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, 1996, 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	84123
(Address of principal executive offices)	(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, 1997 was $16,378,000.

As of March 14, 1997, registrant had 3,479,133 shares of Class A Common Stock and 4,913,533 shares of Class C Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's 1996 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

PART I

Item 1. Business

Security National Financial Corporation (the "Company") operates 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 five mortuaries 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 Investors Equity Life Insurance Company of Hawaii Ltd, ("Investors Equity") in June 1986 and its subsequent sale in June 1991, 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, and Greer-Wilson Funeral Home, Inc. in April 1995. 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 is less competitive 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 as their interest may appear. The following table summarizes the life insurance business as of and for the five years ended December 31, 1996:

	1996	1995	1994	1993	1992
Life Insurance Policy/Cert. Count as of December 31	42,034	42,711	41,064	32,895	32,682
Insurance in force as of December 31 (omitted 000)	$546,213	$530,688	$436,600	$310,395	$319,020
Premiums Collected (omitted 000)	$ 5,765	$ 5,819	$ 5,175	$ 5,201	$ 4,866

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 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 4.0% to 6.5%.

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 as of and for the five years ended December 31, 1996:

	1996	1995	1994	1993	1992
Annuities Policy/Cert. Count as of December 31	7,049	6,893	5,954	4,605	4,482
Deposits Collected (omitted 000)	$2,859	$2,375	$1,927	$1,905	$1,889

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 for new business generated ranging from 15% to 30%.

The following table summarizes the Accident and Health business as of and for the five years ended December 31, 1996:

	1996	1995	1994(1)	1993	1992
Accident and Health Policy/Cert. Count as of December 31	33,639	37,302	42,910	347	463
Premiums Collected (omitted 000)	$430	$578	$15	$18	$23

(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, 1996, reinsured by other companies aggregated $73,821,939, representing approximately 14% 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 of the Company's life insurance and annuity funds and assets is 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 thirteen 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 has eight 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.

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. This limits the sale of its products primarily to 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 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 uses warehouse lines of credit with affiliated companies and unaffiliated financial institutions 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 five 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 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.

Regulation

The Company's insurance subsidiary, Security National Life, is subject to comprehensive regulation in the jurisdictions in which they do 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 subsidiaries are 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 licensed by the Utah State Cemetery Board to operate as endowment care cemeteries. The morticians must be licensed by the 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 submitted on a yearly basis to the Utah Cemetery Board which include financial information concerning the number of spaces sold and 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 check for compliance under these regulations. In addition to the government regulations, the Company must meet various loan requirements of investors who purchase the loans before the loan 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 business 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 business 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, 1996, the Company employed 165 full-time and 39 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) As of December 31, 1996, this facility was subject to a mortgage of approximately $845,000. The Company leases an additional 15,616 square feet of the facility to unrelated third parties for approximately $213,000 per year, under leases which expire at various dates after 1996.

(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 1996.

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:

					Net Saleable Acreage	
Name of Cemetery	Location	Date Acquired	Developed Acreage(1)	Total Acreage(1)	Acres Sold as Cemetery Spaces(2)	Total Available Acreage(1)
Memorial Estates, Inc.:						
Lakeview Cemetery(3)	1700 E. Lakeview Dr.					

	Bountiful, UT	1973	6	40	4	36
Mountain View Cemetery(3)	3115 E. 7800 So. Salt Lake City, UT	1973	26	54	14	40
Redwood Cemetery(3)(5)	6500 So. Redwood Rd. West Jordan, UT	1973	40	78	30	48
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	5	35	0	35

(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, 1996, there were mortgages of approximately $198,000 collateralized by the property and facilities at Memorial Estates Lakeview, Mountain View and Redwood Cemeteries, of which approximately $101,400 was held by Security National Life.

(4) As of December 31, 1996, there were mortgages of approximately $2,108,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park, Lakehills Cemetery and Colonial Mortuary.

(5) This cemetery includes two granite mausoleums.

(6) As of December 31, 1996, there was a mortgage of approximately $873,000 collateralized by the property.

The following table summarizes the location, square footage and the number of viewing rooms and chapels of the thirteen 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	1	1	3,460
Avondale Funeral Home	218 North Central Avondale, AZ	1995	1	1	1,850

(1) As of December 31, 1996, there were mortgages of approximately $503,000 collateralized by the property and facilities of Camelback Sunset Funeral Home.

(2) As of December 31, 1996, there were mortgages of approximately $2,108,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park, Lakehills Cemetery and Colonial Mortuary.

Item 3. Legal Proceedings

The Company has been named as a party in connection with the pending litigation involving Greer-Wilson Funeral Homes, Inc. The Complaint in this matter, which was filed on June 6, 1995 in the Arizona Superior Court of Maricopa County, alleges breach of contract and breach of covenant of good faith and fair dealing and claims damages of at least $250,000 plus costs and attorneys' fees.

The Company and the other named defendants have filed answers to the Complaint, made initial discovery disclosures, promulgated and responded to initial written discovery, and taken some depositions. No depositions have been taken or other discovery undertaken since June 1996. The Company believes that the Complaint against it is without merit and intends to vigorously defend against the action.

The Company has also 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's 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. The Company believes there is no basis to the treble damage conversion claim. The Company intends to vigorously defend against the action.

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

At the annual stockholders meeting held on October 7, 1996 the Articles of Incorporation were amended (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.

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 the recent years there have 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
1995		
First Quarter	4 1/2	3 7/8
Second Quarter	4 1/4	3 1/4
Third Quarter	5 1/2	3 1/2
Fourth Quarter	5 3/8	4 5/8
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

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 1996.

As of March 1, 1997, there were 5,096 record holders of Class A Common Stock and 173 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, 1996, are derived from the audited consolidated financial statements. The data 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,				
	1996	1995(3)	1994(2)	1993(1)	1992
Revenue					
Premiums	$ 5,666,000	$ 5,796,000	$ 4,945,000	$ 4,933,000	$ 4,630,000
Net investment income	7,517,000	6,680,000	4,121,000	3,473,000	3,567,000
Net mortuary and cemetery income	8,138,000	8,238,000	5,888,000	6,085,000	5,741,000
Realized gains on investments	290,000	333,000	384,000	780,000	583,000
Provision for losses on investments	--	--	--	(28,000)	(142,000)
Mortgage fee income	8,237,000	4,943,000	1,170,000	788,000	--
Other	75,000	71,000	153,000	465,000	354,000
Total revenue	$29,923,000	$26,061,000	$16,661,000	$16,496,000	$14,733,000
Expenses					
Policyholder benefits	$ 6,341,000	$ 6,111,000	$ 4,036,000	$ 4,420,000	$ 3,901,000
Amortization of deferred policy acquisition costs	1,240,000	1,150,000	767,000	943,000	729,000
General and administrative expenses	17,292,000	13,019,000	8,064,000	7,098,000	6,629,000
Interest expense	1,318,000	1,208,000	692,000	675,000	601,000
Cost of goods & services mortuary & cemetery	2,355,000	2,314,000	1,767,000	1,890,000	1,907,000
Total benefits & expenses	$28,546,000	$23,801,000	$15,326,000	$15,026,000	$13,767,000
Income before income tax expense	1,377,000	2,259,000	1,335,000	1,470,000	966,000
Income tax (expense) benefit	(139,000)	(728,000)	(302,000)	(388,000)	8,000
Minority interest in loss of subsidiary	--	20,000	7,000	2,000	1,000
Net income	$ 1,237,000	$ 1,551,000	$ 1,040,000	$ 1,084,000	$ 975,000
Earnings per common equivalent of Class A common stock (fully diluted)	$0.32	$0.42	$0.31	$0.35	$0.33

Average
common equivalent

shares outstanding	3,860,116	3,686,000	3,350,000	3,131,000	2,998,000

Balance Sheet Data:

	December 31, 1996	1995(3)	1994(2)	1993(1)	1992
Assets					
Investments and restricted assets	$ 78,638,000	$ 80,815,000	$ 74,835,000	$47,692,000	$42,701,000
Cash	3,301,000	7,710,000	2,061,000	6,831,000	6,120,000
Receivables	17,070,000	24,177,000	4,638,000	4,084,000	3,793,000
Other assets	25,701,000	25,511,000	22,224,000	17,314,000	17,941,000
Total assets	$124,710,000	$138,213,000	$103,758,000	$75,921,000	$70,555,000
Liabilities					
Policyholder benefits	$ 76,962,000	$ 76,868,000	$ 61,896,000	$38,605,000	$35,665,000
Notes & contracts payable	12,490,000	27,129,000	10,210,000	8,095,000	7,665,000
Cemetery & mortuary liabilities	5,946,000	6,078,000	6,603,000	6,511,000	6,430,000
Other liabilities	5,844,000	6,219,000	5,070,000	3,876,000	3,170,000
Total liabilities	101,242,000	116,294,000	83,779,000	57,087,000	52,930,000
Stockholders' equity	23,468,000	21,919,000	19,979,000	18,834,000	17,625,000
Total liabilities and stockholders' equity	$124,710,000	$138,213,000	$103,758,000	$75,921,000	$70,555,000

(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.

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

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 $23,802,000, 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 an Increase in future policy benefits from $6,112,000 in 1995 to $6,340,000 in 1996. This increase was primarily due to tabular interest. 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 paid 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.

Year Ended December 31, 1995 Compared to Year Ended December 31, 1994

The following schedule summarizes the effect the acquisition of Capital Investors Life Insurance Company and Greer-Wilson Funeral Home had on the Consolidated Statements of Operations for the year ended December 31, 1995.

	Consolidated 1995	Capital Investors Life 1995 (Unaudited)	Greer-Wilson 1995 (Unaudited)	Consolidated Without the Effects of Capital Investors Life and Greer-Wilson 1995 (Unaudited)	Consolidated 1994
REVENUES:					
Insurance premiums and other consider-ations	$ 5,796,011	$ 986,221	$ --	$ 4,809,790	$ 4,944,789
Net investment income	6,679,704	1,945,066	718	4,733,920	4,120,917
Realized gains on investments and other assets	332,648	--	--	332,648	383,637
Net mortuary and cemetery income	8,238,347	--	1,518,156	6,720,191	5,887,726
Mortgage fee income	4,943,103	--	--	4,943,103	1,170,465
Other	71,519	13,852	10,880	46,787	153,042
Total revenues	$26,061,332	$2,945,139	$1,529,754	$21,586,439	$16,660,576
BENEFITS AND EXPENSES:					
Death benefits	2,193,232	541,051	--	1,652,181	1,663,475
Surrenders and other policy benefits	1,585,312	1,376,756	--	208,556	903,603
Increase in future policy benefits	2,333,155	(463,661)	--	2,796,816	1,469,029
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,149,510	256,744	--	892,766	766,658
General and administrative expenses:					
Commissions	3,792,408	59,517	1,548	3,731,343	1,257,043
Salaries	3,611,993	--	304,083	3,307,910	2,937,993
Other	5,613,502	354,835	420,043	4,838,624	3,868,508
Interest expense	1,208,346	--	124,535	1,083,811	692,675
Cost of mortuaries and cemeteries goods and services sold	2,314,410	--	446,516	1,867,894	1,766,532
Total benefits and expenses	23,801,868	2,125,242	1,296,725	20,379,901	15,325,516

Earnings before income taxes	$ 2,259,464	$ 819,897	$ 233,029	$ 1,206,538	$ 1,335,060

The following management's discussion and analysis for the year ended December 31, 1995 excludes the acquisition of Capital Investors Life Insurance Company and Greer-Wilson Funeral Home.

Results of Operations

1995 Compared to 1994

Total revenues increased $4,925,000, or 30% from $16,661,000 for fiscal 1994, to $21,586,000 for fiscal 1995. Contributing to this increase in total revenues was a $613,000 increase in net investment income, an $832,000 increase in mortuary and cemetery sales, and a $3,773,000 increase in mortgage fee income.

Net investment income increased by $613,000 from $4,121,000 in 1994, to $4,734,000 in 1995. This increase was primarily attributed to the life insurance company and the mortuaries and cemeteries participation in warehousing many of the mortgage loans generated by Security National Mortgage Company ("Security National Mortgage").

Realized gains on investments and other assets decreased by $51,000, from $384,000 in 1994 to $333,000 for 1995. The 1994 amount included the results of the sale of 13.45 acres of land deemed not suitable for cemetery development at Lakeview Cemetery. The net gain on the sale of the land after deducting the original cost of the land and related fees was approximately $278,000. 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. The remaining decrease in realized gains on investments and other assets was a result of fewer bond redemptions during 1995.

Net mortuary and cemetery income increased by $832,000, from $5,888,000 in 1994 to $6,720,000 in 1995. This increase was the result of a $242,000 increase in mortuary sales and $590,000 increase in cemetery sales for 1995.

Mortgage fee income was increased by $3,773,000 from $1,171,000 in 1994 to $4,944,000 in 1995. This increase was the result of lower interest rates during 1995 which increased the opportunity for refinancing and loan origination. In addition, a strong economy, and an increased demand for housing in the intermountain area has created activity for loan originations.

Total benefits and expenses were $20,380,000 for 1995, which constituted 94% of the Company's total revenues, as compared to $15,326,000, or 92% of the Company's total revenues for 1994.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by $622,000, from $4,036,000 in 1994 to $4,658,000 in 1995. This increase was due to primarily to three factors: the number of policies in force have increased from 1994 to 1995; the block of business continues to age; and the mix of policies issued has changed to limited pay policies over whole life policies.

Amortization of deferred policy acquisition costs and cost of insurance acquired increased by $126,000, from $767,000 in 1994 to $893,000 in 1995. This increase was primarily due to the maturing of the policies in force.

General and administrative expenses increased by $3,814,000, from $8,064,000 in 1994 to $11,878,000 in 1995. This increase was primarily due to an increase in commission expenses and general operating expenses. Commission expenses increased $2,474,000, from $1,257,000 in 1994 to $3,731,000 in 1995. This increase is due to an increase in business activities of Security National Mortgage and the Company's cemetery operations. Other general and administrative expenses also increased $970,000, from $3,869,000 to $4,839,000. This increase was also due to the increased activity of Security National Mortgage. Salary expense increased $370,000 for the year 1995 as compared to 1994, primarily due to the additional administrative personnel required at the corporate level to meet the needs of the newly acquired companies, which include Capital Investors Life Insurance Company and Greer-Wilson Funeral Home, and the additional activities of Security National Mortgage.

Interest expense increased by $391,000, from $693,000 to $1,084,000. This increase was primarily due to the interest on the debt incurred as a result of the acquisition of Capital Investors Life which was completed in December 1994.

Cost of the mortuary and cemetery goods and services sold in 1995 was consistent with the products sold during 1994.

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 investment, 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 $47,616,000, at amortized cost as of December 31, 1996 compared to $51,143,000 at amortized cost as of December 31, 1995. This represents 64% of the total insurance related investments in 1996 as compared to 66% in 1995. Generally all bonds owned by the life insurance company 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, 1996, 4.18% ($1,994,000) and at December 31, 1995, 3.61% ($1,851,000) 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 high-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, 1996 and 1995, the life subsidiary exceeded the regulatory criteria.

Stockholders' equity as a percent of assets is one measure of capital strength. At December 31, 1996 the Company's ratio increased to 18% up from 16% at December 31, 1995. This increase is primarily due to the mortgage company acting as a warehouse lender, by financing the mortgage loans through bank debt, and then selling them to investors within 45 days, and repaying the debt. This transaction results in a receivable for mortgage loans sold to investors which are offset by a bank loan payable. Computation of this ratio without this transaction results in the Company's equity to total assets increasing to 20% in 1996 from 18% in 1995, and debt to total assets decreasing to 10% in 1996 and 11% in 1995.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 1996 was 12%, as compared to a rate of 10.5% in 1995.

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 $1,062,000, 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 five acres and is currently selling cemetery lots on a pre-need and at-need basis on the developed acreage.

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 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 for $588,000.

At December 31, 1996, $10,021,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's insurance subsidiary. The life subsidiary cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

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 $547,000 which included a note to the former owner in the amount of $297,000.

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, 1996, and 1995, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. 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, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, 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, 1997

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheets

Assets:	December 31, 1996	December 31, 1995
Investments (Note 2):		
Fixed maturity securities held to maturity, at amortized cost (market $47,594,559 and $52,528,726 for 1996 and 1995)	$ 47,934,684	$ 51,143,361
Equity securities available for sale, at market (cost $3,873,190 and $4,071,936 for 1996 and 1995)	4,133,105	4,556,565
Mortgage loans on real estate	9,809,379	10,434,844
Real estate, net of accumulated depreciation of $1,868,187 and $1,560,106 for 1996 and 1995	7,808,255	7,669,296
Policy loans	3,021,155	3,007,596
Other loans	218,437	294,165
Short-term investments	2,258,283	722,593
Total insurance related investments	75,183,298	77,828,420
Restricted assets of cemeteries and mortuaries (Note 7)	3,454,622	2,986,658
Cash	3,301,084	7,710,155
Receivables:		
Trade contracts	4,514,010	5,552,888
Mortgage loans sold to investors	13,455,123	19,839,657
Receivable from agents	670,439	471,937
Other	292,680	623,628
Total receivables	18,932,252	26,488,110
Allowance for doubtful accounts	(1,862,599)	(2,311,450)
Net receivables	17,069,653	24,176,660
Land and improvements held for sale	8,456,302	7,568,016
Accrued investment income	1,040,242	1,113,945
Deferred policy acquisition costs	4,277,560	4,509,974
Property, plant and equipment, net (Note 4)	6,513,980	6,432,615
Cost of insurance acquired (Note 3)	3,748,654	4,007,804
Excess of cost over net assets of acquired subsidiaries	1,370,708	1,461,025
Other	293,400	417,411
Total assets	$124,709,503	$138,212,683

See accompanying notes to consolidated financial statements.

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

	December 31, 1996	December 31, 1995
Liabilities:		
Future life, annuity, and other policy benefits	$ 76,962,062	$ 76,867,685
Line of credit for financing of mortgage loans (Note 5)	1,211,890	14,468,354
Bank loans payable (Note 5)	6,768,119	7,485,391
Notes and contracts payable (Note 6)	4,509,921	5,175,317
Estimated future costs of pre-need sales	5,874,387	6,065,875
Payable to endowment care fund (Note 7)	70,617	12,520
Accounts payable	1,199,920	1,193,859
Other liabilities and accrued expenses	1,902,046	2,402,842
Income taxes (Note 8)	2,742,513	2,622,245
Total liabilities	101,241,475	116,294,088
Commitment and contingencies (Notes 8 and 9)		
Stockholders' Equity (Note 11):		
Common stock:		
Class A: $2 par value, authorized 10,000,000 shares, issued 4,110,709 shares in 1996 and 3,819,415 shares in 1995	8,221,418	7,638,830
Class C: $0.20 par value, authorized 7,500,000 shares, issued 4,967,072 shares in 1996 and 2,388,040 shares in 1995	993,413	955,216
Total common stock	9,214,831	8,594,046
Additional paid-in capital	8,675,386	7,879,578
Unrealized appreciation of investments	259,915	368,515
Retained earnings	7,118,528	6,876,086
Treasury stock at cost (631,576 Class A shares and 53,540 Class C shares in 1996; 598,614 Class A shares and 25,495 Class C shares in 1995, held by affiliated companies)	(1,800,632)	(1,799,632)
Total stockholders' equity	23,468,028	21,918,593
Total liabilities and stockholders' equity	$124,709,503	$138,212,681

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statements of Earnings

	Year Ended December 31, 1996	1995	1994
Revenue:			
Insurance premiums and other considerations	$ 5,666,436	$ 5,796,011	$ 4,944,789
Net investment income (Note 2)	7,517,014	6,679,704	4,120,917
Net mortuary and cemetery sales	8,138,010	8,238,347	5,887,726
Realized gains on investments and other assets (Note 2)	289,543	332,648	383,637
Mortgage fee income	8,236,709	4,943,103	1,170,465
Other	74,989	71,519	153,042
Total revenue	$29,922,701	$26,061,332	$16,660,576
Benefits and expenses:			
Death benefits	$ 2,143,843	$ 2,193,232	$ 1,663,475
Surrenders and other policy benefits	1,452,295	1,585,312	903,603
Increase in future policy benefits	2,744,326	2,333,155	1,469,029
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,239,918	1,149,510	766,658
General and administrative expenses:			
Commissions	6,000,119	3,792,408	1,257,043
Salaries	4,744,503	3,611,993	2,937,993
Other	6,547,639	5,613,502	3,868,508
Interest expense	1,318,102	1,208,346	692,675
Cost of goods and services sold of the mortuaries and cemeteries	2,355,353	2,314,410	1,766,532
Total benefits and expenses	$28,546,098	$23,801,868	$15,325,516
Earnings before income taxes	$ 1,376,603	$ 2,259,464	$ 1,335,060
Income tax expense (Note 8)	(139,458)	(728,000)	(302,218)
Minority interest in loss of subsidiary	0	20,316	6,917
Net earnings	$ 1,237,145	$ 1,551,780	$ 1,039,759
Earnings per share	$0.32	$0.42	$0.31
Weighted average outstanding common shares	3,860,116	3,686,000	3,350,000

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, 1993	$6,645,636	$ 868,766	$6,726,614
Net earnings			
Stock dividends	338,922	43,343	382,276
Conversion Class C to Class A	2,090	(2,091)	1
Stock issued	130,166	105,170	
Change in unrealized appreciation			
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

See accompanying notes to consolidated financial statements.

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

	Unrealized Appreciation	Retained Earnings	Treasury Stock	Total
Balance at December 31, 1993	$ 236,298	$5,995,590	$(1,638,832)	$18,834,072
Net earnings		1,039,759		1,039,759
Stock dividends		(764,541)		
Conversion Class C to Class A				
Stock issued				235,336
Change in unrealized appreciation	(130,622)			(130,622)
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

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	1996	1995	1994
Cash flows from operating activities:			
Net earnings	$ 1,237,145	$ 1,551,780	$ 1,039,759
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:			
Realized gains on investments and other assets	(289,543)	(332,648)	(383,637)
Depreciation	1,213,639	719,903	565,777
Provision for losses on accounts and loans receivable	195,239	548,327	79,752
Amortization of goodwill, premiums, and discounts	(5,528)	(152,472)	(28,632)
Income taxes	120,268	749,951	302,218
Policy acquisition costs deferred	(748,356)	(644,873)	(585,576)
Policy acquisition costs amortized	980,768	903,183	758,443
Cost of insurance acquired amortized	259,150	246,327	8,215
Change in assets and liabilities net of effects from purchases and disposals of subsidiaries:			
Land and improvements held for sale	(888,286)	(1,401,165)	454,707
Future life and other benefits	2,759,439	2,326,507	1,437,243
Receivables for mortgage loans sold	6,384,534	(19,016,093)	(823,564)
Other operating assets and liabilities	518,712	(1,212,085)	567,730
Net cash provided by (used in) operating activities	11,737,181	(15,713,358)	3,392,435
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(1,496,512)	(313,393)	(9,242,105)
Calls and maturities - fixed maturity securities	5,018,437	2,932,435	1,989,244
Securities available for sale:			
Purchases - equity securities	(3,126)	(424,095)	(209,275)
Sales - equity securities	384,045	388,021	235,484
Purchases of short-term investments	(7,768,574)	(2,117,410)	(3,194,870)
Sales of short-term investments	6,232,884	5,408,113	9,584,611
Purchases of restricted assets	(467,964)	(617,781)	(395,968)
Mortgage, policy, and other loans made	(4,931,984)	(4,222,888)	(9,591,567)
Payments received for mortgage, policy, and other loans	5,663,131	8,100,070	6,268,626
Purchases of property, plant, and equipment	(986,924)	(263,055)	(1,545,167)
Purchases of real estate	(484,471)	(409,367)	(147,837)
Purchases of subsidiaries net of cash acquired	--	(4,544,043)	(5,008,708)
Other uses	--	(26,567)	--
Net cash provided by (used in) investing activities	1,158,942	3,890,040	(11,257,532)

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

	Year Ended December 31, 1996	1995	1994
Cash flows from financing activities:			
Annuity receipts	2,858,798	2,597,540	2,011,940
Annuity withdrawals	(5,523,860)	(1,727,659)	(1,031,305)
Repayment of bank loans and notes and contracts payable	(1,550,583)	(1,554,154)	(1,768,985)
Proceeds from borrowings on bank loans and notes and contracts payable	167,915	3,688,516	3,883,272
Purchase of treasury stock	(1,000)	--	--
Net change in line of credit for financing of mortgage loans	(13,256,464)	14,468,354	--
Net cash (used in) provided by financing activities	(17,305,194)	17,472,597	3,094,922
Net change in cash	(4,409,071)	5,649,279	(4,770,175)
Cash at beginning of year	7,710,155	2,060,876	6,831,051
Cash at end of year	$ 3,301,084	$ 7,710,155	$ 2,060,876

See accompanying notes to the financial statements.

1) Significant Accounting Principles

General Overview of Business

Security National Financial Corporation and its wholly-owned subsidiaries (the "Company") operates 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 five 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, 1996, are as follows:

Security National Life Insurance Company
Memorial Estates, Inc.
Memorial Mortuary
Paradise Chapel Funeral Home
Singing Hills Memorial Park
Cottonwood Mortuary, Inc.
  Deseret Memorial
  Holladay Cottonwood Memorial Foundation
Holladay Memorial Park
Camelback Sunset Funeral Home, Inc.
Security National Mortgage Company
Greer-Wilson 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 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 total consideration of $5,200,000, which included a promissory note in the amount of $1,063,000. The acquisition was accounted for using the purchase method. Concurrent with the completion of the purchase of CSE Life, the Company merged CSE Life into Capital Investors Life. The assets and liabilities of CSE Life have been included in the Company's balance sheet at December 31, 1995. The results of operations of CSE Life were not included in the consolidated financial statements of the Company for the year ended December 31, 1995, as the effective date for accounting purposes was December 31, 1995.

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 for total consideration of $1,218,000, which included a note to the former owners for $588,000. The acquisition was accounted for using the purchase method. The assets and liabilities of Greer-Wilson have been included in the Company's balance sheet at December 31, 1995. The results of operation of Greer-Wilson for the nine months ended December 31, 1995, 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 $800,000.

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 and significant changes in tax laws affecting the changes in regulatory capital requirements or permissible investments.

1) Significant Accounting Principles (Continued)

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.

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.

1) Significant Accounting Principles (Continued)

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 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 insurance subsidiaries' 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 1996, 1995, and 1994. 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 1996, 4% to 6.5% in 1995, and 4% to 6.25% in 1994.

Participating Insurance

Participating business constitutes 5%, 5%, and 12% of the ordinary life insurance in force for 1996, 1995 and 1994, 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.

1) Significant Accounting Principles (Continued)

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.

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. 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. Through 1990, these contracts were non-interest bearing and the related receivables were discounted using current market rates. Resulting discount amounts are amortized into operations as other income over the terms of the contracts. Beginning in 1991, 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.

1) Significant Accounting Principles (Continued)

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 arrangement 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 thirty years using the straight-line method. The Company periodically evaluates the recoverability of amounts recorded. Accumulated amortization was $705,833 and $590,495 at December 31, 1996 and 1995, 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

Earnings per common share are based on the weighted average number of shares outstanding during the year 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 for each year presented. Outstanding stock options and related stock dividends that attach to outstanding options are not included in the computation when the effect is antidilutive.

1) Significant Accounting Principles (Continued)

Stock Compensation

The Company has adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 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 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 25, no compensation cost has been recognized for this plan. Had compensation cost for this plan been determined based upon the fair value at the grant date consistent with the methodology prescribed under SFAS 123, the Company's net income would have been reduced by less than $10,000 in 1996 which would have had no effect on earnings per share. The fair value of options granted in 1996 under this 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 this 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 25, compensation cost related to this 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 1996 presentation.

New Accounting Standards

During 1996 and 1997, the Financial Accounting Standards Board issued Statement No. 125, "Accounting for Transfers and Servicing Financial Assets and Extinguishment of Liabilities", which is effective after December 31, 1996, and Statement No. 128, "Cash Flow", which is effective for fiscal years ending after December 15, 1997. The Company has not yet adopted these new standards; however, the effect on operations and stockholders' equity is not expected to be significant.

Subsequent Event

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 $547,000 which included a note to the former owner in the amount of $297,000.

2) Investments

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

December 31, 1996:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
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
December 31, 1995:				
Fixed maturity securities held to maturity:				
U.S. Treasury securities and obligations of U.S. Government agencies	$13,713,860	$539,876	$ (48,647)	$14,205,089
Obligations of states and political subdivisions	204,586	11,106	(21,242)	194,450
Corporate securities including public utilities	29,244,915	1,217,107	(244,811)	30,217,211
Redeemable preferred stock	133,788	25,468	(36,589)	122,667
Mortgage-backed securities	7,846,212	11,835	(68,738)	7,789,309
Total	$51,143,361	$1,805,392	$ (420,027)	$52,528,726
Equity securities available for sale	$ 4,188,050	$ 619,894	$ (251,379)	$ 4,556,565

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, 1996, 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 1997	$ 2,970,638	$2,635,190
Due in 1998 through 2001	12,222,078	12,487,480
Due in 2002 through 2006	21,877,997	21,953,521
Due after 2006	2,945,628	2,903,610
Mortgage backed securities	7,784,555	7,492,638
Redeemable preferred stock	133,788	122,120
	$47,934,684	$47,594,559

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

	1996	1995	1994
Fixed maturity securities held to maturity:			
Gross realized gains	$ 347,728	$ 33,028	$101,862
Gross realized losses	(141,848)	(7,112)	(7,523)
Equity securities available for sale:			
Gross realized gains	89,823	101,874	--
Gross realized losses	--	(1,237)	--
Other assets	(6,160)	206,095	289,298
Total	$ 289,543	$332,648	$383,637

The change in unrealized appreciation of investments, as shown in the accompanying consolidated statements of stockholders' equity, relates entirely to equity securities for 1996, 1995, and 1994.

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 91% of its mortgage loans in the state of Utah.

2) Investments (Continued)

Major categories of net investment income are as follows:

	1996	1995	1994
Fixed maturity securities	$3,684,089	$3,070,180	$1,290,174
Equity securities	251,733	266,613	137,283
Mortgage loans on real estate	1,225,207	1,888,855	1,210,670
Real estate	1,281,511	1,115,212	1,286,328
Policy loans	168,857	138,303	102,995
Short-term investments	575,498	366,426	97,685
Other	1,179,889	522,526	752,215
Gross investment income	8,366,784	7,368,115	4,877,350
Investment expenses	(849,770)	(688,411)	(756,433)
Net investment income	$7,517,014	$6,679,704	$4,120,917

Net investment income includes net investment income earned by the restricted assets of the cemeteries and mortuaries of approximately $655,000, $574,000 and $515,000 for 1996, 1995, and 1994, 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 $7,295,953 at December 31, 1996 and $7,142,237 at December 31, 1995.

3) Cost of Insurance Acquired

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

	1996	1995	1994
Balance at beginning of year	$4,007,804	$3,580,964	$ 100,796
Cost of insurance acquired	--	673,167	3,488,383
Interest accrued at 7%	280,546	250,667	7,056
Amortization	(539,696)	(496,994)	(15,271)
Net amortization charged to income	(259,150)	(246,327)	(8,215)
Balance at end of year	$3,748,654	$4,007,804	$3,580,964

Net amortization charged to income is expected to approximate $321,000, $299,000, $281,000, $261,000, and $246,000 for the years 1997 through 2001.

4) Property, Plant and Equipment

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

	December 31, 1996	December 31, 1995
Land and Buildings	$ 6,275,098	$ 6,273,245
Furniture and equipment	4,457,473	3,472,402
	10,732,571	9,745,647
Less accumulated depreciation	(4,218,591)	(3,313,032)
	$ 6,513,980	$ 6,432,615

5) Bank Loans Payable and Line of Credit for Financing Mortgage Loans

Bank loans payable are summarized as follows:

	December 31, 1996	December 31, 1995
Prime rate plus 1/2% (8.25% at December 31, 1996) 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.	$2,456,336	$2,688,434
10% note payable in monthly installments of $8,444 including principal and interest, collateralized by real property, which book value is approximately $1,189,000, due January 2013	810,725	829,924
One year treasury constant maturity plus 2.75% (8.03% at December 31, 1996) note payable in monthly installments of $6,000, including principal and interest, collateralized by real property, which book value is approximately $469,000, due October 1999.	336,385	379,462
Prime plus 1/2% (8.25% at December 31, 1996) note payable in monthly installments of $19,000, including principal and interest, collateralized by real property, which		

book value is approximately $1,206,000, due August 1997	1,839,009	1,897,040

5) Bank Loans Payable and Line of Credit
for Financing Mortgage Loans (Continued)

	December 31, 1996	December 31, 1995
Time deposit plus 2% (5.1% at December 31, 1996) 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	238,477	267,085
Prime rate plus 1/2% (8.25% at December 31, 1996) note payable in monthly installments of $7,235 including principal and interest collateralized by real property, which book value is approximately $1,017,000, due August 1999.	502,856	542,669
Prime plus 1% (8.25% at December 31, 1996) note payable in monthly installments of $35,000, including principal and interest, collateralized by real property, which book value is approximately $2,289,000, due February 2003	274,954	650,752
Other collateralized bank loans payable	309,377	230,025
Total bank loans	6,768,119	7,485,391
Less current installments	2,745,518	516,469
Bank loans, excluding current installments	$ 4,022,601	$ 6,968,922
$20 million revolving line of credit at the London Interbank offered rates plus 1.45% (6.69% at December 31, 1996) note payable within 30 days collateralized by receivable from mortgage loans sold to investors.	$ 1,211,890	$14,468,354

5) Bank Loans Payable and Line of Credit for Financing Mortgage Loans (Continued)

In addition to the line of credit described above, the Company has a line of credit agreement with a bank for $2,000,000 of which none was outstanding at December 31, 1996, or 1995. The line of credit is for general operating purposes and must be repaid every 30 days.

See Note 6 for summary of maturities for subsequent years.

6) Notes and Contracts Payable

Notes and contracts payable are summarized as follows:

	December 31, 1996	December 31, 1995
10% note payable in monthly installments of $37,551, including principal and interest, collateralized by a building, which book value is approximately $2,893,000, due December, 1997	$ 845,177	$1,192,194
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, over a minimum period of 20 years.	687,450	692,243
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.	474,544	509,848
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.	911,143	1,063,000

6) Notes and Contracts Payable (Continued)

	December 31, 1996	December 31, 1995
9% note payable in monthly installments of $10,000 including principal and interest collateralized by real property, which book value is approximately $2,927,000, due July 2008	872,933	912,000
Other notes payable	718,674	806,032
Total notes and contracts	4,509,921	5,175,317
Less current installments	1,227,983	686,326
Notes and contracts, excluding current installments	$3,281,938	$4,488,991

The following tabulation shows the combined maturities of bank loans payable, line of credit for financing of mortgage loans, and notes and contracts payable:

1997	$ 5,185,391
1998	732,173
1999	3,043,578
2000	408,103
2001	415,400
Thereafter	2,705,285
Total	$12,489,930

Interest paid approximated interest expense in 1996, 1995 and 1994.

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. Per statutory requirement, the Company records a liability to the fund of $14 for each space sold after 1979, $42 for spaces sold after July 1, 1983 and $50 for spaces sold after May 1, 1993. For each space sold in the mausoleum, $30 is recognized as a liability. The Company is not required to transfer assets to the fund until the spaces are paid for. The Company is not liable for any maintenance costs exceeding the stipulated statutory rate.

The liability to the endowment care fund is summarized as follows:

	December 31, 1996	December 31, 1995

Liability for spaces sold	$1,317,998	$1,265,217
Less assets in the fund	(1,247,381)	(1,252,697)
Total due to fund (fully and not fully paid contracts)	$ 70,617	$ 12,520

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

Assets in the endowment care fund are summarized as follows:

	December 31, 1996	December 31, 1995
Cash and cash equivalents	$ 134,850	$ 92,037
Mutual funds	22,053	20,299
Fixed maturity securities	--	1,000
Equity securities	94,613	94,613
Participation in mortgage loans with Security National Life	860,865	1,044,748
Other	135,000	--
Total	$1,247,381	$1,252,697

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 are summarized as follows:

	December 31, 1996	December 31, 1995
Cash and cash equivalents	$1,244,808	$ 99,472
Mutual funds	125,516	125,346
Fixed maturity securities	819,680	816,856
Equity securities	77,778	77,778
Participation in mortgage loans with Security National Life	1,153,143	1,699,391
Time certificate of deposit	33,697	167,815
Total	$3,454,622	$2,986,658

8) Income Taxes

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

	1996	1995
	(In Thousands)	
Current	$ 26	$ 213
Deferred	2,716	2,409
Total	$2,742	$2,622

8) Income Taxes (Continued)

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

	1996	1995
	(In Thousands)	
Assets		
Future policy benefits	$(113)	$(286)
Uncollected agents' balances	(45)	(46)
Difference between book and tax basis of bonds	(57)	(95)
AMT credits	(45)	--
Net operating loss carryforwards expiring in the years 2001 through 2010	(174)	(138)
Capital loss carryforward	(11)	(21)
Total deferred tax assets	$(445)	$(586)
Liabilities		
Deferred policy acquisition costs	$ 274	$ 300
Cost of insurance acquired	510	536
Installment sales	640	478
Depreciation	878	898
Trusts	505	360
Other	354	423
Total deferred tax liabilities	3,161	2,995
Net deferred tax liability	$2,716	$2,409

The Company paid approximately $18,000 of income taxes in 1996 and paid no income taxes in 1995 and 1994. The Company's income tax expense is summarized as follows:

	1996	1995	1994
		(In Thousands)	
Current	$(168)	$191	$ --
Deferred	307	537	302
Total	$ 139	$728	$302

8) Income Taxes

The reconciliation of income tax attributable to continuing operations computed at the U.S. federal statutory rates is as follows:

	1996	1995	1994
		(In Thousands)	
Computed expense at statutory rate	$ 461	$ 768	$ 454
Special deductions allowed small life insurance companies	(261)	(164)	(108)
Dividends received deduction	(33)	(40)	(50)
Prior year provision to tax return true-up	--	158	(4)
Other, net	(28)	6	10
Tax expense (benefit)	$ 139	$ 728	$ 302

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, 1996, 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 $1,300,000, approximately $886,000 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, 1996. The Company is contingently liable for these amounts in the event such reinsurers are unable to pay their portion of the claims. At December 31, 1996 and 1995, the contingent liabilities for such future policy benefits aggregated $259,676 and $264,547, respectively, all of which relate to life insurance. These amounts pertain to insurance in force aggregating $73,821,939 in 1996 and $80,261,274 in 1995.

The Company has also assumed insurance from other companies having insurance in force amounting to $52,508,120 at December 31, 1996 and $58,916,837 at December 31, 1995.

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

The Company has been named as a party in connection with the pending litigation involving Greer-Wilson Funeral Homes, Inc. The Complaint in this matter, which was filed

9) Reinsurance, Commitments and Contingencies (Continued)

on June 6, 1995 in the Arizona Superior Court of Maricopa County, alleges breach of contract and breach of covenant of good faith and fair dealing and claims damages of at least $250,000 plus costs and attorneys' fees.

The Company and the other named defendants have filed answers to the Complaint, made initial discovery disclosures, promulgated and responded to initial written discovery, and taken some depositions. No depositions have been taken or other discovery undertaken since June 1996. The Company believes that the Complaint against it is without merit and intends to vigorously defend against the action.

The Company has also 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's 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. The Company believes there is no basis to the treble damage conversion claim. The Company intends to vigorously defend against the action.

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 ESOP for all eligible employees. Eligible employees are primarily those with more than one year of service and who work in excess of 1,040 hours per year. Contributions, which may be in cash or stock of the Company, are

10) Retirement Plans (Continued)

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 $50,017, $21,914, and $54,288 for 1996, 1995, and 1994, respectively. At December 31, 1996 the ESOP held 553,480 shares of Class A and 500,551 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 organized a 401(k) savings plan in 1995, which allows employees to contribute pre tax compensation up to the lesser of 15% of total annual compensation or the statutory limit (currently $9,240). The Company matches 50% of each employee's contribution in Company stock, up to 5% of the employee's total annual compensation. The Company's matching contributions for 1996 and 1995 was approximately $50,000 and $21,000, respectively.

11) Capital Stock

The following table summarizes capital stock activity for the three year period ended December 31, 1996:

	Class A	Class C
Balance at December 31, 1993	3,322,818	2,171,915
Stock Dividends	169,461	108,358
Conversion of Class C to Class A	1,044	(5,228)
Stock Issued	65,083	--
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 Options Exercised	87,463	--
Stock Split of Class C	--	2,483,536
Balance at December 31, 1996	4,110,709	4,967,072

11) Capital Stock (Continued)

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 is convertible into Class A at any time on a ten to one ratio, however, the conversion rights of Class A into Class C have numerous restrictions.

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 1996, 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.

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 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

11) Capital Stock (Continued)

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 Plan also includes a Stock Appreciation 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.

Activity of the 1987 Plan is summarized as follows:

	Number of Shares	Option Price
Outstanding at December 31, 1993	168,469	$2.55 - $2.86
Dividend	8,424	
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
Exercisable at end of year	22,309	$2.20 - $2.47
Available options for future grant 1987 Stock Incentive Plan	188,000	

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 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.

11) Capital Stock (Continued)

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 granted on April 29, 1993, 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 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 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.

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.

11) Capital Stock (Continued)

Activity of the 1993 Plan is summarized as follows:

	Number of Shares	Option Price
Outstanding at December 31, 1993	90,000	$3.13 - $3.44
Dividend	4,500	
Granted	103,700	
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
Exercisable at end of year	218,516	$2.70 - $4.52
Available options for future grant 1993 Stock Incentive Plan	340,300	

12) Statutory Financial Information

The Company's 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 include state laws, regulations, and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners ("NAIC"). "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, the result of which is expected to constitute the only source of "prescribed" statutory accounting practices. Accordingly, that project, which is expected to be completed in 1997, will likely change, to some extent, prescribed statutory accounting practices, and may result in changes to the accounting practices that insurance enterprises use to prepare their statutory financial statements. Statutory net income and statutory stockholder's equity for the life subsidiary as reported to state regulatory authorities, is presented below:

	1996	1995	1994
Statutory net income for the years ended December 31	$ 694,745	$1,414,246	$ 701,985
Statutory Stockholder's Equity at			

December 31	$10,020,668	$9,472,696	$8,569,956

12) Statutory Financial Information (Continued)

The Utah Insurance Department is in the process of completing an examination of the life insurance subsidiary as of December 31, 1995 and for the three year period then ended. The results of the examination are not final, however management believes it will not have a material impact upon the statutory stockholder's equity of the life insurance subsidiary.

Generally, the net assets of the life subsidiary available for transfer to the Company are limited to the amounts that the life 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 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.

13) Business Segment Information

The Company is principally involved in three segments: Life insurance and annuities, cemetery/mortuary operations and mortgage operations. The following schedules summarize segment information for the three segments and corporate activities for 1996, 1995, and 1994:

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

13) 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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements

13) Business Segment Information (Continued)

1994

	Life Insurance	Corporate	Cemetery/ Mortuary	Mortgage	Consolidated
Revenues:					
Premium and other considerations	$ 4,944,789	$	$	$	$ 4,944,789
Net mortuary and cemetery sales			5,887,726		5,887,726
Mortgage fee income				1,170,465	1,170,465
Net investment income	3,582,518	23,379	515,020		4,120,917
Realized gains on investments and other assets	104,357		279,280		383,637
Other revenues	28,768	171	124,103		153,042
	$ 8,660,432	$ 23,550	$ 6,806,129	$1,170,465	$ 16,660,576
Expenses:					
Death and other policy benefits	$ 2,567,078				$ 2,567,078
Increase in future policy benefits	1,469,029				1,469,029
Amortization of deferred policy acquisition costs	766,658				766,658
General, administrative and other costs	3,126,598	228,604	6,073,846	1,093,703	10,522,751
	$ 7,929,363	$ 228,604	$ 6,073,846	$1,093,703	$ 15,325,516
Earnings before income taxes	$ 731,069	$(205,054)	$ 732,283	$ 76,762	$ 1,335,060
Identifiable assets	$81,962,820	$ 764,201	$20,573,980	$ 457,256	$103,758,257

14) 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	$32,650	$31,591
Supplementary contracts		
without life contingencies	285	285
with life contingencies	1,652	1,652
Total	$34,587	$33,528

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, 1996:

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	$12,412,746	$12,541,140	$12,412,746
States, municipalities and political subdivisions	215,021	193,900	215,021
Mortgage backed securities	7,784,555	7,492,638	7,784,555
Corporate securities including public utilities	27,388,574	27,244,761	27,388,574
Redeemable preferred stocks	133,788	122,120	133,788
Total	47,934,684	47,594,559	47,934,684
Equity securities, available for sale:			
Common Stocks:			
Public utilities	278,980	406,070	406,070
Banks, trusts and insurance companies	91,725	271,702	271,702
Industrial, miscellaneous and all other	3,276,851	3,151,141	3,151,141
Nonredeemable preferred stocks	225,634	304,192	304,192
Total	3,873,190	4,133,105	4,133,105
Mortgage loans on real estate	9,809,379		9,809,379
Real estate	7,808,255		7,808,255
Policy loans	3,021,155		3,021,155
Other investments	2,476,720		2,476,720
Total investments	$74,923,383		$75,183,298

Schedule II

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Balance Sheets

	December 31, 1996	December 31, 1995
Assets		
Short-term investments	$ 278,901	$ 274,850
Cash	(10,841)	29,280
Investment in affiliates, at equity	27,379,166	26,172,850
Receivables:		
Receivable from affiliates	1,671,368	1,738,557
Other	(19,234)	16,585
Total receivables	1,652,134	1,755,142
Property, plant and equipment, at cost, net of accumulated depreciation of $298,560 for 1996 and $273,608 for 1995	15,365	40,318
Other assets	202	128
Total assets	$29,314,927	$28,272,568

See accompanying notes to parent company only financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Balance Sheets (Continued)

	December 31, 1996	December 31, 1995
Liabilities:		
Bank loans payable (note 1):		
Current installments	$ 233,019	$ 185,683
Long-term	2,223,317	2,502,751
Notes and contracts payable (note 2):		
Current installments	153,132	179,448
Long-term	787,473	939,330
Advances from affiliated companies (note 3)	1,781,118	1,781,118
Accounts payable	9,934	90
Other liabilities and accrued expenses	533,314	540,448
Income taxes	125,592	225,107
Total liabilities	5,846,899	6,353,975
Stockholders' equity:		
Common Stock:		
Class A: $2 par value, authorized 10,000,000 shares, issued 4,110,709 shares in 1996 and 3,819,415 shares in 1995	8,221,418	7,638,830
Class C: $0.20 par value, authorized 7,500,000 shares, issued 4,967,072 shares in 1996 and 2,388,040 shares in 1995	993,413	955,216
Total common stock	9,214,831	8,594,046
Additional paid-in capital	8,675,386	7,879,578
Unrealized appreciation of investments	259,915	368,515
Retained earnings	7,118,528	6,876,086
Treasury stock at cost (631,576 Class A shares and 53,540 Class C shares in 1996; 598,614 Class A shares and 25,495 Class C shares in 1995, held by affiliated companies)	(1,800,632)	(1,799,632)
Total stockholders' equity	23,468,028	21,918,593
Total liabilities and stockholders' equity	$ 29,314,927	$ 28,272,568

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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,		
	1996	1995	1994
Revenue:			
Net investment income	$ 30,717	$ 14,518	$ 23,379
Realized gain from sale of subsidiary	--	206,095	--
Fees from affiliates	754,294	765,410	568,971
Total revenue	$ 785,011	$ 986,023	$ 592,350
Expenses:			
General and administrative expenses	$ 644,640	$ 278,581	$ 209,500
Interest expense	313,032	271,701	40,607
Total expenses	$ 957,672	$ 550,282	$ 250,107
(Loss) earnings before income taxes, and earnings of subsidiaries	$ (172,661)	$ 435,741	$ 342,243
Income tax expense	(26,112)	(98,142)	(93,222)
Equity in earnings of subsidiaries	1,435,918	1,214,181	790,738
Net earnings	$1,237,145	$1,551,780	$1,039,759

See accompanying notes to parent company only financial statements.

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

	December 31, 1996	1995	1994
Cash flows from operating activities:			
Net earnings	$1,237,145	$1,551,780	$1,039,759
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	24,953	11,014	4,378
Provision for loss on accounts receivable	--	161,528	--
Change in assets and liabilities:			
Undistributed earnings of affiliates	(1,435,918)	(1,214,181)	(790,731)
Accounts receivable	103,006	(327,115)	(43,546)
Other assets	(74)	(74)	76,770
Accounts payable and accrued expenses	431,735	(6,593)	(54,968)
Other liabilities	(7,134)	138,282	86,420
Income taxes	(99,514)	98,142	93,222
Net cash provided by operating activities	254,199	412,783	411,304
Cash flows from investing activities:			
Proceeds from sale of equity securities	(212,051)	--	--
Proceeds from sale of short term investments	208,000	385,555	61,485
Investment in subsidiaries	121,002	(2,533,021)	(3,196,446)
Purchase of property plant & equipment	--	(517)	(52,842)
Net cash provided by (used in) investing activities	116,951	(2,147,983)	(3,187,803)
Cash flows from financing activities:			
Proceeds from advances from affiliates	--	833,182	493,345
Payments of notes and contracts payable	(410,271)	(170,743)	(528,023)
Purchase of treasury stock	(1,000)	--	--
Proceeds from borrowings on notes and contracts payable	--	1,063,000	2,859,177
Net cash (used in) provided by financing activities	(411,271)	1,725,439	2,824,499
Net change in cash	(40,121)	(9,761)	48,000
Cash at beginning of year	29,280	39,041	(8,959)
Cash at end of year	$ (10,841)	$ 29,280	$ 39,041

See accompanying notes to parent company only financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
Notes to Parent Company Only Financial Statements

1) Bank Loans Payable

Bank loans payable are summarized as follows:

	December 31, 1996	December 31, 1995
Prime rate plus 1/2% (8.25% at December 31, 1995) note payable in monthly installments of $36,420	$2,456,336	$2,688,434
Less current installments	233,019	185,683
Bank loans, excluding current installments	$2,223,317	$2,502,751

2) Notes and Contracts Payable

Notes and contracts are summarized as follows:

	December 31, 1996	December 31, 1995
7 year notes due April 16, 1996, 1/2% over U.S. Treasury 6 month bill rate	850	27,166
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	911,143	1,063,000
Other	$ 425	$ 425
Total notes and contracts	$ 940,605	$1,118,778
Less current installments	153,132	179,448
Notes and contracts, excluding current installments	$ 787,473	$ 939,330

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

1997	$ 386,151
1998	398,821
1999	2,156,398
2000	151,857

2001	151,857
Thereafter	151,857
Total	$3,396,941

SECURITY NATIONAL FINANCIAL CORPORATION
Notes to Parent Company Only Financial Statements

3) Advances from Affiliated Companies

	December 31, 1996	December 31, 1995
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	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
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%
1994					
Life Insurance in force ($000)	$ 366,522	$ 35,073	$ 69,998	$ 401,447	17.44%
Premiums:					
Life Insurance	$4,852,223	$ 108,076	$ --	$4,744,147	N/A
Accident and Health Insurance	15,403	957	--	14,446	N/A
Total premiums	$4,867,626	$ 109,033	$ --	$4,758,593	N/A

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, 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
For the Year Ended December 31, 1994				
Accumulated depreciation on real estate	$1,000,113	$262,740	$	$1,262,853
Accumulated depreciation on property, plant and equipment	2,622,935	374,503	(71,532)	2,925,906
Allowance for doubtful accounts	1,949,553	79,752	(105,497)	1,923,808

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 nine persons, six 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)	76	October 1979	Chairman of the Board, President and Chief Executive Officer
William C. Sargent(2)	68	February 1980	Senior Vice President, Secretary and Director
Scott M. Quist(1)	43	May 1986	First Vice President, General Counsel, Treasurer and Director
Charles L. Crittenden(1)	77	October 1979	Director
Sherman B. Lowe(1)	82	October 1979	Director
R.A.F. McCormick(2)	83	October 1979	Director
H. Craig Moody(2)	43	September 1995	Director
W. Lowell Steen(2)	82	October 1979	Director
Nathan H. Wagstaff(2)	76	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 and Wagstaff serve; and a compensation committee, on which Messrs. Crittenden, Lowe, George Quist and Steen serve.

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

George R. Quist, age 76, 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 Treasurer and Executive Vice President 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 68, 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 43, 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 77, 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 82, has been a director of the Company since October 1979. Mr. Lowe was formerly President and Manager of Lowe's Pharmacy for the past 30 years. He is now retired. He is an owner of Burton-Lowe Ranches, a general partnership.

R.A.F. McCormick, age 83, 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 43, 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.

W. Lowell Steen, age 82, has been a director of the Company since October 1979. He has been a real estate investment broker for the last 13 years. Prior to that time, he was a large-scale rancher, food processor, and in related concerns. Currently, he is President and sole stockholder of Lowell Steen, Inc., a real estate company.

Nathan H. Wagstaff, age 76, has been a director of the Company since October, 1979. He has served as President and Chairman of the Board of Directors 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 for the first three individuals are set forth above):

Name	Age	Title
George R. Quist(1)	76	Chairman of the Board, President and Chief Executive Officer
William C. Sargent	68	Senior Vice President and Secretary
Scott M. Quist(1)	43	First Vice President, General Counsel and Treasurer Secretary

(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 1996 or 1995 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 Compensation

The following table discloses compensation received by the Company's Chief Executive Officer and the two other most highly compensated executive officers who were serving as executive officers at December 31, 1996.

Summary Compensation Table

		Annual Compensation		
Name and Principal Position	Year	Salary	Bonus	Other Annual Compen-sation(2)
George R. Quist(1)				
Chairman of the Board,	1996	$109,127	$15,303	$2,400
President and Chief	1995	104,469	15,303	2,400
Executive Officer	1994	102,245	15,303	2,400
William C. Sargent				
Senior Vice President,	1996	103,915	15,000	4,500
Director and	1995	77,538	11,725	4,500
Secretary	1994	82,777	10,725	4,500
Scott M. Quist(1)				
First Vice President,	1996	96,192	16,250	7,200
General Counsel,	1995	84,871	13,000	7,200
Director and Treasurer	1994	82,502	12,000	7,200

Long-Term
Compensation

Awards Payouts

Name and Principal Position	Year	Stock Options (Shares)	Incentive Payouts	All Other Compen-sation(3)
George R. Quist(1) Chairman of the Board, President and Chief Executive Officer	1996	6,956	0	3,085
	1995	2,625	0	5,937
	1994	2,500	0	8,263
William C. Sargent Senior Vice President, Director and Secretary	1996	3,449	0	4,213
	1995	2,100	0	2,100
	1994	2,000	0	4,020
Scott M. Quist(1) First Vice President, General Counsel Director and Treasurer	1996	0	0	4,019
	1995	3,149	0	2,206
	1994	3,000	0	3,924

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

(2) The amounts indicated under "Other Annual Compensation" for 1995 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 1995 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 (George R. Quist, $3,085; William C. Sargent, $3,567; and Scott M. Quist, $3,373); (b) insurance premiums paid by the Company with respect to a group life insurance plan for the benefit of the named executive officers ($1,292 for all named executive officers as a group, or $646 for William C. Sargent and Scott M. Quist, and $646 for each individual officer); and (c) life insurance premiums paid by the Company for the benefit of the family of Mr. George R. Quist ($4,645).

Retirement Plans

George R. Quist, who has been Chairman, President and Chief Executive Officer of the Company since 1979, has a Deferred Compensation Agreement, dated December 8, 1988, with the Company (the "Compensation Agreement"). This Compensation Agreement provides (i) upon Mr. Quist's retirement at the age of 70 or an earlier age as may be specified by the Board of Directors, 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 (ii) upon his death, the remainder of such annual payments shall be payable to his wife, if she survives him.

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.

Director's Fees

Directors of the Company (but not including directors who are employees) are paid a director's fee of $7,200 per year by the Company and are reimbursed for any travel expenses incurred in attending Board meetings. No additional amounts are paid by the Company for committee participation or special assignments.

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 and certain commissioned salespersons 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 1996 of $50,017.

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.

401(K) Savings Plan

The Company organized a 401(K) savings plan in 1995, which allows employees to contribute pre tax compensation up to the lesser of 15% of total annual compensation or the statutory limit (currently $9,240). The Company matches 50% of each employee's contribution in Company stock up to 5% of the employee's total annual compensation. Company matching contributions for 1996 and 1995 was approximately $50,000 and $21,000, respectively. The trustees under the 401(K) Savings Plan are Messrs. Sherman B. Lowe, Scott M. Quist, and William C. Sargent.

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 Plan also includes a Stock Appreciation 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.

YEAR-END VALUES OF STOCK OPTIONS

Name	Number of Securities Underlying Unexercised Options at Fiscal Year-End: Exercisable	Unexercisable	Value of Unexercised In-The-Money Options at Fiscal Year-End(1): Exercisable	Unexercisable
All executive officers and key employee option recipients as a group (1 person)	22,309		$65,729	

(1) The value of options equals the market value of Security National Financial Corporation common stock at December 31, 1996 ($5.25 per share), minus the exercise price of options, and includes only those options for which the exercise price was less than market value at year-end.

1993 Stock Option Plan

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 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. 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 options granted on April 29, 1993 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 1993 Plan provides that if the shares of Class A Common Stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Class A Common Stock as a stock dividend on its outstanding Class A Common Stock the number of shares of Class A 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.

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.

YEAR-END VALUES OF STOCK OPTIONS

	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-The-Money Options at Fiscal Year-End(1)	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable
George R. Quist	146,082		$243,101	
William C. Sargent	72,434		$160,407	
All executive officers and key employee option recipients as a group (12 persons)	69,300		$50,589	

(1) The value of options equals the market value of Security National Financial Corporation common stock at December 31, 1996 ($5.25 per share), minus the exercise price of options, and includes only those options for which the exercise price was less than market value at year -end.

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, 1997, (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 84117	237,435	6.8	2,462,390	50.1
William C. Sargent(1)(2) 4974 Holladay Blvd. Salt Lake City, Utah 84117	74,735	2.1	257,820	5.2
Scott M. Quist 7 Wanderwood Way Sandy, Utah 84094	74,464	2.1	55,918	1.1
Employee Stock Ownership Plan(3) 5300 South 360 West Suite 310 Salt Lake City, Utah 84123	590,579	17.0	1,051,159	21.4
Charles L. Crittenden 248 - 24th Street Ogden, Utah 84404	-0-	*	162,187	3.3
Sherman B. Lowe 2197 South 2100 East Salt Lake City, Utah 84109	19,279	*	177,248	3.6
R.A.F. McCormick(1) 400 East Crestwood Road Kaysville, Utah 84037	9,249	*	92,474	1.9

	Class A and Class C Common Stock	
Name and Address of Beneficial Owner	Amount Beneficially Owned	Percent of Class
George R. Quist (1)(2) 4491 Wander Lane Salt Lake City, UT 84117	2,699,825	32.2
William C. Sargent (1)(2) 4974 Holladay Blvd. Salt Lake City, UT 84117	332,555	4.0
Scott M. Quist 7 Wanderwood Way Sandy, UT 84094	130,382	1.6
Employee Stock	1,641,738	19.6

Ownership Plan (3)
5300 South 360 West
Suite 310
Salt Lake City, UT 84123

Charles L. Crittenden 248 - 24th Street Ogden, UT 84404	162,187	1.9
Sherman B. Lowe 2197 South 2100 East Salt Lake City, UT 84109	196,527	2.3
R.A.F. McCormick 400 East Crestwood Road Kaysville, Ut 84037	101,723	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 Drive Sandy, Utah 84092	111	*	-0-	*
W. Lowell Steen 12705 SE River Rd. Apt. 402S Portland, Oregon 97222	221	*	805	*
Nathan H. Wagstaff 2131 King Street Salt Lake City, Utah 84109	23,093	*	173,899	3.5
Associated Investors(4) 5300 So. 360 W. Suite 310 Salt Lake City, Utah 84123	69,401	2.0	443,658	9.0

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 Drive Sandy, UT 84092	111	*
W. Lowell Steen 12705 SE River Rd. Apt. 402S Portland, OR 97222	1,026	*
Nathan H. Wagstaff 2131 King Street Salt Lake City, UT 84109	196,992	2.3
Associated Investors (4) 5300 So. 360 W. Suite 310 Salt Lake City, UT 84123	513,059	6.1
All directors and executive officers (9 persons)		

*   Less than one percent

(1) Does not include 590,579 shares of Class A Common Stock and 1,051,159 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) The number of shares shown in the table for George R. Quist and William C. Sargent does not include 69,401 shares of Class A Common Stock and 443,658 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) 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.

(4) 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 45.5% 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 1995 or 1996 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
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.	1993 Stock Option Plan (2)
C.	Promissory Note with Key Bank of Utah (3)

D. Loan and Security Agreement with Key Bank of Utah (3)

E. General Pledge Agreement with Key Bank of Utah (3)

F. Purchase and Sale Agreement with Escrow Instructions with the Carter Family Trust and the Leonard M. Smith Family Trust (4)

G. Note Secured by Purchase Price Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (4)

H. Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (4)

I. Stock Insurance Agreement with Greer-Wilson Funeral Home, Inc. and Page E. Greer (4)

J. Promissory Note with Page E. Greer and Patricia R. Greer (4)

K. Pledge Agreement with Page E. Greer and Patricia R. Greer (4)

L. Option Agreement with Page E. Greer, Patricia R. Greer and Greer-Wilson Funeral Home, Inc. (4)

M. Consultation and Noncompetition Agreement with Page E. Greer, Patricia R. Greer and Greer-Wilson Funeral Home, Inc. (4)

N. Guaranty with Page E. Greer and Patricia R. Greer (4)

O. Irrevocable Stock Proxy with Page E. Greer and Patricia R. Greer (4)

P. Stock Purchase Agreement with Civil Service Life Insurance Company and Civil Service Employees Insurance Company (5)

Q. Promissory Note with Civil Service Employees Insurance Company (5)

R. Articles of Merger of Civil Service Employees Life Insurance Company into Capital Investors Life Insurance Company (5)

S. Agreement and Plan of Merger of Civil Service Employees Life Insurance Company into Capital Investors Life Insurance Company (5)

11. Statement Re: Computation of Per-share Earnings

22. Subsidiaries of the Registrant

(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, 1994.

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

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

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

24.

(b) Reports on Form 8-K:

None

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 28, 1997

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 28, 1997
Scott M. Quist	First Vice President, General Counsel and Treasurer and Director (Principal Financial and Accounting Officer)	March 28, 1997
William C. Sargent	Senior Vice President, Secretary and Director	March 28, 1997
Charles L. Crittenden	Director	March 28, 1997
Sherman B. Lowe	Director	March 28, 1997
R.A.F. McCormick	Director	March 28, 1997
H. Craig Moody	Director	March 28, 1997
W. Lowell Steen	Director	March 28, 1997
Nathan H. Wagstaff	Director	March 28, 1997

SECURITIES AND EXCHANGE COMMISISON
Washington, D.C. 20549
FORM 10-K
Year Ended December 31, 1996

SECURITY NATIONAL FINANCIAL CORPORATION
Commission File No. 0-9341

E X H I B I T S

Exhibit Index

Exhibit No.	Document Name
3.A	Articles of Restatement of Articles of Incorporation
11.	Statement Re: Computation of Per-share Earnings
22.	Subsidiaries of the Registrant
27.	Financial Data Schedule

EXHIBIT NO. 3.A

Articles of Restatement of Articles of Incorporation

ARTICLES OF RESTATEMENT

OF

ARTICLES OF INCORPORATION

OF

SECURITY NATIONAL FINANCIAL CORPORATION

1. The name of this Corporation is Security National Financial Corporation.
2. The Articles of Incorporation of this Corporation are amended and restated to read in their entirety as follows:

ARTICLE I

Name

The name of this Corporation is Security National Financial Corporation.

ARTICLE II

Duration

The period of duration of the Corporation shall be perpetual.

ARTICLE III

Objects, Purposes, and Powers

The Corporation is organized to engage in any lawful acts, activities and pursuits for which a corporation may be organized under the Utah Revised Business Corporation Act (the "Act").

ARTICLE IV

Capital Stock

The authorized capital stock of the Corporation shall consist of 27,500,000 shares divided into 10,000,000 shares of $2.00 par value Common Stock, 5,000,000 shares of $1.00 par value Common Stock, 7,500,000 shares of $0.20 par value Common Stock, and 5,000,000 shares of $1.00 par value Preferred Stock. The Common Stock which the Corporation is authorized to issue is divided as follows:

Ten Million (10,000,000) shares of $2.00 par value Class A Common Stock;

Five Million (5,000,000) shares of $1.00 par value Class B Common Stock; and

Seven Million Five Hundred Thousand (7,500,000) shares of $0.20 par value Class C Common Stock.

The Preferred Stock may be issued:

(a) Subject to the right of the Corporation to redeem any of such shares at a price not less than the par value thereof;

(b) Entitling the holders thereof to cumulative, non-cumulative or partially cumulative dividends;

(c) Having preference over any other class or series of shares as to payment of dividends;

(d) Having preference in the assets of the Corporation over any other class or classes of shares upon the voluntary or involuntary liquidation of the Corporation;

(e) Being convertible into shares of any other class or into shares of any series of the same or any other class, except a class having prior or superior rights and preferences as to dividends or distribution of assets upon liquidation.

The Board of Directors shall have authority to divide and issue the

Preferred Stock in series and to establish variations in relative rights and preferences between such series as provided by the Utah Business Corporation Act. All shares of Preferred Stock shall be identical except as to any variations established by the Board of Directors pursuant to the preceding sentence. Except as may be provided for by law, the Preferred Stock shall be non-voting stock and the holders of such stock shall not be entitled to any voice in the management of the Corporation, nor to any voting powers at any stockholders' meeting, by virtue thereof.

ARTICLE V

Preferences, Limitations and Relative
Rights Of Common Stock

No share of the Common Stock authorized in Article IV shall have any preference over or limitation in respect to any other share of such Common Stock except as set forth in this Article V. Except as set forth in this Article V, all shares of the Common Stock authorized in Article IV shall have equal rights and privileges, including the following:

1. All outstanding shares of Common Stock shall share equally in dividends, except that in the event of cash dividends, the Class C common shares shall in no event receive per share cash dividends in excess of 9% of the per share cash dividends received by the Class A and/or Class B common shares; and further provided that with respect to liquidating dividends and distributions on the Common Stock, the Class C common shares shall in no event receive per share distribution in excess of 9% of the per sharedistributions received by the Class A and/or Class B common shares; and further provided that with respect to all other distributions on the Common Stock, not including cash dividends and liquidating dividends and distributions, the Class C common shares shall in no event receive per share distributions in excess of 10% of the per share distributions received by the Class A and/or Class B common shares. Neither the purchase or redemption by the Corporation of stock of any class, in any manner permitted by law, nor the merger, consolidation, or other business combinations of the Corporation or any of its subsidiaries with or into any other corporation or corporations, nor the sale or transfer by the Corporation of all or any part of its properties or assets shall be deemed to be liquidating dividends and distributions for purposes of this Article V. No holder of Class C Common Stock shall be entitled to receive any amounts with respect thereto upon liquidation, dissolution, or winding up of the Corporation other than the amounts provided for in this Article V.

   The classes of Common Stock shall share equally in stock dividends declared which shall be payable in Common Stock of each common stockholder's particular class (for example, if a 10% stock dividend is declared for the Class A Common Stock, there shall also be declared a 10% stock dividend for the Class B and C Common Stock, and a Class A common stockholder would receive 10% additional shares of Class A Common Stock, a Class B common stockholder and a Class C common stockholder would receive 10% additional shares of Class B or C Common Stock respectively). Except for a two-for-one forward stock split effective as of November 7, 1996 involving only Class C Common Stock, stock splits shall be administered among the classes of Common Stock similarly to stock dividends. Dividends with respect to all common shares shall be payable at the discretion of the Board of Directors of the Corporation at such times and in such amounts as it deems advisable subject to the provisions of any applicable law. However, any dividends may be declared by the Board of Directors of the Corporation as may be permitted by the Utah Business Corporation Act. In addition, the Board of Directors of the Corporation, from time to time, may distribute to stockholders in partial liquidation, out of stated capital or capital surplus of the Corporation, a portion of the assets, in cash or property, subject to the following provisions:

   (a) No such distribution shall be made at a time when the Corporation is insolvent or when such distribution would render the Corporation insolvent.

   (b) Each such distribution when made, shall be identified as a distribution in partial liquidation and the amount per share disclosed to the stockholders receiving the same concurrently with the distribution thereof.

   (c) No distribution shall be made to the holders of any class of shares unless all cumulative dividends accrued on all preferred shares entitled to preferential dividends shall have been fully paid.

(d) No such distribution shall be made to the holders of any class of shares which would reduce the remaining net assets of the Corporation below the aggregate preferential amount, if any, payable in the event of voluntary liquidation to the holders of shares having preferential rights to the assets of the Corporation in the event of liquidation.

2. The Class B Common Stock shall be non-voting stock, and the holders of such stock shall not be entitled to any voice in the management of the Corporation, nor to any voting powers at any stockholders' meeting by virtue thereof, except as set forth herein. Holders of Class B Common Stock shall have the right to vote as a class upon any proposed amendment to the Articles of Incorporation of this Corporation which would:

(a) Increase or decrease the aggregate number of authorized shares of the Class B Common Stock;

(b) Increase or decrease the par value of the shares of the Class B Common Stock;

(c) Effect any exchange, reclassification or cancellation of all or part of the shares of the Class B Common Stock;

(d) Effect an exchange, or create a right of exchange, of all or any part of the shares of another class into the shares of the Class B Common Stock;

(e) Change the designations, preferences, limitations or relative rights of the shares of the Class B Common Stock;

(f) Change the shares of Class B Common Stock into the same or a different number of shares, either with or without par value, of the same class or another class or classes;

(g) Create a new class of shares having rights and preferences prior and superior to the shares of the Class B Common Stock, or increase the right and preferences of any class having rights and preferences prior or superior to the shares of the Class B Common Stock; or

(h) Cancel or otherwise affect dividends on the shares of Class B Common Stock which have accrued but have not been declared.

In addition, holders of Class B Common Stock shall be entitled to such further voting rights, as a class, as are set forth in the Utah Business Corporation Act.

3. Each outstanding share of Class A Common Stock shall be entitled to one vote at stockholders' meetings, either in person or by proxy. Class C Common Stock shall have one vote per share at stockholders' meetings, provided, however, that at every meeting of the stockholders called for the election of directors, the holders of Class A Common Stock, voting separately as a class, shall be entitled to elect one-third (1/3) of the number of directors to be elected at such meeting and if one-third (1/3) of such number of directors is not a whole number, then the holders of Class A Common Stock, voting separately as a class, shall be entitled to elect the next higher whole number of directors to be elected at such meeting. In the election of the remaining directors to be elected and for all other proper corporate matters, each outstanding share of Class A Common Stock shall have one vote, either in person or proxy.

4. (a) No person holding shares of Class C Common Stock (hereinafter called a "Class C Holder") may transfer, and the Corporation shall not register the transfer of, such shares of Class C Common Stock, whether by sale, assignment, gift, bequest, appointment or otherwise, except to a "Permitted Transferee" of such Class C Holder, which term shall have the following meanings:

(i) In the case of a Class C Holder who is a natural person holding record and beneficial ownership of the shares of Class C Common Stock in question, "Permitted Transferee" means:

(A) the spouse of such Class C Holder;

(B) a lineal descendant of a grandparent of such Class C Holder;

(C) the trustee of a trust (including a voting trust) for the benefit of:

(1) one or more of such Class C Holders;

(2) other lineal descendants of a grandparent of such Class C Holder;

(3) the spouse of such Class C Holder; or

(4) any organization contributions to which are deductible for federal income, estate or gift tax purposes (hereinafter called a "Charitable Organization"), and for the benefit of no other person;

provided that such trust may grant a general or special power of appointment to the spouse of a Class C Holder and may permit trust assets to be used to pay taxes, legacies and other obligations of the trust or the estate of such Class C Holder payable by reason of the death of such Class C Holder, and provided, that such trust must prohibit transfer of shares of Class C Common Stock to persons other than Permitted Transferee as defined in this clause (i);

(D) a Charitable Organization established by such Class C Holder, such Class C Holder's spouse, or a lineal descendant of a grandparent of such Class C Holder;

(E) a corporation, all of the outstanding capital stock of which is owned by, or partnership or joint venture all of the partners or venturers of which are, one or more of such Class C Holders, other lineal descendants of a grandparent of such Class C Holder, and the spouse of such Class C Holder; provided, that if any share of capital stock of such a corporation (or of any survivor of a merger or consolidation of such a corporation), or any partnership interest in such a partnership, is acquired by any person who is not within such class of persons, all shares of Class C Common Stock then held by such corporation or partnership, as the case may be, shall be deemed without further act on anyone's part to be converted into shares of Class A Common Stock on the basis of ten (10) shares of Class C Common Stock for one (1) share of Class A Common Stock and shall thereupon and thereafter be deemed to represent the appropriate number of shares of Class A Common Stock.

(ii) In the case of a Class C Holder holding shares of Class C Common Stock as trustee pursuant to a trust which was irrevocable on the record date for determining the persons to whom the Class C Common Stock is first distributed by the Corporation (hereinafter in this paragraph (4) called the "Record Date"), "Permitted Transferee" means any person to whom or for whose benefit principal may be distributed either during or at the end of the term of such trust whether by power of appointment or otherwise.

(iii) In the case of a Class C Holder holding shares of Class C Common Stock as trustee pursuant to a trust other than a trust described in clause (ii) above, "Permitted Transferee" means the persons who established such trust, and Permitted Transferee determined pursuant to clause (i) above.

(iv) In the case of a Class C Holder holding record (but not beneficial) ownership of the shares of Class C Common Stock in question as nominee for the person who was the beneficial owner thereof on the Record Date, "Permitted Transferee" means such beneficial owner thereof on the Record Date, such beneficial owner determined pursuant to clauses (i), (iii), or (v) hereof, as the case may be.

(v) In the case of a Class C Holder which is a corporation (other than a charitable organization described in subclause (C) of clause (i) above) holding record and beneficial ownership of the shares of Class C Common Stock in question, "Permitted Transferee" means any stockholder of such corporation receiving shares of Class C Common Stock through a dividend or through a distribution made upon liquidation of such corporations, and the surviving corporation of a merger or consolidation of such corporation.

(vi) In the case of a Class C Holder which is the estate of a deceased Class C Holder or which is the estate of a bankrupt or insolvent Class C Holder, and provided such deceased, bankrupt or insolvent Class C Holder, as the case may be, held record and beneficial ownership of the Shares of Class C Common Stock in question, "Permitted Transferee" means a Permitted Transferee of such deceased, bankrupt or insolvent Class C Holder as determined pursuant to this Paragraph 4.

(vii) In the case of a Class C Holder which is a partnership or joint venture holding shares of Class C Common Stock, "Permitted Transferee" means any one of the partners of venturers; provided that if any partnership or joint venture interest is acquired by any persons not a partner or venturer of such partnership or joint venture or of a "Permitted Transferee" of such partner or venturer, all shares of Class C Common Stock then held by such partnership or joint venture shall be deemed, without further act on anyone's part, to be converted into shares of Class A Common Stock and shall thereupon be deemed to represent the like number of shares of Class A Common Stock.

(viii) In the case of a Class C Holder which is a corporation in bankruptcy holding shares of Class C Common Stock, "Permitted Transferee" means any other Class C Holder or "Permitted Transferee" of any Class C Holder.

(b) Notwithstanding the provisions of this Paragraph 4, a holder of record of a share of Class A Common Stock, which share meets all of the following criteria, shall be entitled to exchange said Class A Common Stock for Class C Common Stock on the basis of ten (10) shares of Class C Common Stock for each share of the Class A Common Stock so owned by such holder of record; provided, however, such stockholder converts his Class A Common Stock into Class C Common Stock within the 45 day period following the conclusion of a holding period of the Class A Common Stock of 48 continuous months. Shares not converted within such 45 day period shall thereafter be Class A common shares with no further conversion rights into Class C common shares.

(i) The Class A common shares were obtained by a transfer of Class C common shares to a Non-Permitted Transferee which converted the Class C common shares to Class A common shares pursuant to the provisions of this paragraph 4.

(ii) Such shares of Class A Common Stock have had the same record and beneficial owner for a continuous period of 48 months.

(iii) For purposes of this subparagraph (b), any shares of Class A or Class C Common Stock acquired by the beneficial owner as a direct result of a stock split, stock dividend or other type of distribution of shares with respect to existing shares ("dividend shares") will be deemed to have been acquired and held continuously from the date on which the shares with regard to which the dividend shares were issued were acquired.

(iv) For purposes of this subparagraph (b), any share of the Class A Common Stock held in "street" or "nominee" name shall be presumed to have been acquired by the beneficial owner subsequent to February 4, 1986 and to have had the same beneficial owner for a continuous period of less than 48 months prior thereto. This presumption shall be rebuttable by presentation to the Corporation by such beneficial owner of satisfactory evidence to the contrary. Any disputes arising in respect of this subclause shall be definitely resolved by a determination of the Board of Directors made in good faith.

(c) Notwithstanding anything to the contrary herein, any Class C

Holder may pledge such Holder's shares of Class C Common Stock to a pledgee pursuant to a bona fide pledge of such shares as collateral security for indebtedness due to the pledgee, provided that such shares shall not be transferred to or registered in the name of the pledgee and shall remain subject to the provisions of this paragraph 4.

In the event of foreclosure or other similar action by the pledgee, such pledged shares of Class C Common Stock may only be transferred to a Permitted Transferee of the pledgor or converted into shares of Class A Common Stock, as the pledgee may elect.

(d) For purposes of this paragraph 4:

(i) The relationship of any person that is derived by or through legal adoption shall be considered a natural one.

(ii) Each joint owner of shares of Class C common stock shall be considered a "Class C Holder" of such shares.

(iii) A minor for whom shares of Class C Common Stock are held pursuant to a Uniform Gifts to Minors Act or similar law shall be considered a Class C Holder of such shares.

(iv) Unless otherwise specified, the term "person" means both natural persons and legal entities.

(e) Any purported transfer of shares of Class C Common Stock not permitted hereunder shall have the effect of converting the shares so transferred into Class A common shares on the basis of ten (10) shares of Class C Common Stock for one (1) share of Class A Common Stock. The Corporation may, as a condition to the transfer or the registration of transfer of shares of Class C Common Stock to a purported Permitted Transferee, require the furnishing of such affidavits or other proof as it deems necessary to establish that such transferee is a Permitted Transferee. The Corporation must note on the certificates for shares of Class C Common Stock the restrictions on transfer and registration of transfer imposed by this paragraph 4. The Corporation must also note on the certificates for shares of Class A Common Stock obtained by a transfer of Class C common shares to a Non-Permitted Transferee that such shares may be converted to Class C Common Stock on the basis of ten (10) shares of Class C Common Stock for one (1) share of Class A Common Stock, if the conditions of Article V, paragraph 4, subparagraph (b) are complied with, including a continuous holding period of 48 months with a following 45 day conversion period, or such conversion right will be forfeited.

5. (a) Each ten (10) shares of Class C Common Stock may at any time be converted into one (1) fully paid and non-assessable share of Class A Common Stock, except following a stockholder vote approving a plan of complete liquidation or dissolution of the Corporation when the conversion ratio shall be at the reduced rate of eleven and .1112 shares of Class C Common Stock to one share of Class A Common Stock, provided that upon abandonment of a plan of liquidation or dissolution the conversion rate will revert to ten (10) shares of Class C stock for one (1) share of Class A stock. Such right shall be exercised by the surrender of the certificate representing such shares of Class C Common Stock to be converted to the Corporation at any time during normal business hours at the principal executive offices of the Corporation, or if an agent for the registration or transfer of shares of Class C Common Stock is then duly appointed and acting (said agent being hereinafter called the "Transfer Agent") then at the office of the Transfer Agent, accompanied by a written notice of the election by the holder thereof to convert and (if so required by the Corporation or the Transfer Agent) by instruments of transfer, in form satisfactory to the Corporation and to the Transfer Agent, duly executed by such holder or his duly authorized attorney, and transfer tax stamps or funds therefore, if required pursuant to subparagraph (e).

(b) As promptly as practicable after the surrender for conversion of a certificate representing shares of Class C Common Stock in the manner provided in subparagraph (a) above and the payment in cash of any amount required by the provisions of subparagraphs (a) and (e), the Corporation will deliver or cause to be delivered at the office of the Transfer Agent to or upon the written order of the holder of such certificate, a certificate or certificates representing the number of full shares of Class A Common Stock issuable upon such conversion, issued in such name or names as such holder may direct. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of the surrender of the certificate representing shares of Class C Common Stock, and all rights of the holder of such shares as such holder shall cease at such time and the person or person in whose name or names the certificate or certificates representing the shares of Class A Common Stock are to be issued shall be treated for all purposes as having become the record holder or holders of such shares of Class A Common Stock at such time; provided, however, that any such surrender and payment on any date when the stock transfer books of the Corporation shall be closed shall constitute the person or persons in whose name or names the certificate or certificates representing shares of Class A Common Stock are to be issued as the record holder or holders thereof for all purposes immediately prior to the close of business in the next succeeding day on which such stock transfer books are open.

(c) No adjustments in respect of dividends shall be made upon the conversion of any share of Class C Common Stock into Class A Common Stock; provided, however, that if a share be converted subsequent to the record date for the payment of a dividend or other distribution on shares of Class C Common Stock but prior to such payment, the registered holder of such share at the close of business on such record date shall be entitled to receive the dividend or other distribution payable on such share on such date notwithstanding the conversion thereof or the Corporation's default in payment of the dividend on such date.

(d) The Corporation shall at all times reserve and keep available, solely for the purpose of issue upon conversion of the outstanding shares of Class C Common Stock, such number of shares of Class A Common Stock as shall be issuable upon the conversion of all such outstanding shares, and the Corporation shall also at all times reserve and keep available for the purpose of issue upon conversion of the Class A Common Stock such number of shares of Class C Common Stock as may be issuable upon possible conversion of appropriate shares, provided that nothing contained herein shall be construed to preclude the Corporation from satisfying its obligations in respect of the conversion of the outstanding shares of Class A or Class C Common Stock by delivery of purchased shares of Class A or Class C Common Stock which are held in the treasury of the Corporation. If any shares of Class A or Class C Common stock, required to be reserved for purposes of conversion hereunder, require registration with or approval of any governmental authority under any federal or state law before such share of Class A or Class C Common Stock may be issued upon conversion, the Corporation will cause such shares to be duly registered or approved, as the case may be. All shares of Class A or Class C Common Stock which shall be issued upon conversion of the shares of Class A or Class C Common Stock, will, upon issuance, be fully paid and nonassessable.

(e) The issuance of certificates of shares of Class A Common Stock upon conversion of shares of Class C Common Stock shall be made without charge for any stamp or other similar tax in respect of such issuance. However, if any such certificate is to be issued in a name other than that of the holder of the share or shares of Class C Common Stock converted, the person or persons requesting the issuance thereof shall pay to the Corporation the amount of any tax which may be payable in respect of any transfer involved in such issuance or shall establish to the satisfaction of the Corporation that such tax has been paid.

6. Except as otherwise provided in paragraphs 1 and 5 above or pursuant to shares of Class C Common Stock issued under a stock option plan, and except to the extent stockholders of the 1982 Series 1 Preferred Stock elect or have a right to convert their shares into Class C Common Stock, the Corporation shall not issue additional shares of Class C Common Stock after the date shares of Class C Common Stock surrendered for conversion shall be retired, unless otherwise approved by the affirmative vote of the holders of a majority of the outstanding shares of stock of the Corporation entitled to vote thereon. Holders of the 1982 Series 1 Preferred Stock electing to receive Class C shares shall receive ten (10) shares of Class C Common Stock for every one (1) share of Class A Common Stock received.

7. No stockholder of the Corporation shall be entitled as of right to subscribe for, purchase or receive any part of any new or additional issue of stock of any class, whether now or hereafter authorized, or of bonds, debentures or other securities convertible into or exchangeable for stock, but all such additional shares of stock of any class, or bonds, debentures or other securities convertible into or exchangeable for stock, may be issued and disposed of by the Board of Directors on such terms and

for such consideration, so far as may be permitted by law, and to such persons, as the Board of Directors in its absolute discretion may deem advisable.

8. Cumulative voting shall not be allowed in elections of directors or for any other purpose.

9. All shares of Common Stock when issued, shall be fully paid and nonassessable. No fractional shares of Common Stock shall be issued.

10. The Board of Directors may restrict the transfer of any of the Corporation's shares of Class A, Class B or Class C Common Stock issued by giving the Corporation or any stockholder "first right of refusal to purchase" the stock, making the stock redeemable, or by restricting the transfer of the stock under such terms and in such manner as the directors may deem necessary and as are not inconsistent with the laws of the State of Utah. Any stock so restricted must carry a conspicuous legend noting the restriction and the place where such restriction may be found in the records of the Corporation.

11. The judgment of the Board of Directors as to the adequacy of any consideration received or to be received for any shares of Class A, Class B, or Class C Common Stock, options in respect thereof, or any other securities which the Corporation at any time may be authorized to issue or sell or otherwise dispose of shall be conclusive in the absence of fraud, subject to the provisions of these Articles of Incorporation and any applicable law.

ARTICLE VI

Place of Business

The principal office and the principal place of business of the Corporation initially shall be located in Salt Lake City, Utah. The Board of Directors, however, from time to time may establish such other offices, branches, subsidiaries, or divisions which it may consider to be advisable. The address of the Corporation's registered office in Utah for purposes of the Utah Revised Business Corporation Act shall be 5300 South 360 West, Suite 310, Salt Lake City, Utah 84123. The name of the Corporation is registered agent at the address of the aforesaid registered office for purposes of this Act shall be Scott M. Quist.

ARTICLE VII

Directors

The affairs of the Corporation shall be governed by a board of not less than three (3) directors. Subject to such limitation, the number of directors shall be fixed by or in the manner provided in the Bylaws of the Corporation, as may be amended from time to time, except as to the number constituting the initial board, which number shall be three (3). The organization and conduct of the board shall be in accordance with the following:

1. The directors of the Corporation need not be residents of Utah and shall not be required to hold shares of the Corporation's capital stock.

2. Meetings of the Board of Directors, regular or special, may be held within or without Utah upon such notice as may be prescribed by the Bylaws of the Corporation. Attendance of a director at a meeting shall constitute a wavier by him of notice of such meeting unless he attends only for the express purpose of objecting to the transaction of any business threat on the ground that the meeting is not lawfully called or convened.

3. A majority of the number of directors at any time constituting the Board of Directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at a meeting which a quorum is present shall be the act of the Board of Directors.

4. By resolution adopted by a majority of the directors at any time constituting the Boards of Directors, the Board of Directors may designate two or more directors to constitute an Executive Committee which shall have and may exercise, to the extent permitted by law or in such resolution, all the authority of the Board of Directors in the management of the Corporation; but the designation of any such committee and the delegation of authority thereto shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed on it or him by law.

5. Any vacancy in the Board of Directors, however caused or created, may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office and until his successor is duly elected and qualified.

ARTICLE VIII

Officers

The officers of the Corporation shall consist of a President, one or more Vice Presidents as may be prescribed by the Bylaws of the Corporation, a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors at such time and in such manner as may be prescribed by the Bylaws of the Corporation. Any two or more offices may be held by the same person except the offices of President and Secretary.

ARTICLE IX

Meetings of Stockholders

Meetings of the stockholders of the Corporation shall be held at such place within or without Utah and at such times as may be prescribed in the Bylaws of the Corporation. Special meetings of the stockholders of the Corporation may be called by the Chairman of the Board, the President of the Corporation, he Board of Directors, or by the record holder or holders of a least ten percent (10%) of all shares entitled to vote at the meeting. At any meeting of the stockholders, except to the extent otherwise provided by law, a quorum shall consist of a majority of the shares entitled to vote at the meeting; and, if a quorum is present, the affirmative vote of the majority of shares represented at the meeting and entitled to vote thereat shall be the act of the stockholders unless the vote of a greater number is required by law.

ARTICLE X

Bylaws

The initial Bylaws of the Corporation shall be adopted by its Board of Directors, in which all shall be vested the power to alter, amend, or repeal the Bylaws or to adopt new Bylaws.

ARTICLE XI

Transactions with Directors and
Other Interested Parties

No contract or other transaction between the Corporation and any other corporation, whether or not a majority of the shares of the capital stock of such other corporation is owned by the Corporation, and no act of the Corporation shall in any way be affected or invalidated by the fact that any of the directors of the Corporation are pecuniarily or otherwise interested in, or are directors or officers of, such other corporation. Any director of the Corporation, individually, or any firm with which such director is affiliated may be a party to or amy be pecuniarily or otherwise interested in any contract or transaction of the Corporation; provided, however, that the fact that he or such firm is so interested shall be disclosed or shall have been known to the Board of Directors of the Corporation, or a majority thereof, at or before the entering into such contract or transaction; and any director of the Corporation who is also a director or officer of such other corporation, or who is so interested, may be counted in determining the existence of a quorum at any meeting of the Board of Directors of the Corporation which shall authorize such contract or transaction and may vote thereat to authorize such contract or transaction, with like force and effect as if he were not such director or officer of such other corporation or not so interested.

ARTICLE XII

Acquisition of Own Shares

The Corporation may purchase, take, receive, or otherwise acquire shares of its capital stock out of any unreserved and unrestricted capital surplus then available.

ARTICLE XIII

Approval of Business Combinations

The stockholder vote required to approve Business Combinations (hereinafter defined) shall be as set forth in this Article XIII.

1. Higher Vote for Business Combinations. In addition to any affirmative vote required by law or the Articles of Incorporation, and except as otherwise expressly provided in paragraph 3 of this Article XIII:

(a) Any merger or consolidation of Security National Financial Corporation (referred to in this Article XIII as the "Corporation") or any Subsidiary (as hereinafter defined) with (i) any Interested Stockholder (as hereinafter defined) or (ii) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(b) Any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of all or a Substantial Part (as hereinafter defined) of the property and assets of the Corporation (including without limitation the voting securities of a subsidiary); or

(c) The adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or any Affiliate of any Interested Stockholder; or

(d) Any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of it Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder shall require the affirmative vote of the holders of at least 75% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified by law or in any agreement with any national securities exchange or otherwise.

2. Definition of "Business Combination." The term "Business Combination" as used in this Article XIII shall mean any transaction which is referred to in any one or more of paragraphs (a) through (d) of paragraph 1 of this Article XIII.

3. When Higher Vote Is Not Required. The provisions of paragraph 1 of this Article XIII shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of these Articles of Incorporation, if the Business Combination shall have been approved by a majority of the Nonpartisan Directors (as hereinafter defined).

4. Certain Definitions. For purposes of this Article III:

(a) A "person" shall mean any individual, firm, corporation or other entity.

(b) "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 5% of the outstanding Voting Stock or of more than 5% of the voting power of the outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of more than 5% of the outstanding Voting Stock or of 5% or more of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving the public offering within the meaning of the Securities

Act of 1933, as amended.

(c) A "Substantial Part" shall mean more than 25% of the fair market value of the total assets of the Corporation.

(d) A person shall be a "beneficial owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (B) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(e) For the purpose of determining whether a person is an Interested Stockholder pursuant to subparagraph b of this paragraph 4, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of subparagraph d of this paragraph 4, but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(f) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

(g) Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation.

(h) "Nonpartisan Director" means any member of the Board of Directors of the Corporation (the "Board") who is unaffiliated with the Interested Stockholder and was a member of the Board prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Nonpartisan Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Nonpartisan Director by a majority of Nonpartisan Directors then on the Board.

5. Powers of Nonpartisan Directors. A majority of the Nonpartisan Directors of the Corporation shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article XIII, including without limitation (A) whether a person is an Interested Stockholder, (B) the number of shares of Voting Stock beneficially owned by any person, (C) the voting power of the shares of Voting Stock beneficially owned by any person, (D) whether a person is an Affiliate or Associate of another, an (E) whether the assets subject to a Business Combination constitute a Substantial Part of the assets of the Corporation; and the good faith determination of a majority of the Nonpartisan Directors on such matters shall be conclusive and binding for all the purposes of this Article XIII.

6. No Effect on Fiduciary Obligations of Interested Stockholders. Nothing contained in this Article XIII shall be construed to relieve the Board of Directors or any Interested Stockholder from any fiduciary obligation imposed by law.

7. Amendment or Repeal. Notwithstanding any other provisions of these Articles of Incorporation or the Bylaws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the Bylaws of the Corporation), the affirmative vote of the holders of 75% or more of the voting power of the share s of the then outstanding Voting Stock, voting together as a single class, shall be

required to amend or repeal, or adopt any provisions inconsistent with, this Article XIII of these Articles of Incorporation; provided however, that the preceding provisions of this paragraph 7 shall not be applicable to any amendment of this Article XIII of these Articles of Incorporation, and such amendment shall require only such affirmative vote as is required by law and any other provisions of these Articles of Incorporation, if such amendment shall have been approved by a majority of the Nonpartisan Directors.

ARTICLE XIV

Limitation on Director Liability

To the fullest extent permitted by the Utah Revised Business Corporation Act or any other applicable law as now in effect or as it may hereafter be amended, a director of this Corporation shall not be personally liable to the corporation or its shareholders for monetary damages for any action taken or any failure to take action, as a director.

No amendment or repeal of this Article XIV, and no adoption of any provision in these Articles of Restatement of Articles of Incorporation inconsistent with this Article XIV, shall eliminate or reduce the effect of this Article XIV, with respect to any matter occurring, or any cause of action, suit or claim accruing or arising prior to such amendment or repeal or adoption of any inconsistent provision.

ARTICLE XV

Indemnification

The corporation shall indemnify all officers and directors of the Corporation against monetary damages for any action taken or any failure to take action to the fullest extent permitted by the Utah Revised Business Corporation Act as now in effect or as it may hereafter be amended."

3. The foregoing amendments to the Articles of Incorporation were adopted on November 7, 1996, in accordance with the requirements of Sections 1007 and 1003 of the Act.

4. At the time of the adoption of the foregoing amendments to the Articles of Incorporation, the Corporation had two classes of Common Stock outstanding, designated as Class A Common Stock and Class C Common Stock. The number of shares of Common Stock outstanding at the date of such adoption was 3,218,801 shares of Class A Common Stock and 2,362,545 shares of Class C Common Stock.

5. The outstanding shares of Class A and Class C Common Stock were each entitled to one vote on the amendments, so the number of shares entitled to be voted on the amendments by each class of Common Stock were as follows:

Class A Common Stock - 3,218,801 votes; and
Class C Common Stock - 2,362,545 votes.

6. At the meeting at which the amendments were adopted, 1,998,410 shares of Class A Common Stock and 1,570,722 shares of Class C Common Stock were represented.

7. The total number of shares voting for the amendments by each class of Common Stock was as follows:

Class A Common Stock - 1,333,986 shares; and
Class C Common Stock - 1,566,439 shares.

The number of shares voting for the amendments by each class of Common Stock entitled to vote separately on the amendments was sufficient for approval by that class of Common Stock.

IN WITNESS WHEREOF, these Articles of Restatement of Articles of Incorporation are hereby executed, effective as of this 11th day of November, 1996.

SECURITY NATIONAL
FINANCIAL CORPORATION

By: ______________________________
Scott M. Quist
First Vice President, General
Counsel and Treasurer

ATTEST:

By: ___________________________

William C. Sargent
Senior Vice President
and Secretary

EXHIBIT 11

Statement Re: Computation of Per-share Earnings

Exhibit 11

SECURITY NATIONAL FINANCIAL CORPORATION

Computation of Per-Share Earnings

For the Year Ended December 31,

	1996	1995	1994
Primary:			
Average shares outstanding	3,757	3,551	3,322
Net effect of dilutive stock options - based on the treasury stock method using average market price	103	135	28
Total	3,860	3,686	3,350
Net income	$ 1,237	$ 1,552	$ 1,040
Per-share amount	$ .32	$ .42	$ .31
Fully Diluted:			
Average shares outstanding	3,757	3,551	3,322
Net effect of dilutive stock options - based on the treasury stock method using the year-end market price, if higher than average market price	108	145	37
Total	3,865	3,696	3,359
Net income	$ 1,237	$ 1,552	$ 1,040
Per-share amount	$ .32	$ .42	$ .31

EXHIBIT 22

Subsidiaries of Security National
Financial Corporation
as of March 28, 1997

Exhibit 22

Subsidiaries of Security National Financial Corporation
(as of March 28, 1997)

- Security National Life Insurance 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.
- Security National Mortgage Company
- Greer-Wilson Funeral Home, Inc.

Exhibit 27

Financial Data Schedule

12-MOS
DEC-31-1996
DEC-31-1996
47,934,684
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4,133,105
9,809,379
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