

NAL FINANCIAL GROUP INC

Filed by
CONSECO INC

FORM SC 13D/A (Amended Statement of Beneficial Ownership)

Filed 08/27/97

Address	500 CYPRESS CREEK RD W STE 590 FORT LAUDERDALE, FL 33309
Telephone	9549388200
CIK	0000811644
SIC Code	6321 - Accident and Health Insurance
Industry	Insurance (Life)
Sector	Financial
Fiscal Year	12/31

NAL FINANCIAL GROUP INC

FORM SC 13D/A (Amended Statement of Beneficial Ownership)

Filed 8/27/1997

Address	500 CYPRESS CREEK RD W STE 590 FORT LAUDERDALE, Florida 33309
Telephone	954-938-8200
CIK	0000811644
Industry	Consumer Financial Services
Sector	Financial
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

AMENDMENT NO. 2

NAL Financial Group Inc.

(Name of Issuer)

Common Stock
(Title of Class of Securities)

62872M106
(CUSIP Number)

August 22, 1997
(Date of Event which requires filing of this Statement)

If the filing person has previously filed a Statement on Schedule 13G to report the acquisition which is the subject of this Statement and is filing this Statement because of Rule 13d-1(b)(3) or (4), check the following box:

CUSIP No.....62872M106

1. NAME OF REPORTING PERSON.....Conseco, Inc.
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON.....35-1468632

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a) (b)

3. SEC USE ONLY

4. SOURCE OF FUNDS.....AF

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT
TO ITEMS 2(d) or 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION.....United States Citizen

Number of 7. SOLE VOTING POWER.....515,000
Shares

Beneficially 8. SHARED VOTING POWER..... 74,041,937
Owned By

Each 9. SOLE DISPOSITIVE POWER.....515,000
Reporting

Person With 10. SHARED DISPOSITIVE POWER.....74,041,937

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
74,556,937

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES SHARES

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
85.3%

14. TYPE OF REPORTING PERSON.....HC, CO

CUSIP No.....62872M106

1. NAME OF REPORTING PERSON.....Conseco Private Capital Group, Inc.
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON.....35-1882445

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a) (b)

3. SEC USE ONLY

4. SOURCE OF FUNDS.....AF

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT
TO ITEMS 2(d) or 2(e) []

6. CITIZENSHIP OR PLACE OF ORGANIZATION.....United States Citizen

Number of 7. SOLE VOTING POWER.....257,000
Shares

Beneficially 8. SHARED VOTING POWER.....0
Owned By

Each 9. SOLE DISPOSITIVE POWER.....257,000
Reporting

Person With 10. SHARED DISPOSITIVE POWER.....0

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
257,000

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES SHARES
[]

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
2.0%

14. TYPE OF REPORTING PERSON.....CO

CUSIP No.....62872M106

1. NAME OF REPORTING PERSON.....Beneficial Standard Life Insurance Company
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON.....95-0540891

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a) (b)

3. SEC USE ONLY

4. SOURCE OF FUNDS.....PF

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT
TO ITEMS 2(d) or 2(e) []

6. CITIZENSHIP OR PLACE OF ORGANIZATION.....United States Citizen

Number of 7. SOLE VOTING POWER.....17,488,281
Shares

Beneficially 8. SHARED VOTING POWER.....0
Owned By

Each 9. SOLE DISPOSITIVE POWER.....17,488,281
Reporting

Person With 10. SHARED DISPOSITIVE POWER.....0

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
17,488,281

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES SHARES
[]

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
57.7%

14. TYPE OF REPORTING PERSON.....IC

CUSIP No.....62872M106

1. NAME OF REPORTING PERSON..... Great American Reserve Insurance Company
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON.....75-0300900

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a) (b)

3. SEC USE ONLY

4. SOURCE OF FUNDS.....PF

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT
TO ITEMS 2(d) or 2(e) []

6. CITIZENSHIP OR PLACE OF ORGANIZATION.....United States Citizen

Number of 7. SOLE VOTING POWER.....17,488,281
Shares

Beneficially 8. SHARED VOTING POWER.....0
Owned By

Each 9. SOLE DISPOSITIVE POWER.....17,488,281
Reporting

Person With 10. SHARED DISPOSITIVE POWER.....0

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
17,488,281

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES SHARES
[]

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
57.7%

14. TYPE OF REPORTING PERSON.....IC

Item 1. Security and Issuer

This Schedule 13D is being filed by Conseco, Inc. ("Conseco"), Conseco Private Capital Group, Inc., a wholly owned subsidiary of Conseco, ("CPCG"), Beneficial Standard Life Insurance Company ("BSLIC"), a wholly owned subsidiary of Conseco, and Great American Reserve Insurance Company ("GARCO"), a wholly owned subsidiary of Conseco, relating to the Common Stock (the "Common Stock"), \$.15 par value, of NAL Financial Group Inc. (the "Company").

The Company's principle executive offices are located at 500 Cypress Creek Road West, Suite 590, Ft. Lauderdale, Florida 33309.

Item 2. Identity and Background

Not amended. See Amendment No. 1 to Schedule 13D, dated June 25, 1997, previously filed.

Item 3. Source and Amount of Funds or Other Consideration

Effective April 23, 1996, BSLIC, GARCO and the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") pursuant to which each of GARCO and BSLIC purchased \$5 million of 9% Convertible Subordinated Debentures of the Company (the "Debentures"). GARCO and BSLIC made the investment out of their working capital. The Debentures are convertible into shares of Common Stock. On August 22, 1997, Conseco agreed to provide up to \$10 million to the Company (the "Conseco Commitment"), up to \$5 million of which may be in the form of loans to NAL Acceptance Corporation, a subsidiary of the Company. Subject to termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvement Act ("HSR Wait Termination") and satisfaction of certain

other conditions, Conseco has agreed that the Debentures will be exercised and the Company agreed to fix the conversion price at \$.32 per share. Because of the fixed conversion price, this Amendment reflects a higher number of shares of Common Stock into which the Debentures are convertible. The accrued interest on the Debenture since Amendment No. 1 to Schedule 13D, dated June 25, 1997, has also resulted in an increase in the number of shares of Common Stock into which the Debentures are convertible.

Conseco has also reached tentative agreements with holders of convertible debentures of the Company (the "Non-Conseco Debentures"). Upon obtaining HSR Wait Termination, Conseco or its affiliates will acquire the Non-Conseco Debentures for approximately \$8.8 million and convert the Non-Conseco Debentures into shares of Common Stock. Pursuant to the terms of the Conseco Commitment, the Company has agreed that, upon Conseco's acquisition of the Non-Conseco Debentures, the conversion price shall be fixed at \$.30 per share for all but \$5 million of such debentures for which the conversion price will be \$.32 per share. Upon conversion of the principal and accrued interest of the Non-Conseco Debentures, Conseco could obtain an additional 38,808,374 shares of Common Stock.

Conseco has agreed that the portion of the Conseco Commitment not loaned to NAL Acceptance Corporation will be invested in the Company at the time of conversion of the Debentures in exchange for shares of newly issued preferred stock providing for a 9%

cumulative dividend and convertible to common stock at the option of the holder at 80% of the market price at the time of conversion. Also, see Amendment No. 1 to Schedule 13D, dated June 25, 1997, previously filed for a description of beneficial ownership of the Common Stock of the Company previously acquired.

Item 4. Purpose of Transaction

Conseco, CPG, BSLIC and GARCO now intend to gain control of the Company through the acquisition of the Non-Conseco Debentures and the exercise of their rights to acquire shares of Common Stock pursuant to warrants, the Debentures and the Non-Conseco Debentures. Pursuant to the terms of the Conseco Commitment, Conseco has agreed that, for three months after the closing, it will refrain from conducting any non-consensual going-private transactions. For an additional three-month period, any transactions that would take the Company private would require the approval of disinterested members of the Board of Directors of the Company. Pending the closing under the Conseco Commitment, Conseco has agreed that neither it nor its affiliates will initiate bankruptcy proceedings with respect to the Company.

Item 5. Interest in Securities of the Issuer

(a) As a result of its ownership of the Warrants, its wholly owned subsidiaries ownership of the Debentures and CPG Warrant (as defined in Amendment No. 1 to Schedule 13D) and its agreements to acquire the Non-Conseco Debentures, Conseco beneficially owns 74,556,937 shares of the Common Stock representing 85.3% of the shares of Common Stock deemed to be outstanding. Of such shares,

GARCO beneficially owns 17,488,281 shares of Common Stock representing 57.7% of the shares deemed to be outstanding if only GARCO exercised its conversion rights under the Debentures, and BSLIC beneficially owns 17,488,281 shares of Common Stock representing 57.7% of the shares deemed to be outstanding, if only BSLIC exercised its conversion rights under the Debentures. Such beneficial ownership by GARCO and BSLIC is based upon a conversion price of \$.32 per share under the Debentures. Of the shares beneficially owned by Consec, CPCG beneficially owns 257,000 shares of the Common Stock representing 2.0% of the shares of Common Stock deemed to be outstanding if only CPCG exercised its rights to acquire shares of Common Stock.

(b) Upon exercise of the Warrants, the CPCG Warrants, conversion of the Debentures and acquisition and conversion of the Non-Consec Debentures, Consec will have the sole power to vote or to direct the vote and the sole power to dispose or direct the disposition of 39,323,374 shares of Common Stock and the shared power to dispose or direct the disposition and the shared power to vote 35,233,562 shares of Common Stock through its wholly owned subsidiaries CPCG, GARCO and BSLIC. Upon conversion of the Debentures, based upon a \$.32 per share conversion price, GARCO and BSLIC each individually will have the sole power to vote and the sole power to dispose of 17,488,281 shares of Common Stock. Upon the exercise of the CPCG Warrants, CPCG will have the sole power to vote and the sole power to dispose of 257,000 shares of Common Stock.

(c) The only transactions involving the Common Stock affected during the past 60 days by Consec, CPCG, BSLIC or GARCO are

described in this Schedule 13D, as amended by Amendment No. 1 and this Amendment No. 2.

(d) Not applicable.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

See Amendment No. 1 to Schedule 13D, dated June 25, 1997. Conseco has negotiated terms upon which it will acquire the Non-Conseco Debentures. The purchase of the Non-Conseco Debentures is subject to, among other things, HSR Wait Termination, entering into definitive purchase agreements, no material adverse changes in the Company's business and approval of the Company to the transfer of such debentures. Pursuant to the Conseco Commitment, at the closing, the Company will increase the size of its Board of Directors from four to seven and appoint three designees of Conseco to fill such new positions.

Item 7. Material to Be Filed as Exhibits

(1) Joint Filing Agreement by and among BSLIC, GARCO, Conseco and CPCG; *(2) Securities Purchase Agreement, dated April 23, 1996, by and among the Company, BSLIC and GARCO; *(3) Warrant to purchase 500,000 shares of Common Stock issued to Conseco April 23, 1996; *(4) Warrant to purchase 15,000 shares of Common Stock issued to Conseco April 23, 1996;

- * (5) Stockholders' Agreement, dated April 23, 1996, by and among GARCO, BSLIC, the Company and the shareholders named therein; *(6) Registration Rights Agreement, dated April 23, 1996, by and among the Company, GARCO and BSLIC;
- * (7) Registration Rights Agreement, dated April 23, 1996, by and between the Company and Conseco;
- * (8) \$5,000,000 9% Subordinated Convertible Debenture issued to GARCO, dated April 23, 1996; and
- * (9) \$5,000,000 9% Subordinated Convertible Debenture issued to BSLIC, dated April 23, 1996.
- ** (10) First Amendment to 9% Subordinated Convertible Debenture, dated April 23, 1996, issued to BSLIC.
- ** (11) First Amendment to 9% Subordinated Convertible Debenture, dated April 23, 1996, issued to GARCO.
- ** (12) First Amendment to Warrant to Purchase Common Stock in connection with the warrant for 500,000 shares issued to Conseco.
- ** (13) First Amendment to Warrant to Purchase Common Stock in connection with the warrant for 15,000 shares issued to Conseco.
- ** (14) Warrant to Purchase 257,000 shares of Common Stock issued to CPCG dated June 23, 1997.
- (15) Investment Agreement by and between Conseco and the Company dated August 22, 1997.

- (16) Letter Agreement between Conseco and Merrill Lynch dated August 22, 1997.
- (17) Letter Agreement between Conseco and Westminster Capital, Inc. dated August 22, 1997.
- (18) Letter Agreement between Conseco and Michael Karp dated August 22, 1997.

* Incorporated by reference from Schedule 13D, dated April 23, 1996. ** Incorporated by reference from Amendment No. 1 to Schedule 13D, dated June 25, 1997.

SIGNATURES

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this statement is true, complete and correct.

Date: August 26, 1997.

CONSECO, INC.

By: /s/Donald F. Gongaware

Donald F. Gongaware,
Executive Vice President

CONSECO PRIVATE CAPITAL GROUP, INC.

By: /s/Michael F. Bonnet

Michael F. Bonnet,
Vice President

BENEFICIAL STANDARD LIFE INSURANCE COMPANY

By: /s/Donald F. Gongaware

Donald F. Gongaware,
President

GREAT AMERICAN RESERVE INSURANCE COMPANY

By: /s/Donald F. Gongaware

Donald F. Gongaware,
President

JOINT FILING AGREEMENT

This will confirm the agreement by and among all the undersigned that the Schedule 13D filed on or about this date with respect to the beneficial ownership of the undersigned of shares of the Common Stock, \$.15 par value, of NAL Financial Group Inc. is being filed on behalf of each of the undersigned. This agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Dated: August 26, 1997

CONSECO, INC.

*By: /s/Donald F. Gongaware

Donald F. Gongaware,
Executive Vice President*

CONSECO PRIVATE CAPITAL GROUP, INC.

*By: /s/Michael F. Bonnet

Michael F. Bonnet,
Vice President*

**BENEFICIAL STANDARD LIFE INSURANCE
COMPANY**

*By: /s/Donald F. Gongaware

Donald F. Gongaware,
President*

**GREAT AMERICAN RESERVE LIFE INSURANCE
COMPANY**

*By: /s/Donald F. Gongaware

Donald F. Gongaware,
President*

INVESTMENT AGREEMENT

This Agreement is by and between NAL Financial Group Inc., a Delaware corporation ("Company") and Conseco, Inc., an Indiana corporation or its assigns ("Conseco") to be effective as of this 22nd day of August, 1997.

RECITALS

- A. Conseco Private Capital Group, Inc. ("Lender") and Company's wholly owned subsidiary, NAL Acceptance Corporation, a Florida corporation ("Borrower") have entered into a First Amendment to Credit Agreement ("First Amendment") of even date herewith.
- B. Subject to the terms and conditions hereof, Conseco or its designee, has agreed to purchase certain preferred stock of the Company.
- C. As inducement for the Lender to advance funds under the First Amendment and for Conseco to purchase the preferred stock, the Company has agreed to amend the 9% Subordinated Convertible Debenture dated April 23, 1996, issued to Beneficial Standard Life Insurance Company in the amount of \$5,000,000 and the 9% Subordinated Convertible Debenture dated April 23, 1996, issued to Great American Reserve Insurance Company in the amount of \$5,000,000 (collectively, the "Conseco Debentures") to provide that the conversion price therein is fixed at thirty-two (32(cent)) cents per share based upon eighty percent (80%) of the closing bid price of the Company's common stock on August 19, 1997, pursuant to the Second Amendment in the form attached hereto as Exhibit "A" (the "Conseco Debenture Amendments").
- D. As a condition of Lender's execution and delivery of the First Amendment, the Company shall amend certain other convertible debentures now held by third parties, as listed

on Exhibit "B" attached hereto ("Other Debentures") to provide for a fixed conversion price of (i) thirty (30(cent)) cents per share for all Other Debentures other than those now held Merrill Lynch World Income Fund, Inc. and Merrill Lynch Convertible Fund, Inc. (the "Merrill Debentures") and (ii) thirty-two (32(cent)) per share for the Merrill Debentures as to (i) and (ii) when and as Conseco or any affiliate acquires such Other Debentures all as hereinafter more specifically provided for herein.

E. As an inducement to the Company to enter into this Agreement, Conseco agrees to convert the Conseco Debentures and Other Debentures it acquires at the Closing or as soon thereafter as possible.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals, and to induce the Lender to enter into the First Amendment, the parties hereby agree as follows:

1. For purposes of this Agreement, the term "Closing" shall mean one business day following the later of (i) the expiration of the waiting period under the Hart-Scott-Rodino Act with respect to a filing made by Conseco thereunder with respect to its proposed acquisition of control of the Company ("HSR Filing") or (ii) the resolution of any objections or antitrust issues raised by the government as a result of such filing. Conseco and the Company agree to make the necessary filings under the Hart-Scott Rodino Act by August 27, 1997.
2. At the Closing, Conseco shall cause the Conseco Debentures and Other Debentures owned by Conseco to be converted to common stock of the Company in accordance with their amended conversion prices as provided herein to the extent that the

Company has sufficient authorized common shares, and will complete all such remaining conversions after sufficient authorized shares are available.

3. Consecor or its designees will use its best efforts to acquire the Other Debentures at or prior to Closing on the terms reflected in term sheets sent to the holders of the Other Debentures. At the Closing, the Company shall execute and deliver the Consecor Debenture Amendments reflecting the fixed conversion price of thirty-two (32(cents)) cents per share and at the Closing upon receipt of written notification from Consecor that Consecor, or one of its affiliates, has acquired all or any part of the Other Debentures, the Company shall enter into an amendment with such acquiring party providing for the amendment of the conversion price of the Other Debentures so acquired to a fixed price of thirty (30(cents)) cents per share except for the Merrill Debentures whose conversion price shall be amended to a fixed price of thirty-two (32(cents)) cents per share; such amendments being substantially in the same form as the Consecor Debenture Amendments.

4. At the Closing, Consecor shall cause the Lender to extend the maturity date of all monies (i.e., the Original Loan and the Working Capital Loan) advanced to Borrower by Lender under its Credit Agreement with Borrower to April 1, 1998.

5. The Company shall immediately undertake to amend its Certificate of Incorporation to increase its authorized shares of common stock in an amount sufficient to issue common stock upon conversion of the Consecor Debentures and Other Debentures (assuming the same are acquired and converted by Consecor or its affiliates) at the amended conversion price. The Company certifies that its Board of Directors has adopted a resolution proposing such an amendment to its shareholders. Consecor shall cooperate with the Company

in connection with such amendment and vote in favor thereof. Prior to the Closing, the Company agrees not to issue, offer or sell any shares of common stock or preferred stock or securities convertible into common or preferred stock without consent of Conseco.

6. The Company certifies that its Board of Directors has adopted resolutions increasing the members of its Board of Directors by three (3) positions to create three (3) vacancies effective as of Closing, and have authorized such vacant positions to be filled by Conseco appointees at the Closing.

7. At the Closing, Conseco or its designee shall contribute additional equity in an amount equal to the difference between Ten Million Dollars (\$10,000,000), and the amount of loan advances made by the Lender to the Company under the Working Capital Loan as defined in the First Amendment as of the Closing in exchange for preferred stock of the Company having terms acceptable to Lender and consistent with the provisions of Exhibit "C" attached hereto.

8. Conseco's obligations to close shall be subject to the following conditions: (i) no government agency has raised any objections or antitrust issues with respect to the acquisition of the Other Debentures by Conseco or its affiliates, (ii) the Borrower is not in material default of its obligations to Lender beyond applicable cure periods, (iii) the holders of the Other Debentures shall have complied with their agreements to sell the Other Debentures to Conseco or its affiliates (iv) the Company is not a party to any insolvency, receivership or bankruptcy proceedings, (v) the Company has not breached its obligations under this Agreement, or (vi) there has been no material adverse change in the financial condition or

business prospects of the Company and its subsidiaries since the date hereof provided Lender provides the advances required under the Credit Agreement with Borrower.

9. Conseco agrees that (i) from the date hereof, until Closing, neither Conseco nor any of its Affiliates will initiate or cooperate in the initiation of any reorganization or liquidation proceeding with respect to the Company under the Bankruptcy Act, (ii) for a period of six (6) months following the Closing, Conseco will not cause the Company to engage in a cash out merger with Conseco or any Conseco affiliate or any other transaction in which minority shareholders are forced to exchange their shares for cash or other consideration unless the transaction is approved by a majority of the disinterested members of the Board of the Company, (iii) for a period of three (3) months following the Closing, Conseco will not cause the Company to engage in a cash out merger with Conseco or any Conseco affiliate or other transaction in which minority shareholders of the Company are forced to exchange their shares for cash or other consideration unless the transaction is approved by a majority of such minority shareholders. This paragraph does not prohibit purchases of Company shares by Conseco or its affiliates on a voluntary basis.

10. This Agreement is for the benefit of the Lender, Conseco, and its affiliates, and shall have no effect on any Other Debentures not transferred to Conseco or its affiliates, nor shall it benefit current holders of the Other Debentures.

11. The Company agrees that upon Conseco's purchase of the Merrill Debentures, the Company shall amend all those certain warrants issued September 12, 1996, to the holders of Merrill Debentures of shares of common stock of the Company so as to provide a strike price being adjusted to one hundred percent (100%) of the closing bid price of the Company's

common stock, as reported on the principal exchange or automated quotation system upon which the Company's common stock trades on the day of the expiration of the waiting period for the HSR filing made by Conseco with respect to its proposed acquisition of control of the Company (said warrants being retained by such Merrill Lynch affiliate).

12. The Company represents that it has been duly authorized to enter into and perform this Agreement and that the execution and performance of this Agreement by the Company will not violate or cause a default under any orders, agreements, indentures or laws to which the Company is a party or by which it is bound.

13. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties.

14. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

15. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

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

17. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein.

18. In any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees in addition to any other available remedy. In addition, the Company shall pay the reasonable attorney fees incurred by Conseco in connection with the transactions contemplated by this Agreement and the preparation of this Agreement.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the first above-mentioned date.

CONSECO, Inc.

By: /S/NGAIRE E. CUNEO

Ngairé E. Cuneo, Executive Vice President

NAL FINANCIAL GROUP INC.

By: /S/ROBERT R. BARTOLINI

Robert R. Bartolini, President

EXHIBIT "A"

**SECOND AMENDMENT TO 9% SUBORDINATED
CONVERTIBLE DEBENTURE DATED APRIL 23, 1996**

On April 23, 1996 NAL Financial Group Inc., a Delaware corporation ("Maker" or the "Company") entered into a convertible debenture in the principal amount of \$5,000,000 (the "Debenture") payable to the order of Great American Reserve Insurance Company as lender ("Lender"), as amended by that certain First Amendment to 9% Subordinated Convertible Debenture dated June 23, 1997. For good and valuable consideration, receipt of which is acknowledged, the parties agree to amend the Debenture as follows:

1. Paragraph 6 of the Debenture is hereby superseded and replaced in its entirety with the following:

"6. The unpaid principal of this Debenture is convertible at the option of the Lender, in whole or in part, upon surrender of this Debenture at the principal office of the Company, into restricted shares of the Maker's Common Stock at a fixed conversion price ("Conversion Price") equal to Thirty-Two Cents (32(cents)) per share. Upon such conversion and issuance of the Common Stock, all principal due under this Debenture shall be discharged and the Company released from all obligations hereunder, however, accrued interest shall be paid to the date of conversion. At the option of the Lender, accrued interest may also be subject to conversion in the same manner as principal.

The shares of the Company's Common Stock issuable upon the exercise of the conversion feature shall be "restricted securities" as that term is defined under Rule 144 of the 1933 Act and, as a consequence, may not be sold or otherwise transferred except pursuant to registration under the 1933 Act or an available exemption therefrom."

2. Paragraph 7.5 of the Debenture is hereby superseded and replaced in its entirety with the following:

"7.5 The Company shall not issue, offer or sell additional shares of Common Stock or any preferred stock, or issue any rights or options for the purchase of, or securities convertible into shares of Common Stock or preferred stock, without the prior written consent of Conseco Private Capital Group, Inc."

3. In all other respects, the Debenture as amended shall remain unamended and in full force and effect.

IN WITNESS WHEREOF, the parties have executed this amendment to be effective as of August __, 1997.

GREAT AMERICAN RESERVE
INSURANCE COMPANY
as Lender

NAL FINANCIAL GROUP INC.
as the Company

By: By:

EXHIBIT "B"
List of Other Convertible Debentureholders

DEBENTURE	ISSUE DATE	LENDER	AMOUNT	CONVERSION PRICE
Subordinated Convertible Debenture	Sept. 12, 1996	Merrill Lynch World Income Fund, Inc.	\$2,750,000	32 cents
Subordinated Convertible Debenture	Sept. 12, 1996	Merrill Lynch Convertible Fund, Inc.	\$2,250,000	32 cents
9% Convertible Subordinated Debenture	Nov. 30, 1995	Westminster Capital, Inc. (Belzburg)	\$1,250,000	30 cents
9% Convertible Subordinated Debenture	Jan. 29, 1996	Michael Karp	\$2,500,000	30 cents
9% Convertible Subordinated Debenture	July 14, 1995	Florence Karp C/F Penelope & Athena Karp (assigned to Michael Karp)	\$1,000,000	30 cents
9% Convertible Subordinated Debenture	July 28, 1995	Florence Karp C/F Penelope & Athena Karp (assigned to Michael Karp)	\$1,000,000	30 cents
9% Convertible Subordinated Debenture	Aug. 22, 1995	Florence Karp C/F Penelope & Athena Karp (assigned to Michael Karp)	\$1,000,000	30 cents

EXHIBIT "C"

PREFERRED STOCK TERMS

* convertible to common stock at option of holder at 80% of market value at date of conversion.

* 9% cumulative preferential dividend rate

* payable semi-annually in cash or at the option of holder in common stock of the Company valued at 80% of fair market value at time of issuance

* liquidation priority equal to cost less capital distributions

* common shares issued upon conversion shall have the same registration rights as common shares issued upon conversion of the Conseco Debentures

August 19th, 1997

Conseco, Inc.
11825 North Pennsylvania Street
Carmel, Indiana 46032

Re: NAL Financial Group, Inc. ("Company")

Dear Sir or Madam:

As you know, the undersigned, or its affiliates, are the holders of certain Subordinated Convertible Debentures dated on or about September 12, 1996, in the aggregate original principal amount of \$5,000,000 (the "Debentures"). This confirms that the undersigned shall, or cause its affiliates to, sell the Debentures to Conseco, Inc., or its designated party ("Purchaser"), in accordance with the terms on the attached Term Sheet, subject to the parties entering into a definitive Purchase and Sale Agreement containing customary terms and provisions. During the time period that such Agreement is being prepared, the Debentures shall not be converted. This offer to sell shall remain open until August 22, 1997, and thereafter, if not accepted, shall be subject to withdrawal upon notice by the undersigned to the Purchaser.

Very truly yours,

MERRILL LYNCH

By: /s/ DANIEL LUCHANSKY

Daniel Luchansky, Vice President

ACCEPTED this 22nd day of August, 1997.

CONSECO, INC.

By: /s/ DONALD F. GONGAWARE

Donald F. Gongaware, Executive Vice President

TERMS FOR NAL SUBORDINATED DEBT PURCHASE

Merrill Lynch Purchase:

Security to be Purchased: Convertible Subordinated Debt of NAL Financial Group, Inc. (the "Company")

Principal Amount of Debt Currently Outstanding: \$5,000,000

Conseco Purchase: Conseco, Inc., or its affiliates ("Purchaser") will purchase all debt owned by Merrill Lynch or its affiliates ("Seller") for \$4,000,000 (80% of face).

Warrants & Releases: Seller shall retain its warrants with the strike price being adjusted to 100% of the closing bid price on the date the purchase transaction is approved under the Hart-Scott- Rodino Act. Merrill Lynch shall release the Company from all other liability from prior transactions.

Purchaser's Conditions to Closing: The closing shall occur upon the following conditions:

1. Approval by all required governmental agencies including Hart-Scott Rodino approval.
2. No material change in the Company's business as of August 19th, 1997.
3. Company shall not have filed for bankruptcy protection.
4. The purchase by Purchaser of all other convertible debt of the Company.
5. Satisfactory documentation.
6. Receipt of Company approval for transfer of convertible debt.
7. Approval of all third parties including lenders of Company.

Closing Date: No later than one business day after HSR approval.

August 21, 1997

12:00 PM, PDT

Conseco, Inc.
11825 North Pennsylvania Street
Carmel, Indiana 46032

Re: NAL Financial Group, Inc. ("Company")

Dear Sir or Madam:

As you know, the undersigned is the holder of a certain Subordinated Convertible Debenture dated on or about November 30, 1995, in the original principal amount of \$1,250,000 (the "Debenture"). This confirms that the undersigned shall sell the Debenture to Conseco, Inc., or its designated party ("Purchaser"), in accordance with the terms on the attached Term Sheet, subject to the parties entering into a definitive Purchase and Sale Agreement containing customary terms and provisions. During the time period that such Agreement is being prepared which shall be no later than August 27, 1997, the Debenture shall not be converted. This offer to sell shall remain open until 5:00 PM, PDT on August 22, 1997, and, if not accepted by such date and time, shall terminate without notice.

Very truly yours,

WESTMINISTER CAPITAL, INC.

By: /s/WILLIAM BELZBERG

William Belzberg
Executive Vice President

ACCEPTED this 22ND day of August, 1997.

CONSECO, INC.

By: /s/DONALD F. GONGAWARE

Donald F. Gongaware
Executive Vice President

TERMS FOR NAL SUBORDINATED DEBT PURCHASE

Westminister Capital Purchase:

Security to be Purchased: Convertible Subordinated Debt of NAL Financial Group, Inc. (the "Company")

Principal Amount of Debt
Currently Outstanding:

\$513,694.26

Conseco Purchase: Conseco, Inc., or its affiliates ("Purchaser") will purchase all debt owned by Westminister Capital or its affiliates ("Seller") for \$410,955.41 (80% of face), or if more favorable terms of purchase are offered to any other holder of Convertible debt, then at Westminister's option, on such favorable terms.

Releases: Seller shall release the Company from all liability from prior transactions and release any warrants.

Purchaser's Conditions

to Closing: The closing shall occur upon the following conditions:

1. Approval by all required governmental agencies including Hart-Scott Rodino approval.
2. No material change in the Company's business as of August 19, 1997.
3. Company shall not have filed for bankruptcy protection.

4. The purchase by Purchaser of all other convertible debt of the Company.

5. Satisfactory documentation.

6. Receipt of Company approval for transfer of convertible debt.

7. Approval of all third parties including lenders of Company.

Closing Date: Within 10 days of Hart-Scott Rodino exemption or approval, but in no event later than October 23, 1997.

August 19, 1997

Conseco, Inc.
11825 North Pennsylvania Street
Carmel, Indiana 46032

Re: NAL Financial Group, Inc. ("Company")

Dear Sir or Madam:

As you know, the undersigned are the holders of a certain Subordinated Convertible Debentures listed on the attached Term Sheet (the "Debentures"). This confirms that the undersigned shall sell the Debentures to Conseco, Inc., or its designated party ("Purchaser"), in accordance with the terms on the attached Term Sheet, subject to the parties entering into a definitive Purchase and Sale Agreement containing customary terms and provisions. During the time period that such Agreement is being prepared, the Debenture shall not be converted. This offer to sell shall remain open until August 22, 1997, and thereafter, if not accepted, shall be subject to withdrawal upon notice by the undersigned to the Purchaser.

Very truly yours,

/s/MICHAEL KARP

MICHAEL KARP

ACCEPTED this 22ND day of August, 1997.

CONSECO, INC.

By: /S/DONALD F. GONGAWARE

*Donald F. Gongaware,
Executive Vice President*

TERMS FOR NAL SUBORDINATED DEBT PURCHASE

Karp Purchase:

Security to be Purchased: Convertible Subordinated Debt of NAL Financial Group, Inc. (the "Company")

Principal Amount of Debt Currently Outstanding:

9% Subordinated Convertible Debenture dated July 14, 1995 for \$1,000,000 9% Subordinated Convertible Debenture dated July 28, 1995 for \$1,000,000 9% Subordinated Convertible Debenture dated August 22, 1995 for \$1,000,000 9% Subordinated Convertible Debenture dated January 29, 1996 for \$2,500,000

Conseco Purchase: Conseco, Inc., or its affiliates ("Purchaser") will purchase all debt owned by Michael Karp and Florence Karp c/f Penelope and Athena Karp ("Seller") for \$4,400,000 (80% of face).

Releases: Seller shall waive unpaid interest, release the Company from all liability from prior transactions and release any warrants.

Purchaser's Conditions

to Closing: The closing shall occur upon the following conditions:

1. Approval by all required governmental agencies including Hart-Scott Rodino approval.
2. Company shall not have filed for bankruptcy protection.
3. The purchase by Purchaser of all other convertible debt of the Company.
4. Satisfactory documentation.
5. Receipt of Company approval for transfer of convertible debt.

6. Approval of all third parties including lenders of Company.

Closing Date: No later than October 23, 1997.

End of Filing

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