in one or more installments at such time or times and subject to such conditions, including within limitation the achievement of specified performance goals or objectives, as shall be determined by the Board of Directors. As of December 31, 1998 no options had been granted under the 1998 Incentive Plan. In connection with the February 1999 Initial Public Offering, 340,040 options were granted under the 1998 Incentive

Plan at an exercise price of $6.00 per share.

Concurrent with the acquisition of ATC, the Chairman of the Board of FNFI was granted fully vested options for 332,904 shares of the Company's common stock at an exercise price of $0.66 per share. The options expire in 10 years from the grant date. The Company recognized $414,000 in compensation expense to reflect the excess of fair market value over the exercise price of the options in 1997. Subsequent to the initial public offering these options were exercised.

A summary of the Company's stock option activity, and related information for the year ended December 31, 2000 and 1999:

	2000		1999	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGH AVERA EXERCISE
Stock options outstanding, beginning of year	335,276	$6.00	332,904	$0.6
Stock options granted	1,590,578	2.60	376,540	6.0
Stock options exercised	--	--	(332,904)	0.6
Stock options cancelled	(107,922)	4.61	(41,264)	6.0
Stock options outstanding, end of year	1,817,932	$3.08	335,276	$6.0
Exercisable at end of year	641,711	--	112,753	-
Weighted-average fair value of options granted during the year	--	$3.03	--	$1.3

The weighted average remaining contractual life of the options outstanding at December 31, 2000 is 9.27 years.

The following table sets forth options outstanding and exercisable by price range as of December 31, 2000:

	DECEMBER 31, 2000				
	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AS OF 12/21/00	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AS OF 12/31/00	WEIGHT AVERAG EXERCISE
$1.500 - 1.500	347,828	9.20	$1.50	347,828	$1.50
2.688 - 2.688	731,750	9.76	2.69	16,667	2.69
3.000 - 3.000	381,000	9.20	3.00	75,000	3.00
3.688 - 3.688	80,000	9.16	3.69	26,668	3.69
6.000 - 6.000	277,354	8.17	6.00	175,548	6.00
$1.500 - 6.000	1,817,932	9.27	$3.08	641,711	$3.03

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (Opinion 25) and related

Interpretations in accounting for its 1997 Incentive Plan. As

discussed below, in management's opinion, the alternative fair value accounting provided for under Statement of Accounting Standards No. 123, "Accounting for Stock Based Compensation (Statement 123) requires use of option valuation models that were not developed for use in valuing employee stock options. Under Opinion 25, because the exercise price of the Company's stock options exceeds the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

Pro forma information regarding net earnings per share is required by Statement 123, and has been determined as if the Company had accounted for its employee stock options under the minimum fair value method of that Statement. The minimum fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions. There were no options granted in 1998. The risk free interest rate used for options granted during 2000 and 1999 was 6.28% and 5.19%. The expected dividend yield used for 2000 and 1999 was 10%. The weighted average expected life of 7 years was used for 2000 and 1999. The volatility factor for 2000 and 1999 was 48% and 80%, respectively.

For purpose of pro forma disclosures, the estimated fair value of the options is amortized into expense over the options' vesting period. The Company's pro forma information for the years ended December 31, 2000, 1999 and 1998 follows (amounts in thousands, except per share data):

	2000	1999	1998
Pro forma basic and diluted net earnings................	$1,516	$5,509	$6,865
Pro forma basic and diluted earnings per share...........	$ 0.20	$ 0.80	$ 2.13
Pro forma basic diluted earnings per share...............	$ 0.20	$ 0.80	$ 1.96

11. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Company is subject to legal proceedings associated with claims made under policies of insurance they have issued or other services performed on behalf of insured policyholders and other customers. Management believes that no such actions depart from customary litigation incidental to the business of the Company and that resolution of all such litigation will not have a material adverse effect on the Company.

Trust Deposits

In conducting its operations, ANFI and ATC routinely holds customers' assets in trust, pending completion of real estate transactions. Such amounts are maintained in segregated bank accounts and have not been included in the accompanying consolidated balance sheets. The Company has a contingent liability relating to proper disposition of these balances for its customers, which amounted to $91.6 million and $67.5 million at December 31, 2000 and 1999, respectively.

Compliance Reporting

The State Banking Department, State of Arizona ("State Banking Department") delivered their report of Examination of American Title Insurance of Arizona, Inc. (formerly known as Nations Title Insurance of Arizona, Inc.) as of and for the three-year period ending October 31, 1998, on March 4, 1999. The report as forwarded to the Company by State Banking Department indicated that the Company may not have been in compliance with certain State Banking Department Regulations. The State Banking Department provided the Company with an opportunity to present additional information prior to making their final determination as to compliance. The Company subsequently provided additional information to the State Banking Department for review.

On September 15, 2000, the Company received notice from the State Banking Department stating the matters detailed in the Report of Examination were complete and required no further response.

Deposits with Insurance Commissioner

ATC is required to maintain certain amounts on deposit with the California Insurance Commissioner in order to operate in certain counties. The amount required by the Department of Insurance, State of California and the Department of Insurance, State of New York is $112,500 and $20,000 at December 31, 2000, and $112,500 and $0 at December 31, 1999. Additionally, National is required to maintain certain amounts on deposit for compliance requirements. The amount at December 31, 2000 and 1999 is $1.3 million and $515,000, respectively.

Operating Leases

ATC leases certain of its premises and equipment under operating leases that expire at various dates. Several of these agreements include escalation clauses and provide for purchases and renewal options for periods ranging from one to five years during 2000.

Future minimum operating lease payments are as follows:

	DECEMBER 31, 2000 (AMOUNTS IN THOUSANDS)
2001	$ 4,670
2002	3,660
2003	2,850
2004	1,450
2005	980
Thereafter	230
Total future minimum operating lease payments	$13,840

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Rent expense incurred under operating leases during the years ended December 31, 2000, 1999 and 1998 was $4.6 million, $4.4 million and $3.5 million respectively, including $216,000, $416,000 and $357,000 paid to an affiliate.

Capital Leases

In 1997, ATC entered into a capital lease arrangement with a subsidiary of FNFI, which expired in December 1999, for certain equipment. The capital lease pertaining to the certain equipment was paid in full in March 1999. Accumulated depreciation related to this equipment was $623,000 and $935,000 at December 31, 1999 and 1998, respectively.

In 1997, ATC entered into a capital lease agreement with FNTIC, which expires in June 2007, for three title plants. The gross amount of title plant recorded under affiliated capital lease is $815,000 at December 31, 2000 and 1999, respectively.

In a separate, non-affiliated transaction, ATC entered into a capital lease agreement during 1998 to purchase a copy of a title plant. The gross amount of the title plant, recorded under the capital lease is $1.4 million at December 31, 2000 and 1999. The capital lease agreement expires in August 2007.

Future minimum capital lease payments are as follows:

	TO-NON AFFILIATE	TO AFFILIATE	TOTAL
	(AMOUNTS IN THOUSANDS)		
2001	222	189	411
2002	222	170	392
2003	222	170	392
2004	222	170	392
2005	222	170	392
Thereafter	426	413	839
Total future minimum capital lease payments	1,536	1,282	2,818
Portion relating to interest	(349)	(346)	(695)
Present value of minimum capital lease payments	$1,187	$ 936	$2,123

Depreciation of the equipment held under capital leases is included in other operating expenses for the years ended December 31, 2000, 1999 and 1998.

12. RELATED PARTY TRANSACTIONS

The Company pays fees to affiliated underwriters for underwriting services and management services under the exclusive agency agreements with FNTIC and

CTIC. Underwriting services are provided for five years commencing July 1997, and subject to a mutually agreed five year extension to the original term expiring in 2007, for a fee of 11% of gross title insurance premiums. Management services payable to FNTIC are cancelable with 90 days notice and costs 1% of gross title insurance premiums.

ATC leases a title plant from a subsidiary of FNFI. See Note 11. Additionally, the Company reimburses subsidiaries of FNFI for expenses incurred on its behalf. Such reimbursements aggregated $3.8 million, $3.8 million and $4.2 million for years ended December 31, 2000, 1999 and 1998, respectively.

In June 1999, the Company acquired National from a subsidiary of FNFI for $3.3 million. Pursuant to the terms of the stock purchase agreement, effective with the purchase date, National pays FNF specific fees for certain administrative functions performs on behalf of the Company. The fees related to National at December 31, 2000 and 1999 was $108,000 and $64,000.

ITEM 9.CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. THROUGH 13.

Within 120 days after the close of its fiscal year, the Company intends to file with the Securities and Exchange Commission a definitive proxy statement pursuant to Regulation 14A of the Securities Exchange Act of 1934 as amended, which will include the election of directors, the report of compensation committee on annual compensation, certain relationships and related transactions and other business.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) FINANCIAL STATEMENTS. The following is a list of the Consolidated Financial Statements of American National Financial, Inc. and its subsidiaries included in Item 8 of Part II.

Independent Auditors' Report.

Consolidated Balance Sheets as of December 31, 2000 and 1999.

Consolidated Statements of Earnings for the years ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Comprehensive Earnings for the years ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998.

Notes to Consolidated Financial Statements.

(a)(2) FINANCIAL STATEMENT SCHEDULES. The following is a list of financial statement schedules filed as part of this annual report on Form 10-K.

Schedule V:Valuation and Qualifying Accounts.

Investments In and Advances to Affiliates and Income Thereon.

All other schedules are omitted because they are not applicable or not required, or because the required information is included in the Consolidated Financial Statements of notes thereto.

(a)(3) The following exhibits are filed herewith or are incorporated by reference.

EXHIBIT NUMBER	DESCRIPTION
2.1	Stock Purchase Agreement dated January 1, 1997 by and among the Registrant, Fidelity National Financial, Inc. and American Title Company, together with amendment, incorporated by reference from Form S-1, Registration No. 333-62353
2.2	Stock Purchase Agreement dated December 31, 1996 by and among American Title Company, Fidelity National Asset Recovery Services, Inc. and Fidelity National Financial, Inc., incorporated by reference from Form S-1, Registration No. 333-62353
2.3	Stock Purchase Agreement dated December 31, 1996 by and among American Title Company, Nations Title Insurance of Arizona, Inc. and Fidelity National Financial, Inc., incorporated by reference from Form S-1, Registration No. 333-62353

EXHIBIT NUMBER	DESCRIPTION
2.4	Stock Purchase Agreement dated March 16, 1998 by and among Fidelity National Title Insurance Company of New York, National Title Insurance of New York, Inc. and American Title Company, incorporated by reference from Form S-1, Registration No. 333-62353
2.5	Stock Purchase Agreement dated August 9, 1997 by and between Pacific Coast Title of Santa Barbara County and American Title Company, incorporated by reference from Form S-1, Registration No. 333-62353
2.6	Stock Exchange Agreement dated August 21, 1998 between the Registrant and Fidelity National Financial, Inc, incorporated by reference from Form S-1, Registration No. 333-62353
3.1	Amended and Restated Articles of Incorporation, incorporated by reference from Form S-1, Registration No. 333-62353
3.2	Bylaws of the Registrant, as amended, incorporated by

	reference from Form S-1, Registration No. 333-62353
4.1	Form of Common Stock Certificate, incorporated by reference from Form S-1, Registration No. 333-62353, incorporated by reference from Form S-1, Registration No. 333-62353
10.1	1998 Stock Incentive Plan, together with form of Nonqualified Stock Option Agreement and form of Incentive Stock Option Agreement, incorporated by reference from Form S-1, Registration No. 333-62353
10.2	Employment Agreement between the Registrant and Michael C. Lowther, incorporated by reference from Form S-1, Registration No. 333-62353
10.3	Employment Agreement between the Registrant and Wayne D. Diaz, incorporated by reference from Form S-1, Registration No. 333-62353
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10.12	Form of Indemnification Agreement, incorporated by reference from Form S-1, Registration No. 333-62353
10.13	Title Plant Lease Agreement dated July 1, 1997 between Fidelity National Title Insurance Company and American Title Company, incorporated by reference from Form S-1, Registration No. 333-62353
10.14	Letter of Grant dated July 1, 1997 granting William P. Foley, II options to purchase 55,000 shares of common stock of the Registrant, incorporated by reference from Form S-1, Registration No. 333-62353

EXHIBIT NUMBER	DESCRIPTION

10.15	Stock Purchase Agreement dated January 14, 2000 by and between Bancserv, Inc. and American National Financial, Inc., Incorporated by reference from Form 10-K filed on March 27, 2000
10.16	Stock Purchase Agreement dated February 29, 2000 by and among American National Financial, Inc. and Vincent L. Prandi and Daniel A. Ferrara, incorporated by reference from 10-Q filed on May 15, 2000
10.17	Membership Interest Purchase Agreement dated February 29, 2000 by and among American National Financial, Inc. and Angela Muirhead and Lawrence E. Castle, incorporated by reference from the 10-Q filed on May 15, 2000
10.18	Charter of the Audit Committee of the American National Financial, Inc. Board of Directors, incorporated by reference from the 10-Q filed on August 14, 2000
10.19	Asset Purchase Agreement dated July 25, 2000 by and among American National Financial, Inc. and Chicago Title Insurance Company, incorporated by reference from the 10-Q filed on November 13, 2000
21	List of Subsidiaries of Registrant, incorporated by reference from Form S-1, Registration No. 333-62353
23.1	Independent Auditors' Consent

(b) REPORTS ON FORM 8-K. The Company filed no reports on Form 8-K during the fourth quarter ending December 31, 2000.

52

55

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN NATIONAL FINANCIAL, INC.

By: /s/ MICHAEL C. LOWTHER

Michael C. Lowther
Chairman of the Board and
Chief Executive Officer

Date: March 27, 2001

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

SIGNATURE	TITLE	DATE
/s/ MICHAEL C. LOWTHER Michael C. Lowther	Chief Executive Officer and Director	March 27,
/s/ WAYNE D. DIAZ	President and Director	March 27,

Wayne D. Diaz		
/s/ CARL A. STRUNK Carl A. Strunk	Executive Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) and Director	March 27,
/s/ DENNIS R. DUFFY Dennis R. Duffy	Executive Vice President and Director	March 27,
/s/ BARBARA A. FERGUSON Barbara A. Ferguson	Executive Vice President and Director	March 27,
/s/ WILLIAM P. FOLEY, II William P. Foley, II	Director	March 27,
/s/ BRUCE ELIEFF Bruce Elieff	Director	March 27,
/s/ MATTHEW K. FONG Matthew K. Fong	Director	March 27,
/s/ BRUCE L. NELSON Bruce L. Nelson	Director	March 27,

53

56

INDEPENDENT AUDITORS' REPORT

The Board of Directors
American National Financial, Inc.:

Under date of February 22 2001, we reported on the Consolidated Balance Sheets of American National Financial, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related Consolidated Statements of Earnings, Comprehensive Earnings, Shareholders' Equity and Cash Flows for each of the years in the three-year period ended December 31, 2000, which are included in the Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule in the Annual Report on Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Los Angeles, California
February 28, 2001

SCHEDULE V

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(AMOUNTS IN THOUSANDS)

COL. A	COL. B	COL. C		COL. D
		ADDITIONS		
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	OTHER (DESCRIBE)	DEDUCTIONS (DESCRIBE)
YEAR ENDED DECEMBER 31, 2000:				
Reserve for claim losses........	$2,341	$ 164	$ (74)(5)	$ --
Reserve for title and escrow losses......................	821	10	5(5)	--
Allowance on:				
Trade receivables...........	2,097	642	35(3)	656(1)
Amortization of cost in excess of net assets acquired and other intangible assets......	959	512	--	--
YEAR ENDED DECEMBER 31, 1999:				
Reserve for claim losses........	$ --	$(1,979)	$4,320(4)	$ --
Reserve for title and escrow losses......................	991	10	5(5)	185(1)
Allowance on:				
Trade receivables...........	1,896	1,385	252(4)	1,436(1)
Amortization of cost in excess of net assets acquired and other intangible assets......	609	350	--	--
YEAR ENDED DECEMBER 31, 1998:				
Reserve for title losses........	$ 465	$ 526	$ --	$ --
Allowance on:				
Trade receivables...........	1,100	341	1,241(2)	786(1)
Amortization of cost in excess of net assets acquired and other intangible assets......	257	352	--	--

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(1) Represents uncollectible accounts written off, change in reserve due to reevaluation of specific items and change in reserve due to sale of certain assets.

(2) Represents balance sheet reclassification entries.

(3) Recovery on previous accounts written off.

(4) Reserves assumed from National acquisition in June 1999.

(5) Represents payments.

SCHEDULE V

(CONTINUED)

AMERICAN NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

INVESTMENTS IN AND ADVANCES TO AFFILIATES AND INCOME THEREON
YEAR ENDED DECEMBER 31, 2000
(AMOUNTS IN THOUSANDS)

COL. A	COL. B	COL. C	COL. D	COL. E	
				AMOUNT OF INTER	
DESCRIPTION	PRINCIPAL AMOUNT OF INVESTMENT	COST	CARRYING VALUE	CREDITED TO INCOME	OT
Year ended December 31, 2000:					
CKE Restaurants(1)........................	$1,500	$1,433	$825(2)	$137	$

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(1) Bond purchase.

(2) The basis for fixed maturity securities is the fair value.

EXHIBIT INDEX

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