SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1997, or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to

Commission File Number 0-9341

Security National Financial Corporation
(Exact name of registrant as specified in its Charter)

UTAH	87-0345941
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5300 South 360 West, Suite 310 Salt Lake City, Utah (Address of principal executive offices)	84123 (Zip Code)
Registrant's telephone number, including area code:	(801) 264-1060

Securities registered pursuant to Section 12(d) of the Act:

Title of each Class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Class A Common Stock, $2.00 Par Value
(Title of Class)

Class C Common Stock, $0.20 Par Value
(Title of Class)

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. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 14, 1998 was $13,774,729.

As of March 14, 1998, registrant had issued and outstanding 3,673,261 shares of Class A Common Stock and 5,144,594 shares of Class C Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's 1998 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

PART I

Item 1. Business

Security National Financial Corporation (the "Company") operates in three main business segments: life insurance, cemetery and mortuary, and mortgage loans. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products and accident and health insurance. These products are marketed in 29 states through a commissioned sales force of independent licensed insurance agents who may also sell insurance products of other companies. The cemetery and mortuary segment of the Company consists of five cemeteries in the state of Utah and one in the state of California and eight mortuaries in the state of Utah and six in the state of Arizona. The Company also engages in pre-need selling of funeral, cemetery and cremation services through its Utah operations. Many of the insurance agents also sell pre-need funeral, cemetery and cremation services. The mortgage loan segment is an approved governmental and conventional lender that originates and underwrites residential and commercial loans for new construction and existing homes and real estate projects.

The design and structure of the Company is that each segment is related to the others and contributes to the profitability of the other segments of the Company. Because of the increasing cemetery and mortuary operations in Utah and Arizona, the Company enjoys a level of public awareness that assists in the sales and marketing of insurance and pre-need cemetery and funeral products. Security National Life Insurance Company ("Security National Life") invests its assets (representing in part the pre-paid funerals) in investments authorized by the Insurance Department of the State of Utah. One such investment authorized by the Utah Insurance Department is high quality mortgage loans. Thus, while each segment is a profit center on a stand-alone basis, this horizontal integration of each segment will lead to improved profitability of the Company. The Company is also pursuing growth through acquisitions of both life insurance companies and cemeteries and mortuaries. The Company's acquisition business plan is based on reducing overhead cost of the acquired company by utilizing existing personnel, management, and technology while still providing quality service to the customers and policyholders.

The Company was organized as a holding company in 1979 when Security National Life became a wholly owned subsidiary of the Company and the former stockholders of Security National Life became stockholders of the Company. Security National Life was formed in 1965 and has grown through the direct sale of life insurance and annuities and through the acquisition of other insurance companies, including the acquisitions of Capital Investors Life Insurance Company in December 1994 and Civil Service Employees Life Insurance Company in December 1995. Memorial Estates, Inc. and Memorial Mortuary became direct subsidiaries of the Company in the 1979 reorganization when the Company was formed. These companies were acquired by Security National Life in 1973. The cemetery and mortuary operations have also grown through the acquisition of other cemetery and mortuary companies, including the acquisitions of Paradise Chapel Funeral Home, Inc. in 1989, Holladay

Memorial Park, Inc., Cottonwood Mortuary, Inc. and Deseret Memorial, Inc. in 1991, Sunset Funeral Home in January 1994, Greer-Wilson Funeral Home, Inc. in April 1995 and Crystal Rose Funeral Home in February 1997. In July 1993, the Company formed Security National Mortgage Company ("Security National Mortgage") to originate and refinance mortgage loans. See Notes to Consolidated Financial Statements for additional disclosure and discussion regarding segments of the business.

Life Insurance

Products

The Company, through its insurance subsidiary, Security National Life, issues and distributes selected lines of life insurance and annuities. The Company's life insurance business includes funeral plans and interest-sensitive whole life insurance, as well as other traditional life and accident and health insurance products but places specific marketing emphasis on funeral plans.

A funeral plan is a small face value life insurance policy that generally has a face coverage of up to $5,000. The Company believes that funeral plans represent a marketing niche that has lower competition since most insurance companies do not offer similar coverages. The purpose of the funeral plan policy is to pay the costs and expenses incurred at the time of a person's death. On a per thousand dollar cost of insurance basis, these policies are more expensive to the policyholder than many types of non-burial insurance due to their low face amount, requiring the fixed cost of the policy to be distributed over a smaller policy size, and due to the simplified underwriting practices resulting in higher mortality costs.

Markets and Distribution

The Company is licensed to sell insurance in 29 states. The Company, in marketing its life insurance products, seeks to locate, develop and service specific "niche" markets. A "niche" market is an identifiable market which the Company believes is not emphasized by most insurers. The Company generally sells its life insurance products to people of middle age who have a need for insurance to protect the income of the wage earner of the family, to pay off debts at the time of death and for other estate planning purposes. Funeral plan policies are sold primarily to persons who range in age from 45 to 75. Even though people of all ages and income levels purchase funeral plans, the Company believes that the highest percentage of funeral plan purchasers are individuals who are older than 45 and have low to moderate income. A majority of the Company's funeral plan premiums come from the states of Arizona, Colorado, Idaho, Nevada, Oklahoma, Texas and Utah, and a majority of the Company's non-funeral plan life insurance premiums come from the states of California, New Mexico and Utah.

The Company sells its life insurance products through direct agents and brokers and independent licensed agents who may also sell insurance products of other companies. The commissions on life insurance products range from approximately 10% to 90% of first year premiums. In those cases where the Company utilizes its direct agents in selling such policies, those agents customarily receive advances against future commissions.

In some instances, funeral plan insurance is marketed in conjunction with the Company's cemetery and mortuary sales force. When it is marketed by that group, the beneficiary is usually the Company. Thus, death benefits that become payable under the policy are paid to the Company's cemetery and mortuary subsidiaries to the extent of services performed and products purchased.

In marketing the funeral plan insurance, the Company also seeks and obtains third-party endorsements from other cemeteries and mortuaries within its marketing areas. Typically, these cemeteries and mortuaries will provide letters of endorsement and may share in mailing and other lead-generating costs. The incentive for such businesses to share the costs is that these businesses are usually made the beneficiary of the policy. The following table summarizes the life insurance business for the five years ended December 31, 1997:

	1997	1996	1995	1994	1993
Life Insurance Policy/Cert. Count as of December 31	43,213	42,034	42,711	41,064	32,895
Insurance in force as of December 31 (omitted 000)	$648,906	$546,213	$530,688	$436,600	$310,395
Premiums Collected (omitted 000)	$ 5,732	$ 5,765	$ 5,819	$ 5,175	$ 5,201

Underwriting

Factors considered in evaluating an application for insurance coverage include the applicant's age, occupation, general health and medical history. Upon receipt of a satisfactory application, which contains pertinent medical questions, the Company writes insurance that is based on its medical limits and requirements on a basis satisfactory to the reinsuring company (or companies, if submitted facultatively), subject to the following general non-medical limits:

Age Nearest Birthday	Non-Medical Limits
0-40	$75,000
41-50	$75,000
51-up	Exam Required

When underwriting life insurance, the Company will sometimes issue policies with higher premium rates for substandard risks.

In addition to the Company's ordinary life product line, the Company also sells final expense insurance. This insurance is a small face amount, with a maximum issue of $10,000. It is written on a simplified medical application with underwriting requirements being a completed application, a phone inspection on each applicant and a Medical Information Bureau inquiry. There are several underwriting classes in which an applicant can be placed. If the Company receives conflicting or incomplete underwriting information, an attending physician's statement can be ordered to insure the applicant is placed in the correct underwriting class.

Annuities

Products

The Company's annuity business includes single premium deferred annuities, flexible premium deferred annuities and immediate annuities. A single premium deferred annuity is a contract where the individual remits a sum of money to the Company, which is retained on deposit until such time as the individual may wish to purchase an immediate annuity or surrender the contract for cash. A flexible premium deferred annuity gives the contract holder the right to make premium payments of varying amounts or to make no further premium payments after his initial payment. These single and flexible premium deferred annuities can have initial surrender charges. The surrender charges act as a deterrent to individuals who may wish to surrender their annuity contracts. These types of annuities have guaranteed interest rates of 4% to 4 1/2% per annum. Above that, the interest rate credited is determined by the Board of Directors at their discretion. An immediate annuity is a contract in which the individual remits to the Company a sum of money in return for the Company's obligation to pay a series of payments on a periodic basis over a designated period of time, such as an individual's life, or for such other period as may be designated.

Holders of annuities enjoy a significant benefit under the current federal income tax law in that interest accretions that are credited to the annuities do not incur current income tax expense on the part of the contract holder. Instead, the interest income is tax deferred until such time as it is paid out to the contract holder. In order for the Company to realize a profit on an annuity product, the Company must maintain an interest rate spread between its investment income and the interest rate credited to the annuities. From that spread must be deducted commissions, issuance expenses and general and administrative expenses. The Company's annuities currently have credited interest rates ranging from 4% to 6 1/2%.

Markets and Distribution

The general market for all of the Company's annuities is middle to older age individuals who wish to save or invest their money in a tax deferred environment, having relatively high yields. The Company currently markets its annuities primarily in the states of Arizona, Colorado, Idaho, New Mexico, Oklahoma, Texas and Utah.

The major source of annuity considerations comes from direct agents. Annuities can be sold as a by-product of other insurance sales. This is particularly true in the funeral planning area. If an individual does not qualify for a funeral plan due to health considerations, the agent will often sell that individual an annuity to take care of those final expenses. The commission rates on annuities range from 2% to 10%.

The following table summarizes the annuity business for the five years ended December 31, 1997:

Annuities	1997	1996	1995	1994	1993
Policy/Cert. Count as of December 31	7,434	7,049	6,893	5,954	4,605
Deposits Collected (omitted 000)	$2,521	$2,859	$2,375	$1,927	$1,905

Accident and Health

Products

Prior to the acquisition of Capital Investors Life in December 1994, the Company did not actively market accident and health products. With the acquisition of Capital Investors Life, the Company acquired a block of accident and health policies which pay limited benefits to policyholders. The Company is currently offering a low-cost comprehensive diver's accident policy. The policy provides world-wide coverage for medical expense reimbursement and life insurance in the event of diving or water sports accidents.

Markets and Distribution

The Company currently markets its diver's policy through water sports magazine advertising and dive shops throughout the world. The Company pays direct commissions ranging from 15% to 30% for new business generated.

The following table summarizes the accident and health business for the five years ended December 31, 1997:

	1997	1996	1995	1994(1)	1993
Accident and Health Policy/Cert. Count as of December 31	30,250	33,639	37,302	42,910	347
Premiums Collected (omitted 000)	$ 430	$ 493	$ 569	$ 15	$ 18

(1) Includes acquisition of Capital Investors Life Insurance Company on December 21, 1994.

Reinsurance

The Company reinsures with other companies portions of the individual life insurance and accident and health policies it has underwritten. The primary purpose of reinsurance is to enable an insurance company to write a policy in an amount larger than the risk it is willing to assume for itself. No other liabilities or guarantees by the Company exist on business ceded through reinsurance treaties, however, the Company remains obligated for amounts ceded in the event the reinsurers do not meet their obligations. There is no assurance that the reinsurer will be able to meet the obligations assumed by it under the reinsurance agreement.

The Company's policy is to retain no more than $50,000 of ordinary insurance per insured life. Excess risk is reinsured. The total amount of life insurance in force at December 31, 1997, reinsured by other companies aggregated $61,629,000, representing approximately 9.5% of the Company's life insurance in force on that date.

The Company currently cedes and assumes certain risks with various authorized unaffiliated reinsurers pursuant to reinsurance treaties which are renewable annually. The premiums paid by the Company are based on a number of factors, primarily including the age of the insured and the risk ceded to the reinsurer.

Investments

The investments that support the Company's life insurance and annuity obligations are determined by the Investment Committee of the Board of Directors of the various subsidiaries and ratified by the full Board of Directors of the respective subsidiaries. A significant portion of the investments must meet statutory requirements governing the nature and quality of permitted investments by insurance companies. The Company's interest-sensitive type products, primarily annuities and interest-sensitive whole life, compete with other financial products such as bank certificates of deposit, brokerage sponsored money market funds as well as competing life insurance company products. While it is not the Company's policy to offer the highest yield in this climate, in order to offer what the Company considers to be a competitive yield, it maintains a diversified portfolio consisting of common stocks, preferred stocks, municipal bonds, investment and non-investment grade bonds including high-yield issues, mortgage loans, real estate, short-term and other securities and investments.

See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Notes to Consolidated Financial Statements for additional disclosure and discussion regarding investments.

Cemetery and Mortuary

Products

The Company has six wholly-owned cemeteries and fourteen wholly-owned mortuaries. The cemeteries are non-denominational. Through its cemetery and mortuary operations, the Company markets a variety of products and services both on a pre-need basis (prior to death) and an at-need basis (at the time of death). The products include grave spaces, interment vaults, mausoleum crypts and niches, markers, caskets, flowers and other related products. The services include professional services of funeral directors, opening and closing of graves, use of chapels and viewing rooms, and use of automobiles and clothing. The Company has a funeral chapel at each of its cemeteries other than Holladay Memorial Park and Singing Hills Memorial Park and has ten separate stand-alone mortuary facilities. The Company's cemetery and mortuary business increased with the acquisition of Holladay Memorial Park, Inc., Cottonwood Mortuary, Inc. and Deseret Memorial, Inc. in September 1991, the acquisition of Sunset Funeral Home, Inc. in January 1994, and the acquisition of Greer-Wilson Funeral Home, Inc. in April 1995, and the acquisition of Crystal Rose Funeral Home in February 1997.

Markets and Distribution

The Company's pre-need cemetery and mortuary sales are marketed to persons of all ages but are generally purchased by persons 45 years of age and older. The Company also markets its mortuary and cemetery products on an at-need basis. The Company is limited in its geographic distribution of these products to areas lying within an approximate 20 mile radius of its mortuaries and cemeteries. The Company's at-need sales are similarly limited in geographic area.

The Company actively seeks to sell its cemetery and funeral products to customers on a pre-need basis. The Company employs cemetery sales representatives on a commission basis to sell these products. Many of these pre-need cemetery and mortuary sales representatives are also licensed insurance salesmen and sell funeral plan insurance. In many instances, the Company's cemetery and mortuary facilities are the named beneficiary of the funeral plan policies.

The sales representatives of the Company's cemetery and mortuary operations are commissioned and receive no salary. The sales commissions range from 10% to 22% for cemetery products and services and 10% to 90% of first year premiums for funeral plan insurance. Potential customers are located via telephone sales prospecting, responses to letters mailed by the sales representatives, newspaper inserts, referrals, contacts made at funeral services, and door to door canvassing. The Company trains its sales representatives and generates leads for them. If a customer comes to one of the Company's cemeteries on an at-need basis, the sales representatives are compensated on a commission basis.

Mortgage Loans

Products

The Company, through its mortgage subsidiary, Security National Mortgage, originates and underwrites residential and commercial loans for new construction and existing homes and real estate projects primarily for the greater Salt Lake City area. The Company is an approved government guaranteed and conventional lender and processes government guaranteed and conventional loans. Most of the loans are sold directly to investors. The Company has available warehouse lines of credit with an affiliated company and an unaffiliated financial institution to fund mortgage loans prior to the purchase by investors.

Markets and Distribution

The Company's mortgage lending services are marketed primarily to individual homeowners and businesses who are located in the area known as the "Wasatch Front," covering approximately 100 miles between Salt Lake City and Ogden, Utah, with the greatest concentration of sales being in the greater Salt Lake City area. The typical loan size for residential loans ranges from $40,000 to $150,000, and for commercial loans from $200,000 to $750,000.

The Company's mortgage loan originations are through part-time and full time mortgage loan officers and wholesale brokers who are paid a sales commission ranging between .40% to 3.0% of the loan amount. Prospective customers are located through contacts with builders, real estate agents, and door-to-door canvassing. The part-time brokers are individuals who are supplementing their full time employment by soliciting residential homeowners to refinance their existing mortgage loans. The Company provides training to these brokers.

Recent Acquisitions and Other Business Activities

Pinehill Business Park

In February 1993, the Company entered into a purchase and sale agreement to acquire Pinehill Business Park. The business park is approximately 8.65 acres and located in Murray, Utah. The business park contains three office buildings with a total of 47,000 square feet of office space and seven office and warehouse combination buildings with a total of 89,000 square feet of space.

Security National Mortgage Company

In June 1993, the Company formed Security National Mortgage Company to originate, refinance and service residential and commercial mortgage loans. The Company contributed assets of approximately $268,000 to capitalize the initial operations of Security National Mortgage.

Sunset Funeral Homes

In January 1994, the Company acquired all of the issued and outstanding shares of common stock of Sunset Funeral Homes, Inc. ("Sunset"), an Arizona corporation. In connection with this transaction, the Company also acquired certain real estate and other assets related to the business of Sunset from the sole stockholder of Sunset. Sunset owns and operates a funeral home in Phoenix, Arizona, known as Camelback Sunset Funeral Home.

Capital Investors Life Insurance Company

In December 1994, the Company completed the purchase of all of the outstanding shares of common stock of Capital Investors Life Insurance Company ("Capital Investors Life"), a Florida based life insurance company from Suncoast Financial Corporation ("Suncoast Financial"), a Delaware corporation and, prior to closing of the transaction, the sole stockholder of Capital Investors Life.

At the time of the transaction, Capital Investors Life was a Florida domiciled insurance company with total assets of approximately $30 million. Capital Investors Life was redomesticated to Utah on December 28, 1994. At the time of the acquisition, Capital Investors Life was licensed to transact business in 23 states. The Company continues to operate Capital Investors Life as an insurance company, which changed its name to Security National Life in March 1996.

California Memorial Estates

In February 1995, California Memorial Estates, Inc., a duly organized Utah corporation and wholly-owned subsidiary of the Company, entered into a Purchase and Sale Agreement and Escrow Instructions with the Carter Family Trust and the Leonard M. Smith Family Trust to purchase approximately 100 acres of real property located in San Diego County, California (the "Property"). The Company has developed the property by designating approximately 35 acres for a cemetery known as Singing Hills Memorial Park. The Company has obtained approval from the federal government and the California Cemetery Board to operate a cemetery on the Property. The Company has completed development on six acres and is currently selling cemetery lots on a pre-need and at-need basis on the developed acreage.

Greer-Wilson Funeral Home

In March 1995, the Company purchased 97,800 shares of common stock of Greer-Wilson Funeral Home, Inc. ("Greer-Wilson"), representing 97.8% of the total issued and outstanding shares of common stock of Greer-Wilson after the issuance of such shares. The Company continues to operate Greer-Wilson, which is located in Phoenix, Arizona, as a funeral home and mortuary.

Evergreen Memorial Park

In November 1995, the Company entered into a purchase sale agreement with Myers Mortuary for the sale of the Company's 65% interest in Evergreen Memorial Partnership and the Company's 50% interest in Evergreen Management Corporation. As consideration for the sale of these entities, Myers Mortuary paid $746,123 in satisfaction of the indebtedness that Evergreen Memorial Partnership owed to the Company. Myers Mortuary has also agreed to pay $200,000 to the Company in four equal annual installments of $50,000, beginning as of October 31, 1996. In addition, Myers Mortuary will pay a $10.00 royalty to the Company for each adult space sold in Evergreen Memorial Park over the next ten years, beginning as of January 1, 1996.

Security National Life Insurance Company

In December 1995, Security National Life Insurance Company ("Security National Life") was merged into Capital Investors Life Insurance Company ("Capital Investors Life") with Capital Investors Life as the surviving corporation. As a result of the merger, Capital Investors Life has licenses to transact business in 29 states. In March 1996, the Company changed the name of the surviving corporation from Capital Investors Life to Security National Life.

Civil Service Employees Life Insurance Company

In December 1995, the Company, through its wholly-owned subsidiary, Capital Investors Life, completed the purchase of all of the outstanding shares of Common Stock of Civil Service Employees Life Insurance Company ("CSE Life"), a California corporation, from Civil Service Employees Insurance Company, and prior to the closing of the transaction, the sole stockholder of CSE Life. At the time of the transaction, CSE Life was a California domiciled insurance company with total assets of approximately $16.7 million. At the time of the acquisition, CSE Life was licensed to transact business in seven states, including the state of California.

Following the completion of the purchase of CSE Life, the Company merged CSE Life into Capital Investors Life. The Company continues to operate Capital Investors Life as the surviving insurance company, which changed its name to Security National Life in March 1996.

Crystal Rose Funeral Home

In February 1997, the Company purchased all of the outstanding shares of common stock of Crystal Rose Funeral Home, Inc. ("Crystal Rose"), an Arizona corporation. In connection with this transaction, the Company also acquired certain real estate and other assets related to the business of Crystal Rose from the sole stockholder of Crystal Rose. The Company continues to operate Crystal Rose, which is located in Tolleson, Arizona, as a funeral home and mortuary.

Regulation

The Company's insurance subsidiary, Security National Life, is subject to comprehensive regulation in the jurisdictions in which it does business under statutes and regulations administered by state insurance commissioners. Such regulation relates to, among other things, prior approval of the acquisition of a controlling interest in an insurance company; standards of solvency which must be met and maintained; licensing of insurers and their agents; nature of and limitations on investments; deposits of securities for the benefit of policyholders; approval of policy forms and premium rates; periodic examinations of the affairs of insurance companies; annual and other reports required to be filed on the financial condition of insurers or for other purposes; and requirements regarding aggregate reserves for life policies and annuity contracts, policy claims, unearned premiums, and other matters. The Company's insurance subsidiary is subject to this type of regulation in any state in which they are licensed to do business. Such regulation could involve additional costs, restrict operations or delay implementation of the Company's business plans.

The Company is currently subject to regulation in Utah under insurance holding company legislation, and other states where applicable. Intercorporate transfers of assets and dividend payments from its insurance subsidiary is subject to prior notice of approval from the State Insurance Department, if they are deemed "extraordinary" under these statutes. The insurance subsidiary is required, under state insurance laws, to file detailed annual reports with the supervisory agencies in each of the states in which it does business. Their business and accounts are also subject to examination by these agencies.

The Company's cemetery and mortuary subsidiaries are subject to the Federal Trade Commission's comprehensive funeral industry rules and are subject to state regulations in the various states where such operations are domiciled. The morticians must be licensed by the respective state in which they provide their services. Similarly, the mortuaries are governed by state statutes and city ordinances in both Utah and Arizona. Reports are required to be kept on file on a yearly basis which include financial information concerning the number of spaces sold and, where applicable, funds provided to the Endowment Care Trust Fund. Licenses are issued annually on the basis of such reports. The cemeteries maintain city or county licenses where they conduct business.

The Company's mortgage loan subsidiary, Security National Mortgage, is subject to the rules and regulations of the U.S. Department of Housing and Urban Development. These regulations among other things specify the procedures for the origination, the underwriting, the licensing of wholesale brokers, quality review audits and the amounts that can be charged to borrowers for all FHA and VA loans. Each year the Company must have an audit by an independent CPA firm to verify compliance under these regulations. In addition to the government regulations, the Company must meet loan requirements of various investors who purchase the loans before the loans can be sold to the investors.

Income Taxes

The Company's insurance subsidiary, Security National Life, is taxed under the Life Insurance Company Tax Act of 1984. Pursuant thereto, life insurance companies are taxed at standard corporate rates on life insurance company taxable income. Life insurance company taxable income is gross income less general business deductions, reserves for future policyholder benefits (with modifications), and a small life insurance company deduction (up to 60% of life insurance company taxable income). The Company may be subject to the corporate Alternative Minimum Tax (AMT). The exposure to AMT is primarily a result of the small life insurance company deduction. Also, under the Tax Reform Act of 1986, distributions in excess of stockholder's surplus account or significant decrease in life reserves will result in taxable income.

Security National Life may continue to receive the benefit of the small life insurance company deduction. In order to qualify for the small company deduction, the combined assets of the Company must be less than $500,000,000 and the taxable income of the life insurance companies must be less than $3,000,000. To the extent that the net income limitation is exceeded, then the small life insurance company deduction is phased out over the next $12,000,000 of life insurance company taxable income.

Since 1990, Security National Life has computed its life insurance taxable income after establishing a provision representing a portion of the costs of acquisition of such life insurance business. The effect of the provision is that a certain percentage of the Company's premium income is characterized as deferred expenses and recognized over a five to ten year period.

The Company's non-life insurance company subsidiaries are taxed in general under the regular corporate tax provisions. For taxable years beginning January 1, 1987, the Company may be subject to the Corporate Alternative Minimum Tax and the proportionate disallowance rules for installment sales under the Tax Reform Act of 1986.

Competition

The life insurance industry is highly competitive. There are approximately 2,000 legal reserve life insurance companies in business in the United States. These insurance companies differentiate themselves through marketing techniques, product features, price and customer service. The Company's insurance subsidiary competes with a large number of insurance companies, many of which have greater financial resources, a longer business history, and a more diversified line of insurance coverage than the Company. In addition, such companies generally have a larger sales force. Further, many of the companies with which the Company competes are mutual companies which may have a competitive advantage because all profits accrue to policyholders. Because the Company is small by industry standards and lacks broad diversification of risk, it may be more vulnerable to losses than larger, better established companies. The Company believes that its policies and rates for the markets it serves are generally competitive.

The cemetery and mortuary industry is also highly competitive. In the Salt Lake and Phoenix areas in which the Company competes, there are a number of cemeteries and mortuaries which have longer business histories, more established positions in the community and stronger financial positions than the Company. In addition, some of the cemeteries with which the Company must compete for sales are owned by municipalities and, as a result, can offer lower prices than can the Company. The Company bears the cost of a pre-need sales program that is not incurred by those competitors that do not have a pre-need sales force. The Company believes that its products and prices are generally competitive with those in the industry.

The mortgage loan industry is highly competitive with several mortgage companies and banks in the same geographic area in which the Company is operating which have longer business histories and more established positions in the community. The refinancing market is particularly vulnerable to changes in interest rates.

Employees

As of December 31, 1997, the Company employed 155 full-time and 31 part-time employees.

Item 2. Properties

The following table sets forth the location of the Company's office facilities and certain other information relating to these properties.

Location	Function	Owned Leased	Approximate Square Footage
5300 So. 360 West Salt Lake City, UT	Corporate Headquarters	Owned(1)	33,000
3636 No. 15th Ave. Phoenix, AZ	District Sales Office	Owned	3,000
1603 Thirteenth St. Lubbock, TX	District Sales Office	Owned(2)	5,000

(1) The Company leases an additional 6,449 square feet of the facility to unrelated third parties for approximately $84,000 per year, under leases which expire at various dates after 1997.

(2) The Company leases an additional 2,766 square feet of the facility to unrelated third parties for approximately $15,000 per year, under leases which expire at various dates after 1997.

The Company believes the office facilities it occupies are in good operating condition, are adequate for current operations and has no plan to build or acquire additional office facilities. The Company believes its office facilities are adequate for handling business in the foreseeable future.

The following table summarizes the location and acreage of the six Company owned cemeteries:

Name of Cemetery	Location	Date Acquired	Developed Acreage (1)	Total Acreage (1)	Net Saleable Acreage: Acres Sold as Cemetery Spaces (2)	Net Saleable Acreage: Total Available Acreage (1)
Memorial Estates, Inc.:						
Lakeview Cemetery(3)	1700 E. Lakeview Dr. Bountiful, UT	1973	6	40	6	34
Mountain View Cemetery(3)	3115 E. 7800 So. Salt Lake City, UT	1973	26	54	15	39
Redwood Cemetery(3)(5)	6500 So. Redwood Rd. West Jordan, UT	1973	40	78	33	45
Holladay Memorial Park(4)(5)	4800 So. Memory Lane Holladay, UT	1991	6	13	5	8
Lakehills Cemetery(4)	10055 So. State Sandy, UT	1991	12	42	6	36
Singing Hills Memorial Park(6)	2798 Dehesa Rd. El Cajon, CA	1995	6	35	1	34

(1) The acreage represents estimates of acres that are based upon survey reports, title reports, appraisal reports or the Company's inspection of the cemeteries.

(2) Includes spaces sold for cash and installment contract sales.

(3) As of December 31, 1997, there were mortgages of approximately $170,000 collateralized by the property and facilities at Memorial Estates Lakeview, Mountain View and Redwood Cemeteries, of which approximately $81,000 was held by Security National Life.

(4) As of December 31, 1997, there were mortgages of approximately $2,050,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park, Lakehills Cemetery and Colonial Mortuary.

(5) These cemeteries include two granite mausoleums.

(6) As of December 31, 1997, there was a mortgage of approximately $829,000 collateralized by the property.

The following table summarizes the location, square footage and the number of viewing rooms and chapels of the fourteen Company owned mortuaries:

Name of Mortuary	Location	Date Acquired	Viewing Room(s)	Chapel(s)	Square Footage
Memorial Mortuary	5850 South 900 East Salt Lake City, UT	1973	3	1	20,000
Memorial Estates, Inc.:					
Redwood Mortuary	6500 South Redwood Rd. West Jordan, UT	1973	2	1	10,000
Mountain View Mortuary	3115 East 7800 South Salt Lake City, UT	1973	2	1	16,000
Lakeview Mortuary	1700 East Lakeview Dr. Bountiful, UT	1973	0	1	5,500
Paradise Chapel Funeral Home	3934 East Indian School Road Phoenix, AZ	1989	2	1	9,800
Deseret Memorial, Inc.:					
Colonial Mortuary (2)	2128 South State St. Salt Lake City, UT	1991	1	1	14,500
Deseret Mortuary (2)	36 East 700 South Salt Lake City, UT	1991	2	2	36,300
Lakehills Mortuary	10055 South State St. Sandy, UT	1991	2	1	18,000
Cottonwood Mortuary (2)	4670 South Highland Dr. Salt Lake City, UT	1991	2	1	14,500
Camelback Sunset Funeral Home(1)	301 West Camelback Rd. Phoenix, AZ	1994	2	1	11,000

Name of Mortuary	Location	Date Acquired	Viewing Room(s)	Chapel(s)	Square Footage
Greer-Wilson:					
Greer-Wilson Funeral Home	5921 West Thomas Road Phoenix, AZ	1995	2	2	25,000
Tolleson Funeral Home	9386 West VanBuren Tolleson, AZ	1995	0	1	3,460
Avondale Funeral Home	218 North Central Avondale, AZ	1995	1	1	1,850
Crystal Rose Funeral Home(3)	9155 W. VanBuren Tolleson, AZ	1997	0	1	9,000

(1) As of December 31, 1997, there were mortgages of approximately $461,000 collateralized by the property and facilities of Camelback Sunset Funeral Home.

(2) As of December 31, 1997, there were mortgages of approximately $2,050,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park, Lakehills Cemetery and Colonial Mortuary.

(3) As of December 31, 1997, there was a mortgage of approximately $130,000, collateralized by the property and facilities of Crystal Rose Funeral Home.

Item 3. Legal Proceedings

The Company has been named as a party in connection with pending litigation brought by Garry Eckard & Co., Inc. ("Eckard") in the Federal District Court for the Southern District of Indiana. The complaint was filed on October 14, 1996 and alleges breach of contract and civil conversion pertaining to a finder's fee and seeks an unspecified amount of damages plus costs and attorneys' fees. In a prior letter to the Company from Eckard, it appears that the amount of the fee being sought is $152,000. The complaint, pursuant to the civil conversion claim, seeks treble damages under Indiana's civil conversion statute.

The complaint was initially filed in the Indiana Hamilton County Superior Court, but was subsequently removed by the Company to the Federal District Court for the Southern District of Indiana. The Company filed a motion to dismiss for lack of personal jurisdiction and Eckard filed a motion to amend its complaint and to add Security National Life Insurance Company, a subsidiary of the Company, as a party defendant. On March 18, 1997, the Company's motion was granted to dismiss the complaint against the Company for lack of personal jurisdiction and Eckard's motion was granted to amend the complaint by adding Security National Life Insurance Company as a party defendant. The Company's motion to dismiss the complaint against the Company was granted without prejudice, which allows the complaint to be refiled in an appropriate jurisdiction.

Security National Life Insurance Company also filed a motion to dismiss for lack of personal jurisdiction. On October 10, 1997, this motion to dismiss the complaint for lack of personal jurisdiction was granted thereby also dismissing the case against Security National Life Insurance Company. Thus, the case in Indiana was dismissed without prejudice against both the Company and Security National Life Insurance Company for lack of personal jurisdiction.

On March 13, 1998, a letter was sent by Eckard's counsel relative to a settlement proposal together with a draft complaint against the Company and Security National Life Insurance Company for filing in the United States District Court for the District of Utah. There appears to be no material difference between the complaint prepared for filing in Utah and the amended complaint which had been filed in Indiana. Assuming that settlement will not immed iately take place, and that the matter will be filed in Utah, the Company believes there is no basis to the claims in the draft complaint. The Company intends to vigorously defend against the action.

The Company has also been named as a party in the pending litigation brought by John and Donna Mackay (the "Mackays") in the Third Judicial Court, Salt Lake County, State of Utah. The complaint alleges that certain payments are due to the Mackays pursuant to a contract which at the date of filing was claimed to be in the amount of $25,000 plus interest with arrearages purportedly continuing to increase the principal claimed in the amount of approximately $600 per month.

The complaint brought by the Mackays also alleges certain items of personal property were removed from their location, sold or destroyed, which it is alleged had a value of approximately $50,000, for which the Company is allegedly liable, and that the Company also should deliver to the Mackays 80 shares of Spring Creek Irrigation Company common stock, which allegedly has "substantial value." The Mackays have also included a claim for breach of the implied covenant of good faith and fair dealing with alleged damages "to be determined by the trier of fact and such punitive damages as the court determines." Although formal discovery is in process, a full evaluation has not been made of the matter at this point. Management has directed that the action be defended as well as having directed the filing of a counterclaim.

The Company and its subsidiaries, Security National Life Insurance Company, Greer-Wilson Funeral Home, Inc., Crystal Rose Funeral Home, and Sunset Funeral Homes, Inc., have been named as parties in the pending litigation brought by York Products, Inc. ("York Products") in the Superior Court of the State of Arizona, Maricopa County. The litigation seeks collection of a total sum of $68,660 plus attorneys' fees and interest. The Company is presently disputing the amounts that York Products claims to be due and owing, and the court has ordered that the matter be submitted to compulsory non-binding arbitration under the Arizona Rules of Civil Procedure.

The Company is not a party to any other legal proceedings outside the ordinary course of the Company's business or to any other legal proceedings which, adversely determined, would have a material adverse effect on the Company or its business.

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

None

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

The Company's Class A Common Stock trades on the Nasdaq National Market under the symbol "SNFCA." Prior to August 13, 1987, there was no active public market for the Class A and Class C Common Stock. During recent years there has been occasional trading of Class A and Class C Common Stock by brokerage firms in the over-the-counter market. The following are the high and low sales prices for Class A Common Stock as reported by Nasdaq:

Period (Calendar Year)	Price Range High	Low
1996		
First Quarter	5 1/4	4 3/8
Second Quarter	4 3/4	4 3/8
Third Quarter	4 7/8	4 3/8
Fourth Quarter	5 1/4	4 3/8
1997		
First Quarter	5	3 7/8
Second Quarter	5	4 1/4
Third Quarter	4 7/16	4
Fourth Quarter	4 9/16	4 1/16
1998		
First Quarter	4 1/6	3 3/4

The Class C Common Stock is not actively traded, although there are occasional transactions in such stock by brokerage firms. (See Note 11 to the Consolidated Financial Statements.)

The Company has never paid a cash dividend on its Class A or Class C Common Stock. The Company currently anticipates that all of its earnings will be retained for use in the operation and expansion of its business and does not intend to pay any cash dividends on its Class A or Class C Common Stock in the foreseeable future. Any future determination as to cash dividends will depend upon the earnings and financial position of the Company and such other factors as the Board of Directors may deem appropriate. A 5% stock dividend on Class A and Class C Common Stock was paid in the years 1989 through 1997.

As of March 12, 1998, there were 4,947 record holders of Class A Common Stock and 157 record holders of Class C Common Stock.

Item 6. Selected Financial Data - The Company and Subsidiaries (Consolidated)

The following selected financial data for each of the five years in the period ended December 31, 1997, are derived from the audited consolidated financial statements. The data as of December 31, 1997 and 1996, and for the three years ended December 31, 1997, should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

Consolidated Statement of Earnings Data:

	Year Ended December 31, 1997(4)	1996
Revenue		
Premiums	$ 6,141,000	$ 5,666,000
Net investment income	7,140,000	7,517,000
Net mortuary and cemetery income	9,231,000	8,138,000
Realized gains on investments	253,000	290,000
Provision for losses on investments	--	--
Mortgage fee income	5,662,000	8,237,000
Other	48,000	75,000
Total revenue	$28,475,000	$29,923,000
Expenses		
Policyholder benefits	6,669,000	$ 6,341,000
Amortization of deferred policy acquisition costs	1,132,000	1,240,000
General and administrative expenses	15,361,000	17,292,000
Interest expense	948,000	1,318,000
Cost of goods & services of the mortuaries & cemeteries	2,696,000	2,355,000
Total benefits & expenses	$26,806,000	$28,546,000
Income before income tax expense	1,669,000	1,377,000
Income tax expense	(360,000)	(139,000)
Minority interest in loss of subsidiary	--	--
Net earnings	$ 1,309,000	$ 1,237,000
Net earnings per common share (5)	$0.33	$0.33
Weighted average outstanding common shares	3,988,000	3,750,000
Net earnings per common share-assuming dilution (5)	$0.32	$0.32
Weighted average outstanding common shares-assuming dilution	4,093,000	3,856,000

	Year Ended December 31,		
	1995(3)	1994(2)	1993(1)
Revenue			
Premiums	$ 5,796,000	$ 4,945,000	$ 4,933,000
Net investment income	6,680,000	4,121,000	3,473,000
Net mortuary and cemetery income	8,238,000	5,888,000	6,085,000
Realized gains on investments	333,000	384,000	780,000
Provision for losses on investments	--	--	(28,000)
Mortgage fee income	4,943,000	1,170,000	788,000
Other	71,000	153,000	465,000
Total revenue	$26,061,000	$16,661,000	$16,496,000
Expenses			
Policyholder benefits	$ 6,111,000	$ 4,036,000	$ 4,420,000
Amortization of deferred policy acquisition costs	1,150,000	767,000	943,000
General and administrative expenses	13,019,000	8,064,000	7,098,000
Interest expense	1,208,000	692,000	675,000
Cost of goods & services of the mortuaries & cemeteries	2,314,000	1,767,000	1,890,000
Total benefits & expenses	$23,801,000	$15,326,000	$15,026,000
Income before income tax expense	2,259,000	1,335,000	1,470,000
Income tax expense	(728,000)	(302,000)	(388,000)
Minority interest in loss of subsidiary	20,000	7,000	2,000
Net earnings	$ 1,551,000	$ 1,040,000	$ 1,084,000
Net earnings per common share (5)	$0.44	$0.31	$0.35
Weighted average outstanding common shares	3,508,000	3,350,000	3,131,000
Net earnings per common share-assuming dilution (5)	$0.43	$0.30	$0.34
Weighted average outstanding common shares-assuming dilution	3,576,000	3,418,000	3,195,000

Balance Sheet Data:

	December 31, 1997(4)	1996
Assets		
Investments and restricted assets	$ 81,039,000	$ 78,638,000
Cash	3,408,000	3,301,000
Receivables	15,224,000	17,070,000
Other assets	25,781,000	25,701,000
Total assets	$125,452,000	$124,710,000
Liabilities		
Policyholder benefits	$ 77,890,000	$ 76,962,000
Notes & contracts payable	9,981,000	12,490,000
Cemetery & mortuary liabilities	6,116,000	5,946,000
Other liabilities	6,070,000	5,844,000
Total liabilities	100,057,000	101,242,000
Stockholders' equity	25,395,000	23,468,000
Total liabilities and stockholders' equity	$125,452,000	$124,710,000

(1) Only includes Security National Mortgage Company for the five months ended December 31, 1993.

(2) Reflects the acquisition of Capital Investors Life as of December 31, 1994, and Camelback Sunset Funeral Home as of January 1, 1994.

(3) Only includes Evergreen Memorial Park for the first eleven months of 1995 and the assets and liabilities of Civil Service Employees Life Insurance Company as of December 31, 1995.

(4) Reflects the acquisition of Crystal Rose Funeral Home as of February 1997.

(5) The earnings per share amounts prior to 1997 have been restated as required to comply with Statement of Financial Accounting Standards No. 128, Earnings Per Share. For further discussion of earnings per share and the impact of Statement No. 128, see the notes to the audited consolidated financial statements.

Balance Sheet Data:

	December 31, 1995(3)	1994(2)	1993(1)
Assets			
Investments and restricted assets	$ 80,815,000	$ 74,835,000	$47,692,000
Cash	7,710,000	2,061,000	6,831,000
Receivables	24,177,000	4,638,000	4,084,000
Other assets	25,511,000	22,224,000	17,314,000
Total assets	$138,213,000	$103,758,000	$75,921,000
Liabilities			
Policyholder benefits	$ 76,868,000	$ 61,896,000	$38,605,000
Notes & contracts payable	27,129,000	10,210,000	8,095,000
Cemetery & mortuary liabilities	6,078,000	6,603,000	6,511,000
Other liabilities	6,219,000	5,070,000	3,876,000
Total liabilities	116,294,000	83,779,000	57,087,000
Stockholders' equity	21,919,000	19,979,000	18,834,000
Total liabilities and stockholders' equity	$138,213,000	$103,758,000	$75,921,000

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

Overview

The Company's operations over the last three years generally reflect three trends or events which the Company expects to continue: (i) increased attention to "niche" insurance products, such as the Company's funeral plan policies, annuities, and limited pay accident policies; (ii) emphasis on high margin cemetery and mortuary business; and (iii) capitalizing on the strong economy in the intermountain west by originating and refinancing mortgage loans.

Results of Operations

1997 Compared to 1996

Total revenues decreased by $1,448,000, or 4.8%, from $29,923,000 for fiscal year 1996 to $28,475,000 for fiscal year 1997. Insurance premiums and other considerations increased $475,000 and net mortuary and cemetery sales increased $1,093,000. These increases were offset by decreases in net investment income of $377,000 and mortgage fee income of $2,575,000. Realized gains on investments and other assets were slightly less than the previous year.

Insurance premiums and other considerations increased by $474,000, from $5,666,000 in 1996 to $6,141,000 in 1997. This increase was primarily attributed to an increase in new business from marketing the Company's funeral plans.

Net investment income decreased by $377,000, from $7,517,000 in 1996 to $7,140,000 in 1997. This decrease was primarily the result of the reinvestment of the Company's bond and mortgage portfolio in 1997 into lower investment yields due to the decrease in long term rates in the financial markets.

Net mortuary and cemetery sales increased by $1,093,000, from $8,138,000 in 1996 to $9,231,000 in 1997. Of this increase in sales, $750,000 was the result of the acquisition of Crystal Rose Funeral Home. The balance of the increase in sales was due to the generation of additional sales of funeral services and cemetery products from existing facilities.

Mortgage fee income decreased by $2,575,000, from $8,237,000 in 1996 to $5,662,000 in 1997. This decrease was primarily due to fewer loan originations because there were fewer new home sales in 1997 in the Company's primary market, the intermountain region, compared to 1996 and the Company experienced increased competition from other mortgage companies and banks.

Total benefits and expenses were $26,806,000 for 1997, which constituted 94% of the Company's total revenues, as compared to $28,546,000, or 95% of the Company's total revenues for 1996.

During 1997, there was a net increase of $328,000 in death benefits, surrender and other policy benefits, and increase in future policy benefits from $6,341,000 in 1996 to $6,669,000 in 1997. This increase was primarily due to additional interest credited on annuities and reserve increases on traditional products. This increase was reasonable based on the underlying actuarial assumptions.

Amortization of deferred policy acquisition costs and cost of insurance acquired decreased by $108,000, from $1,240,000 in 1996 to $1,132,000 in 1997. This decrease was reasonable based on the underlying actuarial assumptions.

General and administrative expenses decreased by $1,931,000, from $17,292,000 in 1996 to $15,361,000 in 1997. This was primarily due to a decrease in commissions and other expenses. Commission expenses decreased by $1,117,000, from $6,000,000 in 1996 to $4,883,000 in 1997. Other expenses decreased $876,000, from $6,548,000 in 1996 to $5,672,000 in 1997. These decreases were primarily the result of fewer loan originations by the Company's mortgage subsidiary. Salaries increased by $61,000, from $4,745,000 in 1996 to $4,806,000 in 1997. However, the Company's full time employee count decreased by 10 from 165 employees in 1996 to 155 in 1997.

Interest expense decreased by $370,000, from $1,318,000 in 1996 to $948,000 in 1997. This decrease is primarily due to fewer loan originations from the Company's mortgage subsidiary and the payoff of bank debt in 1997.

Cost of the mortuary and cemetery goods and services sold was consistent with the products sold during 1997 and 1996.

1996 Compared to 1995

Total revenues increased by $3,862,000, or 15%, from $26,061,000 for fiscal 1995 to $29,923,000 for fiscal 1996. Contributing to this increase in total revenues was an $837,000 increase in net investment income and a $3,294,000 increase in mortgage fee income.

Net investment income increased by $837,000, from $6,680,000 in 1995 to $7,517,000 in 1996. This increase was primarily attributed to the acquisition of CSE Life and the increased amount of funds invested in higher yielding mortgage loans originated by Security National Mortgage.

Realized gains on investments and other assets decreased by $43,000, from a gain of $333,000 in 1995 to a gain of $290,000 in 1996. In 1995, an agreement was entered into in which the Company's remaining interest in Evergreen Memorial Park was sold to an Ogden based mortuary. The net gain on the sale of Evergreen Memorial Park was approximately $206,000.

Net mortuary and cemetery sales decreased by $100,000, from $8,238,000 in 1995 to $8,138,000 in 1996. This decrease was the result of a $195,000 reduction in pre-need cemetery sales.

Mortgage fee income increased by $3,294,000, from $4,943,000 in 1995 to $8,237,000 in 1996. This increase was due to an increase in the aggregate amount of loans made by Security National Mortgage in 1996 from increased lending activities. Also in 1996, Security National Mortgage began offering home equity loans and non conforming loan products.

Total benefits and expenses were $28,546,000 for 1996, which constituted 95% of the Company's total revenues, as compared to $23,801,000, or 91% of the Company's total revenues for 1995.

During 1996, there was a net increase of $228,000 in death benefits, surrender and other policy benefits, and increase in future policy benefits from $6,112,000 in 1995 to $6,340,000 in 1996. This increase was primarily due to additional interest credited on annuities and reserve increases on traditional products. This increase is reasonable based on the underlying actuarial assumptions.

Amortization of deferred policy acquisition costs and cost of insurance acquired increased by $90,000, from $1,150,000 in 1995 to $1,240,000 in 1996. This increase was primarily due to a reduction in the number of policies in force during 1996 and the associated deferred policy acquisition costs of these policies being amortized in 1996.

General and administrative expenses increased by $4,274,000, from $13,018,000 in 1995 to $17,292,000 in 1996. This increase was primarily due to an increase in commissions, salaries, and other expenses. Commissions increased by $2,208,000, or 55%, from $3,792,000 in 1995 to $6,000,000 in 1996. This increase was due to an increased number of loans originated and processed by Security National Mortgage. Salaries increased by $1,133,000, from $3,612,000 in 1995 to $4,745,000 in 1996. The salaries of Security National Life increased by $103,000 primarily due to staff required to complete the conversion of Security National Life's computer software. The salaries of Security National Mortgage increased by $383,000, due to the additional staff required to process the increased number of loans originated during 1996. The cemeteries and mortuaries salaries increased by $247,000, which was primarily due to the addition of Greer-Wilson Funeral Home, Inc. ("Greer-Wilson"), which operated a full twelve months in 1996 as opposed to operating only nine months in 1995 and the opening in 1996 of Singing Hills Memorial Park in San Diego, California. Other expenses have increased due primarily to the increased lending activities in the mortgage company.

Interest expense increased by $110,000, from $1,208,000 in 1995 to $1,318,000 in 1996. This increase was primarily due to the debt resulting from the acquisition of CSE Life and the acquisition of Greer-Wilson which was incurred for a full twelve months in 1996 opposed to nine months in 1995. Also in 1996, Security National Mortgage increased the number of loans funded through the use of the revolving line of credit.

Cost of the mortuary and cemetery goods and services sold was consistent with the products sold during 1996.

Liquidity and Capital Resources

The Company's life insurance subsidiary and cemetery and mortuary subsidiaries realize cash flow from premiums, contract payments and sales on personal services rendered for cemetery and mortuary business, from interest and dividends on invested assets, and from the proceeds from the maturity of held-to-maturity investments or sale of other investments. The mortgage subsidiary realizes cash flow from fees generated by originating and refinancing mortgage loans and interest earned on mortgages sold to investors. The Company considers these sources of cash flow to be adequate to fund future policyholder and cemetery and mortuary liabilities, which generally are long-term, and adequate to pay current policyholder claims, annuity payments, expenses on the issuance of new policies, the maintenance of existing policies, debt service, and to meet operating expenses.

The Company attempts to match the duration of invested assets with its policyholder and cemetery and mortuary liabilities. The Company may sell investments other than those held-to-maturity in the portfolio to help in this timing; however, to date, that has not been necessary. The Company purchases short-term investments on a temporary basis to meet the expectations of short-term requirements of the Company's products. The Company's investment philosophy is intended to provide a rate of return which will persist during the expected duration of policyholder and cemetery and mortuary liabilities regardless of future interest rate movements.

The Company's investment policy is to invest predominately in fixed maturity securities and warehouse mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiary. Bonds owned by the insurance subsidiary amounted to $49,697,000, at amortized cost as of December 31, 1997 compared to $47,906,000 at amortized cost as of December 31, 1996. This represents 64% of the total insurance related investments in 1997 as compared to 63% in 1996. Generally all bonds owned by the life insurance subsidiary are rated by the National Association of Insurance Commissioners (NAIC). Under this rating system, there are six categories used for rating bonds. At December 31, 1997, 4.06% ($2,018,000) and at December 31, 1996, 4.18% ($1,994,000) of the Company's total invested assets were invested in bonds in rating categories three through six which are considered non-investment grade.

The Company intends to hold its fixed income securities, including high-yield securities, in its portfolio to maturity. Business conditions, however, may develop in the future which may indicate a need for a higher level of liquidity in the investment portfolio. In that event the Company believes it could sell short-term investment grade securities before liquidating higher-yielding longer term securities.

The Company is subject to risk based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. At December 31, 1997 and 1996, the life subsidiary exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity and bank debt and notes payable was $35,276,000 and $34,746,000 as of December 31, 1997 and 1996, respectively. Stockholders' equity as a percent of total capitalization was 72% and 67% as of December 31, 1997 and 1996, respectively.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 1997 was 11.7%, as compared to a rate of 12.0% in 1996.

In February 1995, the Company purchased approximately 100 acres of real property (the "Property") located in San Diego, California, approximately 35 acres of which is being used for a cemetery. The purchase price of the property was $1,062,000, $100,000 of which was paid in cash and the balance of $962,000, together with interest thereon at the rate of 9% percent per annum, to be paid in 12 monthly payments of $5,000, thereafter in equal monthly payments of $10,000. However, interest did not accrue on any part of the principal balance until February 3, 1996. A principal payment of $100,000 was made in December 1995. The Company has obtained approval from the federal government and the California Cemetery Board to operate a cemetery on the property. The Company has completed development on six acres and is currently selling cemetery lots on a pre-need and at-need basis on the developed acreage.

In March 1995, the Company purchased 97,800 shares of common stock of Greer-Wilson Funeral Home, Inc., representing 97.8% of the total issued and outstanding shares of common stock of Greer-Wilson for a total consideration of $1,218,000, which included a note to the former owners in the amount of $588,000.

In November 1995, the Company entered into a purchase sale agreement with Myers Mortuary for the sale of the Company's 65% interest in Evergreen Memorial Partnership and the Company's 50% interest in Evergreen Management Corporation. As consideration for the sale of these entities, Myers Mortuary paid $746,123 in satisfaction of the indebtedness that Evergreen Memorial Partnership owed to the Company. Myers Mortuary also agreed to pay $200,000 to the Company in four equal annual installments of $50,000, beginning as of October 31, 1996. In addition, Myers Mortuary will pay a $10.00 royalty to the Company for each adult space sold in Evergreen Memorial Park over the next ten years, beginning as of January 1, 1996.

In December 1995, the Company purchased all of the outstanding shares of common stock of Civil Service Employees Life Insurance Company ("CSE Life") from Civil Service Employees Insurance Company for a total cost of $5,200,000, which included a promissory note in the amount of $1,063,000. Interest on the promissory note accrues at 7% per annum. Principal payments are to be made in seven equal annual installments of $151,857, beginning on December 29, 1996. Accrued interest will be payable annually beginning on December 29, 1996.

In February 1997, the Company purchased all of the outstanding shares of common stock of Crystal Rose Funeral Home, Inc. for a total consideration of $382,000, which included a note to the former owner in the amount of $297,000.

At December 31, 1997, $11,790,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's insurance subsidiary. The life insurance subsidiary cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

Year 2000 Issues

The Company is aware of the issues associated with the programming code in existing computer systems as the millennium (Year 2000) approaches. The "Year 2000" problem is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two digit year value to 00. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

The Company's systems, which are presently in use, have been purchased from third party vendors. The Company is in the process of converting to the latest versions for these systems which are Year 2000 compliant ("Version 2000"). The Company plans to have the Version 2000 installed and in use for its insurance subsidiary in the third quarter of 1998 and the Version 2000 installed and in use for its cemetery and mortuary subsidiaries in the first quarter of 1999. The mortgage subsidiary is currently using a Version 2000 system. The total cost for the Version 2000 systems is approximately $50,000, of which $40,000 has been spent as of March 14, 1998.

Once installed the Company believes that the Year 2000 problem will not pose significant operational problems for the Company. However, if such conversions are not completed timely, the Year 2000 problem may have a material impact on the operations of the Company.

Also, the Company is in the process of confirming with its major vendors and suppliers to determine compliance to the Year 2000.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

All other schedules to the consolidated financial statements required by Article 7 of Regulation S-X are not required under the related instructions or are inapplicable and therefore have been omitted.

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Security National Financial Corporation

We have audited the accompanying consolidated balance sheets of Security National Financial Corporation and subsidiaries as of December 31, 1997, and 1996, and the related consolidated statements of earnings, stockholders' equity, and cash flow for each of the three years in the period ended December 31, 1997. Our audits also include the financial statement schedules listed in the Index at Item 8. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Security National Financial Corporation and subsidiaries at December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

ERNST & YOUNG LLP

Salt Lake City, Utah
March 14, 1998

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheets

Assets:	December 31, 1997	1996
Insurance-related investments:		
Fixed maturity securities held to maturity, at amortized cost (market $51,177,199 and $47,594,559 for 1997 and 1996)	$ 49,784,898	$ 47,934,684
Equity securities available for sale, at market (cost $3,870,078 and $3,873,190 for 1997 and 1996)	4,831,813	4,133,105
Mortgage loans on real estate	8,307,237	9,809,379
Real estate, net of accumulated depreciation of $2,049,346 and $1,868,187 for 1997 and 1996	7,559,725	7,808,255
Policy loans	2,882,711	3,021,155
Other loans	84,147	218,437
Short-term investments	3,698,941	2,258,283
Total insurance-related investments	77,149,472	75,183,298
Restricted assets of cemeteries and mortuaries	3,889,785	3,454,622
Cash	3,408,179	3,301,084
Receivables:		
Trade contracts	4,323,011	4,514,010
Mortgage loans sold to investors	11,398,432	13,455,123
Receivable from agents	816,657	670,439
Other	364,782	292,680
Total receivables	16,902,882	18,932,252
Allowance for doubtful accounts	(1,679,090)	(1,862,599)
Net receivables	15,223,792	17,069,653
Land and improvements held for sale	8,466,886	8,456,302
Accrued investment income	1,001,998	1,040,242
Deferred policy acquisition costs	4,433,841	4,277,560
Property, plant and equipment, net	6,641,562	6,513,980
Cost of insurance acquired	3,370,018	3,748,654
Excess of cost over net assets of acquired subsidiaries	1,554,505	1,370,708
Other	311,841	293,400
Total assets	$125,451,879	$124,709,503

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)

	December 31, 1997	December 31, 1996
Liabilities:		
Future life, annuity, and other policy benefits	$ 77,890,080	$ 76,962,062
Line of credit for financing of mortgage loans	100,000	1,211,890
Bank loans payable	6,097,351	6,768,119
Notes and contracts payable	3,783,566	4,509,921
Estimated future costs of pre-need sales	5,994,241	5,874,387
Payable to endowment care fund	121,370	70,617
Accounts payable	1,204,029	1,199,920
Other liabilities and accrued expenses	1,632,897	1,902,046
Income taxes	3,233,415	2,742,513
Total liabilities	100,056,949	101,241,475
Commitments and contingencies		
Stockholders' Equity:		
Common stock:		
Class A: $2 par value, authorized 10,000,000 shares, issued 4,326,588 shares in 1997 and 4,110,709 shares in 1996	8,653,176	8,221,418
Class C: $0.20 par value, authorized 7,500,000 shares, issued 5,200,811 shares in 1997 and 4,967,072 shares in 1996	1,040,162	993,413
Total common stock	9,693,338	9,214,831
Additional paid-in capital	9,133,454	8,675,386
Unrealized appreciation of investments, net of deferred taxes of $130,796 and $-0- for 1997 and 1996	830,939	259,915
Retained earnings	7,533,259	7,118,528
Treasury stock at cost (659,992 Class A shares and 56,217 Class C shares in 1997; 631,576 Class A shares and 53,540 Class C shares in 1996, held by affiliated companies)	(1,796,060)	(1,800,632)
Total stockholders' equity	25,394,930	23,468,028
Total liabilities and stockholders' equity	$125,451,879	$124,709,503

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Earnings

	Year Ended December 31, 1997	1996	1995
Revenues:			
Insurance premiums and other considerations	$ 6,140,783	$ 5,666,436	$ 5,796,011
Net investment income	7,139,580	7,517,014	6,679,704
Net mortuary and cemetery sales	9,230,864	8,138,010	8,238,347
Realized gains on investments and other assets	252,635	289,543	332,648
Mortgage fee income	5,661,867	8,236,709	4,943,103
Other	48,893	74,989	71,519
Total revenue	$28,474,622	$29,922,701	$26,061,332
Benefits and expenses:			
Death benefits	$ 2,407,931	$ 2,143,843	$ 2,193,232
Surrenders and other policy benefits	1,286,511	1,452,295	1,585,312
Increase in future policy benefits	2,974,915	2,744,326	2,333,155
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,132,298	1,239,918	1,149,510
General and administrative expenses:			
Commissions	4,882,880	6,000,119	3,792,408
Salaries	4,805,571	4,744,503	3,611,993
Other	5,671,664	6,547,639	5,613,502
Interest expense	947,629	1,318,102	1,208,346
Cost of goods and services sold of the mortuaries and cemeteries	2,696,174	2,355,353	2,314,410
Total benefits and expenses	$26,805,573	$28,546,098	$23,801,868
Earnings before income taxes	$ 1,669,049	$ 1,376,603	$ 2,259,464
Income tax expense	(360,108)	(139,458)	(728,000)
Minority interest in loss of subsidiary	-0-	-0-	20,316
Net earnings	$ 1,308,941	$ 1,237,145	$ 1,551,780
Net earnings per common share	$0.33	$0.33	$0.44
Weighted average outstanding common shares	3,988,034	3,750,498	3,507,766
Net earnings per common share-assuming dilution	$0.32	$0.32	$0.43
Weighted average outstanding common shares assuming-dilution	4,092,691	3,855,560	3,575,625

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

	Class A	Class C	Additional Paid-in Capital
Balance at December 31, 1994	$7,116,814	$ 910,018	$7,214,061
Net earnings			
Stock dividends	363,802	45,496	537,204
Conversion Class C to Class A	298	(298)	
Stock issued	157,916		128,313
Purchase of treasury stock			
Change in unrealized appreciation			
Balance at December 31, 1995	7,638,830	955,216	7,879,578
Net earnings			
Stock dividends	403,758	42,101	548,844
Conversion Class C to Class A	3,904	(3,904)	
Stock issued	174,926		246,964
Purchase of treasury stock			
Change in unrealized appreciation			
Balance at December 31, 1996	8,221,418	993,413	8,675,386
Net earnings			
Stock dividends	412,712	49,531	431,967
Conversion Class C to Class A	2,718	(2,718)	
Stock issued	16,328	(64)	26,101
Purchase of treasury stock			
Change in unrealized appreciation			
Balance at December 31, 1997	$8,653,176	$1,040,162	$9,133,454

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

	Unrealized Appreciation	Retained Earnings	Additional Treasury Stock	Total
Balance at December 31, 1994	$105,676	$6,270,808	$(1,638,832)	$19,978,545
Net earnings		1,551,780		1,551,780
Stock dividends		(946,502)		
Conversion Class C to Class A				
Stock issued				286,229
Purchase of treasury stock			(160,800)	(160,800)
Change in unrealized appreciation	262,839			262,839
Balance at				

December 31, 1995	368,515	6,876,086	(1,799,632)	21,918,593
Net earnings		1,237,145		1,237,145
Stock dividends		(994,703)		
Conversion Class C to Class A				
Stock issued				421,890
Purchase of treasury stock			(1,000)	(1,000)
Change in unrealized appreciation	(108,600)			(108,600)
Balance at December 31, 1996	259,915	7,118,528	(1,800,632)	23,468,028
Net earnings		1,308,941		1,308,941
Stock dividends		(894,210)		
Conversion Class C to Class A				
Stock issued			43,520	85,885
Purchase of treasury stock			(38,948)	(38,948)
Change in unrealized appreciation	571,024			571,024
Balance at December 31, 1997	$ 830,939	$7,533,259	$(1,796,060)	$25,394,930

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statements of Cash Flow

	Year Ended December 31, 1997	1996	1995
Cash flows from operating activities:			
Net earnings	$1,308,941	$1,237,145	$1,551,780
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Realized gains on investments and other assets	(252,635)	(289,543)	(332,648)
Depreciation	815,977	1,213,639	719,903
Provision for losses on accounts and loans receivable	129,502	197,239	548,327
Amortization of goodwill, premiums, and discounts	106,783	(5,528)	(152,472)
Provision for income taxes	360,108	139,458	728,000
Policy acquisition costs deferred	(909,943)	(748,356)	(644,873)
Policy acquisition costs amortized	753,662	980,768	903,183
Cost of insurance acquired amortized	378,636	259,150	246,327
Change in assets and liabilities net of effects from purchases and disposals of subsidiaries:			
Land and improvements held for sale	(10,584)	(888,286)	(1,401,165)
Future life and other benefits	2,879,911	2,759,439	2,326,507
Receivables for mortgage loans sold	2,056,691	6,384,534	(19,016,093)
Other operating assets and liabilities	(534,157)	497,522	(1,190,134)
Net cash provided by (used in) operating activities	7,082,892	11,737,181	(15,713,358)
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(9,254,030)	(1,496,512)	(313,393)
Calls and maturities - fixed maturity securities	7,561,598	5,018,437	2,932,435
Securities available for sale:			
Purchases - equity securities	(309,547)	(3,126)	(424,095)
Sales - equity securities	465,935	384,045	388,021
Purchases of short-term investments	(5,008,706)	(7,768,574)	(2,117,410)
Sales of short-term investments	3,568,048	6,232,884	5,408,113
Purchases of restricted assets	(329,379)	(467,964)	(617,781)
Mortgage, policy, and other loans made	(1,337,456)	(4,931,984)	(4,222,888)
Payments received for mortgage, policy, and other loans	3,066,889	5,663,131	8,100,070
Purchases of property, plant, and equipment	(351,091)	(986,924)	(263,055)
Purchases of real estate	(97,013)	(484,471)	(409,367)
Purchases of subsidiaries net of cash acquired	(60,602)	--	(4,544,043)
Other uses	--	--	(26,567)
Net cash (used in) provided by investing activities	(2,085,354)	1,158,942	3,890,040

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statements of Cash Flow (Continued)

	Year Ended December 31, 1997	1996	1995
Cash flows from financing activities:			
Annuity receipts	2,521,025	2,858,798	2,597,540
Annuity withdrawals	(4,472,918)	(5,523,860)	(1,727,659)
Repayment of bank loans and notes and contracts payable	(1,965,706)	(1,550,583)	(1,554,154)
Proceeds from borrowings on bank loans and notes and contracts payable	233,000	167,915	3,688,516
Sale of treasury stock	44,994	--	--
Purchase of treasury stock	(38,948)	(1,000)	--
Net change in line of credit for financing of mortgage loans	(1,211,890)	(13,256,464)	14,468,354
Net cash (used in) provided by financing activities	(4,890,443)	(17,305,194)	17,472,597
Net change in cash	107,095	(4,409,071)	5,649,279
Cash at beginning of year	3,301,084	7,710,155	2,060,876
Cash at end of year	$ 3,408,179	$ 3,301,084	$ 7,710,155

See accompanying notes to the financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 1997, 1996, and 1995

1) Significant Accounting Principles

General Overview of Business

Security National Financial Corporation and its wholly-owned subsidiaries (the "Company") operates in three main business segments; life insurance, cemetery and mortuary, and mortgage loans. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products and accident and health insurance marketed primarily in the intermountain west, California, Texas, and Oklahoma. The cemetery and mortuary segment of the Company consists of five cemeteries in Utah, one cemetery in California, eight mortuaries in Utah and six mortuaries in Arizona. The mortgage loan segment is an approved governmental and conventional lender that originates and underwrites residential and commercial loans for new construction, existing homes and real estate projects primarily in the intermountain west.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles which, for the life insurance subsidiary, differ from statutory accounting principles prescribed or permitted by regulatory authorities.

Risks

The following is a description of the most significant risks facing the Company and how it mitigates those risks:

Legal/Regulatory Risk - the risk that changes in the legal or regulatory environment in which the Company operates will create additional expenses and/or risks not anticipated by the Company in developing and pricing its products. That is, regulatory initiatives designed to reduce insurer profits, new legal theories or insurance company insolvencies through guaranty fund assessments may create costs for the insurer beyond those recorded in the consolidated financial statements. In addition, changes in tax law with respect to mortgage interest deductions or other public policy or legislative changes may affect the Company's mortgage sales. Also, the Company may be subject to further regulations in the cemetery/mortuary business. The Company mitigates this risk by offering a wide range of products and by diversifying its operations, thus reducing its exposure to any single product or jurisdiction, and also by employing underwriting practices which identify and minimize the adverse impact of such risk.

Credit Risk - the risk that issuers of securities owned by the Company or mortgagors on mortgage loans on real estate owned by the Company will default or that other parties, including reinsurers and holders of cemetery/ mortuary contracts which owe the Company money, will not pay. The Company minimizes this risk by adhering to a conservative investment strategy, by maintaining sound reinsurance and credit and collection policies and by providing for any amounts deemed uncollectible.

1) Significant Accounting Principles (Continued)

Interest Rate Risk - the risk that interest rates will change which may cause a decrease in the value of the Company's investments or impair the ability of the Company to market its mortgage and cemetery/mortuary products. This change in rates may cause certain interest-sensitive products to become uncompetitive or may cause disintermediation. The Company mitigates this risk by charging fees for non-conformance with certain policy provisions, by offering products that transfer this risk to the purchaser, and/or by attempting to match the maturity schedule of its assets with the expected payouts of its liabilities. To the extent that liabilities come due more quickly than assets mature, the Company might have to borrow funds or sell assets prior to maturity and potentially recognize a gain or loss.

Mortality/Morbidity Risk - the risk that the Company's actuarial assumptions may differ from actual mortality/morbidity experience may cause the Company's products to be underpriced, may cause the Company to liquidate insurance or other claims earlier than anticipated and other potentially adverse consequences to the business. The Company minimizes this risk through sound underwriting practices, asset/liability duration matching, and sound actuarial practices.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The estimates susceptible to significant change are those used in determining the liability for future policy benefits and claims, those used in determining valuation allowances for mortgage loans on real estate, and those used in determining the estimated future costs for pre-need sales. Although some variability is inherent in these estimates, management believes the amounts provided are adequate.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and operations of the Company. The Company's wholly-owned subsidiaries at December 31, 1997, are as follows:

Security National Life Insurance Company
Security National Mortgage Company
Memorial Estates, Inc.
Memorial Mortuary
Paradise Chapel Funeral Home
Singing Hills Memorial Park
Cottonwood Mortuary, Inc.
Deseret Memorial, Inc.
Holladay Cottonwood Memorial Foundation
Holladay Memorial Park
Camelback Sunset Funeral Home, Inc.
Greer-Wilson Funeral Home
Crystal Rose Funeral Home

1) Significant Accounting Principles (Continued)

In December 1995, Security National Life Insurance Company and Civil Service Employees Life Insurance Company were merged into Capital Investors Life, with Capital Investors Life as the surviving corporation. In March 1996, the Company changed the name of the surviving corporation from Capital Investors Life to Security National Life Insurance Company.

All significant intercompany transactions and accounts have been eliminated in consolidation.

In February 1997 the Company purchased all of the outstanding shares of common stock of Crystal Rose Funeral Home ("Crystal Rose") for total consideration of $382,208, which included a note to the former owner for $297,208. In addition, the Company entered into an employment agreement with the former owner for consideration of 40,000 shares of Class C Common Stock, payable in six equal installments over six years, beginning in January 1998. Payment of the shares is contingent upon the former owner's continued employment with the Company. The acquisition was accounted for using the purchase method. The assets and liabilities of Crystal Rose have been included in the Company's balance sheet at December 31, 1997. The results of operation of Crystal Rose for the eleven months ended December 31, 1997 were included in the consolidated statements of earnings of the Company. This acquisition resulted in an addition to excess of cost over net assets of acquired subsidiaries of approximately $258,320. The unaudited consolidated pro forma results of operations assuming consummation of these acquisitions as of January 1, 1996, would not materially affect total revenue, net earnings, nor earnings per share and, thus, have not been shown.

Investments

Investments are shown on the following basis:

Fixed maturity securities held to maturity - at cost, adjusted for amortization of premium or accretion of discount. Although the Company has the ability and intent to hold these investments to maturity, infrequent and unusual conditions could occur under which it would sell certain of these securities. Those conditions include unforeseen changes in asset quality, significant changes in tax laws, and changes in regulatory capital requirements or permissible investments.

Equity securities available for sale - at fair value, which is based upon quoted trading prices. Changes in fair values net of income taxes are reported as unrealized appreciation or depreciation and recorded as an adjustment directly to stockholders' equity and, accordingly, have no effect on net income.

Mortgage loans on real estate - at unpaid principal balances, adjusted for amortization of premium or accretion of discount, less allowance for possible losses.

1) Significant Accounting Principles (Continued)

Real estate - at cost, less accumulated depreciation provided on a straight-line basis over the estimated useful lives of the properties, and net of allowance for impairment in value.

Policy and other loans - at the aggregate unpaid balances.

Short-term investments - consists of certificates of deposit and commercial paper with maturities of up to one year.

Restricted assets of cemeteries and mortuaries - consists of cash, participations in mortgage loans with Security National Life Insurance Company, equity securities and mutual funds carried at cost, and fixed maturity securities carried at cost adjusted for amortization of premium or accretion of discount. With respect to the equity securities, market value is not materially different than cost.

Realized gains and losses on investments - realized gains and losses on investments and declines in value considered to be other than temporary, are recognized in operations on the specific identification basis.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Depreciation is calculated principally on the straight-line method over the estimated useful lives of the assets which range from three to thirty years.

Recognition of Insurance Premiums and Other Considerations

Premiums for traditional life insurance products (which include those products with fixed and guaranteed premiums and benefits and consist principally of whole life insurance policies, limited-payment life insurance policies, and certain annuities with life contingencies) are recognized as revenues when due from policyholders. Revenues for interest-sensitive insurance policies (which include universal life policies, interest-sensitive life policies, deferred annuities, and annuities without life contingencies) consist of policy charges for the cost of insurance, policy administration charges, and surrender charges assessed against policyholder account balances during the period.

Deferred Policy Acquisition Costs and Cost of Insurance Acquired

Commissions and other costs, net of commission and expense allowances for reinsurance ceded, that vary with and are primarily related to the production of new insurance business have been deferred. Deferred policy acquisition costs for traditional life insurance are amortized over the premium-paying period of the related policies using assumptions consistent with those used in computing policy benefit reserves. For interest-sensitive insurance products, deferred policy acquisition costs are amortized

1) Significant Accounting Principles (Continued)

generally in proportion to the present value of expected gross profits from surrender charges, investment, mortality and expense margins. This amortization is adjusted when estimates of current or future gross profits to be realized from a group of products are reevaluated. Deferred acquisition costs are written off when policies lapse or are surrendered.

Cost of insurance acquired is the present value of estimated future profits of the acquired business and is amortized similar to deferred policy acquisition costs.

Future Life, Annuity and Other Policy Benefits

Future policy benefit reserves for traditional life insurance are computed using a net level method, including assumptions as to investment yields, mortality, morbidity, withdrawals, and other assumptions based on the life insurance subsidiary's experience, modified as necessary to give effect to anticipated trends and to include provisions for possible unfavorable deviations. Such liabilities are, for some plans, graded to equal statutory values or cash values at or prior to maturity. The range of assumed interest rates for all traditional life insurance policy reserves was 4.5% to 10% in 1997, 1996, and 1995. Benefit reserves for traditional limited-payment life insurance policies include the deferred portion of the premiums received during the premium-paying period. Deferred premiums are recognized as income over the life of the policies. Policy benefit claims are charged to expense in the period the claims are incurred.

Future policy benefit reserves for interest-sensitive insurance products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policy account balances. Interest crediting rates for interest-sensitive insurance products ranged from 4% to 6.5% in 1997, 1996 and 1995.

Participating Insurance

Participating business constitutes 8%, 5%, and 5% of the ordinary life insurance in force for 1997, 1996 and 1995, respectively. The provision for policyholders' dividends included in policyholder obligations is based on dividend scales anticipated by management. Amounts to be paid are determined by the Board of Directors.

Reinsurance

The Company follows the procedure of reinsuring risks in excess of $50,000. The Company is liable for those amounts in the event the reinsurers are unable to pay their portion of the claims.

1) Significant Accounting Principles (Continued)

The Company has entered into coinsurance agreements with unaffiliated insurance companies under which the Company assumed 100% of the risk for certain life insurance policies and certain other policy-related liabilities of the insurance company.

Reinsurance premiums, commissions, expense reimbursements, and reserves related to reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Expense allowances received in connection with reinsurance ceded are accounted for as a reduction of the related policy acquisition costs and are deferred and amortized accordingly.

Cemetery and Mortuary Operations

Land and improvements used in cemetery operations are stated at cost and charged to operations when sold based on the number of spaces available for sale. Mausoleum costs are charged to operations when sold based on the number of niches available for sale. Perpetual care is maintained on sold spaces as discussed in Note 7.

Certain cemetery products are sold on a pre-need basis. Revenues from pre-need cemetery sales are recognized at the time of sale. Related costs required to establish the liability for estimated future costs of pre-need sales are also recorded at the time of sale. This liability relates to promised merchandise and funeral services and is increased or decreased each period as current costs change. A corresponding charge is made to operations to reflect the change in costs. Certain mortuary products and services are also sold on a pre-need basis. Pre-need mortuary sales are fully reserved at the time of the sale. Revenue on pre-need mortuary services is recognized at the time the service is performed. All pre-need sales contracts bear interest at 8%.

The Company is required to place specified amounts into restricted asset accounts for products sold on a pre-need basis. Income from assets placed in these restricted asset accounts are used to offset required increases to the estimated future liability. Management believes amounts placed into these accounts are sufficient to fulfill all future pre-need contract obligations.

Revenues and costs for at-need sales are recorded when the services are performed.

The Company, through its mortuary and cemetery operations, provides a guaranteed funeral arrangement wherein a prospective customer can receive future goods and services at guaranteed prices. To accomplish this, the Company, through its life insurance operations, sells to the customer an increasing benefit life insurance policy that is assigned to the mortuaries. If, at the time of need, the policyholder/potential mortuary customer utilizes one of the Company's facilities, the guaranteed funeral arrang

1) Significant Accounting Principles (Continued)

ement contract that has been assigned will provide the funeral goods and services at the contracted price. The increasing life insurance policy will cover the difference between the original contract prices and current prices. Risks may arise if the difference cannot be fully met by the life insurance policy. However, management believes that given current inflation rates and related price increases of goods and services, the risk of exposure is minimal.

Mortgage Operations

Mortgage fee income is generated through the origination and refinancing of mortgage loans and is deferred until such loans are sold.

Excess of Cost Over Net Assets of Acquired Businesses

Previous acquisitions have been accounted for as purchases under which assets acquired and liabilities assumed were recorded at their fair values. The excess of cost over net assets of acquired subsidiaries is being amortized over a range of fifteen to twenty years using the straight-line method. The Company periodically evaluates the recoverability of amounts recorded. Accumulated amortization was $780,356 and $705,833 at December 31, 1997 and 1996, respectively.

Income Taxes

Income taxes include taxes currently payable plus deferred taxes related to the tax effect of temporary differences in the financial reporting basis and tax basis of assets and liabilities. Such temporary differences are related principally to the deferral of policy acquisition costs and the provision for future policy benefits in the insurance operations.

Earnings Per Common Share

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share". The new Standard simplified the standards for computing earnings per share and requires presentation of two new amounts, basic and diluted earnings per share. The new Standard also requires additional informational disclosures and makes certain modifications to the previous standards defined in Accounting Principles Board ("APB") Opinion No. 15. The Company was required to retroactively adopt this Standard for each year presented.

Basic earnings per share were computed by dividing net earnings by the weighted average number of common shares outstanding during each year presented, after the effect of the assumed conversion of Class C Common Stock to Class A Common Stock, the acquisition of treasury stock, and the retroactive effect of stock dividends declared. Diluted

1) Significant Accounting Principles (Continued)

earnings per share were computed by dividing net earnings by the weighted average number of common shares outstanding during the year plus the incremental shares that would have been outstanding under certain deferred compensation plans.

Stock Compensation

The Company has adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). In accordance with the provisions of SFAS 123, the Company has elected to continue to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB Opinion No. 25"), and related interpretations in accounting for its stock option plans.

The Company has one fixed option plan (the "1993 Plan"). In accordance with APB Opinion No. 25, no compensation cost has been recognized for the 1993 plan. Had compensation cost for the 1993 plan been determined based upon the fair value at the grant date consistent with the methodology prescribed under SFAS No. 123, the Company's net income would have been reduced by approximately $10,000 and $7,000 in 1997 and 1996 respectively, which would have had no effect on earnings per share. The fair value of options granted in 1996 under the 1993 plan is estimated as $1.19 on the date of grant using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 5%, volatility of 34.2%, risk free interest rate of 6.9%, and an expected life of five years. No options were granted in 1995 under the 1993 plan, and, therefore, there would have been no effect on net income or earnings per share had the Company applied the methodology prescribed under SFAS No. 123 in that year.

The Company also has one variable option plan (the "1987 Plan"). In accordance with APB Opinion No. 25, compensation cost related to options granted and outstanding under the 1987 Plan is estimated and recognized over the period of the award based on changes in the current market price of the Company's stock over the vesting period.

Reclassifications

Certain amounts in prior years have been reclassified to conform with the 1997 presentation.

New Accounting Standards

In 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share" ("SFAS No. 128"). SFAS No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the SFAS No. 128 requirements.

1) Significant Accounting Principles (Continued)

During 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income", and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", which are effective for fiscal years beginning after December 15, 1997. The Company has not yet adopted these new standards; however, the effect on financial position, operations and stockholders' equity is not expected to be significant.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 1997, 1996, and 1995

2) Investments

The Company's insurance related investments in fixed maturity securities held to maturity and equity securities available for sale are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 1997:				
Fixed maturity securities held to maturity:				
U.S. Treasury securities and obligations of U.S. Government agencies	$17,212,358	$300,816	$ (13,139)	$17,500,035
Obligations of states and political subdivisions	216,290	14,066	(12,406)	217,950
Corporate securities including public utilities	25,144,396	1,260,917	(158,966)	26,246,347
Redeemable preferred stock	87,563	35,054	(34,041)	88,576
Mortgage-backed securities	7,124,291	-0-	-0-	7,124,291
Total	$49,784,898	$1,610,853	$(218,552)	$51,177,199
Equity securities available for sale	$ 3,870,078	$1,563,836	$(602,101)	$ 4,831,813
December 31, 1996:				
Fixed maturity securities held to maturity:				
U.S. Treasury securities and obligations of U.S. Government agencies	$12,412,746	$ 198,677	$ (70,283)	$12,541,140
Obligations of states and political subdivisions	215,021	4,888	(26,009)	193,900
Corporate securities including public utilities	27,388,574	262,446	(406,259)	27,244,761
Redeemable preferred stock	133,788	24,570	(36,238)	122,120
Mortgage-backed securities	7,784,555	11,923	(303,840)	7,492,638
Total	$47,934,684	$ 502,504	$ (842,629)	$47,594,559
Equity securities available for sale	$ 3,873,190	$ 930,698	$ (670,783)	$ 4,133,105

2) Investments (Continued)

The fair values for fixed maturity securities are based on quoted market prices, when available. For fixed maturity securities not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements, are estimated by discounting expected future cash flows using a current market value applicable to the coupon rate, credit and maturity of the investments. The fair values for equity securities are based on quoted market prices.

The amortized cost and estimated fair value of fixed maturity securities held to maturity at December 31, 1997, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in 1998	$ 3,851,682	$ 3,830,935
Due in 1999 through 2002	12,072,088	12,456,684
Due in 2003 through 2007	23,913,023	24,875,763
Due after 2007	2,736,251	2,800,950
Mortgage-backed securities	7,124,291	7,124,291
Redeemable preferred stock	87,563	88,576
	$49,784,898	$51,177,199

The Company's realized gains and losses in investments are summarized as follows:

	1997	1996	1995
Fixed maturity securities held to maturity:			
Gross realized gains	$ 37,995	$ 347,728	$ 33,028
Gross realized losses	(12,457)	(141,848)	(7,112)
Equity securities available for sale:			
Gross realized gains	242,714	89,823	101,874
Gross realized losses	(15,617)	--	(1,237)
Other assets	-0-	(6,160)	206,095
Total	$252,635	$ 289,543	$332,648

The change in unrealized appreciation of investments, as shown in the accompanying consolidated statements of stockholders' equity, relates entirely to equity securities for 1997, 1996, and 1995.

Concentrations of credit risk arise when a number of mortgage loan debtors have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. Although the Company has a diversified mortgage loan portfolio consisting of residential and commercial loans and requires collateral on all real estate exposures, a substantial portion of its debtors' ability to honor obligations is reliant on the economic stability of the geographic region in which the debtors do business. The Company has 83% of its mortgage loans in the state of Utah.

2) Investments (Continued)

Major categories of net investment income are as follows:

	1997	1996	1995
Fixed maturity securities	$3,519,270	$3,684,089	$3,070,180
Equity securities	238,097	251,733	266,613
Mortgage loans on real estate	774,478	1,225,207	1,888,855
Real estate	1,375,996	1,281,511	1,115,212
Policy loans	170,726	168,857	138,303
Short-term investments	529,979	575,498	366,426
Other	1,310,246	1,179,889	522,526
Gross investment income	7,918,792	8,366,784	7,368,115
Investment expenses	(779,212)	(849,770)	(688,411)
Net investment income	$7,139,580	$7,517,014	$6,679,704

Net investment income includes net investment income earned by the restricted assets of the cemeteries and mortuaries of approximately $609,000, $655,000 and $574,000 for 1997, 1996, and 1995, respectively.

Investment expenses consist primarily of depreciation, property taxes and an estimated portion of administrative expenses relating to investment activities.

Securities on deposit for regulatory authorities as required by law amounted to $7,155,070 at December 31, 1997 and $7,295,953 at December 31, 1996.

3) Cost of Insurance Acquired

Information with regard to cost of insurance acquired is as follows:

	1997	1996	1995
Balance at beginning of year	$3,748,654	$4,007,804	$3,580,964
Cost of insurance acquired	--	--	673,167
Interest accrued at 7%	262,406	280,546	250,667
Amortization	(641,042)	(539,696)	(496,994)
Net amortization charged to income	(378,636)	(259,150)	(246,327)
Balance at end of year	$3,370,018	$3,748,654	$4,007,804

Net amortization charged to income is expected to approximate $297,000, $280,000, $259,000, $245,000, and $233,000 for the years 1998 through 2002.

4) Property, Plant and Equipment

The cost of property, plant and equipment is summarized below:

	December 31, 1997	1996
Land and Buildings	$ 6,584,835	$ 6,275,098
Furniture and equipment	4,784,763	4,457,473
	11,369,598	10,732,571
Less accumulated depreciation	(4,728,036)	(4,218,591)
	$ 6,641,562	$ 6,513,980

5) Bank Loans Payable and Lines of Credit

Bank loans payable are summarized as follows:

	December 31, 1997	1996
Bank prime rate (8.5% at December 31, 1997) plus 1/2% note payable in monthly installments of $36,420 including principal and interest, collateralized by 15,000 shares of Security National Life stock, due December 1999.	$2,221,394	$2,456,336
10% note payable in monthly installments of $8,444 including principal and interest, collateralized by real property, which book value is approximately $1,148,000, due January 2013.	789,516	810,725
One year treasury constant maturity (8.03% at December 31, 1997) plus 2.75% note payable in monthly installments of $6,000, including principal and interest, collateralized by real property, which book value is approximately $441,000, due October 1999.	295,113	336,385
Bank prime rate (8.5% at December 31, 1997) less 1.35% note payable in monthly installments of $20,836, including principal and interest, collateralized by real property, which		

book value is approximately $1,164,000, due November 2007	1,789,349	1,839,009

5) Bank Loans Payable and Lines of Credit (Continued)

	December 31, 1997	1996
Time deposit (5.1% at December 31, 1997) plus 2% note payable in monthly installments of $3,500, including principal and interest, collateralized by 75% of the unpaid face amount of the accounts receivable, which are less than 60 days from payment date, due March 2006	-0-	238,477
Bank prime rate (8.5% at December 31, 1997) plus 1/2% note payable in monthly installments of $7,235 including principal and interest collateralized by real property, which book value is approximately $975,000, due August 1999.	460,654	502,856
Bank prime rate (8.5% at December 31, 1997) less 1.35% note payable in monthly installments of $2,736 including principal and interest, collateralized by treasury shares of the Company's stock, due December 2005.	233,000	-0-
Bank prime rate (8.25% at December 31, 1996) plus 1% note payable in monthly installments of $35,000, including principal and interest, collateralized by real property, which book value is approximately $2,284,000, due February 2003	-0-	274,954
Other collateralized bank loans payable	308,325	309,377
Total bank loans	6,097,351	6,768,119
Less current installments	597,523	2,745,518
Bank loans, excluding current installments	$5,499,828	$4,022,601

5) Bank Loans Payable and Lines of Credit (Continued)

	December 31, 1997	December 31, 1996
$20 million revolving line of credit at the London Interbank offered rates (5.75% at December 31, 1997) plus 1.45% note payable within 30 days collateralized by receivable from mortgage loans sold to investors.	$ -0-	$ 1,211,890
$100,000 revolving line of credit at bank prime rate (8.5% at December 31, 1997) plus 1/2% note payable within 30 days.	$ 100,000	$ -0-

See Note 6 for summary of maturities in subsequent years.

6) Notes and Contracts Payable

Notes and contracts payable are summarized as follows:

	December 31, 1997	December 31, 1996
10% note payable in monthly installments of $37,551, including principal and interest, collateralized by a building, which book value is approximately $2,898,000, due December, 1997.	$ -0-	$ 845,177
Due to former stockholders of Deseret Memorial, Inc. resulting from the acquisition of such entity. Amount represents the present value discounted at 8% of monthly annuity payments ranging from $4,600 to $5,000 plus an index adjustment in the 7th through the 12th years, due September 2011.	680,220	687,450
Due to former stockholders of Greer Wilson resulting from the acquisition of such entity. Amount represents the present value discounted at 10% of monthly annuity payments of $7,000, due March 2005.	435,543	474,544

6) Notes and Contracts Payable (Continued)

	December 31, 1997	December 31, 1996
Due to former stockholders of Civil Service Employees Life Insurance Company resulting from the acquisition of such entity. 7% note payable in seven annual principal payments of $151,857, due December 2003.	759,286	911,143
Due to former stockholders of Crystal Rose Funeral Home resulting from the acquisition of such entity. Amount represents the present value discounted at 9% of monthly annuity payments of $5,350 due February 2007.	263,261	-0-
9% note payable in monthly installments of $10,000 including principal and interest collateralized by real property, which book value is approximately $2,908,000, due July 2008	828,836	872,933
Other notes payable	816,420	718,674
Total notes and contracts payable	3,783,566	4,509,921
Less current installments	422,061	1,227,983
Notes and contracts, excluding current installments	$3,361,505	$3,281,938

The following tabulation shows the combined maturities of bank loans payable, lines of credit and notes and contracts payable:

1998	$ 1,119,584
1999	3,242,273
2000	659,877
2001	683,251
2002	697,107
Thereafter	3,578,825
Total	$9,980,917

Interest paid approximated interest expense in 1997, 1996 and 1995.

7) Cemetery and Mortuary Endowment Care and Pre-need Merchandise Funds

The Company owns and operates several endowment care cemeteries, for which it has established and maintains an endowment care fund. The Company records a liability to the fund for each space sold at current statutory rates. The Company is not required to transfer assets to the fund until the spaces are fully paid for. The liability to the endowment care fund is summarized as follows:

	December 31, 1997	December 31, 1996
Liability for spaces sold	$ 1,351,788	$ 1,317,998
Less assets in the fund	(1,230,418)	(1,247,381)
Total due to fund	$ 121,370	$ 70,617

Assets in the endowment care fund, at cost, are summarized as follows:

	December 31, 1997	December 31, 1996
Cash and cash equivalents	$ 111,637	$ 134,850
Mutual funds	--	22,053
Equity securities	94,613	94,613
Participation in mortgage loans with Security National Life	889,168	860,865
Other	135,000	135,000
Total	$1,230,418	$1,247,381

The Company has established and maintains certain restricted asset accounts to provide for future merchandise obligations incurred in connection with its pre-need sales. Such amounts are reported as restricted assets of cemeteries and mortuaries in the accompanying balance sheet.

Assets in the restricted asset account, which are reported at cost, are summarized as follows:

	December 31, 1997	December 31, 1996
Cash and cash equivalents	$2,038,828	$1,244,808
Mutual funds	132,944	125,516
Fixed maturity securities	384,690	819,680
Equity securities	77,778	77,778
Participation in mortgage loans with Security National Life	1,221,849	1,153,143
Time certificate of deposit	33,696	33,697
Total	$3,889,785	$3,454,622

8) Income Taxes

The Company's income tax liability at December 31 is summarized as follows:

	December 31, 1997	December 31, 1996
Current	$ 226,300	$ 26,129
Deferred	3,007,115	2,716,384
Total	$3,233,415	$2,742,513

8) Income Taxes (Continued)

Significant components of the Company's deferred tax assets and liabilities at December 31 are approximately as follows:

	1997	1996
Assets		
Future policy benefits	$(67,238)	$(112,868)
Uncollected agents' balances	(45,140)	(45,140)
Difference between book and tax basis of bonds	(46,885)	(56,771)
AMT credits	(13,064)	(44,719)
Net operating loss carryforwards expiring in the years 2001 through 2010	(219,069)	(174,456)
Capital loss carryforward	--	(11,177)
Total deferred tax assets	$(391,396)	$(445,131)
Liabilities		
Deferred policy acquisition costs	$ 394,253	$ 274,313
Cost of insurance acquired	466,426	509,817
Installment sales	538,205	639,845
Depreciation	790,136	877,448
Trusts	528,803	505,839
Tax on unrealized appreciation	130,796	--
Other	549,892	354,253
Total deferred tax liabilities	3,398,511	3,161,515
Net deferred tax liability	$3,007,115	$2,716,384

The Company paid approximately $18,000 of income taxes in 1996, and paid no income taxes in 1997 and 1995. The Company's income tax expense is summarized as follows:

	1997	1996	1995
Current	$200,173	$(168,527)	$191,000
Deferred	159,935	307,985	537,000
Total	$360,108	$ 139,458	$728,000

8) Income Taxes(Continued)

The reconciliation of income tax expense at the U.S. federal statutory rates is as follows:

	1997	1996	1995
Computed expense at statutory rate	$562,772	$ 461,574	$ 768,000
Special deductions allowed small life insurance companies	(152,215)	(260,803)	(164,000)
Dividends received deduction	(32,343)	(32,968)	(40,000)
Prior year provision to tax return true-up	(18,421)	--	158,000
Other, net	315	(28,345)	6,000
Tax expense	$360,108	$ 139,458	$ 728,000

A portion of the life insurance income earned prior to 1984 was not subject to current taxation but was accumulated for tax purposes, in a "policyholders' surplus account." Under provisions of the Internal Revenue Code, the policyholders' surplus account was frozen at its December 31, 1983 balance and will be taxed generally only when distributed. As of December 31, 1997, the policyholders' surplus accounts approximated $4,300,000. Management does not intend to take actions nor does management expect any events to occur that would cause federal income taxes to become payable on that amount. However, if such taxes were accrued, the amount of taxes payable would be approximately $1,449,000.

The insurance company has remaining loss carry forwards for tax purposes of approximately $1,600,000, approximately $586,000 of which is subject to an annual limitation of approximately $300,000.

9) Reinsurance, Commitments and Contingencies

The Company follows the procedure of reinsuring risks in excess of a specified limit, which was $50,000 at December 31, 1997 and 1996. The Company is liable for these amounts in the event such reinsurers are unable to pay their portion of the claims. The Company has also assumed insurance from other companies having insurance in force amounting to $46,254,429 at December 31, 1997 and $52,508,120 at December 31, 1996.

Mortgage loans originated and sold to unaffiliated investors are sold subject to certain recourse provisions.

9) Reinsurance, Commitments and Contingencies (Continued)

The Company has been named as a party in connection with pending litigation brought by Garry Eckard & Co., Inc. ("Eckard") in the Federal District Court for the Southern District of Indiana. The complaint was filed on October 14, 1996 and alleges breach of contract and civil conversion pertaining to a finder's fee and seeks an unspecified amount of damages plus costs and attorneys' fees. In a prior letter to the Company from Eckard, it appears that the amount of the fee being sought is $152,000. The complaint, pursuant to the civil conversion claim, seeks treble damages under Indiana's civil conversion statute.

The complaint was initially filed in the Indiana Hamilton County Superior Court, but was subsequently removed by the Company to the Federal District Court for the Southern District of Indiana. The Company filed a motion to dismiss for lack of personal jurisdiction and Eckard filed a motion to amend its complaint and to add Security National Life Insurance Company, a subsidiary of the Company, as a party defendant. On March 18, 1997, the Company's motion was granted to dismiss the complaint against the Company for lack of personal jurisdiction and Eckard's motion was granted to amend the complaint by adding Security National Life Insurance Company as a party defendant. The Company's motion to dismiss the complaint against the Company was granted without prejudice, which allows the complaint to be refiled in an appropriate jurisdiction.

Security National Life Insurance Company then filed a motion to dismiss for lack of personal jurisdiction. On October 10, 1997, this motion to dismiss the complaint for lack of personal jurisdiction was granted thereby also dismissing the case against Security National Life Insurance Company. Thus, the case in Indiana was dismissed without prejudice against both the Company and Security National Life Insurance Company for lack of personal jurisdiction.

On March 13, 1998, a letter was sent by Eckard's counsel relative to a settlement proposal together with a draft complaint against the Company and Security National Life Insurance Company for filing in the United States District Court for the District of Utah. There appears to be no material difference between the complaint prepared for filing in Utah and the amended complaint which had been filed in Indiana. Assuming that settlement will not immediately take place, and that the matter will be filed in Utah, the Company believes there is no basis to the claims in the draft complaint. The Company intends to vigorously defend against the action.

The Company has also been named as a party in the pending litigation brought by John and Donna Mackay (the "Mackays") in the Third Judicial Court, Salt Lake County, State of Utah. The complaint alleges that certain payments are due to the Mackays pursuant to a contract which at the date of filing was claimed to be in the amount of $25,000 plus interest with arrearages purportedly continuing to increase the principal claimed in the amount of approximately $600 per month.

9) Reinsurance, Commitments and Contingencies (Continued)

The complaint brought by the Mackays also alleges certain items of personal property were removed from their location, sold or destroyed, which it is alleged had a value of approximately $50,000, for which the Company is allegedly liable, and that the Company also should deliver to the Mackays 80 shares of Spring Creek Irrigation Company common stock, which allegedly has "substantial value." The Mackays have also included a claim for breach of the implied covenant of good faith and fair dealing with alleged damages "to be determined by the trier of fact and such punitive damages as the court determines." Although formal discovery is in process, a full evaluation has not been made of the matter at this point. Management has directed that the action be defended as well as having directed the filing of a counterclaim.

The Company and its subsidiaries, Security National Life Insurance Company, Greer-Wilson Funeral Home, Inc., Crystal Rose Funeral Home, and Sunset Funeral Homes, Inc. have been named as parties in the pending litigation brought by York Products, Inc. ("York Products") in the Superior Court of the State of Arizona, Maricopa County. The litigation seeks collection of a total sum of $68,660 plus attorneys' fees and interest. The Company is presently disputing the amounts that York Products claims to be due and owing, and the court has ordered that the matter be submitted to compulsory non-binding arbitration under the Arizona Rules of Civil Procedure.

The Company is also a defendant in various other legal actions arising from the normal conduct of business. Management believes that none of the actions will have a material effect on the Company's financial position or results of operations.

10) Retirement Plans

The Company and its subsidiaries have a noncontributory Employee Stock Ownership Plan (ESOP) for all eligible employees. Eligible employees are primarily those with more than one year of service, who work in excess of 1,040 hours per year. Contributions, which may be in cash or stock of the Company, are determined annually by the Board of Directors. The Company's contributions are allocated to eligible employees based on the ratio of each eligible employee's compensation to total compensation for all eligible employees during each year. ESOP contribution expense totaled $45,616, $50,017, and $21,914 for 1997, 1996, and 1995, respectively. At December 31, 1997 the ESOP held 601,037 shares of Class A and 1,103,717 shares of Class C common stock of the Company. All shares held by the ESOP have been allocated to the participating employees and all shares held by the ESOP are considered outstanding for purposes of computing earnings per share.

The Company has a 401(k) savings plan covering all eligible employees, as defined above, which includes employer participation in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plan allows

10) Retirement Plans (Continued)

participants to make pretax contributions up to the lesser of 15% of total annual compensation or the statutory limits (currently $9,240). The Company may match up to 50% of each employee's investment in Company stock, up to 5% of the employee's total annual compensation. The Company's match will be Company stock and the amount of the match will be at the discretion of the Company's Board of Directors. All amounts contributed to the plan are deposited into a trust fund administered by an independent trustee. The Company's matching 401(k) contributions for 1997, 1996, and 1995 were approximately $-0-, $50,000, $21,000, respectively.

11) Capital Stock

The following table summarizes the activity in shares of capital stock for the three year period ended December 31, 1997:

	Class A	Class C
Balance at December 31, 1994	3,558,406	2,275,045
Stock Dividends	181,901	113,740
Conversion of Class C to Class A	150	(745)
Stock Issued	78,958	--
Balance at December 31, 1995	3,819,415	2,388,040
Stock Dividends	201,879	105,256
Conversion of Class C to Class A	1,952	(9,760)
Stock Issued	87,463	--
Stock Split of Class C	--	2,483,536
Balance at December 31, 1996	4,110,709	4,967,072
Stock Dividends	206,344	247,329
Conversion of Class C to Class A	1,359	(13,590)
Stock Issued	8,176	--
Balance at December 31, 1997	4,326,588	5,200,811

The Company has two classes of common stock with shares outstanding, Class A and Class C. Class C shares vote share for share with the Class A shares on all matters except election of one-third of the directors who are elected solely by the Class A shares, but generally are entitled to a lower dividend participation rate. Class C shares are convertible into Class A shares at any time on a ten to one ratio. Also Class A shares can be converted into Class C shares, but the conversion rights have numerous restrictions.

11) Capital Stock (Continued)

On November 7, 1996, the Company amended the Articles of Incorporation concerning Class C stock as follows: (i) to provide for a two-for-one stock split involving only Class C Common Stock; (ii) to reduce the par value of Class C Common Stock from $.40 par value to $.20 par value; (iii) to reduce the exchange rate for converting Class C Common Stock to Class A Common Stock from five shares to ten shares of Class C Common Stock for each share of Class A Common Stock; (iv) to reduce the cash dividends received by Class C shares from 18% to 9% of the per share cash dividends received by Class A shares; (v) to reduce the distributions to Class C Shares in the event of a liquidation from 18% to 9% of the per share distributions received by Class A shares; and (vi) to provide for the issuance of shares of Class C Common Stock under a stock option plan.

Stockholders of both classes of common stock have received 5% stock dividends in the years 1989 through 1997, as authorized by the Company's Board of Directors.

The Company has Class B Common Stock of $1.00 par value, 5,000,000 shares authorized, of which none are issued. Class B shares are non-voting stock except to any proposed amendment to the Articles of Incorporation which would affect Class B Common Stock.

11) Capital Stock (Continued)

In accordance with SFAS 128, the basic and diluted earnings per share amounts were calculated as follows:

	1997	1996	1995
Numerator:			
Net income	$1,308,941	$1,237,145	$1,551,780
Denominator:			
Denominator for basic earnings per share--weighted-average shares	3,988,034	3,750,498	3,507,766
Effect of dilutive securities:			
Employee stock options	19,606	23,321	--
Stock appreciation rights	85,051	81,741	67,859
Dilutive potential common shares	104,657	105,062	67,859
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	4,092,691	3,855,560	3,575,625
Basic earnings per share	$0.33	$0.33	$0.44
Diluted earnings per share	$0.32	$0.32	$0.43

There are no dilutive effects on net income for purpose of this calculation.

12) Deferred Compensation Plans

In 1987, the Company adopted the 1987 Incentive Stock Option Plan (the 1987 Plan). The 1987 Plan provides that shares of the Class A Common Stock of the Company may be optioned to certain officers and key employees of the Company. The 1987 Plan establishes a Stock Option Plan

12) Deferred Compensation Plans (Continued)

Committee which selects the employees to whom the options will be granted and determines the price of the stock. The 1987 Plan establishes the minimum purchase price of the stock at an amount which is not less than 100% of the fair market value of the stock (110% for employees owning more than 10% of the total combined voting power of all classes of stock).

The 1987 Plan provides that if additional shares of Class A Common Stock are issued pursuant to a stock split or a stock dividend, the number of shares of Class A Common Stock then covered by each outstanding option granted hereunder shall be increased proportionately with no increase in the total purchase price of the shares then covered, and the number of shares of Class A Common Stock reserved for the purpose of the 1987 Plan shall be increased by the same proportion. In the event that the time issued and outstanding are reduced by a combination of shares, the number of shares of Class A Common Stock then covered by each outstanding option granted hereunder shall be reduced proportionately with no reduction in the total price of the shares then so covered, and the number of shares of Class A Common Stock reserved for the purposes of the 1987 Plan shall be reduced by the same proportion.

The 1987 Plan terminated in 1997 and options granted are non-transferable. Options granted and outstanding under the 1987 Plan include Stock Appreciation Rights which permits the holder of the option to elect to receive cash, amounting to the difference between the option price and the fair market value of the stock at the time of the exercise, or a lesser amount of stock without payment, upon exercise of the option.

Activity of the 1987 Plan is summarized as follows:

	Number of Shares	Option Price
Outstanding at December 31, 1994	176,893	\$2.43 - \$2.72
Dividend	8,845	

Outstanding at December 31, 1995	185,738	\$2.31 - \$2.59
Dividend	9,287	
Exercised	(172,716)	

Outstanding at December 31, 1996	22,309	\$2.20 - \$2.47
Granted	148,000	
Dividend	7,400	
Exercised	(22,309)	
	--------	

12) Deferred Compensation Plans (Continued)

	Number of Shares	Option Price
Outstanding at December 31, 1997	155,400	$4.29 - $4.71
Exercisable at end of year	155,400	
Available options for future grant 1987 Stock Incentive Plan	-0-	

On June 21, 1993, the Company adopted the Security National Financial Corporation 1993 Stock Incentive Plan (the "1993 Plan"), which reserved 300,000 shares of Class A Common Stock for issuance thereunder. The 1993 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress.

The 1993 Plan provides for the grant of options and the award or sale of stock to officers, directors, and employees of the Company. Both "incentive stock options," as defined under Section 422A of the Internal Revenue Code of 1986 (the "Code"), and "non-qualified options" may be granted pursuant to the 1993 Plan. Options intended as incentive stock options may be issued only to employees, and must meet certain conditions imposed by the Code, including a requirement that the option exercise price be not less than the fair market value of the option shares on the date of grant. The 1993 Plan provides that the exercise price for non-qualified options will be not less than at least 50% of the fair market value of the stock subject to such option as of the date of grant of such options, as determined by the Company's Board of Directors.

The options were granted to reward certain officers and key employees who have been employed by the Company for a number of years and to help the Company retain these officers by providing them with an additional incentive to contribute to the success of the Company.

The 1993 Plan is administered by the Board of Directors or by a committee designated by the Board. The 1993 Plan provides that if the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, the number of shares of Common Stock deliverable upon the exercise of options shall be increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or stock dividend. No options may be exercised for a term of more than ten years from the date of grant.

12) Deferred Compensation Plans (Continued)

The 1993 Plan has a term of ten years. The Board of Directors may amend or terminate the 1993 Plan at any time, subject to approval of certain modifications to the 1993 Plan by the shareholders of the Company as may be required by law or the 1993 Plan.

On November 7, 1996 the Company amended the Articles of Incorporation as follows: (i) to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 300,000 Class A shares to 600,000 Class A shares; and (ii) to provide that the stock subject to options, awards and purchases may include Class C common stock.

Activity of the 1993 Plan is summarized as follows:

	Number of Shares	Option Price
Outstanding at December 31, 1994	198,200	\$2.98 - \$4.40
Dividend	9,910	
Outstanding at December 31, 1995	208,110	\$2.84 - \$4.19
Dividend	13,706	
Granted	66,000	
Outstanding at December 31, 1996	287,816	\$2.70 - \$4.52
Cancelled	(9,450)	
Dividend	13,918	
Outstanding at December 31, 1997	292,284	\$2.58 - \$4.31
Exercisable at end of year	292,284	
Available options for future grant 1993 Stock Incentive Plan	375,300	

13) Statutory-Basis Financial Information

The Company's life insurance subsidiary is domiciled in Utah and prepares its statutory-basis financial statements in accordance with accounting practices prescribed or permitted by the Utah Insurance Department. "Prescribed" statutory accounting practices are interspersed throughout state insurance laws and regulations, the National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual and a variety of other NAIC publications. "Permitted" statutory accounting practices encompass all accounting practices that are not prescribed; such practices may differ from state to state, may differ from company to company within a state, and may change in the future.

The NAIC currently is in the process of codifying statutory accounting practices ("Codification"). Codification will likely change, to some extent, prescribed statutory accounting practices and may result in changes to the accounting practices that the Company uses to prepare its statutory-basis financial statements. Codification, which is expected to be approved by the NAIC in 1998, will require adoption by the various states before it becomes the prescribed statutory basis of accounting for insurance companies domesticated within those states. Accordingly, before Codification becomes effective for the Company, the state of Utah must adopt Codification as the prescribed basis of accounting on which domestic insurers must report their statutory-basis results to the Utah Insurance Department. However, based on current draft guidance, management believes that the impact of codification will not be material to the Company's statutory-basis financial statements. Statutory net income and statutory stockholder's equity for the life subsidiary as reported to state regulatory authorities, is presented below:

	1997	1996	1995
Statutory net income for the years ended December 31	$ 712,219	$ 694,745	$1,414,246
Statutory Stockholder's Equity at December 31	$11,789,615	$10,020,668	$9,472,696

Generally, the net assets of the life insurance subsidiary available for transfer to the Company are limited to the amounts that the life insurance subsidiary's net assets, as determined in accordance with statutory accounting practices, exceed minimum statutory capital requirements; however, payments of such amounts as dividends are subject to approval by regulatory authorities.

The Utah Insurance Department imposes minimum risk-based capital requirements that were developed by the NAIC on insurance enterprises. The formulas for determining the risk-based capital ("RBC") specify various factors that are applied to financial balances or various levels of activity

13) Statutory-Basis Financial Information (Continued)

based on the perceived degree of risk. Regulatory compliance is determined by a ratio (the "Ratio") of the enterprise's regulatory total adjusted capital, as defined by the NAIC, to its authorized control level, as defined by the NAIC. Enterprises below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The life insurance subsidiary has a Ratio that is greater than 300% of the first level of regulatory action.

14) Business Segment Information

The Company is principally involved in three segments: Life insurance, cemetery/mortuary operations and mortgage operations. All intercompany transactions between the business segments have been eliminated in this presentation and therefore, the operations for each business segment do not reflect the interest income/expense from intercompany borrowings. The following schedules summarize segment information for the three segments and corporate activities for 1997, 1996, and 1995:

1997

	Life Insurance	Corporate	Cemetery/ Mortuary	Mortgage	Consolidated
Revenues:					
Premium and other considerations	$ 6,140,783	$	$	$	$ 6,140,783
Net mortuary and cemetery sales			9,230,864		9,230,864
Mortgage fee income				5,661,867	5,661,867
Net investment income	5,856,221	9,834	609,194	664,331	7,139,580
Realized gains on investments and other assets	252,635				252,635
Other revenues	13,778	7,044	27,621	450	48,893
	$12,263,417	$ 16,878	$9,867,679	$6,326,648	$28,474,622
Expenses:					
Death and other policy benefits	$ 3,694,442	$	$	$	$ 3,694,442
Increase in future policy benefits	2,974,915				2,974,915
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,132,298				1,132,298
General, administrative and other costs	3,819,397	395,880	9,362,215	5,426,426	19,003,918
	$11,621,052	$ 395,880	$ 9,362,215	$5,426,426	$26,805,573
Earnings before income taxes	$ 642,365	$(379,002)	$ 505,464	$ 900,222	$ 1,669,049
Identifiable assets	$99,817,217	$ 297,032	$24,336,909	$1,000,721	$125,451,879

14) Business Segment Information (Continued)

1996

	Life Insurance	Corporate	Cemetery/ Mortuary	Mortgage	Consolidated
Revenues:					
Premium and other considerations	$ 5,666,436	$	$	$	$ 5,666,436
Net mortuary and cemetery sales			8,138,010		8,138,010
Mortgage fee income				8,236,709	8,236,709
Net investment income	6,166,585	30,717	655,255	664,457	7,517,014
Realized gains on investments and other assets	289,543				289,543
Other revenues	24,363	56	50,570		74,989
	$12,146,927	$ 30,773	$ 8,843,835	$ 8,901,166	$29,922,701
Expenses:					
Death and other policy benefits	$ 3,596,138	$	$	$	$ 3,596,138
Increase in future policy benefits	2,744,326				2,744,326
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,239,918				1,239,918
General, administrative and other costs	3,392,730	953,921	8,449,406	8,169,659	20,965,716
	$10,973,112	$ 953,921	$ 8,449,406	$ 8,169,659	$28,546,098
Earnings before income taxes	$ 1,173,815	$ (923,148)	$ 394,429	$ 731,507	$ 1,376,603
Identifiable assets	$98,428,230	$ 264,395	$23,916,366	$ 2,100,512	$124,709,503

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 1997, 1996, and 1995

14) Business Segment Information (Continued)

1995

	Life Insurance	Corporate	Cemetery/ Mortuary	Mortgage	Consolidated
Revenues:					
Premium and other considerations	$ 5,796,011	$	$	$	$ 5,796,011
Net mortuary and cemetery sales			8,238,347		8,238,347
Mortgage fee income				4,943,103	4,943,103
Net investment income	5,630,462	14,518	574,116	460,608	6,679,704
Realized gains on investments and other assets	126,553	206,095			332,648
Other revenues	38,058	1,021	32,440		71,519
	$11,591,084	$ 221,634	$ 8,844,903	$ 5,403,711	$26,061,332
Expenses:					
Death and other policy benefits	$ 3,778,544	$	$	$	$ 3,778,544
Increase in future policy benefits	2,333,155				2,333,155
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,149,510				1,149,510
General, administrative and other costs	3,446,726	529,678	7,916,262	4,647,993	16,540,659
	$10,707,935	$ 529,678	$ 7,916,262	$ 4,647,993	$ 23,801,868
Earnings before income taxes	$ 883,149	$(308,044)	$ 928,641	$ 755,718	$ 2,259,464
Identifiable assets	$98,384,064	$ 361,161	$24,126,993	$15,340,465	$138,212,683

15) Disclosure about Fair Value of Financial Instruments

The fair values of investments in fixed maturity and equity securities along with methods used to estimate such values are disclosed in Note 2. The following methods and assumptions were used by the Company in estimating the "fair value" disclosures related to other significant financial instruments:

Cash, Short-term Investments, and Restricted Assets of the Cemeteries and Mortuaries: The carrying amounts reported in the accompanying balance sheets for these financial instruments approximate their fair values.

Mortgage, Policy, and Collateral Loans: The fair values are estimated using interest rates currently being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying amounts reported in the accompanying balance sheets for these financial instruments approximate their fair values.

Investment Contracts: The fair values for the Company's liabilities under investment-type insurance contracts presented are estimated based on the contracts' cash surrender values and are summarized as follows:

	Carrying Amount	Fair Value
	(In Thousands)	
Individual and group annuities	$32,240	$31,402
Supplementary contracts		
without life contingencies	343	343
with life contingencies	1,428	1,428
Total	$34,011	$33,173

The fair values for the Company's insurance contracts other than investment-type contracts are not required to be disclosed. However, the fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk, such that the Company's exposure to changing interest rates is minimized through the matching of investment maturities with amounts due under insurance contracts.

Schedule I

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Summary of Investments
Other than Investments in Related Parties

As of December 31, 1997:

Type of Investment	Amortized Cost	Estimated Fair Value	Amount at Which Shown in the Balance Sheet
Fixed maturity securities held to maturity:			
Bonds:			
United States Government and government agencies and authorities	$17,212,358	$17,500,035	$17,212,358
States, municipalities and political subdivisions	216,290	217,950	216,290
Mortgage backed securities	7,124,291	7,124,291	7,124,291
Corporate securities including public utilities	25,144,396	26,246,347	25,144,396
Redeemable preferred stocks	87,563	88,576	87,563
Total	49,784,898	51,177,199	49,784,898
Equity securities, available for sale:			
Common Stocks:			
Public utilities	266,461	489,892	489,892
Banks, trusts and insurance companies	91,725	491,272	491,272
Industrial, miscellaneous and all other	3,418,586	3,674,158	3,674,158
Nonredeemable preferred stocks	93,306	176,491	176,491
Total	3,870,078	4,831,813	4,831,813
Mortgage loans on real estate	8,307,237		8,307,237
Real estate	7,559,725		7,559,725
Policy loans	2,882,711		2,882,711
Other investments	3,783,088		3,783,088
Total investments	$76,187,137		$77,149,472

Schedule II

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Balance Sheets

	December 31, 1997	December 31, 1996
Assets		
Short-term investments	$ 283,190	$ 278,901
Cash	28,353	(10,841)
Investment in subsidiaries (equity method)	29,043,712	27,379,166
Receivables:		
Receivable from affiliates	1,584,965	1,671,368
Other	(19,232)	(19,234)
Total receivables	1,565,733	1,652,134
Property, plant and equipment, at cost, net of accumulated depreciation of $309,204 for 1997 and $298,560 for 1996	4,721	15,365
Other assets	--	202
Total assets	$30,925,709	$29,314,927

See accompanying notes to parent company only financial statements.

Schedule II Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Balance Sheets (Continued)

	December 31, 1997	1996
Liabilities:		
Bank loans payable:		
Current installments	$ 245,041	$ 233,019
Long-term	1,976,353	2,223,317
Notes and contracts payable:		
Current installments	181,319	153,132
Long-term	607,429	787,473
Advances from affiliated companies	1,781,118	1,781,118
Accounts payable	--	9,934
Other liabilities and accrued expenses	489,671	533,314
Income taxes	249,848	125,592
Total liabilities	5,530,779	5,846,899
Stockholders' equity:		
Common Stock:		
Class A: $2 par value, authorized 10,000,000 shares, issued 4,326,588 shares in 1997 and 4,110,709 shares in 1996	8,653,176	8,221,418
Class C: $0.20 par value, authorized 7,500,000 shares, issued 5,200,811 shares in 1997 and 4,967,072 shares in 1996	1,040,162	993,413
Total common stock	9,693,338	9,214,831
Additional paid-in capital	9,133,454	8,675,386
Unrealized appreciation of investments	830,939	259,915
Retained earnings	7,533,259	7,118,528
Treasury stock at cost (659,992 Class A shares and 56,217 Class C shares in 1997; 631,576 Class A shares and 53,540 Class C shares in 1996, held by affiliated companies)	(1,796,060)	(1,800,632)
Total stockholders' equity	25,394,930	23,468,028
Total liabilities and stockholders' equity	$30,925,709	$ 29,314,927

See accompanying notes to parent company only financial statements.

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Statements of Earnings

	Year Ended December 31, 1997	1996	1995
Revenue:			
Net investment income	$ 16,878	$ 30,717	$ 14,518
Realized gain from sale of subsidiary	--	--	206,095
Fees from affiliates	757,567	754,294	765,410
Total revenue	774,445	785,011	986,023
Expenses:			
General and administrative expenses	138,425	644,640	278,581
Interest expense	260,293	313,032	271,701
Total expenses	398,718	957,672	550,282
Earnings (loss) before income taxes, and earnings of subsidiaries	375,727	(172,661)	435,741
Income tax expense	(124,256)	(26,112)	(98,142)
Equity in earnings of subsidiaries	1,057,470	1,435,918	1,214,181
Net earnings	$1,308,941	$1,237,145	$1,551,780

See accompanying notes to parent company only financial statements.

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)
Statements of Cash Flow

	Year Ended December 31, 1997	1996	1995
Cash flows from operating activities:			
Net earnings	$1,308,941	$1,237,145	$1,551,780
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	10,644	24,953	11,014
Provision for loss on accounts receivable	--	--	161,528
Undistributed earnings of affiliates	(1,057,470)	(1,435,918)	(1,214,181)
Provision for income taxes	124,254	(99,514)	98,142
Change in assets and liabilities:			
Accounts receivable	86,403	103,006	(327,115)
Other assets	202	(74)	(74)
Accounts payable and accrued expenses	31,046	431,735	(6,593)
Other liabilities	(43,732)	(7,134)	138,282
Net cash provided by operating activities	460,288	254,199	412,783
Cash flows from investing activities:			
Purchase of short-term investments	(96,039)	(212,051)	--
Proceeds from sale of short term investments	91,750	208,000	385,555
Investment in subsidiaries	(75,000)	121,002	(2,533,021)
Purchase of property plant & equipment	--	--	(517)
Net cash (used in) provided by investing activities	(79,289)	116,951	(2,147,983)
Cash flows from financing activities:			
Proceeds from advances from affiliates	--	--	833,182
Payments of notes and contracts payable	(386,799)	(410,271)	(170,743)
Purchase of treasury stock	--	(1,000)	--
Sale of treasury stock	44,994	--	
Proceeds from borrowings on notes and contracts payable	--	--	1,063,000
Net cash (used in) provided by financing activities	(341,805)	(411,271)	1,725,439
Net change in cash	39,194	(40,121)	(9,761)
Cash at beginning of year	(10,841)	29,280	39,041
Cash at end of year	$ 28,353	$ (10,841)	$ 29,280

See accompanying notes to parent company only financial statements.

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
Notes to Parent Company Only Financial Statements

1) Bank Loans Payable

Bank loans payable are summarized as follows:

	December 31, 1997	December 31, 1996
Bank prime rate (8.5% at December 31, 1997) plus 1/2% note payable in monthly installments of $36,420 including principal and interest collateralized by 15,000 shares of Security National Life stock due December 1999.	$2,221,394	$2,456,336
Less current installments	245,041	233,019
Bank loans, excluding current installments	$1,976,353	$2,223,317

2) Notes and Contracts Payable

Notes and contracts are summarized as follows:

	December 31, 1997	December 31, 1996
10 year notes due April 16, 1999, 1% over U.S. Treasury 6 month bill rate	$ 28,187	$ 28,187
Due to former stockholders of Civil Service Employees Life Insurance Company resulting from the acquisition of such entity. 7% note payable in seven annual principal payments of $151,857 due December 2003	759,286	911,143
Other	1,275	1,275
Total notes and contracts	788,748	940,605
Less current installments	181,319	153,132
Notes and contracts, excluding current installments	$607,429	$787,473

The following tabulation shows the combined maturities of bank loans payable and notes and contracts payable:

1998	$ 426,360
1999	2,128,210
2000	151,857
2001	151,857

2002	151,858
Thereafter	--
Total	$3,010,142

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
Notes to Parent Company Only Financial Statements

3) Advances from Affiliated Companies

	December 31, 1997	December 31, 1996
Non-interest bearing advances from affiliates:		
Cemetery and Mortuary subsidiary	$1,126,527	$1,126,527
Mortgage subsidiary	200,000	200,000
Life Insurance subsidiary	454,591	454,591
	$1,781,118	$1,781,118

4) Dividends

No dividends have been paid to the registrant for each of the last three years by any subsidiaries.

Schedule IV

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Reinsurance

	Direct Amount	Other Companies	Ceded to from Other Companies	Assumed Net Amount	Percentage of Amount Assumed to Net
1997					
Life Insurance in force ($000)	$ 602,652	$ 61,629	$ 46,254	$ 587,277	7.88%
Premiums:					
Life Insurance	$5,575,024	$237,830	$276,086	$5,613,280	4.92%
Accident and Health Insurance	426,529	25,367	6,953	408,115	1.70%
Total premiums	$6,001,553	$263,197	$283,039	$6,021,395	4.70%
1996					
Life Insurance in force ($000)	$ 493,705	$ 73,822	$ 52,508	$ 472,391	11.12%
Premiums:					
Life Insurance	$5,135,007	$315,967	$310,378	$5,129,418	6.05%
Accident and Health Insurance	473,807	41,895	6,920	438,832	1.58%
Total premiums	$5,608,814	$357,862	$317,298	$5,568,250	5.70%
1995					
Life Insurance in force ($000)	$ 471,771	$ 80,262	$ 58,917	$ 450,426	13.08%
Premiums:					
Life Insurance	$5,004,568	$122,399	$317,312	$5,199,481	6.10%
Accident and Health Insurance	566,097	34,585	11,558	543,070	2.13%
Total premiums	$5,570,665	$156,984	$328,870	$5,742,551	5.73%

Schedule V

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Valuation and Qualifying Accounts

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions, Disposals and Write-offs	Balance at End of Year
For the Year Ended December 31, 1997				
Accumulated depreciation on real estate	$1,868,187	$300,058	$(118,899)	$2,049,346
Accumulated depreciation on property, plant and equipment	4,218,591	515,919	(6,474)	4,728,036
Allowance for doubtful accounts	1,862,599	129,502	(313,011)	1,679,090
For the Year Ended December 31, 1996				
Accumulated depreciation on real estate	$1,560,107	$308,080	$ --	$1,868,187
Accumulated depreciation on property, plant and equipment	3,313,032	905,559	--	4,218,591
Allowance for doubtful accounts	2,311,450	197,239	(646,090)	1,862,599
For the Year Ended December 31, 1995				
Accumulated depreciation on real estate	$1,262,853	$297,254	$ --	$1,560,107
Accumulated depreciation on property, plant and equipment	2,925,906	422,649	(35,523)	3,313,032
Allowance for doubtful accounts	1,923,808	548,327	(160,685)	2,311,450

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

None

PART III

Item 10. Directors and Executive Officers

The Company's Board of Directors consist of eight persons, five of whom are not employees of the Company. All the Directors of the Company are also directors of its subsidiaries. There is no family relationship between or among any of the directors, except that Scott M. Quist is the son of George R. Quist. The following table sets forth certain information with respect to the directors and executive officers of the Company.

Name	Age	Director Since	Position(s) with the Company
George R. Quist(2)	77	October 1979	Chairman of the Board, President and Chief Executive Officer
William C. Sargent(2)	69	February 1980	Senior Vice President, Secretary and Director
Scott M. Quist(1)	44	May 1986	First Vice President, General Counsel, Treasurer and Director
Charles L. Crittenden(1)	78	October 1979	Director
Sherman B. Lowe(1)	83	October 1979	Director
R.A.F. McCormick(2)	84	October 1979	Director
H. Craig Moody(2)	44	September 1995	Director
Nathan H. Wagstaff(2)	77	October 1979	Director

(1) These directors were elected by the holders of Class A Common Stock voting as a class by themselves.
(2) These directors were elected by the holders of Class A and Class C Common Stock voting together.

Committees of the Board of Directors include an executive committee, on which Messrs. George Quist, Scott Quist, Sargent and Moody serve; an audit committee, on which Messrs. Crittenden, Lowe, Moody, and Wagstaff serve; and a compensation committee, on which Messrs. Crittenden, Lowe and George Quist serve.

The following is a description of the business experience of each of the directors.

George R. Quist, age 77, has been Chairman of the Board, President and Chief Executive Officer of the Company since October 1979. From 1946 to 1960, he was an agent, District Manager and Associate General Agent for various insurance companies. From 1960 to 1964, he was Executive Vice President and Treasurer of Pacific Guardian Life Insurance Company. Mr. Quist also served from 1981 to 1982 as the President of The National Association of Life Companies, a trade association of 642 life insurance companies, and from 1982 to 1983 as its Chairman of the Board.

William C. Sargent, age 69, has been Senior Vice President of the Company since 1980, Secretary since October 1993, and a director since February 1980. Prior to that time, he was employed by Security National as a salesman and agency superintendent.

Scott M. Quist, age 44, has been General Counsel of the Company since 1982, First Vice President since December 1990, Treasurer since October 1993, and a director since May 1986. From 1980 to 1982, Mr. Quist was a tax specialist with Peat, Marwick, Main, & Co., in Dallas, Texas. Since 1986, he has been a director of The National Association of Life Companies, a trade association of 642 insurance companies and its Treasurer until its merger with the American Council of Life Companies. Mr. Quist is currently a member of the Board of Governors of the Forum 500 Section (representing small insurance companies) of the American Council of Life Insurance. Mr. Quist has also been a director of Key Bank of Utah since November 1993.

Charles L. Crittenden, age 78, has been a director of the Company since October 1979. Mr. Crittenden has been sole stockholder of Crittenden Paint & Glass Company since 1958. He is also an owner of Crittenden Enterprises, a real estate development company and Chairman of the Board of Linco, Inc.

Sherman B. Lowe, age 83, has been a director of the Company since October 1979. Mr. Lowe was formerly President and Manager of Lowe's Pharmacy for over 30 years. He is now retired. He is an owner of Burton-Lowe Ranches, a general partnership.

R.A.F. McCormick, age 84, has been a director of the Company since October 1979. He is a past Vice President of Sales for Cloverclub Foods. He is now retired.

H. Craig Moody, age 44, has been a director of the Company since September 1995. Mr. Moody is owner of Moody & Associates, a political consulting and real estate company. He is a former Speaker and House Majority Leader of the House of Representatives of the State of Utah.

Nathan H. Wagstaff, age 77, has been a director of the Company since October, 1979. He has served as Chairman of the Board of Directors and President of Nate Wagstaff Company, Inc., since 1975. He has also served as President and General Manager of Western States Distribution Company, Highland Petroleum Company, Inc., and Holiday Oil Company. Mr. Wagstaff is the sole stockholder of Nate Wagstaff Company, Inc., an oil distribution company.

Executive Officers

The following table sets forth certain information with respect to the executive officers of the Company (the business biographies set forth above):

Name	Age	Title
George R. Quist(1)	77	Chairman of the Board, President and Chief Executive Officer
William C. Sargent	69	Senior Vice President and Secretary
Scott M. Quist(1)	44	First Vice President, General Counsel and Treasurer

(1)George R. Quist is the father of Scott M. Quist.

The Board of Directors of the Company has a written procedure which requires disclosure to the Board of any material interest or any affiliation on the part of any of its officers, directors or employees which is in conflict or may be in conflict with the interests of the Company.

No director, officer or 5% stockholder of the Company or its subsidiaries, or any affiliate thereof has had any transactions with the Company or its subsidiaries during 1997 or 1996 other than employment arrangements or as described above.

None of the Directors are board members of any other company having a class of equity securities registered under the Securities Exchange Act of 1934, as amended, or any company registered as an investment company under the Investment Company Act of 1940, as amended, with the exception of Scott M. Quist, who is a director of Key Bank of Utah. All directors of the Company hold office until the next annual meeting of stockholders, until their successors have been elected and qualified, or until their earlier resignation or removal.

Item 11. Executive Officer Compensation

The following table sets forth, for each of the last three fiscal years, the compensation received by George R. Quist, the Company's President and Chief Executive Officer, and all other executive officers (collectively, the "Named Executive Officers") at December 31, 1997 whose salary and bonus for all services in all capacities exceed $100,000 for the fiscal year ended December 31, 1997.

Summary Compensation Table

Name and Principal Position	Year	Salary($)	Bonus($)	Annual Compensation Other Annual Compen-sation($)(2)
George R. Quist (1)				
Chairman of the Board,	1997	$118,508	$16,833	$2,400
President and Chief	1996	109,127	15,303	2,400
Executive Officer	1995	104,469	15,303	2,400
William C. Sargent				
Senior Vice President,	1997	108,685	16,500	4,500
Secretary and	1996	103,915	15,000	4,500
Director	1995	77,538	11,725	4,500
Scott M. Quist (1)				
First Vice President,	1997	103,215	17,875	7,200
General Counsel	1996	96,192	16,250	7,200
Treasurer and Director	1995	84,871	13,000	7,200

(1) George R. Quist is the father of Scott M. Quist.

Item 11. Executive Officer Compensation

Summary Compensation Table

Long-Term Compensation

Name and Principal Position	Year	Restricted Stock Awards($)	Securities Underlying Options/SARs(#)	Long-Term Incentive Payout($)	All Other Compen- sation ($)(3)
George R. Quist (1)					
Chairman of the Board,	1997	$0	50,000	$0	$11,094
President and Chief	1996	0	0	0	8,218
Executive Officer	1995	0	0	0	5,937
William C. Sargent					
Senior Vice President,	1997	0	45,000	0	5,224
Secretary and	1996	0	0	0	4,320
Director	1995	0	0	0	2,100
Scott M. Quist (1)					
First Vice President,	1997	0	35,000	0	6,490
General Counsel	1996	0	0	0	4,497
Treasurer and Director	1995	0	0	0	2,206

(1) George R. Quist is the father of Scott M. Quist.

(2) The amounts indicated under "Other Annual Compensation" for 1997 consist of payments related to the operation of automobiles by the Named Executive Officers. However, such payments do not include the furnishing of an automobile by the Company to George R. Quist, William C. Sargent and Scott M. Quist nor the payment of insurance and property taxes with respect to the automobiles operated by the Named Executive Officers.

(3) The amounts indicated under "All Other Compensation" for 1997 consist of (a) amounts contributed by the Company into a trust for the benefit of the Named Executive Officers under the Employee Stock Ownership Plan (for fiscal 1997, such amounts were George R. Quist, $3,412; William C. Sargent, $3,756; and Scott M. Quist, $3,633); (b) matching contributions made by the Company pursuant to the 401(k) Retirement Savings Plan in which all matching contributions are invested in the Company's Class A Common Stock (for fiscal 1997, such amounts were George R. Quist, $2,400; William C. Sargent, $831; and Scott M. Quist, $2,220); (c) insurance premiums paid by the Company with respect to a group life insurance plan for the benefit of the Named Executive Officers (for fiscal 1997, $1,911 was paid for all Named Executive Officers as a group, or $637 each for George R. Quist, William C. Sargent and Scott M. Quist); and (d) life insurance premiums paid by the Company for the benefit of the family of Mr. George R. Quist ($4,645).

The following table sets forth information concerning the exercise of options to acquire shares of the Company's Common Stock by the Named Executive Officers during the fiscal year ended December 31, 1997, as well as the aggregate number and value of unexercised options held by the Named Executive Officers on December 31, 1997.

Aggregated Option/SAR Exercised in Last Fiscal Year and Fiscal Year-End Option/SAR Values

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Unexercised Options/SARs at December 31, 1997(#) Exercisable	Unexercisable	Value of Unexercised In-the-Money Options/SARs at December 31, 1997 Exercisable	Unexercisable

The Compensation Agreement further provides that the Board of Directors may elect to pay the entire amount of deferred compensation in the form of a single lump-sum payment or other installment payments, so long as the term of such payments do not exceed 10 years. However, in the event Mr. Quist's employment with the Company is terminated for any reason other than retirement, death or disability, the entire deferred compensation shall be forfeited by him.

William C. Sargent, who has been Senior Vice President of the Company since 1980, has a Deferred Compensation Agreement dated April 15, 1994, with the Company (the "Compensation Agreement"). This Compensation Agreement provides upon Mr. Sargent's retirement the Company shall pay him $50,000 per year as an annual retirement benefit for a period of 10 years from the date of retirement; and upon his death, the remainder of such annual payments shall be payable to his designated beneficiary.

The Compensation Agreement further provides that the Board of Directors may elect to pay the entire amount of deferred compensation in the form of a single lump-sum payment or other installment or disability, the entire deferred compensation shall be forfeited by him.

Employment Agreement

The Company maintains an employment agreement with Scott M. Quist. The agreement, which has a five year term, was entered into in 1996, and renewed in 1997. Under the terms of the agreement, Mr. Quist is to devote his full time to the Company serving as its Treasurer, First Vice President, and General Counsel at not less than his current salary and benefits, and to include $500,000 of life insurance protection. In the event of disability, Mr. Quist's salary would be continued for up to 5 years at 50% of its current level. In the event of a sale or merger of the Company, and Mr. Quist were not retained in his current position, the Company would be obligated to continue Mr. Quist's current compensation and benefits for seven years following the merger or sale.

Director Compensation

Directors of the Company (but not including directors who are employees) are paid a director's fee of $8,400 per year by the Company for their services and are reimbursed for their expenses in attending board and committee meetings. No additional fees are paid by the Company for committee participation or special assignments.

Employee 401(k) Retirement Savings Plan

In 1995, the Company's Board of Directors adopted a 401(k) Retirement Savings Plan. Under the terms of the 401(k) plan, effective as of January 1, 1995, the Company may make discretionary employer matching contributions to its employees who choose to participate in the plan. The plan allows the board to determine the amount of the contribution at the end of each year. For the years 1996 and 1995 the board adopted a contribution formula specifying that such discretionary employer matching contributions would equal 50% of the participating employee's contribution to the plan up to a maximum discretionary employee contribution of 5% of a participating employee's compensation, as defined by the plan. For the fiscal year 1997 there was not a matching contribution.

All persons who have completed at least one year's service with the Company and satisfy other plan requirements are eligible to participate in the 401(k) plan. All Company matching contributions are invested in the Company's Class A Common Stock. The Company's matching contributions for 1996 and 1995 were approximately $50,000 and $21,000, respectively. The trustees under the 401(k) plan are Messrs. Sherman B. Lowe, Scott M. Quist and William C. Sargent.

Employee Stock Ownership Plan

Effective January 1, 1980, the Company adopted an employee stock ownership plan (the "Ownership Plan") for the benefit of career employees of the Company and its subsidiaries. The following is a description of the Ownership Plan, and is qualified in its entirety by the Ownership Plan, a copy of which is available for inspection at the Company's offices.

Under the Ownership Plan, the Company has discretionary power to make contributions on behalf of all eligible employees into a trust created under the Ownership Plan. Employees become eligible to participate in the Ownership Plan when they have attained the age of 19 and have completed one year of service (a twelve-month period in which the Employee completes at least 1,040 hours of service). The Company's contributions under the Ownership Plan are allocated to eligible employees on the same ratio that each eligible employee's compensation bears to total compensation for all eligible employees during each year. To date, the Ownership Plan has approximately 98 participants and had contributions payable to the Plan in 1997 of $45,616. Benefits under the Ownership Plan vest as follows: 20% after the third year of eligible service by an employee, an additional 20% in the fourth, fifth, sixth and seventh years of eligible service by an employee.

Benefits under the Ownership Plan will be paid out in one lump sum or in installments in the event the employee becomes disabled, reaches the age of 65, or is terminated by the Company and demonstrates financial hardship. The Ownership Plan Committee, however, retains discretion to determine the final method of payment. Finally, the Company reserves the right to amend or terminate the Ownership Plan at any time. The trustees of the trust fund under the Ownership Plan are Messrs. R.A.F. McCormick, George R. Quist, and William C. Sargent, all directors of the Company.

1987 Incentive Stock Option Plan

In 1987, the Company adopted the 1987 Incentive Stock Option Plan (the 1987 Plan). The 1987 Plan provides that shares of the Class A Common Stock of the Company may be optioned to certain officers and key employees of the Company. The Plan establishes a Stock Option Plan Committee which selects the employees to whom the options will be granted and determines the price of the stock. The Plan establishes the minimum purchase price of the stock at an amount which is not less than 100% of the fair market value of the stock (110% for employees owning more than 10% of the total combined voting power of all classes of stock).

The Plan provides that if additional shares of Class A Common Stock are issued pursuant to a stock split or a stock dividend, the number of shares of Class A Common Stock then covered by each outstanding option granted hereunder shall be increased proportionately with no increase in the total purchase price of the shares then so covered, and the number of shares of Class A Common Stock reserved for the purpose of the Plan shall be increased by the same proportion. In the event that the shares of Class A Common Stock of the Company from time to time issued and outstanding are reduced by a combination of shares, the number of shares of Class A Common Stock then covered by each outstanding option granted hereunder shall be reduced proportionately with no reduction in the total price of the shares then so covered, and the number of shares of Class A Common Stock reserved for the purposes of the Plan shall be reduced by the same proportion.

The Plan terminates ten years from its effective date and options granted are non-transferable. The Right which permits the holder of the option to elect to receive cash, amounting to the difference between the option price and the fair market value of the stock at the time of the exercise, or a lesser amount of stock without payment, upon exercise of the option.

1993 Stock Option Plan

On June 21, 1993, the Company adopted the Security National Financial Corporation 1993 Stock Incentive Plan (the "1993 Plan"), which reserves shares of Class A Common Stock for issuance thereunder. The 1993 Plan was approved at the annual meeting of the stockholders held on June 21, 1993. The 1993 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress.

The 1993 Plan provides for the grant of options and the award or sale of stock to officers, directors, and employees of the Company. Both "incentive stock options," as defined under Section 422A of the Internal Revenue Code of 1986 (the "Code"), and "non-qualified options" may be granted pursuant to the 1993 Plan. The exercise prices for the options granted are equal to or greater than the fair market value of the stock subject to such options as of the date of grant, as determined by the Company's Board of Directors. The options granted under the 1993 Plan, were to reward certain officers and key employees who have been employed by the Company for a number of years and to help the Company retain these officers by providing them with an additional incentive to contribute to the success of the Company.

The 1993 Plan is to be administered by the Board of Directors or by a committee designated by the Board. The terms of options granted or stock awards or sales effected under the 1993 Plan are to be determined by the Board of Directors or its committee. The Plan provides that if the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, the number of shares of Common Stock deliverable upon the exercise of Options shall be increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or stock dividend. No options may be exercised for a term of more than ten years from the date of grant.

Options intended as incentive stock options may be issued only to employees, and must meet certain conditions imposed by the code, including a requirement that the option exercise price be no less than the fair market value of the option shares on the date of grant. The 1993 Plan provides that the exercise price for non-qualified options will be not less than at least 50% of the fair market value of the stock subject to such option as of the date of grant of such options, as determined by the Company's Board of Directors.

The 1993 Plan has a term of ten years. The Board of Directors may amend or terminate the 1993 Plan at any time, subject to approval of certain modifications to the 1993 Plan by the shareholders of the Company as may be required by law or the 1993 Plan. On November 7, 1996 the Company amended the Articles of Incorporation as follows: (i) to increase the number of shares of Class A Common Stock reserved for issuance under the Plan from 300,000 Class A shares to 600,000 Class A shares; and (ii) to provide that the stock subject to options, awards and purchases may include Class C common stock.

Item 12 - Security Ownership of Certain Beneficial Owners and Management

The following table sets forth security ownership information of the Company's Class A and Class C Common Stock as of March 20, 1998, (i) for persons who own beneficially more than 5% of the Company's outstanding Class A or Class C Common Stock, (ii) each director of the Company, and (iii) for all executive officers and directors of the Company as a group.

	Class A Common Stock		Class C Common Stock	
Name and Address of Beneficial Owner	Amount Beneficially Owned	Percent of Class	Amount Beneficially Owned	Percent of Class
George R. Quist (1) (2) 4491 Wander Lane Salt Lake City, Utah 84124	344,021	9.4	2,584,367	50.2
Employee Stock Ownership Plan (4) 5300 S. 360 W., Suite 310 Salt Lake City, Utah 84123	589,569	16.1	1,103,717	21.5
William C. Sargent (1) (2) (3) 4974 Holladay Blvd. Salt Lake City, Utah 84117	78,103	2.1	272,365	5.3
Scott M. Quist (3) 7 Wanderwood Way Sandy, Utah 84092	80,958	2.2	54,227	1.1
Charles L. Crittenden 248 - 24th Street Ogden, Utah 84404	-0-	*	170,296	3.3
Sherman B. Lowe (3) 2197 South 2100 East Salt Lake City, Utah 84109	20,243	*	186,110	3.6
R.A.F. McCormick (1) 400 East Crestwood Road Kaysville, Utah 84037	9,708	*	97,098	1.9

Item 12 - Security Ownership of Certain Beneficial Owners and Management

Name and Address of Beneficial Owner	Class A and Class C Common Stock Amount Beneficially Owned	Percent of Class
George R. Quist (1) (2) 4491 Wander Lane Salt Lake City, Utah 84124	2,928,388	33.2
Employee Stock Ownership Plan (4) 5300 S. 360 W., Suite 310 Salt Lake City, Utah 84123	1,693,286	19.2
William C. Sargent (1) (2) (3) 4974 Holladay Blvd. Salt Lake City, Utah 84117	350,468	4.0
Scott M. Quist (3) 7 Wanderwood Way Sandy, Utah 84092	135,185	1.5
Charles L. Crittenden 248 - 24th Street Ogden, Utah 84404	170,296	1.9
Sherman B. Lowe (3) 2197 South 2100 East Salt Lake City, Utah 84109	206,353	2.3
R.A.F. McCormick (1) 400 East Crestwood Road Kaysville, Utah 84037	106,806	1.2

Name and Address of Beneficial Owner	Class A Common Stock Amount Beneficially Owned	Class A Common Stock Percent of Class	Class C Common Stock Amount Beneficially Owned	Class C Common Stock Percent of Class
H. Craig Moody 1782 East Faunsdale Dr. Sandy, Utah 84092	117	*	-0-	*
Nathan H. Wagstaff 2131 King Street Salt Lake City, Utah 84109	24,248	*	182,594	3.5
Associated Investors (5) 5300 S. 360 W. Suite 310 Salt Lake City, Utah 84123	73,637	2.0	465,930	9.1
All directors and executive officers (8 persons)	557,398	15.2	3,547,057	68.9

* Less than one percent

Name and Address of Beneficial Owner	Class A and Class C Common Stock Amount Beneficially Owned	Percent of Class
H. Craig Moody 1782 East Faunsdale Dr. Sandy, Utah 84092	117	*
Nathan H. Wagstaff 2131 King Street Salt Lake City, Utah 84109	206,842	2.3
Associated Investors (5) 5300 S. 360 W. Suite 310 Salt Lake City, Utah 84123	539,567	6.1
All directors and executive officers (8 persons)	4,104,455	46.5

(1) Does not include 589,569 shares of Class A Common Stock and 1,103,717 shares of Class C Common Stock owned by the Company's Employee Stock Ownership Plan (ESOP), of which George R. Quist, William C. Sargent and R.A.F. McCormick are the trustees and accordingly, exercise shared voting and investment powers with respect to such shares.

(2) Does not include 73,637 shares of Class A Common Stock and 465,930 shares of Class C Common Stock owned by Associated Investors, a Utah general partnership, of which these individuals are the managing partners and, accordingly, exercise shared voting and investment powers with respect to such shares.

(3) Does not include 29,399 shares of Class A Common Stock owned by the Company's 401(k) Retirement Savings Plan, of which William C. Sargent, Scott M. Quist and Sherman B. Lowe are the trustees and accordingly, exercise shared voting and investment powers with respect to such shares.

(4) The trustees of the Employee Stock Ownership Plan (ESOP) are George R. Quist, William C. Sargent and R.A.F. McCormick, who exercise shared voting and

investment powers.

(5) The managing partners of Associated Investors are George R. Quist and William C. Sargent, who exercise shared voting and investment powers.

The Company's officers and directors, as a group, own beneficially approximately 46.5% of the outstanding shares of the Company's Class A and Class C Common Stock.

Item 13. Certain Relationships and Related Transactions

The Company's Board of Directors has a written procedure which requires disclosure to the Board of any material interest or any affiliation on the part of any of its officers, directors or employees which is in conflict or may be in conflict with the interests of the Company.

No director, officer or 5% stockholder of the Company or its subsidiaries, or any affiliate thereof, has engaged in any business transactions with the Company or its subsidiaries during 1996 or 1997 other than as described herein.

PART IV

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

(a)(1)(2) Financial Statements and Schedules

See "Index to Consolidated Financial Statements and Supplemental Schedules" under Item 8 above.

(a)(3) Exhibits

The following Exhibits are filed herewith pursuant to Rule 601 of Regulation S-K or are incorporated by reference to previous filings.

Exhibit

Table No Document

(a)(3) Exhibits:

3.A. Articles of Restatement of Articles of Incorporation (8)

B. Bylaws (1)

4.A. Specimen Class A Stock Certificate (1)

B. Specimen Class C Stock Certificate (1)

C. Specimen Preferred Stock Certificate and Certificate of Designation of Preferred Stock (1)

10. A. Restated and Amended Employee Stock Ownership Plan and Trust Agreement (1)

B. Deferred Compensation Agreement with George R. Quist (2)

C. 1993 Stock Option Plan (3)

D. Promissory Note with Key Bank of Utah (4)

E. Loan and Security Agreement with Key Bank of Utah (4)

F. General Pledge Agreement with Key Bank of Utah (4)

G. Deferred Compensation Agreement with William C. Sargent

H. Note Secured by Purchase Price Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (5)

I. Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (5)

J. Promissory Note with Page and Patricia Greer (6)

K. Pledge Agreement with Page and Patricia Greer (6)

L. Stock Purchase Agreement with Civil Service Life Insurance Company and Civil Service Employees Insurance Company (7)

M. Promissory Note with Civil Service Employees Insurance Company (7)

N. Articles of Merger of Civil Service Employees Life Insurance Company into Capital Investors Life Insurance Company (7)

O. Agreement and Plan of Merger of Civil Service Employees Life Insurance Company into Capital Investors Life Insurance Company (7)

P. Employment Agreement with Scott M. Quist.

(1) Incorporated by reference from Registration Statement on Form S-1 as filed on June 29, 1987.

(2) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1989.

(3) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1994.

(4) Incorporated by reference from Report on Form 8-K, as filed on February 24, 1995.

(5) Incorporated by reference from Annual Report on Form 10K, as filed on March 31, 1995.

(6) Incorporated by reference from Report on Form 8-K, as filed on May 1, 1995.

(7) Incorporated by reference from Report on Form 8-K, as filed on January 16, 1996.

(8) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1997.

21. Subsidiaries of the Registrant

27. Financial Data Schedule

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Company during the fourth quarter of 1997.

SIGNATURES

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

SECURITY NATIONAL FINANCIAL CORPORATION

Dated: March 31, 1998

By: George R. Quist,
Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934 as amended, this report has been signed by the following persons in counterpart on behalf of the Company on the dates indicated:

SIGNATURE	TITLE	DATE
George R. Quist	Chairman of the Board, President and Chief Executive Officer and (Principal Executive Officer)	March 31, 1998
Scott M. Quist	First Vice President, General Counsel and Treasurer and Director (Principal Financial and Accounting Officer)	March 31, 1998
William C. Sargent	Senior Vice President, Secretary and Director	March 31, 1998
Charles L. Crittenden	Director	March 31, 1998
Sherman B. Lowe	Director	March 31, 1998
R.A.F. McCormick	Director	March 31, 1998
H. Craig Moody	Director	March 31, 1998
Nathan H. Wagstaff	Director	March 31, 1998

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
Year Ended December 31, 1997

SECURITY NATIONAL FINANCIAL CORPORATION
Commission File No. 0-9341

E X H I B I T S

Exhibit Index

Exhibit No.		Document Name
10.		
	G.	Deferred Compensation Agreement with William C. Sargent
	P.	Employment Agreement with Scott M. Quist
21.		Subsidiaries of the Registrant
27.		Financial Data Schedule

EXHIBIT 10 (G)

Deferred Compensation Agreement with William C. Sargent

EXHIBIT 10 (P)

Employment Agreement with Scott M. Quist.

EXHIBIT 21

Subsidiaries of Security National
Financial Corporation
as of March 31, 1998

Exhibit 21

Subsidiaries of Security National Financial Corporation
(as of March 31, 1998)

Security National Life Insurance Company

Security National Mortgage Company

Memorial Estates, Inc.

Memorial Mortuary

Paradise Chapel Funeral Home, Inc.

California Memorial Estates, Inc.

Cottonwood Mortuary, Inc.

Deseret Memorial, Inc.

Holladay Cottonwood Memorial Foundation

Holladay Memorial Park, Inc.

Camelback Sunset Funeral Home, Inc.

Greer-Wilson Funeral Home, Inc.

Crystal Rose Funeral Home, Inc.

Exhibit 27

Financial Data Schedule

NON-QUALIFIED DEFINED BENEFIT DEFERRED COMPENSATION PLAN

THIS AGREEMENT is effective the 15th day of April, 1994, by and between Security National Financial Corp., a corporation organized under the laws of the State of Utah (hereinafter referred to as "Corporation"), and William C. Sargent of 4974 Holladay Blvd., Salt Lake City, Utah, (hereinafter referred to as "Employee").

WHEREAS, the Corporation currently employs the Employee, and the Employee serves the Corporation in such capacity as the Board of Directors of the Corporation may designate from time to time; and

WHEREAS, the Employee currently devotes all of his time, attention, skill and efforts to the performance of duties on behalf of the Corporation; and

WHEREAS, in consideration of services rendered on behalf of the Corporation, as well as in providing an inducement for ongoing valuable services until retirement, the Corporation has agreed to provide a deferred compensation benefit to the Employee;

NOW THEREFORE, in consideration of the Agreement and mutual promises hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS. The following definitions shall govern this Agreement:

1. AGE means the Employee's age at the nearest birthday, except as otherwise specifically provided.

2. ANNIVERSARY DATE means the date of this Agreement and each anniversary thereof.

3. BENEFICIARY means the person designated in writing to receive any benefits upon the death of the Employee. If no such designation is made or if the designated person is not living at the death of the Employee, the Beneficiary shall be the deceased Employee's spouse, if living, otherwise the children born of the marriage of the Employee and his spouse, and any children legally adopted by them, if living, otherwise the personal representative, executors, or administrators of Employee.

4. COMPENSATION means the remuneration received by the Employee as basic salary or wages, plus overtime pay, bonus payments, commissions, and any other form of irregular or non-recurring cash compensation received by an Employee, as certified by the Corporation.

5. DEFERRED COMPENSATION ACCOUNT means the liability account maintained by the Employer in order to recognize and account for the benefits payable under this Agreement. This account shall reflect the accrual of benefits pursuant to the Deferred Compensation Accounting policies adopted at the sole discretion of the Board of Directors.

6. DISABILITY shall be deemed to occur on the date the Board of Directors of the Corporation determines that the Employee, because of a physical or mental disability, will be unable to perform the duties of his customary position of employment (or is unable to engage in any substantial gainful activity) for an indefinite period which the Board of Directors considers will be of long continued duration. The Board of Directors may require the Employee to submit to a physical examination in order to confirm disability.

7. EFFECTIVE DATE means the date of this Agreement, unless the Corporation specifies otherwise.

8. EMPLOYER means the Corporation. In the case of a group of Employers which constitute a controlled group of Corporations (as defined in Section 414(b) of the Internal Revenue Code as modified) or which constitutes trades or businesses which are under common control (as defined in Section 414(c) of the Internal Revenue Code as modified), all such employers shall be considered a single Employer.

9. NORMAL RETIREMENT AGE means the earlier or later of age 70 or a retirement age specified by Board of Directors resolution. Such Board of Directors resolution shall make specific reference to this Agreement, including the date hereof.

ARTICLE II

RETIREMENT BENEFITS. The Employer shall be entitled to receive an annual retirement benefit commencing one year from the date of his Retirement in an amount equal to one and one-fourth percent 1 1/4%) of four million dollars ($4,000,000.00) of annual life insurance premium paid to the Company. The benefit shall be payable annually for ten years.

ARTICLE III

ACCRUAL OF BENEFITS. The Corporation shall accrue the projected benefits payable under this Plan in a separate account on its books identified as Deferred Compensation Account. The Employer may use any reasonable accounting policy in determining the method of this accrual.

DEFERRED COMPENSATION ACCOUNT. The Deferred Compensation Account established hereunder shall be segregated from other accounts on the books and records of the Corporation as a contingent liability of the Corporation to the Employee.

ARTICLE IV

GENERAL CREDITOR. The Employee shall be regarded as a general creditor of the Corporation with respect to any rights derived by the Employee from the existence of this Agreement or the existence or amount of the Deferred Compensation Account.

ASSETS. Title to and beneficial ownership of any assets, whether cash, investments, life insurance policies, or other assets which the Corporation may earmark to pay the contingent deferred compensation hereunder, shall at all times remain in the Corporation. The Employee and his Beneficiary shall not have any property interest whatsoever in any specific assets of the Corporation.

ARTICLE V

PAYMENT OF DEFERRED COMPENSATION TO THE EMPLOYEE. The benefits to be paid as Deferred Compensation to the Employee (unless forfeited by the occurrence of any of the events of forfeiture specified in Article VI) are as follows:

A. Upon termination of the Employee's employment by the Corporation at or after Normal Retirement Age, as determined by a resolution of the Board of Directors, the Corporation shall pay to him in ten annual installments an amount equal to one and one-fourth percent (1 1/4%) of four million dollars ($4,000,000.00) of life insurance premiums received by the Company per year. If the Employee should die on or after the date of Normal Retirement Age and before the ten annual payments are made, the unpaid balance will continue to be paid in installments for the unexpired portion of such ten-year period to the designated Beneficiary in the same manner as set forth above.

B. In the event that the Employee's employment shall be terminated by reason of death or disability before reaching the date of Normal Retirement Age, and while in the employ of the Corporation, then the Corporation shall make ten annual payments to the Employee (in the event of disability) or the designated Beneficiary (in the event of death) in the same manner and to the same extent as provided above as if the Employee had retired on the date of death or disability.

C. In the event that the Employee's employment shall be terminated for any other reason than retirement (at or after Normal Retirement Age) as determined in a resolution by the Board of Directors, death or disability, then the entire Deferred Compensation Account established hereunder shall be forfeited by the Employee.

PURCHASE OF ANNUITY. Any amounts payable to the Employee hereunder shall be deemed to have been paid if the Corporation applies the entire Deferred Compensation Account to the purchase of an immediate or deferred annuity contract, on the sole life of the Employee, or jointly on the lives of the Employee and the designated Beneficiary.

LUMP SUM The Board of Directors may, by resolution specifically referring to this Agreement and the date hereof, provide for the payment of the entire Deferred Compensation Account hereunder in the form of a single, lump-sum payment, or any other schedule of installment payments, as long as the term of such payments shall not exceed ten years.

ARTICLE VI

FORFEITURE PROVISIONS. All rights to any deferred compensation payments, pursuant to this Agreement, including the payment of any unpaid installments, shall be immediately forfeited if any of the following events occur:

1. The Employer-Employee relationship between the Employee and the Corporation is terminated at the behest of the Corporation or upon the mutual agreement thereof between the Employee and the Corporation (other than retirement).

2. The Employee resigns against the wishes of the Corporation or its Board of Directors.

3. The Employee engages in any act which, in the opinion of the Board of Directors, is contrary to the best interests of the Corporation, including fraud, embezzlement, non-productivity, disloyalty, etc. The judgment of the Board of Directors, as expressed by a majority vote, shall be final as to the determination of the nature of any acts performed by the Employee which are subject to this Article. The Board of Directors, in its sole discretion, may interpret and decide upon the nature of such acts.

4. During retirement years, the Employee refuses to provide advice or counsel to the Corporation when reasonably requested to do so and when reasonably able to do so.

ARTICLE VII

LIABILITY OF EMPLOYER. Nothing in this Agreement shall constitute the creation of a trust or other fiduciary relationship between the Corporation and the Employee or between the Corporation and the Beneficiary or any other person. The Corporation shall not be considered a trustee by reason of this Agreement.

ARTICLE VIII

ASSIGNMENT. No rights under this Agreement may be assigned, transferred, pledged or encumbered by the Employee or the Beneficiary except by will or by the intestacy laws or other laws of descent and distribution of the State of Utah. This Agreement may be assigned by the Corporation only upon the following events:

1. The Corporation or its assets are purchased by another Corporation or are merged into the assets of another Corporation.

2. Prior written consent of the Employee.

ARTICLE IX

RETIREMENT. Employee agrees that upon the date of retirement he shall assign to the Corporation all personal insurance compensation for renewals and over rights on agents and any other compensation other than that provided above to the Corporation. The Corporation agrees to provide prior to or at retirement a $100,000.00 Ordinary Life Insurance Policy on Employee's life with Employee to exercise all rights therein as owner with the right to designate a beneficiary or beneficiaries. Employee agrees that Corporation may at any time after the date of this Agreement convert the present term life insurance on Employee to a permanent insurance policy.

ARTICLE X

AGREEMENT BINDING. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective next of kin, successors, assigns, heirs, personal representatives, executors, administrators, and legatees. The Corporation shall not merge or consolidate with any other Corporation or reorganize unless and until such succeeding and continuing Corporation agrees to assume and discharge the obligations of the orporation under this Agreement. Upon such assumption, the term "Corporation" as used in this Agreement shall be deemed to refer to such successor Corporation. This Agreement shall not be modified or amended except by a writing signed by both parties and approved by the Board of Directors with specific reference to this Agreement and the date hereof.

ARTICLE XI

ENTIRE AGREEMENT. This document constitutes the entire Agreement between the parties. This Agreement may only be modified, altered, or amended by prior written approval and consent of the parties hereto, except those provisions which may be amended solely by Board of Directors resolution as described in this Agreement.

ARTICLE XII

NO GUARANTEE OF EMPLOYMENT. Nothing in this Agreement shall be construed as guaranteeing future employment to the Employee. The Employee continues to be an Employee of the Corporation solely at the will of the Corporation notwithstanding this Agreement.

ARTICLE XIII

NOT "COMPENSATION" FOR OTHER PURPOSES. Any deferred compensation payable under this Agreement (or actuarial or the net present value of any such payments) shall not be deemed salary or other compensation to the Employee for purposes of any qualified retirement plans maintained by the Corporation or for purposes of any other fringe benefit obligations of the Corporation.

ARTICLE XIV

CLAIMS SUBMISSION AND REVIEW PROCEDURE. In the event that any claim for benefits, which must initially be submitted in writing to the Board of Directors of the Corporation, is denied (in whole or in part) hereunder, the claimant shall receive from the Corporation notice in writing, written in a manner calculated to be understood by the claimant, setting forth the specific reasons for denial, with specific reference to pertinent provisions of this Agreement. The interpretations and construction hereof by the Board of Directors shall be binding and conclusive on all persons and for all purposes. No member of the Board of Directors shall be liable to any person for any action taken hereunder except those actions undertaken with lack of good faith.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the
   day of   , 1994.

SECURITY NATIONAL
FINANCIAL CORPORATION

George R. Quist

George R. Quist, President

ATTEST:

William C. Sargent
- ------------------------------
William C. Sargent, Secretary

Witness:

EMPLOYEE:

William C. Sargent

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT made and entered into as of the 15th day of April, 1994, by and between SECURITY NATIONAL FINANCIAL CORPORATION, a Utah corporation (the "Company"), having its principal place of business at 5300 South 360 West, Third Floor, Salt Lake City, Utah 84123, and SCOTT M. QUIST, residing at 7 Wanderwood Way, Salt Lake City, Utah (hereinafter called "Quist").

WITNESSETH:

In consideration of the mutual covenants herein contained, the parties agree as follows:

1. EMPLOYMENT IN EXECUTIVE CAPACITY The Company hereby agrees to employ Quist as First Vice President, General Legal Counsel and Treasurer of the Company and all its subsidiaries for a five (5) year term commencing on April 15, 1995, and terminating on April 14, 1999.

2. EMPLOYEE AGREES TO DEVOTE FULL TIME Quist agrees to such employment and agrees to devote his full time and attention to the performance of his duties hereunder which shall include such additional duties as may be assigned to him from time to time by the Board of Directors and/or the President of the Company.

3. EMPLOYEE TO BE OFFICER During the term of this Agreement and each renewal thereof, it is agreed that Quist shall be elected as the First Vice President, General Legal Counsel and Treasurer of the Company.

4. COMPENSATION In consideration of the services to be rendered by Quist as an officer of the Company, the Company agrees to pay Quist and he agrees to accept compensation at no less than his current rates of compensation including benefits. It is agreed that on each yearly anniversary date of this Employment Agreement, the compensation being paid to Quist shall be reviewed by the Board of Directors and adjusted by the Board of Directors as they see fit, but in no event shall compensation be less than that provided for in this Agreement. Quist shall be compensated and be entitled to reimbursement for any and all expenses incurred by him in the performance of his duties.

5. DISABILITY In the event Quist is unable to perform the duties provided for hereunder because of illness or an accident, then Quist shall be entitled to one-half (1/2) of the compensation provided for hereunder for a term of five (5) years from the date of the commencement of said illness or accident.

6. PENSION PLAN The Company agrees to provide an ESOP or 401K Plan or similar arrangement for Quist and to make a contribution to the plan on behalf of Quist.

7. INSURANCE The Company agrees to maintain a group term life insurance policy in the amount of not less than $200,000.00 on the life of Quist, who shall have the right to designate the beneficiaries and the owner or owners of that policy. It is agreed that all premiums for his policy shall be paid by the Company. Also, the Company agrees to maintain a Whole Life Insurance Policy in the amount of $100,000.00 on the life of Quist, who shall have the right to designate the beneficiaries and the owner or owners of that policy. It is agreed that all premiums for this policy shall be paid by the Company. The Company agrees to purchase an accident and sickness policy with benefits of $1,000.00 per week in the event of disability for Quist. The Company agrees to purchase a group hospitalization policy for Quist and his family with like or similar benefits to those at the present time. It is agreed that all premiums for these policies shall be paid by the Company.

8. AUTOMOBILE The Company agrees to furnish Quist with an automobile allowance of Five Hundred Dollars ($500.00) per month or an automobile equal in amount to Five Hundred Dollars ($500.00) per month.

9. MERGER OR SALE In the event the business conducted by the Company is acquired by another entity through acquisition of assets, merger or otherwise and as a consequence Quist is unable to continue his employment at the same salary, terms and conditions, then and in that event, the Company agrees to pay Quist full salary plus all benefits for a term of seven (7) years from the date of his termination. In the event Quist is able to negotiate an Employment Agreement with a successor entity that is equal to or more favorable than this Agreement, then this provision shall be void.

10. TERMINATION This Agreement shall expire at the end of the term set out

above, or sooner in the event of default of either party, after notice in writing of said default and failure to remedy the default within 15 days of receipt of the notice.

11. MODIFICATION The terms of this Agreement shall not be altered, amended or modified except in writing signed by a duly authorized officer of the Company and Quist.

12. PAROL AGREEMENTS This Agreement contains the entire contract between the parties, and any representations that may have heretofore been made by either party to the other are void. Neither party has relied on such prior representations in entering into this Agreement.

13. NOTICES Any notices required to be given hereunder shall be deemed officially given if sent by certified mail to the above-mentioned addresses or to such other addresses as either party may hereafter designate by notice given in the same manner.

This Agreement supersedes all prior understandings and agreements between the parties and may not be changed or terminated orally, but only by a writing signed by the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the day and year first above written.

ATTEST:

SECURITY NATIONAL
FINANCIAL CORPORATION

George R. Quist

George R. Quist, President

Scott M. Quist

Scott M. Quist

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