

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 2016, 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: 000-09341

SECURITY NATIONAL FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

UTAH

(State or other jurisdiction of incorporation or organization)

87-0345941

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

5300 South 360 West, Suite 250, Salt Lake City, Utah

(Address of principal executive offices)

84123

(Zip Code)

(801) 264-1060

(Registrant's telephone number, including area code)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A Common Stock, \$2.00 par value

Title of Class

13,145,813

Number of Shares Outstanding as of
August 15, 2016

Class C Common Stock, \$2.00 par value

Title of Class

1,707,909

Number of Shares Outstanding as of
August 15, 2016

QUARTER ENDED JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page No.</u>
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015 (unaudited)	3-4
Condensed Consolidated Statements of Earnings for the Three and Six Months Ended June 30, 2016 and 2015 (unaudited)	5
Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2016 and 2015 (unaudited)	6
Condensed Consolidated Statements of Stockholders' Equity as of June 30, 2016 and June 30, 2015 (unaudited)	7
Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2016 and 2015 (unaudited)	8
Notes to Condensed Consolidated Financial Statements (unaudited)	9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	38
Item 3. Quantitative and Qualitative Disclosures about Market Risk	43
Item 4. Controls and Procedures	43
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	44
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	46
Item 3. Defaults Upon Senior Securities	46
Item 4. Mine Safety Disclosures	46
Item 5. Other Information	46
Item 6. Exhibits	46
Signature Page	48

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

Part I - Financial Information

Item 1. Financial Statements.

	<u>June 30</u> 2016	<u>December 31</u> 2015
Assets	(Unaudited)	
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	\$ 144,060,136	\$ 145,558,425
Equity securities, available for sale, at estimated fair value	9,103,276	8,431,090
Mortgage loans on real estate and construction loans, held for investment net of allowances for loan losses of \$2,204,536 and \$1,848,120 for 2016 and 2015	131,382,747	112,546,905
Real estate held for investment, net of accumulated depreciation of \$14,210,346 and \$12,210,346 for 2016 and 2015	116,234,204	114,852,432
Policy loans and other investments, net of allowances for doubtful accounts of \$1,088,476 and \$906,616 for 2016 and 2015	37,487,895	39,582,421
Short-term investments	20,775,666	16,915,808
Accrued investment income	2,425,239	2,553,819
Total investments	<u>461,469,163</u>	<u>440,440,900</u>
Cash and cash equivalents	36,799,922	40,053,242
Mortgage loans sold to investors	101,822,140	115,286,455
Receivables, net	19,701,844	16,026,100
Restricted assets	9,741,202	9,359,802
Cemetery perpetual care trust investments	2,272,121	2,848,759
Receivable from reinsurers	13,211,785	13,400,527
Cemetery land and improvements	10,716,153	10,780,996
Deferred policy and pre-need contract acquisition costs	63,775,100	59,004,909
Mortgage servicing rights, net	15,416,565	12,679,755
Property and equipment, net	16,024,628	11,441,660
Value of business acquired	8,119,690	8,743,773
Goodwill	2,765,570	2,765,570
Other	7,838,588	7,100,869
Total Assets	<u>\$ 769,674,471</u>	<u>\$ 749,933,317</u>

See accompanying notes to condensed consolidated financial statements (unaudited).

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

	<u>June 30</u> 2016	<u>December 31</u> 2015
Liabilities and Stockholders' Equity	(Unaudited)	
Liabilities		
Future life, annuity, and other benefits	\$ 523,194,973	\$ 517,177,388
Unearned premium reserve	4,603,248	4,737,305
Bank and other loans payable	42,597,959	40,908,915
Deferred pre-need cemetery and mortuary contract revenues	12,485,835	12,816,227
Cemetery perpetual care obligation	3,477,966	3,465,771
Accounts payable	2,942,416	3,502,046
Other liabilities and accrued expenses	31,955,010	31,027,381
Income taxes	28,272,139	25,052,059
Total liabilities	<u>649,529,546</u>	<u>638,687,092</u>
Stockholders' Equity		
Common Stock:		
Class A: common stock - \$2.00 par value; 20,000,000 shares authorized; issued 13,137,701 shares in 2016 and 13,109,100 shares in 2015	26,275,402	26,218,200
Class B: non-voting common stock - \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Class C: convertible common stock - \$2.00 par value; 2,000,000 shares authorized; issued 1,716,020 shares in 2016 and 1,709,640 shares in 2015	3,432,040	3,419,280
Additional paid-in capital	30,710,390	30,232,582
Accumulated other comprehensive income, net of taxes	2,403,288	1,533,828
Retained earnings	59,128,762	52,021,764
Treasury stock at cost - 812,491 Class A shares in 2016 and 930,546 Class A shares in 2015	<u>(1,804,957)</u>	<u>(2,179,429)</u>
Total stockholders' equity	<u>120,144,925</u>	<u>111,246,225</u>
Total Liabilities and Stockholders' Equity	<u>\$ 769,674,471</u>	<u>\$ 749,933,317</u>

See accompanying notes to condensed consolidated financial statements (unaudited).

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Revenues:				
Insurance premiums and other considerations	\$ 15,899,526	\$ 13,914,894	\$ 30,351,101	\$ 27,768,409
Net investment income	9,135,820	8,590,673	18,128,011	16,413,517
Net mortuary and cemetery sales	3,520,071	3,017,853	6,765,927	5,890,088
Realized gains on investments and other assets	120,543	500,776	218,465	920,840
Other than temporary impairments on investments	(30,000)	(55,311)	(103,630)	(111,207)
Mortgage fee income	51,478,261	48,730,028	89,248,236	86,551,828
Other	1,615,380	1,341,702	3,145,806	2,656,772
Total revenues	81,739,601	76,040,615	147,753,916	140,090,247
Benefits and expenses:				
Death benefits	7,336,129	8,116,411	15,160,130	16,044,283
Surrenders and other policy benefits	560,859	519,663	1,079,180	1,173,397
Increase in future policy benefits	5,310,918	4,040,366	9,471,178	8,220,178
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	1,707,552	1,177,854	3,920,388	2,345,353
Selling, general and administrative expenses:				
Commissions	25,006,013	23,207,511	41,848,283	41,773,558
Personnel	17,582,835	15,251,633	34,780,207	29,564,949
Advertising	1,969,945	1,508,426	3,047,955	2,924,716
Rent and rent related	1,868,205	1,929,790	3,932,530	3,814,866
Depreciation on property and equipment	536,489	547,387	1,057,944	1,110,124
Provision for loan loss reserve	828,673	2,252,471	1,415,451	2,919,210
Costs related to funding mortgage loans	2,351,530	2,412,354	4,505,927	4,595,365
Other	7,012,268	6,982,105	13,492,979	13,067,608
Interest expense	1,235,151	1,374,269	2,299,346	2,359,615
Cost of goods and services sold-mortuaries and cemeteries	452,172	488,423	910,791	946,689
Total benefits and expenses	73,758,739	69,808,663	136,922,289	130,859,911
Earnings before income taxes	7,980,862	6,231,952	10,831,627	9,230,336
Income tax expense	(2,623,575)	(2,379,673)	(3,680,808)	(3,514,354)
Net earnings	\$ 5,357,287	\$ 3,852,279	\$ 7,150,819	\$ 5,715,982
Net earnings per Class A Equivalent common share (1)	\$ 0.38	\$ 0.28	\$ 0.51	\$ 0.42
Net earnings per Class A Equivalent common share-assuming dilution (1)	\$ 0.37	\$ 0.27	\$ 0.50	\$ 0.40
Weighted-average Class A equivalent common share outstanding (1)	14,030,903	13,694,539	13,985,114	13,643,682
Weighted-average Class A equivalent common shares outstanding-assuming dilution (1)	14,376,949	14,281,303	14,377,826	14,217,405

(1) Net earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends.

See accompanying notes to condensed consolidated financial statements (unaudited).

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Net earnings	\$ 5,357,287	\$ 3,852,279	\$ 7,150,819	\$ 5,715,982
Other comprehensive income:				
Net unrealized gains (losses) on derivative instruments	(259,008)	766,630	560,666	2,286,653
Net unrealized gains (losses) on available for sale securities	10,897	(165,860)	308,794	(394,116)
Other comprehensive income (loss)	(248,111)	600,770	869,460	1,892,537
Comprehensive income	<u>\$ 5,109,176</u>	<u>\$ 4,453,049</u>	<u>\$ 8,020,279</u>	<u>\$ 7,608,519</u>

See accompanying notes to condensed consolidated financial statements (unaudited).

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	<u>Class A Common Stock</u>	<u>Class C Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total</u>
Balance at December 31, 2014	\$ 24,918,480	\$ 2,788,138	\$ 25,931,119	\$ 1,438,566	\$ 44,101,252	\$ (2,086,454)	\$ 97,091,101
Net earnings	-	-	-	-	5,715,982	-	5,715,982
Other comprehensive income	-	-	-	1,892,537	-	-	1,892,537
Grant of stock options	-	-	211,476	-	-	-	211,476
Exercise of stock options	27,148	228,046	6,366	-	-	(244,009)	17,551
Sale of treasury stock	-	-	291,133	-	-	240,022	531,155
Stock Dividends	480	2	728	-	(1,210)	-	-
Conversion Class C to Class A	1,064	(1,064)	-	-	-	-	-
Balance at June 30, 2015	<u>\$ 24,947,172</u>	<u>\$ 3,015,122</u>	<u>\$ 26,440,822</u>	<u>\$ 3,331,103</u>	<u>\$ 49,816,024</u>	<u>\$ (2,090,441)</u>	<u>\$ 105,459,802</u>
Balance at December 31, 2015	\$ 26,218,200	\$ 3,419,280	\$ 30,232,582	\$ 1,533,828	\$ 52,021,764	\$ (2,179,429)	\$ 111,246,225
Net earnings	-	-	-	-	7,150,819	-	7,150,819
Other comprehensive income	-	-	-	869,460	-	-	869,460
Grant of stock options	-	-	168,478	-	-	-	168,478
Exercise of stock options	56,920	-	4,367	-	-	-	61,287
Sale of treasury stock	-	-	274,184	-	-	374,472	648,656
Stock Dividends	274	12,768	30,779	-	(43,821)	-	-
Conversion Class C to Class A	8	(8)	-	-	-	-	-
Balance at June 30, 2016	<u>\$ 26,275,402</u>	<u>\$ 3,432,040</u>	<u>\$ 30,710,390</u>	<u>\$ 2,403,288</u>	<u>\$ 59,128,762</u>	<u>\$ (1,804,957)</u>	<u>\$ 120,144,925</u>

See accompanying notes to condensed consolidated financial statements (unaudited).

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30	
	2016	2015
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	\$ 17,231,385	\$ (18,837,963)
Cash flows from investing activities:		
Securities held to maturity:		
Purchase-fixed maturity securities	(6,011,449)	(5,890,324)
Calls and maturities - fixed maturity securities	7,461,029	8,590,035
Securities available for sale:		
Purchase - equity securities	(3,092,638)	(2,285,429)
Sales - equity securities	2,858,859	1,570,539
Purchase of short-term investments	(7,982,751)	(26,379,029)
Sales of short-term investments	4,122,893	32,111,993
Sales (purchases) of restricted assets	(379,488)	(688,872)
Changes in assets for perpetual care trusts	623,837	(168,603)
Amount received for perpetual care trusts	12,195	45,929
Mortgage loans, policy loans, and other investments made	(223,703,013)	(180,978,933)
Payments received for mortgage loans, policy loans and other investments	213,224,702	186,813,832
Purchase of property and equipment	(5,648,153)	(1,733,693)
Sale of property and equipment	33,994	2,000
Purchase of real estate	(6,270,852)	(7,053,011)
Sale of real estate	3,559,261	4,973,199
Cash received from reinsurance	-	24,020,215
Net cash provided by (used in) investing activities	(21,191,574)	32,949,848
Cash flows from financing activities:		
Annuity contract receipts	5,089,479	5,244,513
Annuity contract withdrawals	(6,138,482)	(6,327,811)
Proceeds from stock options exercised	61,287	17,551
Repayment of bank loans on notes and contracts	(777,883)	(1,208,965)
Proceeds from borrowing on bank loans	2,472,468	5,582,869
Net cash provided by financing activities	706,869	3,308,157
Net change in cash and cash equivalents	(3,253,320)	17,420,042
Cash and cash equivalents at beginning of period	40,053,242	30,855,320
Cash and cash equivalents at end of period	\$ 36,799,922	\$ 48,275,362
Non Cash Investing and Financing Activities		
Mortgage loans foreclosed into real estate	\$ 573,658	\$ 2,389,330

See accompanying notes to condensed consolidated financial statements (unaudited).

1) Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Articles 8 and 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements of the Company and notes thereto for the year ended December 31, 2015, included in the Company's Annual Report on Form 10-K (file number 000-09341). In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 value of interest rate locks and commitments, those used in determining deferred acquisition costs and the value of business acquired, those used in determining the value of mortgage loans foreclosed to real estate held for investment, those used in determining the liability for future policy benefits and unearned revenue, those used in determining the estimated future costs for pre-need sales, those used in determining the value of mortgage servicing rights, those used in determining valuation allowances for mortgage loans on real estate, those used in determining loan loss reserve, and those used in determining deferred tax assets and liabilities. Although some variability is inherent in these estimates, management believes the amounts provided are fairly stated in all material respects.

2) Recent Accounting Pronouncements

ASU No. 2016-13: "Financial Instruments – Credit Losses (Topic 326)" – Issued in June 2016, ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current generally accepted accounting principles ("GAAP") and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. The new authoritative guidance is effective for interim and annual periods beginning after December 15, 2019. The Company is in the process of evaluating the potential impact of this standard.

ASU No. 2016-02: "Leases (Topic 842)" - Issued in February 2016, ASU 2016-02 supersedes the leases requirements in ASC Topic 840, "Leases", and was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new authoritative guidance is effective for interim and annual periods beginning after December 15, 2018. The Company is in the process of evaluating the potential impact of this standard.

ASU No. 2016-01: "Financial Instruments – Overall (Topic 825-10)" – Issued in January 2016, ASU 2016-01 changes the accounting for non-consolidated equity investments that are not accounted for under the equity method of accounting by requiring changes in fair value to be recognized in income. Under current guidance, changes in fair value for investments of this nature are recognized in accumulated other comprehensive income as a component of stockholders' equity. Additionally, ASU 2016-01 simplifies the impairment assessment of equity investments without readily determinable fair values; requires entities to use the exit price when estimating the fair value of financial instruments; and modifies various presentation disclosure requirements for financial instruments. The new authoritative guidance is effective for interim and annual periods beginning after December 15, 2017. The Company is in the process of evaluating the potential impact of this standard.

2) Recent Accounting Pronouncements (Continued)

ASU No. 2014-09: "Revenue from Contracts with Customers (Topic 606)" - Issued in May 2014, ASU 2014-09 supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition", and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Insurance contracts are excluded from the scope of this new guidance. The new authoritative guidance is effective for interim and annual periods beginning after December 15, 2017. The Company is in the process of evaluating the potential impact of this standard, which is not expected to be material to the Company's results of operations or financial position.

The Company has reviewed other recent accounting pronouncements and has determined that they will not significantly impact the Company's results of operations or financial position.

3) Investments

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of June 30, 2016 are summarized as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
<u>June 30, 2016</u>				
Fixed maturity securities held to maturity carried at amortized cost:				
Bonds:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 3,555,727	\$ 415,240	\$ -	\$ 3,970,967
Obligations of states and political subdivisions	1,801,138	198,790	-	1,999,928
Corporate securities including public utilities	130,240,984	14,123,337	(3,733,209)	140,631,112
Mortgage-backed securities	7,838,652	354,028	(134,865)	8,057,815
Redeemable preferred stock	623,635	52,552	-	676,187
Total fixed maturity securities held to maturity	<u>\$144,060,136</u>	<u>\$15,143,947</u>	<u>\$ (3,868,074)</u>	<u>\$155,336,009</u>
Equity securities available for sale at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 10,188,627	\$ 264,176	\$ (1,349,527)	\$ 9,103,276
Total equity securities available for sale at estimated fair value	<u>\$ 10,188,627</u>	<u>\$ 264,176</u>	<u>\$ (1,349,527)</u>	<u>\$ 9,103,276</u>
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	\$ 52,719,167			
Residential construction	44,834,079			
Commercial	36,034,037			
Less: Allowance for loan losses	<u>(2,204,536)</u>			
Total mortgage loans on real estate and construction loans held for investment	<u>\$131,382,747</u>			
Real estate held for investment - net of depreciation	<u>\$116,234,204</u>			
Policy loans and other investments are shown at amortized cost except for other investments that are shown at estimated fair value:				
Policy loans	\$ 6,753,769			
Insurance assignments	30,251,617			
Promissory notes	48,797			
Other investments at estimated fair value	1,522,188			
Less: Allowance for doubtful accounts	<u>(1,088,476)</u>			
Total policy loans and other investments	<u>\$ 37,487,895</u>			
Short-term investments at amortized cost	<u>\$ 20,775,666</u>			

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2016 (Unaudited)

3) Investments (Continued)

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2015 are summarized as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
<u>December 31, 2015:</u>				
Fixed maturity securities held to maturity carried at amortized cost:				
Bonds:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 3,560,579	\$ 292,869	\$ (4,743)	\$ 3,848,705
Obligations of states and political subdivisions	1,805,828	182,073	(1,040)	1,986,861
Corporate securities including public utilities	134,488,108	9,836,355	(5,501,743)	138,822,720
Mortgage-backed securities	5,091,887	190,867	(75,580)	5,207,174
Redeemable preferred stock	612,023	29,675	-	641,698
Total fixed maturity securities held to maturity	<u>\$145,558,425</u>	<u>\$10,531,839</u>	<u>\$ (5,583,106)</u>	<u>\$150,507,158</u>
Equity securities available for sale at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	\$ 9,891,500	\$ 213,683	\$ (1,674,093)	\$ 8,431,090
Total securities available for sale carried at estimated fair value	<u>\$ 9,891,500</u>	<u>\$ 213,683</u>	<u>\$ (1,674,093)</u>	<u>\$ 8,431,090</u>
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	\$ 46,020,490			
Residential construction	34,851,557			
Commercial	33,522,978			
Less: Allowance for loan losses	<u>(1,848,120)</u>			
Total mortgage loans on real estate and construction loans held for investment	<u>\$112,546,905</u>			
Real estate held for investment - net of depreciation	<u>\$114,852,432</u>			
Policy loans and other investments are shown at amortized cost except for other investments that are shown at estimated fair value:				
Policy loans	\$ 6,896,457			
Insurance assignments	32,369,014			
Promissory notes	48,797			
Other investments at estimated fair value	1,174,769			
Less: Allowance for doubtful accounts	<u>(906,616)</u>			
Total policy loans and other investments	<u>\$ 39,582,421</u>			
Short-term investments at amortized cost	<u>\$ 16,915,808</u>			

3) Investments (Continued)

Fixed Maturity Securities

The following tables summarize unrealized losses on fixed maturity securities, which are carried at amortized cost, at June 30, 2016 and December 31, 2015. The unrealized losses were primarily related to interest rate fluctuations. The tables set forth unrealized losses by duration and number of investment positions, together with the fair value of the related fixed maturity securities:

	Unrealized Losses for Less than Twelve Months	No. of Investment Positions	Unrealized Losses for More than Twelve Months	No. of Investment Positions	Total Unrealized Loss
<u>At June 30, 2016</u>					
U.S. Treasury Securities and Obligations of U.S. Government Agencies	\$ -	0	\$ -	0	\$ -
Obligations of states and political subdivisions	-	0	-	0	-
Corporate securities including public utilities	962,234	27	2,770,974	34	3,733,208
Mortgage-backed securities	134,865	5	-	0	134,865
Total unrealized losses	\$ 1,097,099	32	\$ 2,770,974	34	\$ 3,868,073
Fair Value	<u>\$ 11,502,761</u>		<u>\$ 9,977,552</u>		<u>\$ 21,480,313</u>
<u>At December 31, 2015</u>					
U.S. Treasury Securities and Obligations of U.S. Government Agencies	\$ 4,743	2	\$ -	0	\$ 4,743
Obligations of states and political subdivisions	-	0	1,040	1	1,040
Corporate securities including public utilities	3,701,572	98	1,800,171	18	5,501,743
Mortgage-backed securities	75,580	4	-	0	75,580
Total unrealized losses	\$ 3,781,895	104	\$ 1,801,211	19	\$ 5,583,106
Fair Value	<u>\$ 34,076,401</u>		<u>\$ 3,809,957</u>		<u>\$ 37,886,358</u>

The average market value of the related fixed maturities was 84.7% and 87.2% of amortized cost as of June 30, 2016 and December 31, 2015, respectively. During the three months ended June 30, 2016 and 2015 an other than temporary decline in fair value resulted in the recognition of credit losses on fixed maturity securities of \$30,000 for each reporting period, and for the six months ended June 30, 2016 and 2015 an other than temporary decline in fair value resulted in the recognition of credit losses on fixed maturity securities of \$60,000 for each reporting period.

On a quarterly basis, the Company reviews its available for sale and held to maturity fixed investment securities related to corporate securities and other public utilities, consisting of bonds and preferred stocks that are in a loss position. The review involves an analysis of the securities in relation to historical values, and projected earnings and revenue growth rates. Based on the analysis, a determination is made whether a security will likely recover from the loss position within a reasonable period of time. If it is unlikely that the investment will recover from the loss position, the loss is considered to be other than temporary, the security is written down to the impaired value and an impairment loss is recognized.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2016 (Unaudited)

3) Investments (Continued)

Equity Securities

The following tables summarize unrealized losses on equity securities that were carried at estimated fair value based on quoted trading prices at June 30, 2016 and December 31, 2015. The unrealized losses were primarily the result of decreases in fair value due to overall equity market declines. The tables set forth unrealized losses by duration and number of investment positions, together with the fair value of the related equity securities available for sale in a loss position:

	Unrealized Losses for Less than Twelve Months	No. of Investment Positions	Unrealized Losses for More than Twelve Months	No. of Investment Positions	Total Unrealized Losses
<u>At June 30, 2016</u>					
Industrial, miscellaneous and all other	\$ 577,290	145	\$ 772,237	103	\$ 1,349,527
Total unrealized losses	<u>\$ 577,290</u>	<u>145</u>	<u>\$ 772,237</u>	<u>103</u>	<u>\$ 1,349,527</u>
Fair Value	<u>\$ 2,514,410</u>		<u>\$ 1,916,072</u>		<u>\$ 4,430,482</u>
<u>At December 31, 2015</u>					
Industrial, miscellaneous and all other	\$ 997,862	222	\$ 676,232	74	\$ 1,674,094
Total unrealized losses	<u>\$ 997,862</u>	<u>222</u>	<u>\$ 676,232</u>	<u>74</u>	<u>\$ 1,674,094</u>
Fair Value	<u>\$ 4,177,709</u>		<u>\$ 760,860</u>		<u>\$ 4,938,569</u>

The average market value of the equity securities available for sale was 76.7% and 74.7% of the original investment as of June 30, 2016 and December 31, 2015, respectively. The intent of the Company is to retain equity securities for a period of time sufficient to allow for the recovery in fair value. However, the Company may sell equity securities during a period in which the fair value has declined below the amount of the original investment. In certain situations, new factors, including changes in the business environment, can change the Company's previous intent to continue holding a security. During the three months ended June 30, 2016 and 2015, an other than temporary decline in the fair value resulted in the recognition of an impairment loss on equity securities of \$-0- and \$25,311, respectively, and for the six months ended June 30, 2016 and 2015, an other than temporary decline in the fair value resulted in the recognition of an impairment loss on equity securities of \$43,630 and \$51,207, respectively.

On a quarterly basis, the Company reviews its investment in industrial, miscellaneous and all other equity securities that are in a loss position. The review involves an analysis of the securities in relation to historical values, price earnings ratios, projected earnings and revenue growth rates. Based on the analysis a determination is made whether a security will likely recover from the loss position within a reasonable period of time. If it is unlikely that the investment will recover from the loss position, the loss is considered to be other than temporary, the security is written down to the impaired value and an impairment loss is recognized.

The fair values of 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.

3) Investments (Continued)

The amortized cost and estimated fair value of fixed maturity securities at June 30, 2016, 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
Held to Maturity:		
Due in 2016	\$ 1,704,502	\$ 1,725,710
Due in 2017 through 2020	33,046,936	35,300,069
Due in 2021 through 2025	34,845,314	37,550,347
Due after 2025	66,001,097	72,025,881
Mortgage-backed securities	7,838,652	8,057,815
Redeemable preferred stock	623,635	676,187
Total held to maturity	<u>\$144,060,136</u>	<u>\$155,336,009</u>

The cost and estimated fair value of available for sale securities at June 30, 2016, 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. Equities are valued using the specific identification method.

	Cost	Estimated Fair Value
Available for Sale:		
Common stock	\$ 10,188,627	\$ 9,103,276
Total available for sale	<u>\$ 10,188,627</u>	<u>\$ 9,103,276</u>

The Company's realized gains and losses and other than temporary impairments from investments and other assets, are summarized as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Fixed maturity securities held to maturity:				
Gross realized gains	\$ 194,456	\$ 273,061	\$ 194,456	\$ 359,057
Gross realized losses	-	(49,594)	(2,878)	(59,370)
Other than temporary impairments	(30,000)	(30,000)	(60,000)	(60,000)
Securities available for sale:				
Gross realized gains	76,085	42,289	139,580	130,009
Gross realized losses	(8,724)	-	(32,602)	(1,016)
Other than temporary impairments	-	(25,311)	(43,630)	(51,207)
Other assets:				
Gross realized gains	583,688	267,097	866,283	524,237
Gross realized losses	(724,962)	(32,077)	(946,374)	(32,077)
Total	<u>\$ 90,543</u>	<u>\$ 445,465</u>	<u>\$ 114,835</u>	<u>\$ 809,633</u>

The net carrying amount of held to maturity securities sold was \$1,789,159 and \$2,543,312 for the six months ended June 30, 2016 and 2015, respectively. The net realized gain related to these sales was \$156,171 and \$330,373 for the six months ended June 30, 2016 and 2015, respectively.

There were no investments, aggregated by issuer, in excess of 10% of shareholders' equity (before net unrealized gains and losses on available for sale securities) at June 30, 2016, other than investments issued or guaranteed by the United States Government.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2016 (Unaudited)

3) Investments (Continued)

Major categories of net investment income are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Fixed maturity securities	\$ 2,011,637	\$ 2,144,989	\$ 4,062,206	\$ 4,125,684
Equity securities	59,252	55,298	130,293	114,716
Mortgage loans on real estate	2,295,531	1,790,538	4,306,506	3,641,164
Real estate	2,587,789	2,233,781	5,426,272	4,354,352
Policy loans	171,035	188,639	353,241	377,185
Insurance assignments	2,946,375	2,505,252	5,963,484	5,196,411
Other investments	13,962	-	13,962	-
Short-term investments, principally interest on sale of mortgage loans and other	2,001,301	2,233,355	3,879,983	3,767,981
Gross investment income	12,086,882	11,151,852	24,135,947	21,577,493
Investment expenses	(2,951,062)	(2,561,179)	(6,007,936)	(5,163,976)
Net investment income	<u>\$ 9,135,820</u>	<u>\$ 8,590,673</u>	<u>\$18,128,011</u>	<u>\$16,413,517</u>

Net investment income includes income earned by the restricted assets of the cemeteries and mortuaries of \$74,365 and \$93,564 for the three months ended June 30, 2016 and 2015, respectively, and \$162,341 and \$186,486 for the six months ended June 30, 2016 and 2015, respectively.

Net investment income on real estate consists primarily of rental revenue.

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

Securities on deposit for regulatory authorities as required by law amounted to \$9,062,795 at June 30, 2016 and \$8,815,542 at December 31, 2015. The restricted securities are included in various assets under investments on the accompanying condensed consolidated balance sheets.

Real Estate

The Company continues to strategically deploy resources into real estate to match the income and yield durations of its primary obligations. The sources for these real estate assets come through its various business units in the form of acquisition, development and foreclosures on delinquent mortgage loans.

Commercial Real Estate Held for Investment

The Company owns and manages commercial real estate assets as a means of generating investment income. These assets are acquired in accordance with the Company's goals and objectives for risk-adjusted returns. Due diligence is conducted on each asset using internal and third party reports. Geographic locations and asset classes of the investment activity is determined by senior management under the direction of the Board of Directors.

The Company employs full-time employees to attend to the day-to-day operations of those assets within the greater Salt Lake area and close surrounding markets. The Company utilizes third party property managers when the geographic boundary does not warrant full-time staff or through strategic lease-up periods. The Company generally looks to acquire assets in regions that are high growth regions for employment and population and in assets that provide operational efficiencies.

The Company currently owns and operates 10 commercial properties in 6 states. These properties include industrial warehouses, office building and retail centers. The assets are primarily held without debt; however, the Company does use debt in strategic cases to leverage established yields or to acquire higher quality, or class, of asset.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2016 (Unaudited)

3) Investments (Continued)

The following is a summary of the Company's investment in commercial real estate for the periods presented:

	Net Ending Balance		Total Square Footage	
	June 30 2016	December 31 2015	June 30 2016	December 31 2015
Arizona	\$ 457,156(1)	\$ 463,774 (1)	16,270	16,270
Arkansas	102,474	-	3,200	-
Kansas	12,683,027	11,537,335	222,679	222,679
Mississippi	3,134,773	-	21,521	-
New Mexico	7,000(1)	7,000 (1)	-	-
Texas	3,760,005	3,768,542	23,470	23,470
Utah	17,090,224	17,403,746	233,244	253,244
	<u>\$ 37,234,659</u>	<u>\$33,180,397</u>	<u>520,384</u>	<u>515,663</u>

(1) Includes undeveloped land

Residential Real Estate Held for Investment

The Company owns a portfolio of residential homes primarily as a result of loan foreclosures. The strategy has been to lease these homes to produce cash flow, and allow time for the economic fundamentals to return to the various markets. Once the market for these homes return, the Company engages in the disposition of these assets at prices above the book value or at a discount far less than what would have been realized at the time of foreclosure.

The Company established Security National Real Estate Services ("SNRE") in 2013 to manage the residential portfolio. SNRE cultivates and maintains the preferred vendor relationships necessary to manage costs and quality of work performed on the portfolio of homes across the country.

As of June 30, 2016, SNRE manages 135 residential properties in 10 states across the United States which includes a newly constructed apartment complex, Dry Creek at East Village, in Sandy Utah with a net ending balance of \$36,425,493.

The following is a summary of the Company's investment in residential real estate for the periods presented:

	Net Ending Balance	
	June 30 2016	December 31 2015
Arizona	\$ 749,067	\$ 944,614
California	5,705,414	6,158,253
Colorado	454,996	553,230
Florida	8,565,629	9,203,624
Illinois	-	165,800
Oklahoma	98,667	99,862
Ohio	46,658	-
Oregon	-	120,000
South Carolina	672,049	823,872
Texas	1,272,794	1,198,860
Utah	61,148,091	62,117,738
Washington	286,181	286,182
	<u>\$ 78,999,546</u>	<u>\$81,672,035</u>

3) Investments (Continued)

Real Estate Owned and Occupied by the Company.

The primary business units of the Company occupy a portion of the real estate owned by the Company. Currently, the Company occupies nearly 70,000 square feet, or 13% of the overall commercial real estate holdings.

As of June 30, 2016, real estate owned and occupied by the company is summarized as follows:

Location	Business Segment	Approximate Square Footage	Square Footage Occupied by the Company
5300 South 360 West, Salt Lake City, UT (1)	Corporate Offices, Life Insurance and Cemetery/Mortuary Operations	36,000	100%
5201 Green Street, Salt Lake City, UT	Mortgage Operations	36,899	34%
3935 I-55 South Frontage Road, Jackson, MS (1)	Life Insurance Operations	12,300	100%

(1) These two assets are included in property and equipment on the Condensed Consolidated Balance Sheet

Mortgage Loans

Mortgage loans consist of first and second mortgages. The mortgage loans bear interest at rates ranging from 2.0% to 10.5%, maturity dates range from three months to 30 years and are secured by real estate. 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 mortgages, commercial loans and residential construction 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. At June 30, 2016, the Company had 52%, 14%, 9%, 7%, and 5% of its mortgage loans from borrowers located in the states of Utah, California, Texas, Florida, and Oregon, respectively. The mortgage loans on real estate balances on the consolidated balance sheet are reflected net of an allowance for loan losses of \$2,204,536 and \$1,848,120 at June 30, 2016 and December 31, 2015, respectively.

3) Investments (Continued)

The Company establishes a valuation allowance for credit losses in its portfolio. The following is a summary of the allowance for loan losses as a contra-asset account for the periods presented:

Allowance for Credit Losses and Recorded Investment in Mortgage Loans

	<u>Commercial</u>	<u>Residential</u>	<u>Residential Construction</u>	<u>Total</u>
June 30, 2016				
Allowance for credit losses:				
Beginning balance - January 1, 2016	\$ 187,129	\$ 1,560,877	\$ 100,114	\$ 1,848,120
Charge-offs	-	(60,628)	-	(60,628)
Provision	-	417,044	-	417,044
Ending balance - June 30, 2016	<u>\$ 187,129</u>	<u>\$ 1,917,293</u>	<u>\$ 100,114</u>	<u>\$ 2,204,536</u>
Ending balance: individually evaluated for impairment	<u>\$ -</u>	<u>\$ 456,262</u>	<u>\$ -</u>	<u>\$ 456,262</u>
Ending balance: collectively evaluated for impairment	<u>\$ 187,129</u>	<u>\$ 1,461,031</u>	<u>\$ 100,114</u>	<u>\$ 1,748,274</u>
Ending balance: loans acquired with deteriorated credit quality	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mortgage loans:				
Ending balance	<u>\$ 36,034,037</u>	<u>\$ 52,719,167</u>	<u>\$ 44,834,079</u>	<u>\$ 133,587,283</u>
Ending balance: individually evaluated for impairment	<u>\$ -</u>	<u>\$ 4,321,276</u>	<u>\$ -</u>	<u>\$ 4,321,276</u>
Ending balance: collectively evaluated for impairment	<u>\$ 36,034,037</u>	<u>\$ 48,397,891</u>	<u>\$ 44,834,079</u>	<u>\$ 129,266,007</u>
Ending balance: loans acquired with deteriorated credit quality	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2015				
Allowance for credit losses:				
Beginning balance - January 1, 2015	\$ 187,129	\$ 1,715,812	\$ 100,114	\$ 2,003,055
Charge-offs	-	(123,942)	-	(123,942)
Provision	-	(30,993)	-	(30,993)
Ending balance - December 31, 2015	<u>\$ 187,129</u>	<u>\$ 1,560,877</u>	<u>\$ 100,114</u>	<u>\$ 1,848,120</u>
Ending balance: individually evaluated for impairment	<u>\$ -</u>	<u>\$ 305,962</u>	<u>\$ -</u>	<u>\$ 305,962</u>
Ending balance: collectively evaluated for impairment	<u>\$ 187,129</u>	<u>\$ 1,254,915</u>	<u>\$ 100,114</u>	<u>\$ 1,542,158</u>
Ending balance: loans acquired with deteriorated credit quality	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mortgage loans:				
Ending balance	<u>\$ 33,522,978</u>	<u>\$ 46,020,490</u>	<u>\$ 34,851,557</u>	<u>\$ 114,395,025</u>
Ending balance: individually evaluated for impairment	<u>\$ -</u>	<u>\$ 3,087,161</u>	<u>\$ 93,269</u>	<u>\$ 3,180,430</u>
Ending balance: collectively evaluated for impairment	<u>\$ 33,522,978</u>	<u>\$ 42,933,329</u>	<u>\$ 34,758,287</u>	<u>\$ 111,214,594</u>
Ending balance: loans acquired with deteriorated credit quality	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

3) Investments (Continued)

The following is a summary of the aging of mortgage loans for the periods presented:

Age Analysis of Past Due Mortgage Loans

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days (1)	In Foreclosure (1)	Total Past Due	Current	Total Mortgage Loans	Allowance for Loan Losses	Net Mortgage Loans
June 30, 2016									
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,034,037	\$ 36,034,037	\$ (187,129)	\$ 35,846,908
Residential	2,232,999	535,471	1,250,122	4,321,276	8,339,869	44,379,298	52,719,167	(1,917,293)	50,801,874
Residential Construction	-	186,586	64,895	-	251,481	44,582,598	44,834,079	(100,114)	44,733,965
Total	<u>\$2,232,999</u>	<u>\$722,057</u>	<u>\$1,315,017</u>	<u>\$4,321,276</u>	<u>\$8,591,350</u>	<u>\$124,995,933</u>	<u>\$133,587,283</u>	<u>\$(2,204,536)</u>	<u>\$131,382,747</u>
December 31, 2015									
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,522,978	\$ 33,522,978	\$ (187,129)	\$ 33,335,849
Residential	1,162,102	884,143	2,212,993	3,087,161	7,346,399	38,674,091	46,020,490	(1,560,877)	44,459,613
Residential Construction	-	-	64,895	93,269	158,164	34,693,393	34,851,557	(100,114)	34,751,443
Total	<u>\$1,162,102</u>	<u>\$884,143</u>	<u>\$2,277,888</u>	<u>\$3,180,430</u>	<u>\$7,504,563</u>	<u>\$106,890,462</u>	<u>\$114,395,025</u>	<u>\$(1,848,120)</u>	<u>\$112,546,905</u>

(1) Interest income is not recognized on loans past due greater than 90 days or in foreclosure.

3) Investments (Continued)

Impaired Mortgage Loans

Impaired mortgage loans include loans with a related specific valuation allowance or loans whose carrying amount has been reduced to the expected collectible amount because the impairment has been considered other than temporary. The recorded investment in and unpaid principal balance of impaired loans along with the related loan specific allowance for losses, if any, for each reporting period and the average recorded investment and interest income recognized during the time the loans were impaired were as follows:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
June 30, 2016					
With no related allowance recorded:					
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
Residential	-	-	-	-	-
Residential construction	-	-	-	-	-
With an allowance recorded:					
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
Residential	4,321,276	4,321,276	456,262	4,321,276	-
Residential construction	-	-	-	-	-
Total:					
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
Residential	4,321,276	4,321,276	456,262	4,321,276	-
Residential construction	-	-	-	-	-
December 31, 2015					
With no related allowance recorded:					
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
Residential	-	-	-	-	-
Residential construction	93,269	93,269	-	93,269	-
With an allowance recorded:					
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
Residential	3,087,161	3,087,161	305,962	3,087,161	-
Residential construction	-	-	-	-	-
Total:					
Commercial	\$ -	\$ -	\$ -	\$ -	\$ -
Residential	3,087,161	3,087,161	305,962	3,087,161	-
Residential construction	93,269	93,269	-	93,269	-

3) Investments (Continued)

Credit Risk Profile Based on Performance Status

The Company's mortgage loan portfolio is monitored based on performance of the loans. Monitoring a mortgage loan increases when the loan is delinquent or earlier if there is an indication of impairment. The Company defines non-performing mortgage loans as loans 90 days or greater delinquent or on non-accrual status.

The Company's performing and non-performing mortgage loans were as follows:

Mortgage Loan Credit Exposure
Credit Risk Profile Based on Payment Activity

	<u>Commercial</u>		<u>Residential</u>		<u>Residential Construction</u>		<u>Total</u>	
	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Performing	\$36,034,037	\$33,522,978	\$47,147,768	\$40,720,336	\$44,769,184	\$34,693,393	\$127,950,989	\$108,936,707
Nonperforming	-	-	5,571,399	5,300,154	64,895	158,164	5,636,294	5,458,318
Total	\$36,034,037	\$33,522,978	\$52,719,167	\$46,020,490	\$44,834,079	\$34,851,557	\$133,587,283	\$114,395,025

Non-Accrual Mortgage Loans

Once a loan is past due 90 days, it is the policy of the Company to end the accrual of interest income on the loan and write off any income that had been accrued. Interest not accrued on these loans totals \$263,000 and \$268,000 as of June 30, 2016 and December 31, 2015, respectively.

The following is a summary of mortgage loans on a nonaccrual status for the periods presented.

	Mortgage Loans on Nonaccrual Status	
	As of June 30 2016	As of December 31 2015
Residential	\$ 5,571,399	\$ 5,300,154
Residential construction	64,895	158,164
Total	\$ 5,636,294	\$ 5,458,318

Loan Loss Reserve

When a repurchase demand is received from a third party investor, the relevant data is reviewed and captured so that an estimated future loss can be calculated. The key factors that are used in the estimated loss calculation are as follows: (i) lien position, (ii) payment status, (iii) claim type, (iv) unpaid principal balance, (v) interest rate, and (vi) validity of the demand. Other data is captured and is useful for management purposes; the actual estimated loss is generally based on these key factors. The Company conducts its own review upon the receipt of a repurchase demand. In many instances, the Company is able to resolve the issues relating to the repurchase demand by the third party investor without having to make any payments to the investor.

The following is a summary of the loan loss reserve that is included in other liabilities and accrued expenses:

	As of June 30 2016	As of December 31 2015
	Balance, beginning of period	\$ 2,805,900
Provisions for losses	1,415,451	6,295,043
Charge-offs	(158,998)	(5,207,293)
Balance, end of period	\$ 4,062,353	\$ 2,805,900

The Company believes the loan loss reserve represents probable loan losses incurred as of the balance sheet date. Actual loan loss experience could change, in the near-term, from the established reserve based upon claims that could be asserted by third party investors. SecurityNational Mortgage believes there is potential to resolve any alleged claims by third party investors on acceptable terms. If SecurityNational Mortgage is unable to resolve such claims on acceptable terms, legal action may ensue. In the event of legal action by any third party investor, SecurityNational Mortgage believes it has significant defenses to any such action and intends to vigorously defend itself against such action.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2016 (Unaudited)

4) Stock-Based Compensation

The Company has four fixed option plans (the "2003 Plan", the "2006 Director Plan", the "2013 Plan" and the "2014 Director Plan"). Compensation expense for options issued of \$84,026 and \$125,931 has been recognized for these plans for the three months ended June 30, 2016 and 2015, respectively, and \$168,478 and \$211,476 for the six months ended June 30, 2016 and 2015, respectively. As of June 30, 2016, the total unrecognized compensation expense related to the options issued in December 2015 was \$144,110, which is expected to be recognized over the vesting period of one year.

The Company generally estimates the expected life of the options based upon the contractual term of the options adjusted for actual experience. Future volatility is estimated based upon the a weighted historical volatility of the Company's Class A common stock and three peer company stocks over a period equal to the estimated life of the options. Common stock issued upon exercise of stock options are generally new share issuances rather than from treasury shares.

A summary of the status of the Company's stock incentive plans as of June 30, 2016, and the changes during the six months ended June 30, 2016, are presented below:

	Number of Class A Shares	Weighted Average Exercise Price	Number of Class C Shares	Weighted Average Exercise Price
Outstanding at December 31, 2015	618,261	\$ 3.89	577,436	\$ 3.54
Granted	-		-	
Exercised	(28,460)	2.15	-	
Cancelled	-		-	
Outstanding at June 30, 2016	<u>589,801</u>	\$ 3.97	<u>577,436</u>	\$ 3.54
As of June 30, 2016:				
Options exercisable	<u>519,711</u>	\$ 3.65	<u>524,936</u>	\$ 3.19
As of June 30, 2016:				
Available options for future grant	<u>397,342</u>		<u>57,750</u>	
Weighted average contractual term of options outstanding at June 30, 2016				
	7.25 years		2.25 years	
Weighted average contractual term of options exercisable at June 30, 2016				
	6.96 years		2.03 years	
Aggregated intrinsic value of options outstanding at June 30, 2016 (1)				
	<u>\$ 755,390</u>		<u>\$ 1,001,904</u>	
Aggregated intrinsic value of options exercisable at June 30, 2016 (1)				
	<u>\$ 755,390</u>		<u>\$ 1,001,904</u>	

(1) The Company used a stock price of \$4.89 as of June 30, 2016 to derive intrinsic value.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2016 (Unaudited)

4) Stock Based Compensation (Continued)

A summary of the status of the Company's stock incentive plans as of June 30, 2015, and the changes during the six months ended June 30, 2015, are presented below:

	Number of Class A Shares	Weighted Average Exercise Price	Number of Class C Shares	Weighted Average Exercise Price
Outstanding at December 31, 2014	512,795	\$ 3.20	691,591	\$ 2.00
Granted	-		-	
Exercised	(15,406)	1.89	(114,023)	2.14
Cancelled	(8,846)	2.31	-	
Outstanding at June 30, 2015	<u>488,543</u>	\$ 3.25	<u>577,568</u>	\$ 2.62
As of June 30, 2015:				
Options exercisable	<u>409,961</u>	\$ 2.99	<u>511,318</u>	\$ 2.34
As of June 30, 2015:				
Available options for future grant	<u>266,649</u>		<u>-</u>	
Weighted average contractual term of options outstanding at June 30, 2015				
	7.37 years		2.69 years	
Weighted average contractual term of options exercisable at June 30, 2015				
	6.99 years		2.35 years	
Aggregated intrinsic value of options outstanding at June 30, 2015 (1)				
	<u>\$ 1,698,099</u>		<u>\$ 2,375,472</u>	
Aggregated intrinsic value of options exercisable at June 30, 2015 (1)				
	<u>\$ 1,534,777</u>		<u>\$ 2,242,810</u>	

(1) The Company used a stock price of \$6.73 as of June 30, 2015 to derive intrinsic value.

The total intrinsic value (which is the amount by which the fair value of the underlying stock exceeds the exercise price of an option on the exercise date) of stock options exercised during the six months ended June 30, 2016 and 2015 was \$91,989 and \$492,740, respectively.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2016 (Unaudited)

5) Earnings Per Share

The basic and diluted earnings per share amounts were calculated as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Numerator:				
Net earnings	\$ 5,357,287	\$ 3,852,279	\$ 7,150,819	\$ 5,715,982
Denominator:				
Basic weighted-average shares outstanding	14,030,903	13,694,539	13,985,114	13,643,682
Effect of dilutive securities:				
Employee stock options	346,046	586,764	392,712	573,723
Diluted weighted-average shares outstanding	14,376,949	14,281,303	14,377,826	14,217,405
Basic net earnings per share	\$ 0.38	\$ 0.28	\$ 0.51	\$ 0.42
Diluted net earnings per share	\$ 0.37	\$ 0.27	\$ 0.50	\$ 0.40

Net earnings per share amounts have been adjusted for the effect of annual stock dividends. For the three and six months ended June 30, 2016 and 2015, there were 250,039 and -0- of anti-dilutive employee stock option shares, respectively, that were not included in the computation of diluted net loss per common share as their effect would be anti-dilutive.

6) Business Segments

Description of Products and Services by Segment

The Company has three reportable business segments: life insurance, cemetery and mortuary, and mortgage. The Company's life insurance segment consists of life insurance premiums and operating expenses from the sale of insurance products sold by the Company's independent agency force and net investment income derived from investing policyholder and segment surplus funds. The Company's cemetery and mortuary segment consists of revenues and operating expenses from the sale of at-need cemetery and mortuary merchandise and services at its mortuaries and cemeteries, pre-need sales of cemetery spaces after collection of 10% or more of the purchase price and the net investment income from investing segment surplus funds. The Company's mortgage segment consists of fee income and expenses from the originations of residential mortgage loans and interest earned and interest expenses from warehousing pre-sold loans before the funds are received from financial institutional investors.

Measurement of Segment Profit or Loss and Segment Assets

The accounting policies of the reportable segments are the same as those described in the Significant Accounting Principles of the Form 10-K for the year ended December 31, 2015. Intersegment revenues are recorded at cost plus an agreed upon intercompany profit, and are eliminated upon consolidation.

Factors Management Used to Identify the Enterprise's Reportable Segments

The Company's reportable segments are business units that are managed separately due to the different products provided and the need to report separately to the various regulatory jurisdictions. The Company regularly reviews the quantitative thresholds and other criteria to determine when other business segments may need to be reported.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2016 (Unaudited)

6) Business Segments (Continued)

	<u>Life Insurance</u>	<u>Cemetery/ Mortuary</u>	<u>Mortgage</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>For the Three Months Ended June 30, 2016</u>					
Revenues from external customers	\$ 23,569,437	\$ 3,813,701	\$54,356,463	\$ -	\$ 81,739,601
Intersegment revenues	3,358,988	221,862	80,860	(3,661,710)	-
Segment profit before income taxes	2,503,475	759,607	4,717,780	-	7,980,862
<u>For the Three Months Ended June 30, 2015</u>					
Revenues from external customers	\$ 21,476,968	\$ 3,215,090	\$51,348,557	\$ -	\$ 76,040,615
Intersegment revenues	2,858,820	305,573	92,304	(3,256,697)	-
Segment profit before income taxes	2,115,187	151,975	3,964,790	-	6,231,952
<u>For the Six Months Ended June 30, 2016</u>					
Revenues from external customers	\$ 45,644,571	\$ 7,144,467	\$94,964,878	\$ -	\$147,753,916
Intersegment revenues	6,462,434	508,787	160,339	(7,131,560)	-
Segment profit before income taxes	3,568,643	1,228,662	6,034,322	-	10,831,627
Identifiable Assets	730,421,258	95,831,664	75,267,037	(131,845,488)	769,674,471
Goodwill	2,765,570	-	-	-	2,765,570
<u>For the Six Months Ended June 30, 2015</u>					
Revenues from external customers	\$ 42,462,468	\$ 6,313,328	\$91,314,451	\$ -	\$140,090,247
Intersegment revenues	5,677,687	617,571	180,791	(6,476,049)	-
Segment profit before income taxes	3,519,038	561,150	5,150,148	-	9,230,336
Identifiable Assets	695,953,881	103,231,245	70,065,224	(136,678,259)	732,572,091
Goodwill	2,765,570	-	-	-	2,765,570

7) Fair Value of Financial Instruments

Generally accepted accounting principles (GAAP) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. GAAP also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. Fair value measurements are classified under the following hierarchy:

Level 1: Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that we can access.

Level 2: Financial assets and financial liabilities whose values are based on the following:

- a) Quoted prices for similar assets or liabilities in active markets;
- b) Quoted prices for identical or similar assets or liabilities in non-active markets; or
- c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs may reflect our estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

The Company utilizes a combination of third party valuation service providers, brokers, and internal valuation models to determine fair value.

The following methods and assumptions were used by the Company in estimating the fair value disclosures related to other significant financial instruments:

The items shown under Level 1 and Level 2 are valued as follows:

Securities Available for Sale and Held to Maturity: The fair values of investments in fixed maturity and equity securities along with methods used to estimate such values are disclosed in Note 3 of the Notes to Condensed Consolidated Statements.

Restricted Assets: A portion of these assets include mutual funds and equity securities that have quoted market prices. Also included are cash and cash equivalents and participations in mortgage loans. The carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values.

Cemetery Perpetual Care Trust Investments: A portion of these assets include equity securities that have quoted market prices. Also included are cash and cash equivalents. The carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values.

Call and Put Options: The Company uses quoted market prices to value its call and put options.

The items shown under Level 3 are valued as follows:

Policyholder Account Balances and Future Policy Benefits-Annuities: 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%. The fair values for the Company's liabilities under investment-type insurance contracts (disclosed as policyholder account balances and future policy benefits – annuities) are estimated based on the contracts' cash surrender values.

7) Fair Value of Financial Instruments (Continued)

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.

Interest Rate Lock Commitments: The Company's mortgage banking activities enters into interest rate lock commitments with potential borrowers and forward commitments to sell loans to third-party investors. The Company also implements a hedging strategy for these transactions. A mortgage loan commitment binds the Company to lend funds to a qualified borrower at a specified interest rate and within a specified period of time, generally up to 30 days after inception of the mortgage loan commitment. Mortgage loan commitments are defined to be derivatives under generally accepted accounting principles and are recognized at fair value on the consolidated balance sheet with changes in their fair values recorded as part of other comprehensive income from mortgage banking operations.

The Company estimates the fair value of a mortgage loan commitment based on the change in estimated fair value of the underlying mortgage loan and the probability that the mortgage loan will fund within the terms of the commitment. The change in fair value of the underlying mortgage loan is measured from the date the mortgage loan commitment is issued. Therefore, at the time of issuance, the estimated fair value is zero. Following issuance, the value of a mortgage loan commitment can be either positive or negative depending upon the change in value of the underlying mortgage loans. Fallout rates derived from the Company's recent historical empirical data are used to estimate the quantity of mortgage loans that will fund within the terms of the commitments.

Bank Loan Interest Rate Swaps: Management considers the interest rate swap instruments to be an effective cash flow hedge against the variable interest rate on bank borrowings since the interest rate swap mirrors the term of the note payable and expires on the maturity date of the bank loan it hedges. The interest rate swaps are a derivative financial instruments carried at its fair value. The fair value of the interest rate swap was derived from a proprietary model of the bank from whom the interest rate swap was purchased and to whom the note is payable.

Other Investments: The fair values are estimated using one or more valuation techniques for which sufficient and reliable data is available. Factors considered when estimating the fair value include the original transaction price, recent transactions in the same or similar properties, historical lease rates, comparable lease rates of similar properties, discount rates, market capitalization rates, expected vacancy rates, and changes in financial ratios or cash flow.

Mortgage Loans on Real Estate: 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 condensed consolidated balance sheet for these financial instruments approximate their fair values.

Real Estate Held for Investment: The Company believes that in an orderly market, fair value will approximate the replacement cost of a home and the rental income provides a cash flow stream for investment analysis. The Company believes the highest and best use of the properties are as income producing assets since it is the Company's intent to hold the properties as rental properties, matching the income from the investment in rental properties with the funds required for future estimated policy claims. Accordingly, the fair value determination will be weighted more heavily toward the rental analysis.

It should be noted that for replacement cost, when determining the fair value of mortgage properties, the Company uses Marshall and Swift, a provider of building cost information to the real estate construction industry. For the investment analysis, the Company used market data based upon its real estate operation experience and projected the present value of the net rental income over seven years. The Company used 60% of the projected cash flow analysis and 40% of the replacement cost to approximate fair value of the collateral.

In addition to this analysis performed by the Company, the Company depreciates Other Real Estate Held for Investment. This depreciation reduces the book value of these properties and lessens the exposure to the Company from further deterioration in real estate values.

7) *Fair Value of Financial Instruments (Continued)*

Mortgage Servicing Rights: The Company initially recognizes Mortgage Servicing Rights ("MSRs") at their estimated fair values derived from the net cash flows associated with the servicing contracts, where the Company assumes the obligation to service the loan in the sale transaction. The precise fair value of MSRs cannot be readily determined because MSRs are not actively traded in stand-alone markets. Considerable judgment is required to estimate the fair values of these assets and the exercise of such judgment can significantly affect the Company's earnings.

The Company's subsequent accounting for MSRs is based on the class of MSRs. The Company has identified two classes of MSRs: MSRs backed by mortgage loans with initial term of 30 years and MSRs backed by mortgage loans with initial term of 15 years. The Company distinguishes between these classes of MSRs due to their differing sensitivities to change in value as the result of changes in market. After being initially recorded at fair value, MSRs backed by mortgage loans are accounted for using the amortization method. MSR amortization is determined by amortizing the balance straight-line over an estimated seven and nine year life.

The Company periodically assesses MSRs for impairment. Impairment occurs when the current fair value of the MSR falls below the asset's carrying value (carrying value is the amortized cost reduced by any related valuation allowance). If MSRs are impaired, the impairment is recognized in current-period earnings and the carrying value of the MSRs is adjusted through a valuation allowance.

Management periodically reviews the various loan strata to determine whether the value of the MSRs in a given stratum is impaired and likely to recover. When management deems recovery of the value to be unlikely in the foreseeable future, a write-down of the cost of the MSRs for that stratum to its estimated recoverable value is charged to the valuation allowance.

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the condensed consolidated balance sheet at June 30, 2016.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Common stock	\$ 9,103,276	\$ 9,103,276	\$ -	\$ -
Total securities available for sale	<u>\$ 9,103,276</u>	<u>\$ 9,103,276</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted assets of cemeteries and mortuaries	\$ 687,214	\$ 687,214	\$ -	\$ -
Cemetery perpetual care trust investments	669,366	669,366	-	-
Derivatives - interest rate lock commitments	5,367,361	-	-	5,367,361
Other investments	1,522,188	-	-	1,522,188
Total assets accounted for at fair value on a recurring basis	<u>\$ 17,349,405</u>	<u>\$10,459,856</u>	<u>\$ -</u>	<u>\$ 6,889,549</u>
Liabilities accounted for at fair value on a recurring basis				
Policyholder account balances	\$ (49,986,987)	\$ -	\$ -	\$ (49,986,987)
Future policy benefits - annuities	(69,164,566)	-	-	(69,164,566)
Derivatives - bank loan interest rate swaps	(8,406)	-	-	(8,406)
- call options	(26,232)	(26,232)	-	-
- put options	(29,876)	(29,876)	-	-
- interest rate lock commitments	(1,120,687)	-	-	(1,120,687)
Total liabilities accounted for at fair value on a recurring basis	<u>\$(120,336,754)</u>	<u>\$ (56,108)</u>	<u>\$ -</u>	<u>\$(120,280,646)</u>

7) Fair Value of Financial Instruments (Continued)

Following is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs:

	Policyholder Account Balances	Future Policy Benefits - Annuities	Interest Rate Lock Commitments	Bank Loan Interest Rate Swaps	Other Investments
Balance - December 31, 2015	\$(50,694,953)	\$(69,398,617)	\$ 3,333,091	\$ (13,947)	\$ 1,174,769
Purchases	-	-	-	-	300,000
Total gains (losses):					
Included in earnings	707,966	234,051	-	-	-
Included in other comprehensive income	-	-	913,583	5,541	47,419
Balance - June 30, 2016	<u>\$(49,986,987)</u>	<u>\$(69,164,566)</u>	<u>\$ 4,246,674</u>	<u>\$ (8,406)</u>	<u>\$ 1,522,188</u>

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a nonrecurring basis by their classification in the condensed consolidated balance sheet at June 30, 2016.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a nonrecurring basis				
Mortgage servicing rights	\$ 3,779,530	\$ -	\$ -	\$ 3,779,530
Real estate held for investment	3,046,386	-	-	3,046,386
Total assets accounted for at fair value on a nonrecurring basis	<u>\$ 6,825,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,825,916</u>

7) Fair Value of Financial Instruments (Continued)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the condensed consolidated balance sheet at December 31, 2015.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Common stock	\$ 8,431,090	\$ 8,431,090	\$ -	\$ -
Total securities available for sale	<u>\$ 8,431,090</u>	<u>\$ 8,431,090</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities accounted for at fair value on a recurring basis				
Restricted assets of cemeteries and mortuaries	\$ 686,444	\$ 686,444	\$ -	\$ -
Cemetery perpetual care trust investments	630,854	630,854	-	-
Derivatives - interest rate lock commitments	3,440,758	-	-	3,440,758
Other investments	1,174,769	-	-	1,174,769
Total assets accounted for at fair value on a recurring basis	<u>\$ 14,363,915</u>	<u>\$ 9,748,388</u>	<u>\$ -</u>	<u>\$ 4,615,527</u>
Liabilities accounted for at fair value on a recurring basis				
Policyholder account balances	\$ (50,694,953)	\$ -	\$ -	\$ (50,694,953)
Future policy benefits - annuities	(69,398,617)	-	-	(69,398,617)
Derivatives - bank loan interest rate swaps	(13,947)	-	-	(13,947)
- call options	(16,342)	(16,342)	-	-
- put options	(28,829)	(28,829)	-	-
- interest rate lock commitment	(107,667)	-	-	(107,667)
Total liabilities accounted for at fair value on a recurring basis	<u>\$(120,260,355)</u>	<u>\$ (45,171)</u>	<u>\$ -</u>	<u>\$(120,215,184)</u>

Following is a summary of changes in the condensed consolidated balance sheet line items measured using level 3 inputs:

	Policyholder Account Balances	Future Policy Benefits - Annuities	Interest Rate Lock Commitments	Bank Loan Interest Rate Swaps	Other Investments
Balance - December 31, 2014	\$(45,310,699)	\$(65,540,985)	\$ 1,929,851	\$ (31,370)	\$ -
Purchases	-	-	-	-	1,200,000
Total gains (losses):					
Included in earnings	(5,384,254)	(3,857,632)	-	-	-
Included in other comprehensive income	-	-	1,403,240	17,423	(25,231)
Balance - December 31, 2015	<u>\$(50,694,953)</u>	<u>\$(69,398,617)</u>	<u>\$ 3,333,091</u>	<u>\$ (13,947)</u>	<u>\$ 1,174,769</u>

7) Fair Value of Financial Instruments (Continued)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a nonrecurring basis by their classification in the condensed consolidated balance sheet at December 31, 2015.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a nonrecurring basis				
Mortgage servicing rights	\$ 6,217,551	\$ -	\$ -	\$ 6,217,551
Real estate held for investment	95,000	-	-	95,000
Total assets accounted for at fair value on a nonrecurring basis	\$ 6,312,551	\$ -	\$ -	\$ 6,312,551

Fair Value of Financial Instruments Carried at Other Than Fair Value

ASC 825, Financial Instruments, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value.

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction at June 30, 2016 and December 31, 2015. The estimated fair value amounts for June 30, 2016 and December 31, 2015 have been measured as of period-end, and have not been reevaluated or updated for purposes of these Condensed Consolidated Financial Statements subsequent to those dates. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than the amounts reported at period-end.

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows as of June 30, 2016:

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets					
Mortgage loans:					
Residential	\$ 50,801,874	\$ -	\$ -	\$ 54,087,275	\$ 54,087,275
Residential construction	44,733,965	-	-	44,733,965	44,733,965
Commercial	35,846,908	-	-	36,919,077	36,919,077
Mortgage loans, net	\$131,382,747	\$ -	\$ -	\$135,740,317	\$135,740,317
Policy loans	6,753,769	-	-	6,753,769	6,753,769
Insurance assignments, net	29,211,938	-	-	29,211,938	29,211,938
Short-term investments	20,775,666	-	-	20,775,666	20,775,666
Liabilities					
Bank and other loans payable	\$ (42,589,453)	\$ -	\$ -	\$ (42,589,453)	\$ (42,589,453)

7) Fair Value of Financial Instruments (Continued)

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows as of December 31, 2015:

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets					
Mortgage loans:					
Residential	\$ 44,459,613	\$ -	\$ -	\$ 47,193,950	\$ 47,193,950
Residential construction	34,751,443	-	-	34,751,443	34,751,443
Commercial	33,335,849	-	-	34,778,136	34,778,136
Mortgage loans, net	\$112,546,905	\$ -	\$ -	\$116,723,529	\$116,723,529
Policy loans	6,896,457	-	-	6,896,457	6,896,457
Insurance assignments, net	31,511,195	-	-	31,511,195	31,511,195
Short-term investments	16,915,808	-	-	16,915,808	16,915,808
Liabilities					
Bank and other loans payable	\$ (40,894,968)	\$ -	\$ -	\$ (40,894,968)	\$ (40,894,968)

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of financial instruments are summarized as follows:

Mortgage Loans on Real Estate: The estimated fair value of the Company's mortgage loans is determined using various methods. The Company's mortgage loans are grouped into three categories: Residential, Residential Construction and Commercial. When estimating the expected future cash flows, it is assumed that all loans will be held to maturity, and any loans that are non-performing are evaluated individually for impairment.

Residential – The estimated fair value of mortgage loans originated prior to 2013 is determined by estimating expected future cash flows of interest payments and discounting them using current interest rates from single family mortgages. The estimated fair value of mortgage loans originated in 2013 thru 2016 is determined from pricing of similar loans that were sold in 2014 and 2015

Residential Construction – These loans are primarily short in maturity (4-6 months) accordingly, the estimated fair value is determined to be the net book value.

Commercial – The estimated fair value is determined by estimating expected future cash flows of interest payments and discounting them using current interest rates for commercial mortgages.

Policy Loans and Other Investments: The carrying amounts reported in the accompanying condensed consolidated balance sheet for these financial instruments approximate their fair values.

Short-Term Investments: The carrying amounts reported in the accompanying condensed consolidated balance sheet for these financial instruments approximate their fair values.

Bank and Other Loans Payable: The carrying amounts reported in the accompanying condensed consolidated balance sheet for these financial instruments approximate their fair values.

8) Allowance for Doubtful Accounts, Allowance for Loan Losses and Impaired Loans

The Company records an allowance and recognizes an expense for potential losses from mortgage loans, other loans and receivables in accordance with generally accepted accounting principles.

Receivables are the result of cemetery and mortuary operations, mortgage loan operations and life insurance operations. The allowance is based upon the Company's historical experience for collectively evaluated impairment. Other allowances are based upon receivables individually evaluated for impairment. Collectability of the cemetery and mortuary receivables is significantly influenced by current economic conditions. The critical issues that impact recovery of mortgage loan operations are interest rate risk, loan underwriting, new regulations and the overall economy.

The Company provides allowances for losses on its mortgage loans held for investment through an allowance for loan losses. The allowance is comprised of two components. The first component is an allowance for collectively evaluated impairment that is based upon the Company's historical experience in collecting similar receivables. The second component is based upon individual evaluation of loans that are determined to be impaired. Upon determining impairment the Company establishes an individual impairment allowance based upon an assessment of the fair value of the underlying collateral. See the schedules in Note 3 for additional information. In addition, when a mortgage loan is past due more than 90 days, the Company does not accrue any interest income. When a loan becomes delinquent, the Company proceeds to foreclose on the real estate and all expenses for foreclosure are expensed as incurred. Once foreclosed, an adjustment for the lower of cost or fair value is made, if necessary, and the amount is classified as other real estate held for investment. The Company will rent the properties until it is deemed desirable to sell them.

The allowance for losses on mortgage loans held for investment could change based on changes in the value of the underlying collateral, the performance status of the loans, or the Company's actual collection experience. The actual losses could change, in the near term, from the established allowance, based upon the occurrence or non-occurrence of these events.

9) Derivative Commitments

Interest Rate Locks and Commitments

The Company is exposed to price risk due to the potential impact of changes in interest rates on the values of mortgage loan commitments from the time a derivative loan commitment is made to an applicant to the time the loan that would result from the exercise of that loan commitment is funded. Managing price risk is complicated by the fact that the ultimate percentage of derivative loan commitments that will be exercised (i.e., the number of loan commitments that will be funded) fluctuates. The probability that a loan will not be funded within the terms of the commitment is driven by a number of factors, particularly the change, if any, in mortgage rates following the inception of the interest rate lock. However, many borrowers continue to exercise derivative loan commitments even when interest rates have fallen.

In general, the probability of funding increases if mortgage rates rise and decreases if mortgage rates fall. This is due primarily to the relative attractiveness of current mortgage rates compared to the applicant's committed rate. The probability that a loan will not be funded within the terms of the mortgage loan commitment also is influenced by the source of the applications (retail, broker or correspondent channels), proximity to rate lock expiration, purpose for the loan (purchase or refinance) product type and the application approval status. The Company has developed fallout estimates using historical data that take into account all of the variables, as well as renegotiations of rate and point commitments that tend to occur when mortgage rates fall. These fallout estimates are used to estimate the number of loans that the Company expects to be funded within the terms of the mortgage loan commitments and are updated periodically to reflect the most current data.

The Company estimates the fair value of a mortgage loan commitment based on the change in estimated fair value of the underlying mortgage loan and the probability that the mortgage loan will fund within the terms of the commitment. The change in fair value of the underlying mortgage loan is measured from the date the mortgage loan commitment is issued. Therefore, at the time of issuance, the estimated fair value is zero. Following issuance, the value of a mortgage loan commitment can be either positive or negative depending upon the change in value of the underlying mortgage loans. Fallout rates derived from the Company's recent historical empirical data are used to estimate the quantity of mortgage loans that will fund within the terms of the commitments. The Company utilizes forward loan sales commitments to economically hedge the price risk associated with its outstanding mortgage loan commitments. A forward loan sales commitment protects the Company from losses on sales of the loans arising from exercise of the loan commitments by securing the ultimate sales price and delivery date of the loans. Management expects these derivatives will experience changes in fair value opposite to changes in fair value of the derivative loan commitments, thereby reducing earnings volatility related to the recognition in earnings of changes in the values of the commitments.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2016 (Unaudited)

9) Derivative Commitments (Continued)

Call and Put Options

The Company has adopted a strategy of selling "out of the money" call options on its available for sale equity securities as a source of revenue. The options give the purchaser the right to buy from the Company specified equity securities at a set price up to a pre-determined date in the future. The Company has adopted the selling of put options as a means of generating cash or purchasing equity securities at lower than current market prices. The Company receives an immediate payment of cash for the value of the option and establishes a liability for the fair value of the option. In the event an option is exercised, the Company recognizes a gain on the sale of the equity security and a gain from the sale of the option. If the option expires unexercised, the Company recognizes a gain from the sale of the option.

The following table shows the fair value of derivatives as of June 30, 2016 and December 31, 2015.

	Fair Value of Derivative Instruments							
	Asset Derivatives				Liability Derivatives			
	June 30, 2016		December 31, 2015		June 30, 2016		December 31, 2015	
	Balance Sheet		Balance Sheet		Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value	Location	Fair Value	Location	Fair Value
Derivatives designated as hedging instruments:								
Interest rate lock and forward sales commitments	other assets	\$ 5,367,361	other assets	\$ 3,440,758	Other liabilities	\$ 1,120,687	Other liabilities	\$ 107,667
Call options	--	--	--	--	Other liabilities	26,232	Other liabilities	16,342
Put options	--	--	--	--	Other liabilities	29,876	Other liabilities	28,829
Interest rate swaps	--	--	--	--	Bank loans payable	8,406	Bank loans payable	13,947
Total		\$ 5,367,361		\$ 3,440,758		\$ 1,185,201		\$ 166,785

The following table shows the gain on derivatives for the periods presented. There were no gains or losses reclassified from accumulated other comprehensive income (OCI) into income or gains or losses recognized in income on derivatives ineffective portion or any amounts excluded from effective testing.

	Net Amount Gain (Loss) Recognized in OCI		Net Amount Gain (Loss) Recognized in OCI	
	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
<u>Derivative - Cash Flow Hedging Relationships:</u>				
Interest Rate Lock Commitments	\$ (427,409)	\$ 1,252,010	\$ 913,583	\$ 3,739,900
Interest Rate Swaps	2,804	4,760	5,541	8,711
Sub Total	(424,605)	1,256,770	919,124	3,748,611
Tax Effect	(165,597)	490,140	358,458	1,461,958
Total	\$ (259,008)	\$ 766,630	\$ 560,666	\$ 2,286,653

10) Reinsurance, Commitments and Contingencies

Reinsurance

Reinsurance Agreement with North America Life Insurance Company

On May 8, 2015, the Company, through its wholly owned subsidiary, Security National Life, signed a paid-up business offer under the coinsurance agreement effective December 1, 2010 to reinsure certain life insurance policies from North America Life Insurance Company ("North America Life"). Pursuant to the paid-up business offer, North America Life ceded and transferred to Security National Life all contractual obligations and risks under the coinsured policies. Security National Life paid a ceding commission to North America Life in the amount of \$281,908. As a result of the ceding commission, North America Life transferred \$8,900,282 of cash and \$9,182,190 in statutory reserves, or liabilities, to Security National Life.

Reinsurance Agreement with American Republic Insurance Company

On February 11, 2015, the Company, through its wholly owned subsidiary, Security National Life, signed a coinsurance agreement to reinsure certain life insurance policies from American Republic Insurance Company ("American Republic"). The policies were previously reinsured by North America Life under a coinsurance agreement between World Insurance Company ("World Insurance") and North America Life entered into on July 22, 2009 which was commuted. World Insurance was subsequently purchased by and merged into American Republic. The current coinsurance agreement is between Security National Life and American Republic and became effective on January 1, 2015. As part of the coinsurance agreement, American Republic transferred all contractual obligations and risks to Security National Life and Security National Life took control of \$15,004,771 of assets in a trust account held by Texas Capital Bank as the trustee.

Mortgage Loan Loss Settlements

Future loan losses can be extremely difficult to estimate. However, management believes that the Company's reserve methodology and its current practice of property preservation allow it to estimate its potential losses on loans sold. The amounts expensed for loan losses for the three months ended June 30, 2016 and 2015 were \$829,000 and \$2,252,000 respectively, and for the six months ended June 30, 2016 and 2015 were \$1,415,000 and \$2,919,000, respectively. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of June 30, 2016 and December 31, 2015, the balances were \$4,062,000 and \$2,806,000, respectively.

Inquiry Regarding FHA Insured Loans

SecurityNational Mortgage has been cooperating with the U.S. Department of Justice and the Office of the Inspector General for the Department of Housing and Urban Development (HUD) in a civil investigation regarding compliance with requirements relating to certain mortgage loans insured by the Federal Housing Administration (FHA). No demand has been made from FHA and SecurityNational Mortgage has not established a liability for this matter absent a specific demand because it is not able to estimate a range of reasonably potential loss due to significant uncertainties resulting from: the absence of any specific demand from FHA, the potential remedies that SecurityNational Mortgage may have, including possible defenses, and the lack of information concerning the performance of its FHA insured originations, the majority of which SecurityNational Mortgage does not service. The investigation has focused on loans originated by SecurityNational Mortgage on or after January 1, 2006. The FHA mortgage loans that SecurityNational Mortgage originated between January 1, 2006 and May 21, 2013 total approximately 45,900 loans with an original principal balance of approximately \$7.9 billion.

Mortgage Loan Loss Litigation

For a description of the litigation involving SecurityNational Mortgage and Lehman Brothers and Aurora Loan Services, reference is to Part II, Item 1. Legal Proceedings.

10) Reinsurance, Commitments and Contingencies (Continued)

Other Contingencies and Commitments

The Company has entered into commitments to fund new residential construction loans. As of June 30, 2016, the Company's commitments were \$65,925,000 for these loans of which \$44,834,000 had been funded. The Company will advance funds once the work has been completed and an independent inspection is made. The maximum loan commitment ranges between 50% and 80% of appraised value. The Company receives fees from the borrowers and the interest rate is generally 2% to 6.75% over the bank prime rate (3.50% as of June 30, 2016). Maturities range between six and twelve months.

The Company belongs to a captive insurance group for certain casualty insurance, worker compensation and liability programs. Insurance reserves are maintained relative to these programs. The level of exposure from catastrophic events is limited by the purchase of stop-loss and aggregate liability reinsurance coverage. When estimating the insurance liabilities and related reserves, the captive insurance management considers a number of factors, which include historical claims experience, demographic factors, severity factors and valuations provided by independent third-party actuaries. If actual claims or adverse development of loss reserves occurs and exceed these estimates, additional reserves may be required. The estimation process contains uncertainty since captive insurance management must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and unreported claims for incidents incurred but not reported as of the balance sheet date. At June 30, 2016, \$619,076 of reserves was established related to such insurance programs versus \$834,855 at December 31, 2015.

The Company is 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. Based on management's assessment and legal counsel's representations concerning the likelihood of unfavorable outcomes, no amounts have been accrued for the above claims in the consolidated financial statements.

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

11) Mortgage Servicing Rights

The following is a summary of the MSR activity for the periods presented.

	As of June 30 2016	As of December 31 2015
Amortized cost:		
Balance before valuation allowance at beginning of year	\$ 12,679,755	\$ 7,834,747
MSRs proceeds from loan sales	3,779,530	6,217,551
Amortization	(1,042,720)	(1,372,543)
Application of valuation allowance to write down MSRs with other than temporary impairment	-	-
Balance before valuation allowance at year end	<u>\$ 15,416,565</u>	<u>\$12,679,755</u>
Valuation allowance for impairment of MSRs:		
Balance at beginning of year	\$ -	\$ -
Additions	-	-
Application of valuation allowance to write down MSRs with other than temporary impairment	-	-
Balance at end of period	<u>\$ -</u>	<u>\$ -</u>
Mortgage servicing rights, net	<u>\$ 15,416,565</u>	<u>\$12,679,755</u>
Estimated fair value of MSRs at end of period	<u>\$ 15,952,247</u>	<u>\$13,897,160</u>

The Company reports these MSRs pursuant to the accounting policy discussed in Note 7.

12) Subsequent Events

Completion of the Stock Purchase Agreement to Acquire First Guaranty Insurance Company

On July 11, 2016, the Company, through its wholly owned subsidiary, Security National Life completed the stock purchase transaction with the shareholders of Reppond Holding Corporation, an Arkansas corporation ("Reppond Holding") and sole shareholder of First Guaranty Insurance Company, a Louisiana domestic stock legal reserve life insurance company ("First Guaranty"), to purchase all the outstanding shares of common stock of Reppond Holding. Under the terms of the stock purchase agreement, dated February 17, 2016, between Security Life and Reppond Holding, which was later amended on March 4 and 17, 2016, Security Life paid a total of \$6,753,000 at the closing in consideration for the purchase of all the outstanding shares of stock of Reppond Holding from its shareholders. Reppond Holding holds all of the outstanding shares of common stock of First Guaranty.

Submission of Matters to a Vote of Security Holders

At the Annual Meeting, held on July 6, 2016, the Company's stockholders approved the amendment to the Company's Articles of Incorporation to increase the authorized capital stock of the Company from 32,000,000 shares to 33,000,000 shares by increasing the number of authorized shares of Class C common stock from 2,000,000 shares to 3,000,000 shares.

Overview

The Company's operations over the last several 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 and traditional whole life products; (ii) emphasis on cemetery and mortuary business; and (iii) capitalizing on relatively low interest rates by originating mortgage loans.

Insurance Operations

The Company's insurance business includes funeral plans, interest sensitive life insurance, as well as other traditional life and accident insurance, and health insurance products. The Company places specific marketing emphasis on funeral plans through pre-need planning.

A funeral plan is a small face value life insurance policy that generally has face coverage of up to \$25,000. The Company believes that funeral plans represent a marketing niche that has less competition because most insurance companies do not offer similar coverage. The purpose of the funeral plan policy is to pay the costs and expenses incurred at the time of the person's death. On a per thousand dollar cost of insurance basis, these policies can be more expensive to the policy holder than many types of non-burial insurance due to their low face amount, requiring the fixed cost of the policy administration to be distributed over a smaller policy size, and the simplified underwriting practices that result in higher mortality costs.

The following table shows the condensed financial results of the insurance operations for the three and six months ended June 30, 2016 and 2015. See Note 6 to the Condensed Consolidated Financial Statements.

	Three months ended June 30 (in thousands of dollars)			Six months ended June 30 (in thousands of dollars)		
	2016	2015	% Increase (Decrease)	2016	2015	% Increase (Decrease)
	Revenues from external customers					
Insurance premiums	\$ 15,899	\$ 13,914	14%	\$ 30,351	\$ 27,768	9%
Net investment income	6,892	6,279	10%	13,855	12,490	11%
Income from loan originations	613	672	(9%)	1,085	1,113	(3%)
Other	166	612	(73%)	354	1,091	(68%)
Total	\$ 23,570	\$ 21,477	10%	\$ 45,645	\$ 42,462	7%
Intersegment revenue	\$ 3,359	\$ 2,859	17%	\$ 6,462	\$ 5,678	14%
Earnings before income taxes	\$ 2,504	\$ 2,115	18%	\$ 3,569	\$ 3,519	1%

Intersegment revenues are primarily interest income from the warehouse line provided to SecurityNational Mortgage Company. Profitability in the three months ended June 30, 2016 has increased due to an increase in net investment income, an increase in insurance premiums offset by a decrease in realized gains on investments and other assets.

Cemetery and Mortuary Operations

The Company sells mortuary services and products through its seven mortuaries in Salt Lake City, Utah. The Company also sells cemetery products and services through its five cemeteries in Salt Lake City, Utah and one cemetery in San Diego County, California. Cemetery land sales and at-need product sales and services are recognized as revenue at the time of sale or when the services are performed. Pre-need cemetery product sales are deferred until the merchandise is delivered and services performed.

The following table shows the condensed financial results of the Cemetery and Mortuary operations for the three and six months ended June 30, 2016 and 2015. See Note 6 to the Condensed Consolidated Financial Statements.

	Three months ended June 30 (in thousands of dollars)			Six months ended June 30 (in thousands of dollars)		
	2016	2015	% Increase (Decrease)	2016	2015	% Increase (Decrease)
Revenues from external customers						
Mortuary revenues	\$ 1,286	\$ 1,112	16%	\$ 2,652	\$ 2,354	13%
Cemetery revenues	2,349	2,027	16%	4,368	3,781	16%
Other	178	76	134%	124	178	(30%)
Total	\$ 3,813	\$ 3,215	19%	\$ 7,144	\$ 6,313	13%
Earnings (loss) before income taxes	\$ 760	\$ 152	400%	\$ 1,229	\$ 561	119%

Included in other revenue is rental income from residential and commercial properties purchased from Security National Life. Memorial Estates purchased these properties from financing provided by Security National Life. The rental income is offset by property insurance, taxes, maintenance expenses and interest payments made to Security National Life. Memorial Estates has recorded depreciation on these properties of \$180,000 and \$229,000 for the three months ended June 30, 2016 and 2015, respectively, and \$367,000 and \$451,000 for the six months ended June 30, 2016 and 2015, respectively.

Mortgage Operations

Overview

The Company's wholly owned subsidiaries, SecurityNational Mortgage Company and EverLEND Mortgage Company (formerly known as Green Street Mortgage Services, Inc.), are mortgage lenders incorporated under the laws of the State of Utah and approved and regulated by the Federal Housing Administration (FHA), a department of the U.S. Department of Housing and Urban Development (HUD), to originate mortgage loans that qualify for government insurance in the event of default by the borrower. SecurityNational Mortgage and EverLEND Mortgage obtain mortgage loans originated in retail offices and through independent brokers. Mortgage loans originated by the Company's mortgage subsidiaries are funded through loan purchase agreements from Security National Life and unaffiliated financial institutions.

The Company's mortgage subsidiaries receive fees from the borrowers and secondary fees from third party investors that purchase their loans. Loans originated by SecurityNational Mortgage are generally sold with mortgage servicing rights released to third party investors or retained by SecurityNational Mortgage. SecurityNational Mortgage currently retains the mortgage servicing rights on approximately 30% of its loan origination volume. These loans are serviced by an approved third party sub-servicer.

For the six months ended June 30, 2016 and 2015, SecurityNational Mortgage originated and sold 7,413 loans (\$1,414,207,000 total volume) and 7,636 loans (\$1,445,989,000 total volume), respectively. For the six months ended June 30, 2016 and 2015, EverLEND Mortgage originated and sold -0- loans (\$-0- total volume) and 79 loans (\$17,949,000 total volume), respectively.

The following table shows the condensed financial results of the mortgage operations for the three and six months ended June 30, 2016 and 2015. See Note 6 to the Condensed Consolidated Financial Statements.

	Three months ended June 30 (in thousands of dollars)			Six months ended June 30 (in thousands of dollars)		
	2016	2015	% Increase (Decrease)	2016	2015	% Increase (Decrease)
Revenues from external customers						
Income from loan originations	\$ 45,650	\$ 42,334	8%	\$ 79,003	\$ 76,590	3%
Secondary gains from investors	8,707	9,014	(3%)	15,962	14,724	8%
Total	\$ 54,357	\$ 51,348	6%	\$ 94,965	\$ 91,314	4%
Earnings before income taxes	\$ 4,717	\$ 3,965	19%	\$ 6,034	\$ 5,150	17%

The increase in earnings for the three and six months ended June 30, 2016 was due to higher service release premiums received on mortgage loans sold to investors and an increase in loan origination fee income.

Mortgage Loan Loss Settlements

Future loan losses can be extremely difficult to estimate. However, management believes that the Company's reserve methodology and its current practice of property preservation allow it to estimate its potential losses on loans sold. The amounts expensed for loan losses for the three months ended June 30, 2016 and 2015 were \$829,000 and \$2,252,000, respectively, and for the six months ended June 30, 2016 and 2015 were \$1,415,000 and \$2,919,000, respectively. The estimated liability for indemnification losses was included in other liabilities and accrued expenses and, as of June 30, 2016 and December 31, 2015, the balances were \$4,062,000 and \$2,806,000, respectively.

Mortgage Loan Loss Demands

Inquiry Regarding FHA Insured Loans

SecurityNational Mortgage has been cooperating with the U.S. Department of Justice and the Office of the Inspector General for the Department of Housing and Urban Development (HUD) in a civil investigation regarding compliance with requirements relating to certain mortgage loans insured by the Federal Housing Administration (FHA). No demand has been made from FHA and SecurityNational Mortgage has not established a liability for this matter absent a specific demand because it is not able to estimate a range of reasonably potential loss due to significant uncertainties resulting from: the absence of any specific demand from FHA, the potential remedies that SecurityNational Mortgage may have, including possible defenses, and the lack of information concerning the performance of its FHA insured originations, the majority of which SecurityNational Mortgage does not service. The investigation has focused on loans originated by SecurityNational Mortgage on or after January 1, 2006. The FHA mortgage loans that SecurityNational Mortgage originated between January 1, 2006 and May 21, 2013 totaled approximately 45,900 loans with an original principal balance of approximately \$7.9 billion.

Mortgage Loan Loss Litigation

For a description of the litigation involving SecurityNational Mortgage and Lehman Brothers and Aurora Loan Services, reference is to Part II, Item 1. Legal Proceedings.

Consolidation

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Total revenues increased by \$5,699,000, or 7.5%, to \$81,740,000 for the three months ended June 30, 2016, from \$76,041,000 for the comparable period in 2015. Contributing to this increase in total revenues was a \$2,748,000 increase in mortgage fee income, a \$1,985,000 increase in insurance premiums and other considerations, a \$545,000 increase in net investment income, a \$502,000 increase in net mortuary and cemetery sales, a \$274,000 increase in other revenues, and a \$25,000 decrease in other than temporary impairments on investments. This increase in total revenues was partially offset by a \$380,000 decrease in realized gains on investments and other assets.

Insurance premiums and other considerations increased by \$1,985,000, or 14.3%, to \$15,900,000 for the three months ended June 30, 2016, from \$13,915,000 for the comparable period in 2015. This increase was primarily due to an increase in renewal premiums and an increase in first year premiums as a result of increased insurance sales.

Net investment income increased by \$545,000, or 6.3%, to \$9,136,000 for the three months ended June 30, 2016, from \$8,591,000 for the comparable period in 2015. This increase was primarily attributable to a \$505,000 increase in mortgage loan interest, a \$441,000 increase in insurance assignment income, and a \$354,000 increase in rental income from real estate owned. This increase was partially offset by a \$390,000 increase in investment expenses, a \$232,000 decrease in short-term investment income, and a \$133,000 decrease in fixed maturity securities income.

Net mortuary and cemetery sales increased by \$502,000, or 16.6%, to \$3,520,000 for the three months ended June 30, 2016, from \$3,018,000 for the comparable period in 2015. This increase was primarily due to an increase in at-need sales and pre-need sales in both the cemetery and mortuary operations.

Realized gains on investments and other assets decreased by \$380,000, or 75.9%, to \$121,000 in realized gains for the three months ended June 30, 2016, from \$501,000 in realized gains for the comparable period in 2015. This decrease in realized gains on investments and other assets was primarily attributable to a \$376,000 decrease in realized gains on other assets, and a \$29,000 decrease in realized gains on fixed maturity securities. This decrease was partially offset by a \$25,000 increase in realized gains on securities available for sale.

Mortgage fee income increased \$2,748,000, or 5.6%, to \$51,478,000, for the three months ended June 30, 2016, from \$48,730,000 for the comparable period in 2015. This increase was primarily due to increased mortgage loan originations.

Other revenues increased by \$274,000, or 20.4%, to \$1,615,000 for the three months ended June 30, 2016, from \$1,341,000 for the comparable period in 2015. This increase was due to an increase in mortgage servicing fees.

Total benefits and expenses were \$73,759,000, or 90.2% of total revenues, for the three months ended June 30, 2016, as compared to \$69,809,000, or 91.8% of total revenues, for the comparable period in 2015.

Death benefits, surrenders and other policy benefits, and future policy benefits increased by an aggregate of \$532,000 or 4.2%, to \$13,208,000 for the three months ended June 30, 2016, from \$12,676,000 for the comparable period in 2015. This increase was primarily the result of a \$1,271,000 increase in future policy benefits, and a \$41,000 increase in surrender and other policy benefits. This increase was partially offset by a \$780,000 decrease in death benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired increased by \$530,000, or 45.0%, to \$1,708,000 for the three months ended June 30, 2016, from \$1,178,000 for the comparable period in 2015. This increase was primarily due to an increase in insurance sales expenses.

Selling, general and administrative expenses increased by \$3,064,000, or 5.7%, to \$57,156,000 for the three months ended June 30, 2016, from \$54,092,000 for the comparable period in 2015. This increase was primarily the result of a \$2,331,000 increase in personnel expenses resulting from increased salaries for existing employees and the hiring of new employees, a \$1,799,000 increase in commissions resulting from an increase in sales, a \$462,000 increase in advertising, and a \$30,000 increase in other expenses. This increase was partially offset by a \$1,424,000 decrease in provision for loan loss reserve, a \$62,000 decrease in rent and rent related expenses, and a \$61,000 decrease in costs related to funding mortgage loans.

Interest expense decreased by \$139,000, or 10.1%, to \$1,235,000 for the three months ended June 30, 2016, from \$1,374,000 for the comparable period in 2015. This decrease was primarily due to a decrease in interest expense on mortgage warehouse lines. This decrease was partially offset by an increase in interest expense due to the completion of the Dry Creek at East Village Apartments development in December 2015, resulting from interest from the bank loan that had been capitalized during the construction phase of each building and now being expensed.

Comprehensive income for the three months ended June 30, 2016 and 2015 amounted to gains of \$5,109,000 and \$4,453,000, respectively. This \$656,000 increase in comprehensive income was primarily the result of a \$1,505,000 increase in net income, and a \$177,000 increase in unrealized gains in securities available for sale. This increase was partially offset by a \$1,026,000 decrease in unrealized gains from derivatives related to mortgage loans.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Total revenues increased by \$7,664,000, or 5.5%, to \$147,754,000 for the six months ended June 30, 2016, from \$140,090,000 for the comparable period in 2015. Contributing to this increase in total revenues was a \$2,696,000 increase in mortgage fee income, a \$2,583,000 increase in insurance premiums and other considerations, a \$1,714,000 increase in net investment income, a \$876,000 increase in net mortuary and cemetery sales, and a \$489,000 increase in other revenues. This increase in total revenues was partially offset by a \$702,000 decrease in realized gains on investments and other assets.

Insurance premiums and other considerations increased by \$2,583,000, or 9.3%, to \$30,351,000 for the six months ended June 30, 2016, from \$27,768,000 for the comparable period in 2015. This increase was primarily due to an increase in renewal premiums and an increase in first year premiums as a result of increased insurance sales.

Net investment income increased by \$1,714,000, or 10.4%, to \$18,128,000 for the six months ended June 30, 2016, from \$16,414,000 for the comparable period in 2015. This increase was primarily attributable to a \$1,072,000 increase in rental income from real estate owned, a \$767,000 increase in insurance assignment income, a \$665,000 increase in mortgage loan interest, and a \$111,000 increase in short-term investment income. This increase was partially offset by an \$844,000 increase in investment expenses, a \$63,000 decrease in fixed maturity securities income, and a \$24,000 decrease in policy loan income.

Net mortuary and cemetery sales increased by \$876,000, or 14.9%, to \$6,766,000 for the six months ended June 30, 2016, from \$5,890,000 for the comparable period in 2015. This increase was primarily due to an increase in at-need sales and pre-need sales in both the cemetery and mortuary operations.

Realized gains on investments and other assets decreased by \$702,000, or 76.3%, to \$219,000 in realized gains for the six months ended June 30, 2016, from \$921,000 in realized gains for the comparable period in 2015. This decrease in realized gains on investments and other assets was primarily attributable to a \$572,000 decrease in realized gains on other assets, a \$108,000 decrease in realized gains on fixed maturity securities, and a \$22,000 decrease in realized gains on securities available for sale.

Mortgage fee income increased \$2,696,000 or 3.1%, to \$89,248,000 for the six months ended June 30, 2016, from \$86,552,000 for the comparable period in 2015. This increase was primarily due to increased mortgage loan originations during the second quarter of 2016.

Other revenues increased by \$489,000, or 18.4%, to \$3,146,000 for the six months ended June 30, 2016, from \$2,657,000 for the comparable period in 2015. This increase was due to an increase in mortgage servicing fees.

Total benefits and expenses were \$136,922,000, or 92.7% of total revenues, for the six months ended June 30, 2016, as compared to \$130,860,000, or 93.4% of total revenues, for the comparable period in 2015.

Death benefits, surrenders and other policy benefits, and future policy benefits increased by an aggregate of \$272,000 or 1.1%, to \$25,710,000 for the six months ended June 30, 2016, from \$25,438,000 for the comparable period in 2015. This increase was primarily the result of a \$1,251,000 increase in future policy benefits. This increase was partially offset by an \$884,000 decrease in death benefits, and a \$94,000 decrease in surrender and other policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired increased by \$1,575,000, or 67.2%, to \$3,920,000 for the six months ended June 30, 2016, from \$2,345,000 for the comparable period in 2015. This increase was primarily due to an increase in insurance sales expenses.

Selling, general and administrative expenses increased by \$4,311,000, or 4.3%, to \$104,081,000 for the six months ended June 30, 2016, from \$99,770,000 for the comparable period in 2015. This increase was primarily the result of a \$5,215,000 increase in personnel expenses, resulting from increased salaries for existing employees and the hiring of new employees, a \$425,000 increase in other expenses, a \$123,000 increase in advertising, a \$118,000 increase in rent and rent related expenses, a \$75,000 increase in commissions. This increase was partially offset by a \$1,504,000 decrease in provision for loan loss reserve, \$89,000 decrease in costs related to funding mortgage loans, and a \$52,000 decrease in depreciation on property and equipment.

Interest expense decreased by \$60,000, or 2.6%, to \$2,299,000 for the six months ended June 30, 2016, from \$2,359,000 for the comparable period in 2015. This decrease was primarily due to a decrease in interest expense on mortgage warehouse lines. This decrease was partially offset by an increase in interest expense due to the completion of the Dry Creek at East Village Apartments development in December 2015, resulting from interest from the bank loan that had been capitalized during the construction phase of each building and now being expensed.

Comprehensive income for the six months ended June 30, 2016 and 2015 amounted to gains of \$8,020,000 and \$7,608,000, respectively. This \$412,000 increase in comprehensive income was primarily the result of a \$1,435,000 increase in net income, and a \$703,000 increase in unrealized gains in securities available for sale. This increase was partially offset by a \$1,726,000 decrease in derivatives related to mortgage loans.

Liquidity and Capital Resources

The Company's life insurance subsidiaries and cemetery and mortuary subsidiaries realize cash flow from premiums, contract payments and sales on personal services rendered for cemetery and mortuary business, from interest and dividends on invested assets, and from the proceeds from the maturity of held to maturity investments or sale of other investments. The mortgage subsidiaries realize 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 related to the issuance of new policies, the maintenance of existing policies, debt service, and to meet current operating expenses.

During the six months ended June 30, 2016, the Company's operations provided cash of \$17,231,000. This was due primarily to an increase in cash collected on mortgage loans sold to investors. During the six months ended June 30, 2015, the Company's operations used cash of \$18,838,000. This was due primarily to an increase in cash paid on mortgage loans sold to investors.

The Company's liability for future life, annuity and other benefits is expected to be paid out over the long-term due to the Company's market niche of selling funeral plans. Funeral plans are small face value life insurance that will pay the costs and expenses incurred at the time of a person's death. A person generally will keep these policies in force and will not surrender them prior to a person's death. Because of the long-term nature of these liabilities, the Company is able to hold to maturity its bonds, real estate and mortgage loans, thus reducing the risk of liquidating these long-term investments as a result of any sudden changes in fair values.

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. 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 that 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 predominantly in fixed maturity securities, real estate, mortgage loans, and warehousing of mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to \$143,437,000 and \$144,946,000 as of June 30, 2016 and December 31, 2015, respectively. This represents 33.5% and 35.8% of the total investments as of June 30, 2016 and December 31, 2015, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners (NAIC). Under this rating system, there are six categories used for rating bonds. At June 30, 2016, 9.9% (or \$14,241,000) and at December 31, 2015, 8.3% (or \$11,990,000) of the Company's total bond investments were invested in bonds in rating categories three through six, which were considered non-investment grade.

The Company has classified certain of its fixed income securities, including high-yield securities, in its portfolio as available for sale, with the remainder classified as held to maturity. In accordance with Company policy, however, any such securities purchased in the future will be classified as held to maturity. Notwithstanding, business conditions may develop in the future which may indicate a need for a higher level of liquidity in the investment portfolio. In that event, the Company believes it could sell short-term investment grade securities before liquidating higher yielding longer-term securities.

The Company is subject to risk based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. At June 30, 2016 and December 31, 2015, the life insurance subsidiary was in compliance with the regulatory criteria.

The Company's total capitalization of stockholders' equity, bank debt and notes payable was \$162,742,000 as of June 30, 2016, as compared to \$152,154,000 as of December 31, 2015. Stockholders' equity as a percent of total capitalization was 73.8% and 73.1% as of June 30, 2016 and December 31, 2015, respectively.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2015 was 7.4% as compared to a rate of 7.0% for 2014. The 2016 lapse rate to date has been approximately the same as 2015.

At June 30, 2016, \$36,720,000 of the Company's consolidated stockholders' equity represented the statutory stockholders' equity of the Company's life insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to the Company, its parent company, without approval of state insurance regulatory authorities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant changes since the Annual Report on Form 10-K filed for the year ended December 31, 2015.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As of June 30, 2016, the Company carried out an evaluation, under the supervision and with the participation of its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed in the Securities and Exchange Commission (SEC) reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time period specified by the SEC's rules and forms and that such information is accumulated and communicated to management, including the Company's CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. The officers have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2016, and that the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented in conformity with United States Generally Accepted Accounting Principles (GAAP).

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 1. Legal Proceedings.

Lehman Brothers and Aurora Loan Services Litigation - Utah

On April 15, 2005, SecurityNational Mortgage entered into a Loan Purchase Agreement with Lehman Brothers Bank, FSB ("Lehman Bank"), which agreement incorporated a Seller's Guide. Pursuant to the Loan Purchase Agreement, Lehman Bank purchased mortgage loans from time to time from SecurityNational Mortgage. Lehman Bank asserted that certain of the mortgage loans that it purchased several years ago from SecurityNational Mortgage contained alleged misrepresentations and early payment defaults. As a result, Lehman Bank contended it had the right to require SecurityNational Mortgage to repurchase certain loans or be liable for losses related to such Loans under the Loan Purchase Agreement. SecurityNational Mortgage disagreed with these claims.

On December 17, 2007, SecurityNational Mortgage entered into an Indemnification Agreement with Lehman Bank and Aurora Loan Services. Under the terms of the Indemnification Agreement, SecurityNational Mortgage agreed to indemnify Lehman Bank and Aurora Loan Services for 75% of actual losses, as defined, that Lehman Bank and Aurora Loan Services may incur on account of the breaches pertaining to certain identified loans. The Indemnification Agreement also required SecurityNational Mortgage to indemnify Lehman Bank and Aurora Loan Services for 100% of any future actual losses, as defined, incurred on mortgage loans with breaches not covered by the 75% provision. A reserve account was set up for covering said losses.

In addition to initial payments into the reserve account, SecurityNational Mortgage was to pay to Aurora Loan Services each calendar month the difference between the reserve account balance and \$645,000, but in no event would SecurityNational Mortgage be required to make payments into the reserve account in excess of \$125,000 for any calendar month. Since the time the reserve account was established, approximately \$4,300,000 was taken from the reserve account to indemnify Lehman Bank and Aurora Loan Services for alleged losses. On March 28, 2011 Lehman Bank and Aurora Loan Services assigned certain rights and remedies under the Indemnification Agreement to Lehman Brothers Holdings Inc. ("Lehman Holdings").

On May 11, 2011, SecurityNational Mortgage filed a complaint against Aurora Bank FSB (formerly known as Lehman Bank) and Aurora Loan Services in the United States District Court, Utah, which was assigned to Judge David Nuffer. The allegations in the complaint include breach of the Indemnification Agreement. SecurityNational Mortgage claimed it was entitled to a judgment of approximately \$4,000,000 against Lehman Bank, as well as Aurora Loan Services to the extent of its involvement, for payments which should not have been taken from the reserve account.

On June 8, 2011, Lehman Holdings, which had filed for bankruptcy in September 2008, filed a complaint in the United States District Court, Utah against SecurityNational Mortgage. The case was assigned to Judge Ted Stewart. The complaint alleged claims for damages for breach of contract and breach of warranty pursuant to the Loan Purchase Agreement, and initially claimed damages in excess of \$5,000,000. Lehman Holdings further alleged that Lehman Bank sold mortgage loans to it and assigned contractual rights and remedies. SecurityNational Mortgage strongly disagreed with the claims in Lehman Holdings' complaint.

Discovery was completed in the two foregoing lawsuits. On December 24, 2014, Judge Nuffer issued an amended order granting SecurityNational Mortgage's motion for summary judgment against Lehman Bank and Aurora Loan Services for \$3,892,974, plus prejudgment interest at 9% per annum. The total amount of prejudgment interest awarded was \$1,674,240 through May 31, 2014, with a per diem of \$960 for each day after May 31, 2014 until final judgment. The court also indicated that further replenishment of the reserve account under the Indemnification Agreement appeared to be barred by a waiver, but that this issue had not been briefed.

Additionally, the court stated that the offset that Lehman Bank and Aurora Loan Services pled as an affirmative defense had not yet been adjudicated by the court. SecurityNational Mortgage asserts that Lehman Bank and Aurora Loan Services have no rights to a replenishment of the Indemnification Agreement reserve account, or for any offset. On March 30, 2015, SecurityNational Mortgage filed a response in opposition to the partial summary judgment motion of Lehman Bank and Aurora Loan Services concerning the reserve account replenishment and offset; SecurityNational Mortgage also filed its own partial summary judgment motion on the same issues. These motions are currently under advisement.

On April 21, 2015, Judge Stewart issued a memorandum decision and order denying SecurityNational Mortgage's motion for summary judgment against Lehman Holdings in the Lehman Holdings case. On January 16, 2015, SecurityNational Mortgage filed a separate motion for summary judgment against Lehman Holdings based on the statute of limitations. Because certain cases that arose in Colorado were pending before the United States Court of Appeals for the Tenth Circuit concerning statute of limitations issues involving Lehman Holdings, Judge Stewart inquired at a hearing as to whether his ruling on SecurityNational Mortgage's motion should be held in abeyance until a ruling is rendered by the Tenth Circuit. The parties agreed to an abeyance and Judge Stewart issued an order on May 11, 2015 postponing his ruling.

On January 27, 2016, the Tenth Circuit entered its order and judgment concerning the five cases before it upholding rulings of the U.S. District Court, Colorado dismissing the cases filed by Lehman Holdings with prejudice. Pursuant to an order from Judge Stewart, SecurityNational Mortgage and Lehman Holdings filed supplemental briefs on March 3, 2016 pertaining to SecurityNational Mortgage's summary judgment motion in view of the ruling of the Tenth Circuit. On March 23, 2016, the court denied SecurityNational Mortgage's motion based on a certain tolling provision in one of the agreements. The case is presently set for trial commencing on December 12, 2016.

Lehman Brothers Litigation – Delaware and New York

In January 2014, Lehman Holdings entered into a settlement with the Federal National Mortgage Association (Fannie Mae) concerning the mortgage loan claims asserted by Fannie Mae against Lehman Holdings that were allegedly based on breaches of certain representations and warranties by Lehman Holdings. Lehman Holdings had acquired these loans from Lehman Bank, which in turn purchased the loans from residential mortgage loan originators, including SecurityNational Mortgage. A settlement based on similar circumstances was entered into between Lehman Holdings and the Federal Home Loan Mortgage Corporation (Freddie Mac) in February 2014. As a result of the Fannie Mae and Freddie Mac settlements, Lehman Holdings filed a motion in May 2014 with the U.S. Bankruptcy Court of the Southern District of New York to require the mortgage loan originators, including SecurityNational Mortgage, to engage in mediation, a nonbinding alternative dispute resolution process, as Lehman Holdings asserted alleged indemnification claims against the mortgage loan originators.

The mediation was not successful in resolving the potential issues between SecurityNational Mortgage and Lehman Holdings relative to the Fannie Mae and Freddie Mac settlements with Lehman Holdings. On January 26, 2016, SecurityNational Mortgage filed a declaratory judgment action against Lehman Holdings in the Superior Court for the State of Delaware. In the Delaware action, SecurityNational Mortgage asserted its right to obtain a declaration of rights in that there is allegedly millions of dollars in dispute with Lehman Holdings pertaining to approximately 136 loans. SecurityNational Mortgage seeks declaratory judgment as to its rights as it contends that it has no liability to Lehman Holdings as a result of Lehman Holdings' settlements with Fannie Mae and Freddie Mac.

Lehman Holdings filed a motion in the Lehman Holdings bankruptcy that SecurityNational Mortgage's action in Delaware is contrary to an automatic bankruptcy stay, which SecurityNational Mortgage disputes. The matter was argued on May 5, 2016 before the bankruptcy court and the court has taken the matter under advisement. Lehman Holdings also filed a similar automatic stay motion in the Delaware court, along with other assertions concerning the issues of a stay or dismissal in the Delaware court because of the proceeding in the bankruptcy court. This motion was heard by the Delaware court on July 20, 2016 and the court has taken the matter under advisement.

On February 3, 2016, Lehman Holdings filed an adversary proceeding against approximately 150 parties, including SecurityNational Mortgage, in the U.S. Bankruptcy Court of the Southern District of New York seeking a declaration of rights similar in nature to the declaration of rights that SecurityNational Mortgage seeks in its Delaware lawsuit, and for damages relating to the defendants' obligations under indemnification provisions of the alleged agreements in an amount to be determined at trial, including interest, and attorneys' fees and related costs incurred by Lehman Holdings in enforcing the obligations of the defendants.

The complaint filed on February 3, 2016 was not served on SecurityNational Mortgage and an amended complaint materially similar to the original complaint was filed March 7, 2016. Presently, no response has been required and the parties are in the process of attempting to agree on a case management order. As with SecurityNational Mortgage's Delaware action, and although SecurityNational Mortgage has not yet filed a response to the amended complaint, SecurityNational Mortgage denies that it has any liability to Lehman Holdings and intends to vigorously protect and defend such position.

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

None

Item 5. Other Information.

Completion of Acquisition of First Guaranty Insurance Company

On July 11, 2016, the Company, through its wholly owned subsidiary, Security National Life completed the stock purchase transaction with the shareholders of Reppond Holding Corporation, an Arkansas corporation ("Reppond Holding") and sole shareholder of First Guaranty Insurance Company, a Louisiana domestic stock legal reserve life insurance company ("First Guaranty"), to purchase all the outstanding shares of common stock of Reppond Holding. Under the terms of the Stock Purchase Agreement, dated February 17, 2016, between Security Life and Reppond Holding, which was later amended on March 4, 2016 and March 17, 2016, Security Life paid a total of \$6,753,000 at the closing in consideration for the purchase of all the outstanding shares of stock of Reppond Holding from its shareholders. Reppond Holding holds all of the outstanding shares of common stock of First Guaranty.

The transaction was completed following the satisfaction or waiver of certain conditions set forth in the Stock Purchase Agreement. These conditions included obtaining all the required material orders, consents, permits, authorizations, approvals and waivers (including, without limitation, obtaining the approval of the Louisiana Department of Insurance without the material abrogation or diminishment of First Guaranty's or Reppond Holding's authority or license or the imposition of signification restrictions upon the transactions contemplated thereby). This condition was satisfied on July 8, 2016 when the Department issued an order approving the transaction, as required. The closing of the transaction took place soon thereafter on July 11, 2016.

At December 31, 2015, First Guaranty had 37,069 policies in force and 320 agents. Also, as of December 31, 2015, First Guaranty had revenues of \$8,102,000 and a net loss of \$724,000. Additionally, as of December 31, 2015, the statutory assets and the capital and surplus of First Guaranty were \$55,550,000 and \$3,849,000, respectively. As of December 31, 2014, First Guaranty had revenues of \$8,080,000 and a net loss of \$172,000. Moreover, as of December 31, 2014, the statutory assets and the capital and surplus of First Guaranty were \$54,696,000 and \$4,581,000, respectively.

Approval of Increase in Number of Authorized Class C Common Shares

At the Company's Annual Meeting of Stockholders, which was held on July 6, 2016, the stockholders approved an amendment to the Company's Articles of Incorporation to increase the number of authorized shares of Class C common stock from 2,000,000 shares to 3,000,000 shares and to increase the Company's authorized capital stock from 32,000,000 shares to 33,000,000 shares. There were 1,707,909 shares of Class C common stock outstanding as of August 15, 2016. Each share of Class C common stock has ten votes and may be converted into shares of Class A common stock at a conversion rate of one share of Class A common stock for each share of Class C common stock.

Item 6. Exhibits, Financial Statements Schedules and Reports on Form 8-K.

(a)(1) Financial Statements

See "Table of Contents – Part I – Financial Information" under page 2 above

(a)(2) Financial Statement Schedules

None

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.

(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.

3.1	Articles of Restatement of Articles of Incorporation (3)
3.2	Amended Bylaws (5)
4.1	Specimen Class A Stock Certificate (1)
4.2	Specimen Class C Stock Certificate (1)
4.3	Specimen Preferred Stock Certificate and Certificate of Designation of Preferred Stock (1)
10.1	Amended Employee Stock Ownership Plan (ESOP) and Trust Agreement (1)
10.2	2003 Stock Option Plan (4)
10.3	2006 Director Stock Option Plan (7)
10.4	2013 Amended Stock Option and Other Equity Incentive Awards Plan
10.5	2014 Director Stock Option Plan (10)
10.6	Deferred Compensation Plan (2)
10.7	Employment agreement with Scott M. Quist (12)
10.8	Indemnification Agreement among SecurityNational Mortgage Company, Lehman Brothers Bank, and Aurora Loan Services (7)
10.9	Agreement and Plan of Reorganization among Security National Financial Corporation and certain subsidiaries (8)
10.10	Purchase Agreement among Security National Financial Corporation, SNFC Subsidiary, LLC, American Funeral Financial, LLC, and Hypershops, LLC (9)
10.11	Stock Purchase Agreement among Security National Financial Corporation, Christi Babb and Jack Madden, Jr. to purchase First Guaranty Insurance Company Subsidiaries of the Registrant
21	Subsidiaries of the Registrant
23.1	Consent of Eide Bailly LLP (11)
23.2	Consent of Mackey Price & Mecham (11)
31.1	Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.xml	Instance Document
101.xsd	Taxonomy Extension Schema Document
101.cal	Taxonomy Extension Calculation Linkbase Document
101.def	Taxonomy Extension Definition Linkbase Document
101.lab	Taxonomy Extension Label Linkbase Document
101.pre	Taxonomy Extension Presentation Linkbase Document

(1)	Incorporated by reference from Registration Statement on Form S-1, as filed on September 29, 1987
(2)	Incorporated by reference from Annual Report on Form 10-K, as filed on April 3, 2002
(3)	Incorporated by reference from Report on Form 8-K/A, as filed on January 8, 2003
(4)	Incorporated by reference from Schedule 14A Definitive Proxy Statement, as filed on September 5, 2003, relating to the Company's Annual Meeting of Stockholders
(5)	Incorporated by reference from Report on Form 10-Q, as filed on November 14, 2003
(6)	Incorporated by reference from Schedule 14A Definitive Proxy Statement, as filed on June 1, 2007, relating to the Company's Annual Meeting of Stockholders
(7)	Incorporated by reference from Report on Form 10-K, as filed on June 30, 2009
(8)	Incorporated by reference from Report on Form 10-Q, as filed on November 13, 2013
(9)	Incorporated by reference from Report on Form 8-K, as filed on June 13, 2014
(10)	Incorporated by reference from Schedule 14A Definitive Proxy Statement, as filed on June 2, 2014, related to Company's Annual Meeting of Stockholders
(11)	Incorporated by reference from Registration Statement on Form S-8, as filed on October 20, 2015.
(12)	Incorporated by reference from Report on Form 10-Q, as filed on November 13, 2015.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGISTRANT

SECURITY NATIONAL FINANCIAL CORPORATION
Registrant

Dated: August 15, 2016

/s/ Scott M. Quist
Scott M. Quist
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Dated: August 15, 2016

/s/ Garrett S. Sill
Garrett S. Sill
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

SECURITY NATIONAL FINANCIAL CORPORATION

2013 AMENDED STOCK OPTION AND OTHER EQUITY
INCENTIVE AWARDS PLAN

Effective as of December 4, 2015

1. **Purpose.** This 2013 Amended Stock Option and Other Equity Incentive Awards Plan (the "Plan") is intended to provide incentives: (a) to the officers and other employees of Security National Financial Corporation, a Utah corporation (the "Company"), and any present or future subsidiaries of the Company (collectively, "Related Corporations") by providing them with opportunities to purchase stock in the Company pursuant to options granted hereunder which qualify as "incentive stock options" under Section 422A(b) of the Internal Revenue Code of 1986, as amended (the "Code") ("ISO" or "ISOs"); (b) to directors, officers, employees and consultants of the Company and Related Corporations by providing them with opportunities to purchase stock in the Company pursuant to options granted hereunder which do not qualify as ISOs ("Non-Qualified Option" or "Non-Qualified Options"); (c) to directors, officers, employees and consultants of the Company and Related Corporations by providing them with awards of stock in the Company ("Awards"); and (d) to directors, officers, employees and consultants of the Company and Related Corporations by providing them with opportunities to make direct purchases of stock in the Company ("Purchases"); and (e) to officers, employees and consultants of the Company and Related Corporations by providing them with stock appreciation rights ("Stock Appreciation Rights"), restricted stock units ("Restricted Stock Units") and performance share awards ("Performance Share Awards"). Both ISOs and Non-Qualified Options are referred to hereafter individually as an "Option" and collectively as "Options." Options, Awards and authorizations to make Purchases are referred to hereafter collectively as "Stock Rights." As used herein, the terms "parent" and "subsidiary" mean "parent corporation" and "subsidiary corporation," respectively, as those terms are defined in Section 425 of the Code.

2. **Administration of the Plan.**

(a) **Board or Committee Administration.** The Plan shall be administered solely by the Board of Directors of the Company (the "Board") or a Compensation Committee (the "Committee") of not less than two members of the Board of Directors. Hereinafter, all references in this Plan to the "Committee" shall mean the Board if no Committee has been appointed. Subject to ratification of the grant or authorization of each Stock Right by the Board (if so required by applicable state law), and subject to the terms of the Plan, the Committee shall have the authority to (i) determine the employees of the Company and Related Corporations (from among the class of employees eligible under Section 3 hereof to receive ISOs) to whom ISOs may be granted, and to determine (from among the class of individuals and entities eligible under Section 3 to receive Non-Qualified Options and Awards and to make Purchases) to whom Non-Qualified Options, Awards and authorizations to make Purchases may be granted; (ii) determine the time or times at which Options or Awards may be granted or Purchases made; (iii) determine the option price of shares subject to each Option, which price shall not be less than the minimum price specified in Section 6, and the purchase price of shares subject to each Purchase; (iv) determine whether each Option granted shall be an ISO or a Non-Qualified Option; (v) determine (subject to Section 7) the time or times when each Option shall become exercisable and the duration of the exercise period; (vi) determine whether restrictions such as repurchase options are to be imposed on shares subject to Options, Awards and Purchases and the nature of such restrictions, if any, and (vii) interpret the Plan and prescribe and rescind rules and regulations relating to it. If the Committee determines to issue a Non-Qualified Option, it shall take whatever actions it deems necessary, under Section 422A of the Code and the regulations promulgated thereunder, to ensure that such Option is not treated as an ISO. The interpretation and construction by the Committee of any provisions of the Plan or of any Stock Right granted under it shall be final unless otherwise determined by the Board. The Committee may from time to time adopt such rules and regulations for carrying out the Plan as it may deem best. No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Stock Right granted under it.

(b) Committee Actions. The Committee may select one of its members as its chairman, and shall hold meetings at such times and places as it may determine. Acts by a majority of the Committee, or acts reduced to or approved in writing by a majority of the members of the Committee, shall be the valid acts of the Committee. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

(c) Grant of Stock Rights to Board Members. Stock Rights may be granted to members of the Board, but any such grant shall be made and approved in accordance with Section 2(d), if applicable. All grants of Stock Rights to members of the Board shall in all other respects be made in accordance with the provisions of this Plan applicable to other eligible persons. Members of the Board who are either (i) eligible for Stock Rights pursuant to the Plan or (ii) have been granted Stock Rights may vote on any matters affecting the administration of the Plan or the grant of any Stock Rights pursuant to the Plan, except that no such member shall act upon the granting to himself of Stock Rights, but any such member may be counted in determining the existence of a quorum at any meeting of the Board during which action is taken with respect to the granting to him of Stock Rights.

(d) Compliance with Federal Securities Laws. Various restrictions apply to officers and directors and others who may be deemed insiders. Holders of Stock Rights should consult with legal and tax advisors regarding the securities law, tax law and other effects of transactions under this Plan. These restrictions relate to holding periods, alternative minimum tax calculations and other matters and should be clearly understood by the Stock Rights holder.

(e) Intent of Plan. This Plan is intended to be an "employee benefit plan" under Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, as amended.

This Plan is also intended to be a "compensatory benefit plan" under Rule 701 promulgated under the Securities Act of 1933, as amended. Transactions under the Plan are intended to comply with these rules. To the extent any provisions of the Plan or any action by the Committee or the Board fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee or the Board.

(f) Shareholder Approval. Grants of incentive stock options hereunder shall be subject to shareholder approval of this Plan within twelve (12) months following the date this Plan is approved by the Board.

3. Eligible Employees and Others. ISOs may be granted to any employee of the Company or any Related Corporation. Those officers and directors of the Company who are not employees may not be granted ISOs under the Plan. Non-Qualified Options, Awards and authorizations to make Purchases may be granted to any employee, officer or director (whether or not also an employee) or consultant of the Company or any Related Corporation. The Committee may take into consideration a recipient's individual circumstances in determining whether to grant an ISO, a Non-Qualified Option, an Award or an authorization to make a Purchase. Granting of any Stock Right to any individual or entity shall neither entitle that individual or entity to, nor disqualify him from, participation in any other grant of Stock Rights.

4. Stock. The stock subject to Options, Awards and Purchases shall be authorized but unissued shares of Class A Common Stock of the Company, par value \$2.00 per share, and Class C Common Stock of the Company, par value \$2.00 per share (collectively referred to as the "Common Stock" or the "Stock"), or shares of Common Stock reacquired by the Company in any manner. The aggregate number of shares which may be issued pursuant to the Plan is 450,000 shares of Class A Common Stock, of which up to 150,000 share of Class A Common Stock could be issued in place of up to 150,000 shares of Class C Common Stock. The shares of Class A Common Stock and Class C Common Stock are subject to adjustment as provided in Section 13. Any such shares may be issued as ISOs, Non-Qualified Options or Awards, or to persons or entities making Purchases, so long as the number of shares so issued does not exceed such number, as adjusted. If any Option granted under the Plan shall expire or terminate for any reason without having been exercised in full or shall cease for any reason to be exercisable in whole or in part, or if the Company shall reacquire any unvested shares issued pursuant to Awards or Purchases, the unpurchased shares subject to such Options and any unvested shares so reacquired by the Company shall again be available for grants of Stock Rights under the Plan.

5. Granting of Stock Rights. Stock Rights may be granted under the Plan at any time until ten years after the date of the adoption of the Plan. The date of grant of a Stock Right under the Plan will be the date specified by the Committee at the time it grants the Stock Right; provided, however, that such date shall not be prior to the date on which the Committee acts to approve the grant. The Committee shall have the right, with the consent of the optionee, to convert an ISO granted under the Plan to a Non-Qualified Option pursuant to Section 16.

6. **Minimum Option Price; ISO Limitations.**

(a) **Price for Non-Qualified Options.** The exercise price per share specified in the agreement relating to each Non-Qualified Option granted under the Plan shall in no event be less than the lesser of (i) the book value per share of Class A Common Stock as of the end of the fiscal year of the Company immediately preceding the date of such grant, or (ii) fifty percent (50%) of the fair market value per share of Class A Common Stock on the date of such grant. Subject to the foregoing sentence, the exercise price and nature of consideration for Non-Qualified Options granted hereunder shall be determined by the Committee or Board in its sole discretion, taking into account factors it deems relevant.

(b) **Price for ISOs.** The exercise price per share specified in the agreement relating to each ISO granted under the Plan shall not be less than the fair market value per share of Common Stock on the date of such grant. In the case of an ISO to be granted to an employee to purchase shares of Class C Common Stock, the exercise price shall not be less than the fair market value of the Class A Common Stock on the date of such grant. In the case of an ISO to be granted to an employee owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Related Corporation, the price per share specified in the agreement relating to such ISO shall not be less than one hundred ten percent (110%) of the fair market value per share of Class A Common Stock on the date of grant.

(c) **\$100,000 Annual Limitation on ISOs.** Each eligible employee may be granted ISOs only to the extent that, in the aggregate under this Plan and all incentive stock option plans of the Company and any Related Corporation, such ISOs do not become exercisable for the first time by such employee during any calendar year in a manner which would entitle the employee to purchase more than \$100,000 in fair market value (determined at the time the ISOs were granted) of Class A Common Stock in that year. Any options granted to an employee in excess of such amount will be granted as Non-Qualified Options.

(d) **Awards and Purchases.** Awards and Purchases under this Plan shall be made at prices equal to the fair market value of the Company's Class A Common Stock on the date of such Award or Purchase. Fair Market Value shall be determined by the Committee or the Board in its sole discretion in accordance with Section 6(e) hereof. Shares of Common stock may be issued in Award and Purchase transactions for any lawful consideration determined by the Board or the Committee, in its sole discretion.

(e) **Determination of Fair Market Value.** If, at the time an Option is granted under the Plan to purchase shares of Class A Common Stock, the Company's Class A Common Stock is publicly traded, "fair market value" shall be determined as of the last business day for which the prices or quotes discussed in this sentence are available prior to the date such Option is granted and shall mean (i) the average (on that date) of the high and low prices of the Class A Common Stock on the principal national securities exchange on which the Class A Common Stock is traded, if the Class A Common Stock is then traded on a national securities exchange; or (ii) the last reported sale price (on that date) of the Class A Common Stock on the Nasdaq National Market List, if the Class A Common Stock is not then traded on a national securities exchange; or (iii) the closing bid price (or average of bid prices) last quoted (on that date) by an established quotation service for over-the-counter securities, if the Class A Common Stock is not reported on the Nasdaq National Market List. However, if the Class A Common Stock is not publicly traded at the time an Option is granted under the Plan, "fair market value" shall be deemed to be the fair value of the Class A Common Stock as determined by the Committee after taking into consideration all factors which it deems appropriate, including, without limitation, recent sale and offer prices of the Class A Common Stock in private transactions negotiated at arm's length. For purposes of determining the "fair market value" of shares of Class C Common Stock, the value of such shares shall be equal to the "fair market value" of the Class A Common Stock at the time an option is granted under the Plan to purchase shares of Class C Common Stock.

7. **Option Duration.** Subject to earlier termination as provided in Sections 9 and 10 hereof, each Option shall expire on the date specified by the Committee, but not more than (i) ten (10) years and one day from the date of grant in the case of Non-Qualified Options, (ii) ten (10) years from the date of grant in the case of ISOs generally, and (iii) five (5) years from the date of grant in the case of ISOs granted to an employee owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Related Corporation. Subject to earlier termination as provided in Sections 9 and 10, the term of each ISO shall be the term set forth in the original instrument granting such ISO, except with respect to any part of such ISO that is converted into a Non-Qualified Option pursuant to Section 16.

8. **Exercise of Option.** Subject to the provisions of Sections 9 through 12 hereof, each Option granted under the Plan shall be exercisable as follows:

(a) **Vesting.** The Option shall either be fully exercisable on the date of grant or shall become exercisable thereafter in such installments as the Committee may specify.

(b) **Full Vesting of Installments.** Once an installment becomes exercisable it shall remain exercisable until expiration or termination of the Option, unless otherwise specified by the Committee.

(c) **Partial Exercise.** Each Option or installment may be exercised at any time or from time to time, in whole or in part, for up to the total number of shares with respect to which it is then exercisable.

(d) **Acceleration of Vesting.** The Committee shall have the right to accelerate the date of exercise of any installment of any Option; provided that the Committee shall not, without the consent of an optionee, accelerate the exercise date of any installment of any Option granted to any employee as an ISO (and not previously converted into a Non-Qualified Option pursuant to Section 16) if such acceleration would violate the annual vesting limitation contained in Section 422A(d) of the Code, as described in Section 6(c) hereof.

(e) **Exercise of Options to Purchase Class C Common Stock.** When exercising Options to purchase shares of Class C Common Stock, the exercise price shall not be less than the fair market value of the Class A Common Stock on the date of grant, and the purchase price, in determining the number of shares of Class C Common Stock deliverable upon the exercise of such Options, shall not be less than the fair market value of the Class A Common Stock on the date such Options are exercised.

9. **Termination of Employment.** If an ISO optionee ceases to be employed by the Company and all Related Corporations other than by reason of death or disability as defined in Section 10, no further installments of such optionee's ISOs shall become exercisable, and such optionee's ISOs shall terminate after the passage of ninety (90) days from the date of termination of such optionee's employment, but in no event later than on their specified expiration dates, except to the extent that such ISOs (or unexercised installments thereof) have been converted into Non-Qualified Options pursuant to Section 16 hereof. Employment shall be considered as continuing uninterrupted during any bona fide leave of absence (such as those attributable to illness, military obligations or governmental service) provided that the period of such leave does not exceed ninety (90) days or, if longer, any period during which such optionee's right to reemployment is guaranteed by statute. A bona fide leave of absence with the written approval of the Committee shall not be considered an interruption of employment under the Plan, provided that such written approval contractually obligates the Company or any Related Corporation to continue the employment of the optionee after the approved period of absence. ISOs granted under the Plan shall not be affected by any change of employment within or among the Company and Related Corporations, so long as the optionee continues to be an employee of the Company or any Related Corporation. Nothing in the Plan shall be deemed to give any grantee of any Stock Right the right to be retained in employment or other service by the Company or any Related Corporation for any period of time.

10. **Death; Disability.**

(a) **Death.** If an ISO optionee ceases to be employed by the Company and all Related Corporations by reason of such optionee's death, any ISO of such optionee may be exercised, to the extent of the number of shares with respect to which the optionee could have exercised on the date of the optionee's death, by the optionee's estate, personal representative or beneficiary who has acquired the ISO by will or by the laws of descent and distribution, at any time prior to the earlier of the specified expiration date of the ISO or one year from the date of the optionee's death.

(b) **Disability.** If an ISO optionee ceases to be employed by the Company and all Related Corporations by reason of disability, such optionee (or such optionee's custodian) shall have the right to exercise any ISO held by such optionee on the date of termination of employment, to the extent of the number of shares with respect to which the optionee could have exercised on that date, at any time prior to the earlier of the specified expiration date of the ISO or one year from the date of the termination of the optionee's employment. For the purposes of the Plan, the term "disability" shall mean "permanent and total disability" as defined in Section 22(e)(3) of the Code or any successor statute.

11. **Transferability.** No ISO granted under the Plan shall be transferable or assignable by the optionee except by will or by the laws of descent and distribution, and must be exercisable, during the lifetime of the optionee, only by the optionee. Unless approved by the Board or the Committee, no Non-Qualified Option granted under the Plan shall be transferable or assignable by optionee except by will or by the laws of descent and distribution, and must be exercisable, during the lifetime of the optionee, only by the optionee.

12. **Terms and Conditions of Options.** Options shall be evidenced by instruments (which need not be identical) in such forms as the Committee may from time to time approve. Such instruments shall conform to the terms and conditions set forth in Sections 6 through 11 hereof and may contain such other provisions as the Committee deems advisable which are not inconsistent with the Plan, including restrictions applicable to shares of Common Stock issuable upon exercise of Options. In granting any Non-Qualified Option, the Committee may specify that such Non-Qualified Option shall be subject to the restrictions set forth herein with respect to ISOs, or to such other termination and cancellation provisions as the Committee may determine. The Committee may from time to time confer authority and responsibility on one or more of its own members and/or one or more officers of the Company to execute and deliver such instruments. The proper officers of the Company are authorized and directed to take any and all action necessary or advisable from time to time to carry out the terms of such instruments.

13. **Adjustments.** Upon the occurrence of any of the following events, an optionee's rights with respect to Options granted to the optionee hereunder shall be adjusted as hereinafter provided, unless otherwise specifically provided in the written agreement between the optionee and the Company relating to such Option:

(a) **Stock Dividends and Stock Splits.** 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 appropriately increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or stock dividend.

(b) **Assumption of Options by Successors.** In the event of a dissolution or liquidation of the Company, a merger in which the Company is not the surviving corporation, or the sale of substantially all of the assets of the Company, the Committee may in its sole discretion accelerate the exercisability of any or all outstanding Options so that such Options would be exercisable in full prior to the consummation of such dissolution, liquidation, merger or sale of assets at such times and on such conditions as the Committee shall determine, unless the successor corporation, if any, assumes the outstanding Options or substitutes substantially equivalent options.

(c) **Recapitalization or Reorganization.** In the event of a recapitalization or reorganization of the Company (other than a transaction described in subsection (b) above) pursuant to which securities of the Company or of another corporation are issued with respect to the outstanding shares of Common Stock, an optionee upon exercising an Option shall be entitled to receive for the purchase price paid upon such exercise the securities the optionee would have received if the optionee had exercised the Option prior to such recapitalization or reorganization.

(d) Modification of ISOs. Notwithstanding the foregoing, any adjustments made pursuant to subsections (a), (b) or (c) with respect to ISOs shall be made only after the Committee, after consulting with counsel for the Company, determines whether such adjustments would constitute a "modification" of such ISOs (as that term is defined in Section 425 of the Code) or would cause any adverse tax consequences for the holders of such ISOs. If the Committee determines that such adjustments made with respect to ISOs would constitute a modification of such ISOs, it may refrain from making such adjustments.

(e) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, each Option will terminate immediately prior to the consummation of such proposed action or at such other time and subject to such other conditions as shall be determined by the Committee.

(f) Issuances of Securities. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to Options. No adjustments shall be made for dividends paid in cash or in property other than securities of the Company.

(g) Fractional Shares. No fractional shares shall be issued under the Plan and the optionee shall receive from the Company cash in lieu of such fractional shares.

(h) Adjustments. Upon the happening of any of the foregoing events described in subsections (a), (b) or (c) above, the class and aggregate number of shares set forth in Section 4 hereof that are subject to Stock Rights which previously have been or subsequently may be granted under the Plan shall also be appropriately adjusted to reflect the events described in such subsections. The Committee or the Successor Board shall determine the specific adjustments to be made under this Section 13 and, subject to Section 2, its determination shall be conclusive. If any person or entity owning restricted Common Stock obtained by exercise of a Stock Right made hereunder receives shares or securities or cash in connection with a corporate transaction described in subsections (a), (b) or (c) above as a result of owning such restricted Common Stock, such shares or securities or cash shall be subject to all of the conditions and restrictions applicable to the restricted Common Stock with respect to which such shares or securities or cash were issued, unless otherwise determined by the Committee or the Board.

14. Means of Exercising Stock Rights. A Stock Right (or any part or installment thereof) shall be exercised by giving written notice to the Company at its principal office address. Such notice shall identify the Stock Right being exercised and specify the number of shares as to which such Stock Right is being exercised, accompanied by full payment of the purchase price therefor either (a) in United States dollars in cash or by check, or (b) at the discretion of the Committee, through delivery of shares of Class A Common Stock having a fair market value equal as of the date of the exercise to the cash exercise price of the Stock Right, or (c) at the discretion of the Committee, through the use of some of the shares in a fully vested account of the holder of the Stock Right in a pension or profit sharing plan, including a 401(k) plan or employee stock ownership plan, or (d) at the discretion of the Committee, through the use of some of the shares or the rights to purchase some of the shares for which the Stock Right is being exercised, or (e) at the discretion of the Committee, by any combination of (a), (b), (c) and (d) above. If the Committee exercises its discretion to permit payment of the exercise price of a Stock Right by means of the methods set forth in clauses (b), (c), (d), or (e) of the preceding sentence, such discretion shall be exercised in writing at the time of the grant of the Stock Right in question. The holder of a Stock Right shall not have the rights of a shareholder with respect to the shares covered by his Stock Right until the date of issuance of a stock certificate to him for such shares. Except as expressly provided above in Section 13 with respect to changes in capitalization and stock dividends, no adjustment shall be made for dividends or similar rights for which the record date is before the date such stock certificate is issued.

15. **Term and Amendment of Plan.** This Plan was adopted by the Board on May 14, 2013, subject (with respect to the validation of ISOs granted under the Plan) to approval of the Plan by the stockholders of the Company at the next meeting of the stockholders. If the approval of stockholders is not obtained by May 14, 2014, any grants of ISOs under the Plan made prior to that date will be rescinded. The Plan shall expire on May 14, 2023 (except as to Options outstanding on that date). Subject to the provisions of Section 5 above, Stock Rights may be granted under the Plan prior to the date of stockholder approval of the Plan. The Board may terminate or amend the Plan in any respect at any time, except that, without the approval of the stockholders obtained within twelve (12) months before or after the Board adopts a resolution authorizing any of the following actions: (a) the total number of shares that may be issued under the Plan may not be increased (except by adjustment pursuant to Section 13); (b) the provisions of Section 3 regarding eligibility for grants of ISOs may not be modified; (c) the provisions of Section 6(b) regarding the exercise price at which shares may be offered pursuant to ISOs may not be modified (except by adjustment pursuant to Section 13); and (d) the expiration date of the Plan may not be extended. Except as otherwise provided in this Section 15, in no event may action of the Board or stockholders alter or impair the rights of a grantee, without such grantee's consent, under any Stock Right previously granted to such grantee. The Committee may amend the terms of any Stock Right granted if such amendment is agreed to by the recipient of such Stock Right.

16. **Conversion of ISOs Into Non-Qualified Options; Termination of ISOs.** The Committee, at the written request of any optionee, may in its discretion take such actions as may be necessary to convert such optionee's ISOs (or any installments or portions of installments thereof) that have not been exercised on the date of conversion into Non-Qualified Options at any time prior to the expiration of such ISOs, regardless of whether the optionee is an employee of the Company or a Related Corporation at the time of such conversion. Such actions may include, but shall not be limited to, extending the exercise period or reducing the exercise price of the appropriate installments of such Options. At the time of such conversion, the Committee (with the consent of the Optionee) may impose such conditions on the exercise of the resulting Non-Qualified Options as the Committee in its discretion may determine, provided that such conditions shall not be inconsistent with this Plan. Nothing in this Plan shall be deemed to give any optionee the right to have such optionee's ISOs converted into Non-Qualified Options, and no such conversion shall occur until and unless the Committee takes appropriate action. The Committee, with the consent of the optionee, may also terminate any portion of any ISO that has not been exercised at the time of such termination.

17. **Application of Funds.** The proceeds received by the Company from the sale of shares pursuant to Options granted and Purchases authorized under the Plan shall be used for general corporate purposes.

18. **Governmental Regulation.** The Company's obligation to sell and deliver shares of Common Stock under this Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance or sale of such shares.

19. **Withholding of Additional Income Taxes.** Upon the exercise of a Non-Qualified Option, the grant of an Award, the making of a Purchase of Common Stock for less than its fair market value, the making of a Disqualifying Disposition (as defined in Section 20 hereof) or the vesting of restricted Common Stock acquired on the exercise of a Stock Right hereunder, the Company, in accordance with Section 3402(a) of the Code, may require the optionee, Award recipient or purchaser to pay additional withholding taxes in respect of the amount that is considered compensation includable in such person's gross income. The Committee in its discretion may condition (i) the exercise of an Option, (ii) the grant of an Award, (iii) the making of a Purchase of Common Stock for less than its fair market value, or (iv) the vesting of restricted Common Stock acquired by exercising a Stock Right, on the grantee's payment of such additional withholding taxes.

20. **Notice to Company of Disqualifying Disposition.** Each employee who receives an ISO must agree to notify the Company in writing immediately after the employee makes a Disqualifying Disposition of any Common Stock acquired pursuant to the exercise of an ISO. A Disqualifying Disposition is any disposition (including any sale) of such Common Stock before the later of (a) two years after the date the employee was granted the ISO, or (b) one year after the date the employee acquired Common Stock by exercising the ISO. If the employee has died before such stock is sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.

21. **Stock Appreciation Rights.**

(a) **Grant of Stock Appreciation Rights.** A Stock Appreciation Right may be granted to any officer or employee selected by the Committee. A Stock Appreciation Right shall be subject to such terms and conditions not inconsistent with the Plan as the Committee may impose and shall be evidenced by an award agreement.

(b) **Exercise of Right.** A Stock Appreciation Right shall entitle the participant to exercise all or a specified portion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount equal to the product of (i) the excess of (A) the Fair Market Value of the Stock as defined in this Section 21 on the date the Stock Appreciation Right is exercised over (B) the Fair Market Value of the Stock on the date the Stock Appreciation Right was granted and (ii) the number of shares of Stock with respect to which the Stock Appreciation Right is exercised, subject to any limitations the Committee may impose. The exercise price per share of Stock subject to each Stock Appreciation Right shall be set by the Committee, but shall not be less than 100% of the Fair Market Value on the date the Stock Appreciation Right is granted. For purposes of this Section 21, Fair Market Value means, as of any given date, (x) if Stock is traded on any established stock exchange, the closing price of a share of Stock as reported in the *Wall Street Journal* (or such other source as the Company may deem reliable for such purposes) for such date, or if no sale occurred on such date, the first trading date immediately prior to such date during which a sale occurred; or (y) if Stock is not traded on an exchange but is quoted on a national market or other quotation system, the last sales price on such date, as reported in the *Wall Street Journal* (or such other source as the Company may deem reliable for such purposes).

(c) Payment on Exercise. Payment of the amounts determined under Section 21(b) above shall be in cash, in Stock (based on Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Committee, and subject to any tax withholding requirements.

22. Restricted Stock Units. The Committee is authorized to make awards of Restricted Stock Units to any officer, employee or consultant of the Company selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. At the time of grant, the Committee shall specify the date or dates on which the Restricted Stock Units shall become fully vested and non-forfeitable, and may specify such conditions to vesting as it deems appropriate. The Committee shall specify, or permit the participant to elect, the conditions and dates upon which the shares of Stock underlying the Restricted Stock Units shall be issued, which dates shall not be earlier than the date as of which the Restricted Stock Units vest and become non-forfeitable and which conditions and dates shall be subject to compliance with Section 409A of the Code. On the distribution dates, the Company shall transfer to the participant one unrestricted, fully transferable share of Stock for each Restricted Stock Unit scheduled to be paid out on such date and not previously forfeited.

23. Performance Share Awards.

(a) Grant of Award. Any officer, employee or consultant selected by the Committee may be granted one or more Performance Share Awards, which shall be denominated in a number of shares of Stock and which may be linked to any one or more of the performance criteria determined by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular participant.

(b) Purpose of Award. If the Committee, in its discretion, decides to grant a Performance Share Award to a participant, the provisions in this Section 23 shall control over any contrary provision contained in the Plan; provided, however, that the Committee may in its discretion grant Performance Share Awards to participants that are based on performance criteria or performance goals that do not satisfy the requirements to this Section 23.

(c) Applicability. This Section 23 shall apply only to those participants selected by the Committee to receive Performance Share Awards. The designation of a participant for a Performance Share Award shall not in any manner entitle the participant to receive an award for the period. Moreover, the designation of a participant for a particular performance period shall not require designation of such participant as a participant in a subsequent performance period and designation of one participant as a participant shall not require designation of any other employees as a participant in such period or in any other period.

(d) Procedures for Performance Share Awards. To the extent necessary to comply with the Qualified Performance-Based Compensation requirements of Section 162(m)(4)(C) of the Code with respect to any Performance Share Award granted under this Section 23, which may be granted to one or more participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (a) designate one or more participants, (b) select the performance criteria applicable to the performance period, (c) establish the performance goals, and amounts of such Performance Share Awards, as applicable, which may be earned for such performance period, and (d) specify the relationship between performance criteria and performance goals, and the amounts of such awards, as applicable, to be earned by each participant for such performance period. Following the completion of each performance period, the Committee shall certify in writing whether the applicable performance goals have been achieved for such performance period. In determining the amount earned by a participant, the Committee shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the performance period.

(e) Payment of Performance Share Awards. Unless otherwise provided on the applicable Performance Share Award agreement, a participant must be employed by the Company or Related Corporations on the day a Performance Share Award for such performance period is paid to the participant. Furthermore, a participant shall be eligible to receive shares of Stock pursuant to a Performance Share Award for a performance period only if the performance goals for such period are achieved. In determining the shares of Stock earned under a Performance Share Award, the Committee may reduce or eliminate the number of shares of Stock earned for the performance period, if in its sole and absolute discretion, such reduction or elimination is appropriate.

(f) Additional Limitations. Notwithstanding any other provision of the Plan, any Performance Share Award which is granted to a participant and is intended to constitute Qualified Performance-Based Compensation shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Section 162(m)(4)(C) of the Code, and the Plan and the applicable Performance Share Award shall be deemed amended to the extent necessary to conform to such requirements.

24. Governing Law; Construction. The validity and construction of the Plan and the instruments evidencing Stock Rights shall be governed by the laws of the State of Utah. In construing this Plan, the singular shall include the plural and the masculine gender shall include the feminine and neuter, unless the context otherwise requires.



STOCK PURCHASE AGREEMENT

DATED AS OF

FEBRUARY 17, 2016,

By and Among

CHRISTI DIANE BABB, an individual

and

JACK MADDEN, JR., an individual

collectively, Sellers,

and

SECURITY NATIONAL FINANCIAL CORPORATION,

Purchaser

TABLE OF CONTENTS

		Page
ARTICLE I	DEFINITIONS	1
1.1	Terms Defined	1
1.2	Other Definitional Provisions	1
ARTICLE II	PURCHASE AND SALE OF THE SHARES AND CLOSING	2
2.1	Purchase and Sale of the Shares	2
2.2	Purchase Price	2
2.3	The Closing; Closing Date	2
2.4	Babb Purchase Price Adjustment	3
ARTICLE III	REPRESENTATIONS AND WARRANTIES OF THE SELLERS	4
3.1	Organization	4
3.2	Authority	4
3.3	Capital Stock	4
3.4	Subsidiaries	5
3.5	No Conflicts or Violations	5
3.6	Books and Records	5
3.7	Financial Statements	6
3.8	No Other Financial Statements	6
3.9	Reserves	6
3.10	Absence of Changes	7
3.11	No Undisclosed Liabilities	9
3.12	Taxes	9
3.13	Litigation	11
3.14	Compliance with Laws	11
3.15	Employees and Employee Benefit Plans	12
3.16	Properties	13
3.17	Contracts	16
3.18	Insurance Issued by the Company	18
3.19	Licenses and Permits	19
3.20	Operations Insurance	19
3.21	Intercompany Liabilities	19
3.22	Bank Accounts	19
3.23	Brokers	19
3.24	No Other Representations	20
ARTICLE IV	REPRESENTATIONS AND WARRANTIES OF THE PURCHASER	20
4.1	Organization	20
4.2	Authority	20
4.3	No Conflicts or Violations	20
4.4	Litigation	21
4.5	Brokers	21
4.6	Availability of Funds	21
4.7	Purchase for Investment	21

4.7	Investigation and Evaluation	22
4.8	Information on Change of Control Application	22
ARTICLE V	COVENANTS OF THE SELLERS; JOINT CONSENTS	22
5.1	Regulatory Approvals	22
5.2	Access by the Purchaser	22
5.3	No Negotiations, etc	23
5.4	Conduct of Business	23
5.5	Financial Statements and Reports	25
5.6	Investments	25
5.7	Employee Matters	25
5.8	No Charter Amendments	26
5.9	No Issuance of Securities	26
5.10	No Dividends	26
5.11	No Disposal of Property	26
5.12	No Breach or Default	27
5.13	Indebtedness	27
5.14	No Acquisitions	27
5.15	Intercompany Liabilities	27
5.16	Tax Matters	27
5.17	Notice and Cure	27
5.18	Regulatory Matters	28
5.19	Access to Information	29
5.20	Employee Benefits	30
ARTICLE VI	COVENANTS OF THE PURCHASER	31
6.1	Regulatory Approvals	31
6.2	Reserved	31
6.3	Notice and Cure	31
ARTICLE VII	CONDITIONS TO OBLIGATIONS OF THE PURCHASER	32
7.1	Representations and Warranties	32
7.2	Performance	32
7.3	Certificates of the Sellers	33
7.4	No Injunction	33
7.5	No Proceeding or Litigation	33
7.6	Consents, Authorizations, etc	33
ARTICLE VIII	CONDITIONS TO OBLIGATIONS OF THE SELLERS	33
8.1	Representations and Warranties	33
8.2	Performance	34
8.3	Officers' Certificates	34
8.4	No Injunction	34
8.5	Consents, Authorizations, etc	34
ARTICLE IX	SURVIVAL OF PROVISIONS; REMEDIES	34
9.1	Survival	34
9.2	Available Remedies	35

ARTICLE X	INDEMNIFICATION	35
10.1	Tax Indemnification	35
10.2	Other Indemnification	36
10.3	Method of Asserting Claims	37
10.4	After-Tax Damages	39
10.5	Limitations on Indemnificatio	39
10.6	Exclusive Remedy	40
ARTICLE XI	TERMINATION	40
11.1	Termination	40
11.2	Effect of Termination	41
ARTICLE XII	MISCELLANEOUS	41
12.1	Notices	41
12.2	Entire Agreement	43
12.3	Expenses	43
12.4	Public Announcements	43
12.5	Confidentiality	43
12.6	Section 338(h)(10) Election	44
12.7	Further Assurances	44
12.8	Waiver or Extension	44
12.9	Amendment	44
12.10	Counterparts	44
12.11	No Third Party Beneficiaries	44
12.12	Governing Law	45
12.13	Binding Effect	45
12.14	Assignment	45
12.15	Headings, etc	45
12.16	Invalid Provisions	45
12.17	Limitations	45
12.18	Disclosure Schedules	45
12.19	Certain Understandings	46
12.20	Attorney Client Privilege and Conflict Waiver	46

SCHEDULES

Schedule 1	Repond Stock Ownership
Schedule 1.1	Definitions of Terms
Schedule 2.2	Transferred Real Estate
Schedule 2.4	Charbonnet Property
Schedule 3.1	Certificates of Authority of First Guaranty
Schedule 3.3	Capital Stock of the Company
Schedule 3.5(a)	Governmental Authority Consents and Approvals
Schedule 3.5(e)	Other Consents and Approvals
Schedule 3.7	Statutory Financial Statements
Schedule 3.9	Reserves
Schedule 3.10	Absence of Changes
Schedule 3.11	Undisclosed Liabilities
Schedule 3.12	Taxes
Schedule 3.13	Litigation
Schedule 3.14	Compliance with Laws
Schedule 3.15(a)	Employee Benefit Plans
Schedule 3.15(e)	Post-Retirement or Post-Termination Benefits
Schedule 3.16	Properties
Schedule 3.17	Material Contracts
Schedule 3.18	Insurance Issued by First Guaranty
Schedule 3.19	Licenses and Permits
Schedule 3.20	Operations Insurance
Schedule 3.21	Intercompany Liabilities
Schedule 3.22	Bank Accounts
Schedule 3.23	Brokers

EXHIBITS

A –	Certificate of the Sellers
B –	Officer's Certificate of the Purchaser
C –	Secretary's Certificate of the Purchaser
D –	1, 2, 3 and 4 -- Releases under Prior Stock Purchase Agreements
E –	Form of Transferred Real Estate Transfer Deed

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made and entered into as of February 17, 2016 by and between **SECURITY NATIONAL FINANCIAL CORPORATION**, a Utah corporation (the "Purchaser"), and **CHRISTI DIANE BABB**, an individual ("Babb") and **JACK MADDEN, JR.**, an individual ("Madden") (each of Babb and Madden a "Seller" and collectively, the "Sellers"), with respect to the acquisition by the Purchaser of all of the outstanding capital stock of **REPPOND HOLDING COMPANY**, an Arkansas corporation ("Reppond") which is the sole shareholder of all outstanding capital stock of First Guaranty Insurance Company, a Louisiana domestic stock legal reserve life insurance company ("First Guaranty") (each of Reppond and First Guaranty sometimes referred to herein individually or collectively, as applicable, as the "Company"). The Purchaser and the Sellers or each Seller are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

WITNESSETH:

WHEREAS, Reppond is a corporation duly organized, existing and in good standing under the laws of the State of Arkansas with authorized capital stock of One Hundred Thousand (100,000) shares of common stock with a par value of One and NO/100s Dollar (\$1.00) per share (the "Common Stock"), of which 128 shares are issued and outstanding and are owned beneficially and/or of record by the Sellers as set forth on **Schedule 1** (the "Shares");

WHEREAS, Reppond is the sole shareholder of First Guaranty a domestic stock legal reserve life insurance company duly organized, existing and in good standing under the laws of the State of Louisiana with an authorized capital of One Million (1,000,000) shares of common stock with a par value of One and NO/100s Dollar (\$1.00) per share (the "First Guaranty Common Stock"), of which One Million (1,000,000) shares are issued and outstanding and are owned beneficially and/or of record by Reppond (the "First Guaranty Shares");

WHEREAS, the Sellers desire to sell, transfer and assign to the Purchaser, and the Purchaser desires to purchase and acquire from the Sellers, the Shares for the consideration and upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto hereby agree as follows:

**ARTICLE I
DEFINITIONS**

1.1 Terms Defined. The capitalized terms used in this Agreement and not defined herein shall have the meanings specified in **Schedule 1.1**.

1.2 Other Definitional Provisions. Unless the context otherwise requires, references in this Agreement to the singular number shall include the plural, and the plural number shall include the singular; words denoting gender shall include the masculine, feminine and neuter; the words "hereof," "herein" and "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement; unless otherwise specified, all Article and Section references pertain to this Agreement; and the term "or" means "and/or."

ARTICLE II
PURCHASE AND SALE OF THE SHARES AND CLOSING

2.1Purchase and Sale of the Shares. Pursuant to the terms of this Agreement, on the Closing Date and effective as of the Effective Date, the Purchaser shall purchase the Shares from the Sellers, and the Sellers shall sell, transfer and convey the Shares to the Purchaser, upon the terms and conditions set forth in this Agreement.

2.2Purchase Price.

(a) The total aggregate consideration for the Shares purchased by the Purchaser from the Sellers shall be Six Million Seven Hundred Fifty-Three Thousand and NO/100s Dollars (\$6,753,000.00) subject to the increase, if any, pursuant to Section 2.4 (the "Purchase Price"). The Purchase Price, less the amounts to be paid under the Prior Stock Purchase Agreements, in accordance with Section 2.2(a)(ii) below, shall be paid to the Sellers at the Closing, as allocated below between the Sellers, in consideration of the transfer of each Seller's ownership of the Shares as set forth on **Schedule 1**. The portion of the Purchase Price allocated to Madden shall be payable to Madden in cash and the portion of the Purchase Price allocated to Babb shall be payable to Babb in a combination of cash and the real estate properties owned by First Guaranty listed on **Schedule 2.2** (to the extent such real estate properties have not been sold prior to the Closing) (the "Transferred Real Estate"), and the cash portion of the Purchase Price payable to Babb shall be reduced by an amount equal to the Book Value of the Transferred Real Estate (the Book Value of each real estate property being shown on **Schedule 2.2** and aggregating \$863,997.00) transferred to Babb at the Closing. The Purchase Price shall be allocated between the Sellers as follows:

(i) Madden - \$1,691,250.00.

(ii) Babb-\$5,061,750.00 less all amounts paid at the Closing by the Purchaser or the Company to David Madden, Lynda Madden, Jack Madden, Sr., and Jack Madden, Jr. (the "Former Shareholders"), pursuant to those certain Stock Purchase Agreements dated December 16, 2010 (the "Prior Stock Purchase Agreements") in exchange for full releases of all Liens and Liabilities under the Prior Stock Purchase Agreements in substantially the same form attached to the this Agreement as **Exhibits D - 1, 2, 3 and 4**. Any increase in the Purchase Price in accordance with Section 2.4 will increase the cash portion of the Purchase Price due to Babb and not Madden.

(b) The Sellers acknowledge that the allocation of the Purchase Price between them in accordance with Section 2.2(a) was negotiated only between the Sellers and represents their agreement on the allocation of the Purchase Price. The Sellers agree to indemnify and hold the Purchaser harmless from any claim, expense or liability asserted by them against the Purchaser arising from or relating to such allocation of the Purchase Price.

2.3The Closing; Closing Date. The closing of the transactions contemplated herein (the "Closing") will take place, assuming satisfaction or waiver of each of the conditions set forth in Articles VII and VIII, at such time and location as the Parties may mutually agree on a date (the "Closing Date") to be mutually agreed upon between the Parties or, if no date has been agreed to, on the first Business Day of the month following the month in which all of the conditions set forth in Articles VII and VIII (other than delivery of any certificates, documents or other agreements to be delivered at Closing) have been satisfied or waived. At the option of the Parties, documents to be delivered at Closing may be delivered by facsimile or other electronic transmission, and the delivery of the original documents shall be made on the first Business Day following the Closing Date. At the Closing:

(a) the Parties shall deliver the documents and certificates required to be delivered by Articles VII and VIII; provide proof or indication of the satisfaction or waiver of each of the conditions set forth in Articles VII and VIII; and consummate the purchase and sale of the Shares by delivery by the Sellers to the Purchaser of certificates representing the Shares in proper form for transfer, or accompanied by stock powers executed by the Sellers for purchase by the Purchaser, transferring good and indefeasible title to the Shares to the Purchaser, free and clear of all encumbrances other than any created by the articles of incorporation and bylaws of Reppond and applicable securities laws, and in consideration of their receipt of their respective portions of the Purchase Price as provided in Section 2.2;

(b) the Purchaser shall pay each of the Sellers their respective portions of the cash portion of the Purchase Price as provided in Section 2.2, which shall be remitted by the Purchaser to each Seller by wire transfer of immediately available funds to an account designated by each Seller and, with respect to the portion of the Purchase Price to be paid to Babb by the Transferred Real Estate owned by First Guaranty on the Closing Date, by delivery of transfer deeds from First Guaranty to Babb in the form of Exhibit E hereto. The Sellers shall provide the Purchaser with wire transfer instructions and bank routing numbers for the payment of their respective portions of the cash portion of the Purchase Price at least forty-eight (48) hours prior to the Closing Date;

(c) the Purchaser shall pay to each of the Former Shareholders the amount owed to each under the Prior Stock Purchase Agreements as provided in Section 2.2(a)(ii) or, if the Company has made any such payment, the Purchaser shall pay such amount to the Company.

(d) the Purchaser shall contribute cash to the capital of First Guaranty equal to the Book Value of the Transferred Real Estate; and

(e) the Sellers shall deliver the resignations of each of the officers and members of the Board of Directors of Reppond and First Guaranty, effective as of the Effective Date.

2.4Babb Purchase Price Adjustment. In the event the "Charbonnet Property" set forth on Schedule 2.4 is sold prior to Closing and the selling price is equal to or greater than the Book Value of the Charbonnet Property set forth on Schedule 2.4, the Purchase Price will be increased by \$200,000 plus an amount equal to the net proceeds received by the Company from the sale in excess of that Book Value.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Except as set forth in the Disclosure Schedule, which the Purchaser acknowledges receipt of by executing this Agreement, the Sellers hereby severally but not jointly represent and warrant to the Purchaser as follows as of the date hereof or such earlier date as expressly provided in this Article III; provided, with regard to **Section 3.2** and **Schedule 1**, each Seller shall be responsible only for his or her representations concerning his or her authority and ownership of the number of Shares as set forth on Schedule 1:

3.1 Organization. Reppond is a corporation duly organized, validly existing and in good standing under the Laws of the State of Arkansas. First Guaranty is a stock legal reserve life insurance company duly incorporated, validly existing, and in good standing under the Laws of the State of Louisiana and possesses a current Certificate of Authority in each of the jurisdictions set forth on Section 3.1 of the Disclosure Schedule. The Sellers have full power and authority to enter into this Agreement, to sell the Shares to the Purchaser upon the terms and conditions set forth herein, and to perform their respective obligations under this Agreement. The Sellers have made available to the Purchaser true and complete copies of the articles of incorporation (as certified by the appropriate governmental or regulatory authorities) and the bylaws of Reppond and First Guaranty, including all amendments thereto through the date of this Agreement.

3.2 Authority. This Agreement constitutes a legal, valid, and binding obligation of the Sellers and is enforceable against the Sellers, as applicable, in accordance with its terms, except to the extent that enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium, or similar Laws now or hereafter in effect relating to or limiting creditors' rights generally and the remedy of specific performance and injunctive and other forms of equitable relief are subject to certain equitable defenses and to the discretion of the court or other similar Person before which any proceeding therefore may be brought.

3.3 Capital Stock. The authorized capital stock of Reppond as of the date of this Agreement consists of One Hundred Thousand (100,000) shares of common stock with a par value of One and NO/100s Dollar (\$1.00) per share, of which one hundred twenty eight (128) shares are validly issued and outstanding, fully paid and nonassessable, and all of which are owned beneficially and of record by the Sellers as set forth on Schedule 1, free and clear of all Liens, except for Liens disclosed in Section 3.3 of the Disclosure Schedule. The authorized capital stock of First Guaranty as of the date of this Agreement consists of Five Million (5,000,000) shares of common stock with a par value of One and NO/100s Dollar (\$1.00) per share, of which One Million (1,000,000) shares are validly issued and outstanding, fully paid and nonassessable, and all of which are owned beneficially and of record by Reppond, free and clear of all Liens, except for Liens disclosed in Section 3.3 of the Disclosure Schedule. There are no outstanding securities, obligations, rights, subscriptions, warrants, options, charter or founders insurance policies, phantom stock rights, or (except for this Agreement) other Contracts of any kind that give any Person the right to (a) purchase or otherwise receive or be issued any shares of capital stock of the Company (or any interest therein) or any security or Liability of any kind convertible into or exchangeable for any shares of capital stock of the Company (or any interest therein) or (b) receive any benefits or rights similar to any rights enjoyed by or accruing to a holder of the Common Stock or the First Guaranty Common Stock, or any rights to participate in the equity, income, or election of directors of the Company.

3.4 Subsidiaries. Except for Reppond's ownership of First Guaranty, neither Reppond nor First Guaranty controls (whether directly or indirectly, whether through the ownership of securities or by Contract or proxy, and whether alone or in combination with others) any interest in any corporation, partnership, business organization, or other similar Person that is an entity.

3.5No Conflicts or Violations. The execution and delivery of this Agreement by the Sellers does not, and the performance by the Sellers of their respective obligations hereunder and thereunder will not:

- (a) subject to obtaining the approvals or the expiration of the waiting periods contemplated by Section 5.1 as disclosed in Section 3.5(a) of the Disclosure Schedule, violate any term or provisions of any Law or any writ, judgment, decree, injunction, or similar order applicable to the Sellers;
- (b) conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under, any of the terms, conditions, or provisions of the articles of incorporation or bylaws of Reppond or First Guaranty;
- (c) result in the creation or imposition of any Lien upon any of the respective Assets and Properties of the Sellers or the Company, that individually or in the aggregate with any other Liens has had or would reasonably be expected to have a Material Adverse Effect;
- (d) conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under, or give to any Person any right of termination, cancellation, acceleration, or modification in or with respect to, any Contract to which either the Sellers or the Company is a party or by which any of their respective Assets or Properties may be bound and as to which any such conflicts, violations, breaches, defaults, or rights individually or in the aggregate have had or would reasonably be expected to have a Material Adverse Effect; or
- (e) require the Sellers or the Company to obtain any consent, approval, or action of, or make any filing with or give any notice to, any Person except as disclosed in Section 3.5(e) of the Disclosure Schedule or those which the failure to obtain, make, or give individually or in the aggregate with any other such failures has not had or would not reasonably be expected to have a Material Adverse Effect.

3.6Books and Records. The Books and Records contain a true and complete record, in all material respects, of all actions taken at all meetings and by all written consents in lieu of meetings of the shareholders, Board of Directors, and each committee thereof of the Company. The Books and Records of the Company accurately reflect in all material respects the Business or Condition of the Company, and have been maintained in all material respects in accordance with good business and bookkeeping practices.

3.7 Financial Statements.

(a) Sellers has previously delivered or made available to the Purchaser true and complete copies of the annual financial statements of First Guaranty for each of the years ended December 31, 2012, 2013, 2014 and 2015 (if and when available) (and the notes relating thereto) and quarterly financial statements for the first, second and third quarters of 2015 (and the notes, if any, relating thereto) as set forth in Section 3.7(a) of the Disclosure Schedule.

(b) Except as disclosed in Section 3.7(b) of the Disclosure Schedule, each such financial statement of First Guaranty, and the notes relating thereto complied in all material respects with all applicable Laws when so filed, is true and complete in all material respects as of the date thereof, and fairly presents in all material respects the financial position of First Guaranty as of the respective dates thereof and the results of operations and changes in capital and surplus and in cash flow of First Guaranty for and during the respective periods covered thereby.

(c) Reppond has no financial statements, but as of the date hereof, Reppond has no liabilities and Reppond's only asset is the stock of First Guaranty. Since January 1, 2010, Reppond's only income has been dividends received from First Guaranty, and Reppond has had no expenses.

3.8 No Other Financial Statements. Except for the financial statements described in Section 3.7 (collectively, the "Financial Statements"), and except for monthly internal income statements and balance sheets prepared by First Guaranty, copies of which have previously been delivered or made available to the Purchaser, no other financial statements have been prepared by or with respect to First Guaranty (whether on a GAAP, SAP, consolidated, hybrid or other basis) or any part thereof.

3.9 Reserves. Except as disclosed on Section 3.9 of the Disclosure Schedule or waived by Purchaser, all reserves and other similar amounts with respect to insurance as established or reflected in the September 30, 2015 Quarterly Statement (including, without limitation, the reserves and amounts reflected respectively on lines 1 through 11 of page 3 of the Quarterly Statement) were computed in accordance with commonly accepted actuarial standards consistently applied, were fairly stated in all material respects in accordance with the benefits specified by the provisions of the related insurance Contracts and in the related reinsurance, coinsurance, and other similar Contracts of First Guaranty and, to the Best Knowledge of the Sellers or the Company, meet the requirements in all material respects of the insurance Laws of the State of Louisiana and of the states in which such insurance Contracts were issued or delivered and when considered in light of the assets held by First Guaranty with respect to the reserves and related actuarial items, including without limitation then current assumptions concerning investment earnings on the assets and considerations anticipated to be received and retained under the insurance Contracts, mortality and morbidity experience, persistency and expenses, all such reserves and related actuarial items held in support of the insurance Contracts of the First Guaranty, were good, sufficient and adequate, in all material respects, as of September 30, 2015 (under commonly accepted actuarial standards consistently applied and fairly stated in accordance with sound actuarial principles), to cover the total amount of all reasonably anticipated matured and unmatured benefits, dividends, claims, expenses and other Liabilities of First Guaranty under all insurance Contracts under which First Guaranty has or will have any Liability (including, without limitation, any Liability arising under or as a result of any reinsurance, coinsurance, or other similar Contract). First Guaranty owns assets that qualify as legal reserve assets under applicable insurance Laws in an amount at least equal to all such statutory reserves and other similar amounts. At Closing, if the Annual Statement of First Guaranty for December 31, 2015 has been filed, the Sellers shall be deemed to make the representations and warranties contained in this Section 3.9 with respect to such 2015 Annual Statement.

3.10 Absence of Changes. Except as disclosed in Section 3.10 of the Disclosure Schedule, since the latest Annual Statement or Quarterly Statement of First Guaranty available prior to the execution of this Agreement (whichever is the latest, the "Latest Statement"), there has not occurred any Material Adverse Effect. Except as disclosed in Section 3.10 of the Disclosure Schedule, since the date of the end of the period covered in the Latest Statement (the "End of Period Date"), the Company has operated only in the Ordinary Course of Business, and (without limiting the generality of the foregoing) there has not been, occurred, or arisen:

(a) any declaration, setting aside, or payment of any dividend or other distribution in respect of the capital stock of the Company or any direct or indirect redemption, purchase, or other acquisition by the Company of any such stock or of any interest in or right to acquire any such stock;

(b) any employment, deferred compensation, or other salary, wage, or compensation Contract entered into between the Company and any of its respective officers, directors, employees, agents, consultants, or similar representatives, except for normal and customary Contracts with agents, employees, and consultants in the Ordinary Course of Business; or any increase in the salary, wages, or other compensation of any kind, whether current or deferred, of any officer, director, employee, agent, consultant, or other similar representative of the Company other than routine increases that were made in the Ordinary Course of Business and that did not result in an increase of more than five percent (5%) of the respective salary, wages, or compensation of the Company; or any creation of any employee benefit plan or any contribution to or amendment or modification of any employee benefit plan other than in the Ordinary Course of Business;

(c) any issuance, sale, or disposition by the Company of any debenture, note, stock, or other security issued by the Company, or any modification or amendment of any right of the holder of any outstanding debenture, note, stock, or other security issued by the Company;

(d) any Lien created on or in any of the Assets and Properties of the Company, or assumed by the Company with respect to any of such Assets and Properties, which Lien individually or in the aggregate with any other Liens has had or would reasonably be expected to have a Material Adverse Effect;

(e) any prepayment of Liabilities which individually or in the aggregate has or would reasonably be expected to have a Material Adverse Effect;

(f) any Liability for borrowed money by the Company;

- (g) any Liability incurred by the Company in any transaction (other than pursuant to any insurance Contract entered into in the Ordinary Course of Business) not involving the borrowing of money, except such Liabilities incurred by the Company, the result of which individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect;
- (h) as of the date of this Agreement, any damage, destruction, or loss (whether or not covered by insurance) affecting any of the Assets and Properties of the Company, which damage, destruction, or loss individually or in the aggregate exceeds \$20,000;
- (i) any material change in any underwriting, actuarial, investment, financial reporting, or accounting practice or policy followed by the Company, or in any assumption underlying such a practice or policy, or in any method of calculating any bad debt, contingency, or other reserve for financial reporting purposes or for any other accounting purposes;
- (j) any payment, discharge, or satisfaction by the Company of any Lien or Liability other than Liens or Liabilities that were paid, discharged, or satisfied in the Ordinary Course of Business, or were paid, discharged, or satisfied as required under this Agreement;
- (k) any cancellation of any material Liability owed to the Company by any other Person;
- (l) any material write off or write down of, or any determination to write off or down any of, the Assets and Properties of the Company or any portion thereof (other than any statutory write-down of investment assets);
- (m) any sale, transfer, or conveyance of any investments, or any other Assets and Properties of the Company in excess of \$20,000, except for investment transactions by the Company in the Ordinary Course of Business and the sale of the Charbonnet Property;
- (n) as of the date of this Agreement, any amendment, termination, waiver, disposal, or lapse of, or other failure to preserve, any license, permit, or other form of authorization of the Company, the result of which individually or in the aggregate has had or would reasonably be expected to have a Material Adverse Effect;
- (o) any transaction or arrangement under which the Company paid, lent, or advanced any amount to or in respect of, or sold, transferred, or leased any of its Assets and Properties or any service to the Sellers (except for payments of salaries and wages in the Ordinary Course of Business, and except for payments made pursuant to any Contract disclosed in Section 3.10(b) or Section 3.17(a) of the Disclosure Schedule), or of any Affiliate of the Sellers, or any officer or director thereof; or any business or other Person in which the Sellers, or any such officer or director, or any such Affiliate has any material interest, except for advances made to, or reimbursements of expenses of, any officers or directors of the Company for travel and other business expenses in reasonable amounts in the Ordinary Course of Business; or advances or payments to any Affiliate of the Company pursuant to any Contract of the type described in Section 3.17(g);

(p) any material amendment of, or any failure to perform its obligations under, or any default under, or any waiver of any right under, or any termination (other than on the stated expiration date) of, any Contract that involves or reasonably would involve the annual expenditure or receipt by the Company of a material amount, the result of which individually or in the aggregate has had or would reasonably be expected to have a Material Adverse Effect;

(q) any material adverse change in the amount or nature of the reserves, liabilities or other similar amounts of First Guaranty with respect to the insurance Contracts in force of First Guaranty (including, without limitation, reserves and other similar amounts of a type required to be reflected respectively on lines 1 through 11.3 on page 3 of any SAP Annual Statement of First Guaranty), other than such changes resulting from the lapse or termination of any such insurance Contracts;

(r) any amendment to the articles of incorporation or bylaws of the Company;

(s) any termination, amendment, or execution by First Guaranty of any reinsurance, coinsurance or other similar Contract, as ceding or assuming insurer (other than a termination of such Contracts on the stated expiration date);

(t) any expenditure or commitment for additions to property, plant, equipment, or other tangible or intangible capital assets of the Company which exceeds \$20,000;

(u) any amendment or introduction by First Guaranty of any form of insurance Contract other than in the Ordinary Course of Business;

or

(v) other than this Agreement, any Contract to take any of the actions described in this Section other than actions expressly permitted under this Agreement.

3.11 No Undisclosed Liabilities. Except as disclosed in Section 3.11 of the Disclosure Schedule, there were no Liabilities (other than policyholder benefits payable in the Ordinary Course of Business and consistent with past practice and Liabilities disclosed on the Latest Statement or the notes thereto) against, relating to, or affecting the Company as of the End of Period Date, that individually or in the aggregate have had or would reasonably be expected to have a Material Adverse Effect. Except as disclosed in Section 3.11 of the Disclosure Schedule, since the End of Period Date, the Company has not incurred any Liabilities (other than policyholder benefits payable in the Ordinary Course of Business) that individually or in the aggregate have had or would reasonably be expected to have a Material Adverse Effect.

3.12 Taxes. Except as disclosed in Section 3.12 of the Disclosure Schedule:

(a) All Tax Returns required to be filed with respect to or on behalf of the Company have been duly and timely filed, and all such Tax Returns are true and complete in all material respects. The Company has duly and timely paid all Taxes that are due or claimed or asserted by any taxing authority to be due (unless such claims or asserted Taxes are being contested in good faith), from the Company for the periods covered by such Tax Returns or has duly provided for all such Taxes in the Books and Records of the Company and in accordance with SAP, including, without limitation, in the Financial Statements. There are no Liens with respect to Taxes (except for Liens with respect to real and personal property Taxes not yet due) upon any of the Assets and Properties of the Company.

(b) With respect to any period for which Tax Returns have not yet been filed, or for which Taxes are not yet due or owing, the Company has made due and sufficient current accruals for such Taxes in its respective Books and Records and in accordance with SAP, and such current accruals through the End of Period Date are duly and fully provided for in the Latest Statement for the period then ended.

(c) The consolidated United States federal income Tax Returns of Reppond and First Guaranty have not been audited or examined by the IRS for any tax period subsequent to December 31, 2011. The state, local, and foreign income Tax Returns of the Company have not been audited or examined. There are no outstanding agreements, waivers, or arrangements extending the statutory period of limitation applicable to any claim for, or the period for the collection or assessment of, Taxes due from the Company for any taxable period. The Sellers have previously delivered or made available to the Purchaser true and complete copies of each of the United States federal, state, local, and foreign income Tax Returns, for each of the last three taxable years (ending December 31, 2014, 2013 and 2012) filed by the Company or filed by any affiliated or consolidated group of which the Company was then a member (insofar as such returns relate to the Company).

(d) No audit or other proceeding by any court, governmental or regulatory authority, or similar Person is pending or (to the Best Knowledge of the Sellers or the Company) threatened with respect to any Taxes due from the Company or any Tax Return filed by or relating to the Company. To the Best Knowledge of the Sellers, or the Company no assessment of Tax is proposed against the Company, or any of its Assets and Properties.

(e) No closing agreement pursuant to Section 7121 of the Code (or any predecessor provision) or any similar provision of any state, local, or foreign Law has been entered into by or with respect to the Company or any of its Assets and Properties which has effect in any tax period subsequent to 2014.

(f) The Company has not agreed to, nor is it required to make any adjustment pursuant to Section 481(a) of the Code (or any predecessor provision) by reason of any change in any accounting method of the Company, and the Company does not have any application pending with any taxing authority requesting permission for any changes in any accounting method of the Company. To the Best Knowledge of the Sellers or the Company, the IRS has not proposed any such adjustment or change in accounting method.

(g) To the Best Knowledge of the Sellers or the Company, the Company is not presently in violation (or with notice or lapse of time or both, would be in violation) of any applicable Law relating to the payment or withholding of Taxes. The Company has duly and timely withheld from employee salaries, wages, and other compensation and paid over to the appropriate taxing authorities all amounts required to be so withheld and paid over under all applicable Laws.

(h) The Company is not currently a party to any tax sharing arrangements. The Company is not a foreign person within the meaning of Section 1445(f)(3) of the Code.

(i) There are no reinsurance, coinsurance, or other similar Contracts under which the Company receives or has received surplus relief.

(j) The Company has not made any direct, indirect, or deemed distributions that have been or could be taxed pursuant to Section 815(a)

(2) of the Code.

(k) No material Liabilities have been proposed in connection with any audit or other proceeding by any Governmental Authority with respect to any Taxes due from the Company or any Tax Return filed by or relating to the Company that have not been finally resolved.

(l) The Company is not a Party to any agreement, contract, plan or arrangement that has resulted, or would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

3.13 Litigation. Except as disclosed in Section 3.13 of the Disclosure Schedule, as of the date of this Agreement:

(a) There are no actions, suits, investigations (to the Best Knowledge of the Sellers or the Company), or proceedings pending, or (to the Best Knowledge of the Sellers or the Company) threatened, against the Sellers, the Company or any of their respective Assets and Properties, at law or in equity, in, before, or by any Person that individually or in the aggregate have had or would reasonably be expected to have a Material Adverse Effect.

(b) There are no writs, judgments, decrees, or similar orders of any Person outstanding against the Company that individually or in the aggregate have had or would reasonably be expected to have a Material Adverse Effect.

3.14 Compliance with Laws. Except as disclosed in Section 3.14 of the Disclosure Schedule, the Company is not in violation (or with or without notice or lapse of time or both, would be in violation) of any term or provision of any Law or any writ, judgment, decree, injunction, or similar order applicable to the Company or any of its Assets and Properties, the result of which violation individually or violations in the aggregate has had or would reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing:

(a) The Company has duly and validly filed or caused to be so filed all reports, statements, documents, registrations, filings, or submissions that were required by Law to be filed with any Governmental Authority and as to which the failure to so file, individually or in the aggregate with other such failures, has had or would reasonably be expected to have a Material Adverse Effect; all such filings complied with applicable Laws in all material respects when filed and, no material deficiencies have been asserted by any Person with respect to any such filings. The Sellers have previously delivered or made available to the Purchaser copies of the holding company registration statements, including the most recent annual amendments thereto, of the Company as filed with the Louisiana Department of Insurance.

(b) The Sellers have previously delivered or made available to the Purchaser the reports reflecting the results of the most recent financial examinations of First Guaranty issued by the Louisiana Department of Insurance. Except as disclosed in Section 3.14(b) of the Disclosure Schedule, all material deficiencies or violations in such report have been resolved to the satisfaction of the Louisiana Department of Insurance.

(c) Except as disclosed in Section 3.14(c) of the Disclosure Schedule, all outstanding insurance Contracts issued, reinsured, or underwritten by First Guaranty are, to the extent required under applicable Laws, on forms which were submitted to and approved by the Governmental Authority of the jurisdiction where such insurance Contracts were issued or delivered, or have been filed with and not objected to by such Governmental Authority within the period provided for objection. The rates charged for insurance under the outstanding insurance Contracts issued by First Guaranty have been determined in accordance with usual and customary actuarial principles and practices, and are not based upon the race of the insureds or proposed insureds under such insurance Contracts.

(d) There are no claims pending, or (to the Best Knowledge of the Sellers or the Company) threatened, against the Company or any of its Assets and Properties, under any fiduciary liability insurance policy issued by or to the Company that individually or in the aggregate has had or would reasonably be expected to have a Material Adverse Effect.

3.15 Employees and Employee Benefit Plans.

(a) Section 3.15(a) of the Disclosure Schedule sets forth a complete and correct list of each Benefit Arrangement of First Guaranty. The Company has made available to the Purchaser correct and complete copies of (i) each Benefit Arrangement (or, in the case of any such Benefit Arrangement that is unwritten, descriptions thereof), (ii) the most recent annual report on Form 5500 filed with the Internal Revenue Service with respect to each Benefit Arrangement (if any such report was required), (iii) the most recent summary plan description for each Benefit Arrangement for which such summary plan description is required and (iv) each trust agreement and insurance or group annuity contract relating to any Benefit Arrangement.

(b) Each Benefit Arrangement that is intended to be tax qualified under Section 401(a) of the Code (each, a "Qualified Plan") and each trust established in connection with any Qualified Plan which is intended to be tax exempt under Section 501(a) of the Code (i) is tax qualified or tax exempt, as applicable, and the Company has received a determination letter or is entitled to rely upon an opinion letter from the Internal Revenue Service regarding each such Qualified Plan's qualified status under the Code, and (ii) to the Best Knowledge of the Sellers or the Company, no event has occurred since the date of the most recent determination letter or application relating to any such Qualified Plan that would materially adversely affect the qualification of such Qualified Plan. The Company has made available to the Purchaser a correct and complete copy of the most recent determination letter or opinion letter applicable to each Qualified Plan, as well as a correct and complete copy of each pending application for a determination letter, if any.

(c) Each Benefit Arrangement has been administered in all material respects in accordance with its terms and in material compliance with the applicable provisions of ERISA, the Code, all other Laws and the terms of all applicable collective bargaining agreements (if any). To the Best Knowledge of the Sellers or the Company, there are no investigations by any Governmental Authority, termination proceedings or other claims (except routine claims for benefits payable under the Benefit Arrangements) or proceedings against or involving any Benefit Arrangement.

(d) No Qualified Plan is subject to Title IV of ERISA or Section 412 of the Code. No direct, contingent or secondary liability to any Person has been incurred or would reasonably be expected to be incurred by First Guaranty or its ERISA Affiliates under Title IV of ERISA. Neither First Guaranty nor any of its ERISA Affiliates has, within the preceding six years, withdrawn in a complete or partial withdrawal from any multiemployer plan (as defined in Section 3(37) of ERISA) or incurred any liability under Section 4204 of ERISA that has not been satisfied in full.

(e) Except as set forth in Section 3.15(e) of the Disclosure Schedule, First Guaranty has no obligation to provide medical, dental or life insurance benefits (whether or not insured) to any of its employees or former employees after retirement or other termination of service (other than (i) coverage mandated by Laws and (ii) benefits, the full direct cost of which is borne by the employee or former employee (or beneficiary thereof)).

(f) There are no collective bargaining agreements binding on First Guaranty; none of the employees of First Guaranty is represented by a labor union, and, to the Best Knowledge of the Sellers or the Company, there is no, and since December 31, 2014, has been no, (i) organizational effort made or threatened by or on behalf of any labor organization or trade union to organize any employees of First Guaranty, and (ii) no demand for recognition of any employees of First Guaranty has been made by or on behalf of any labor organization or trade unions.

(g) There are no strikes, work stoppages, work slowdowns or lockouts pending or, to the Best Knowledge of the Sellers or the Company, contemplated or threatened against or involving First Guaranty.

(h) There are no proceedings pending or, to the Best Knowledge of the Sellers or the Company, threatened against or affecting First Guaranty, relating to the alleged material violation of any applicable Laws pertaining to labor relations or employment matters.

(i) Reppond does not have and has never had any employees, independent contractors, consultants or benefit plans or arrangements.

3.16 Properties. Except as disclosed in Section 3.16 of the Disclosure Schedule:

(a) First Guaranty has good and valid title to all debentures, notes, stocks, securities, and other assets that are of a type required to be disclosed in Schedules B through DB of its 2014 Annual Statement and that are owned by it as of the date of this Agreement, free and clear of all Liens.

(b) First Guaranty owns good and indefeasible marketable title to, or has a valid leasehold interest in, all real property used as of the date of this Agreement in the conduct of its business, operations, or affairs, and are of a type required to be disclosed in Schedule A of its 2014 Annual Statement, free and clear of all Liens other than Permitted Liens. All such real property, including the Charbonnet Property, is in material compliance with all applicable zoning laws and building codes, and the buildings and improvements located on the real property are in working order and condition, ordinary wear and tear excepted. There are no pending or, to the Best Knowledge of the Sellers or the Company, threatened material condemnation proceedings against the any such real property. First Guaranty is in material compliance with all applicable health and safety related requirements for such real property, including those under the Americans with Disabilities Act of 1990, as amended, and the Occupational Health and Safety Act of 1970, as amended.

(c) First Guaranty owns good and indefeasible title to, or has a valid leasehold interest in or has a valid right under Contract to use, all material tangible personal property that is used in the conduct of its business, operations, or affairs, free and clear of all Liens other than Permitted Liens.

(d) First Guaranty has the right to use, free and clear of any royalty or other payment obligations, claims of infringement or alleged infringement, or other Liens, all material marks, names, trademarks, service marks, patents, patent rights, assumed names, logos, trade secrets, copyrights, trade names, and service marks that are used in the conduct of its business, operations, or affairs (of which a true and complete list of all registered intellectual property rights is disclosed in Section 3.16(d) of the Disclosure Schedule). Neither First Guaranty nor any of its Affiliates is in conflict with or in violation or infringement of, nor has First Guaranty or any Affiliate received any notice of any conflict with or violation or infringement of or any claimed conflict with, any asserted rights of any other Person with respect to any material intellectual property owned or used by it, including without limitation, any of such items disclosed in Section 3.16(d) of the Disclosure Schedule.

(e) First Guaranty is in compliance in all material respects with all Environmental Laws except where the failure to be in compliance has not had and would not reasonably be expected to have a Material Adverse Effect. Except as set forth in Section 3.16(e) of the Disclosure Schedule, First Guaranty has not received any written communication that alleges that First Guaranty is not in compliance with any Environmental Laws and, to the Best Knowledge of the Sellers or the Company, there are no circumstances that would reasonably be expected to prevent or interfere with such compliance in all material respects in the future.

(i) There is no Environmental Claim pending or, to the Best Knowledge of the Sellers or the Company, threatened against First Guaranty or, to the Best Knowledge of the Sellers or the Company, against any Person whose liability for any such Environmental Claim First Guaranty has retained or assumed by contract or by operation of law.

(ii) First Guaranty has provided or made available to the Purchaser all assessments, reports, data, results of investigations or audits, and any other material information in possession of First Guaranty regarding environmental matters, environmental condition, or the compliance (or noncompliance) by First Guaranty under any Environmental Laws, pertaining to (1) any real estate properties owned or operated by First Guaranty including, but not limited to the Charbonnet Property, and (2) any properties securing any loans made by First Guaranty.

(iii) First Guaranty is not required by any Environmental Law or by virtue of the transactions contemplated by this Agreement set forth herein, or as a condition to the effectiveness of the transactions contemplated by this Agreement set forth herein, (A) to perform a site assessment for Hazardous Materials, (B) to remove or remediate Hazardous Materials, (C) to give notice to or receive approval from any Governmental Authority regarding environmental matters, or (D) to record or deliver to any Person any disclosure document or statement pertaining to environmental matters.

(iv) To the Best Knowledge of the Sellers or the Company, during the period of (i) First Guaranty's ownership or operation of any of its current or former real estate properties, (ii) First Guaranty's participation and management of any real estate property, or (iii) First Guaranty's interest in a mortgaged or financed real estate property, there has been no release of Hazardous Materials in, on, under or affecting any such real estate property in material violation of any Environmental Law except where the failure to be in such compliance has not had and would not reasonably be expected to have a Material Adverse Effect. To the Best Knowledge of the Sellers or the Company, prior to the period of (i) First Guaranty's ownership or operation of any of its current or former real estate properties, (ii) First Guaranty's participation and management of any real estate property, or (iii) First Guaranty's interest in a mortgage or financed real estate property, there was no release of Hazardous Materials in, on, under or affecting any such real estate property, mortgaged or financed real estate property in material violation of any Environmental Law except where the failure to be in such compliance has not had and would not reasonably be expected to have a Material Adverse Effect.

(v) To the Best Knowledge of the Sellers or the Company, no underground storage tanks, impoundments, vessels or other containers used for storage of Hazardous Materials were and/are located on or below the surface of real estate properties owned or operated by First Guaranty. During First Guaranty's operation of its real estate properties and to the Best Knowledge of the Sellers or the Company, no part of such real estate property has ever contained asbestos.

For purposes of this Agreement, "Environmental Claim" means any written notice from any Governmental Authority or third party alleging potential liability (including, without limitation, potential liability for investigatory costs, cleanup costs, government response costs, natural resources damages, property damages, personal injuries or penalties) arising out of, based on, or resulting from the presence, or release into the environment, of any Hazardous Materials.

For purposes of this Agreement, "Environmental Law" means all laws concerning (A) public and/or worker health and safety relating to toxic or hazardous substances or (B) pollution or protection of the environment or natural resources, and includes without limitations the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act of 1981, and the Superfund Amendments and Reauthorization Act of 1986, each as amended and together with all rules and regulations promulgated in connection therewith, and any other federal, state or local environmental statutes, ordinances, rules and regulations relating to emissions, discharges, releases or threatened release of pollutants, contaminants, chemicals, toxic substances, Hazardous Materials or wastes into the environment, or otherwise relating to the manufacture, processing, presence, generation, distribution, labeling, testing, use, treatment, storage, control, disposal, clean-up, transportation or handling of pollutants, contaminants, chemicals, toxic substances, Hazardous Materials or wastes.

For purposes of this Agreement, "Hazardous Materials" means any product, substance, chemical, contaminant, pollutant, effluent, waste or other material whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, emission, discharge, spill, release or effect, either by itself or in combination with other materials located on First Guaranty's real property, is either: (x) regulated or monitored by any Governmental Authority or (y) defined or listed in, or otherwise classified pursuant to, any Environmental Law as "hazardous substances," "hazardous materials," "hazardous wastes," "infectious wastes," or "toxic substances". Hazardous Materials shall include, but not be limited to, (1) any substance or material identified in Section 101(4) of CERCLA, 42 U.S.C. § 9601(14) and as set forth in Title 40, Code of Federal Regulations, Part 302, as the same may be amended from time to time, (2) any "regulated substance" as defined in the Solid Waste Disposal Act, (3) any substance subject to regulation pursuant to the Toxic Substances Control Act, (4) any substance so defined or regulated under any state law counterpart to any of the foregoing, or any state law regulating the reporting and remediation of any spills of Hazardous Materials, as defined in state laws or regulations, as such laws are now in effect or may be amended through the Closing Date and any rule, regulation or administrative or judicial policy statement, guideline, order or decision under any such laws, (5) any substance or material determined to be toxic, a pollutant or contaminant, under federal, state or local statute, law, ordinance, rule, or regulation or judicial or administrative order or decision, as same may be amended from time to time, (6) petroleum and refined petroleum products and distillates, (7) asbestos and asbestos-containing products, (8) radon, (9) flammable explosives, (10) polychlorinated biphenyls, (11) such other materials, substances or waste which are otherwise dangerous, hazardous, harmful or deleterious to human health or the environment, and which are not naturally occurring, and (12) any other substance that is regulated or classified as hazardous or toxic under any Environmental Law.

(f) Reppond has never owned any real property. The only asset or property owned by Reppond is the stock of First Guaranty.

3.17 Contracts. Section 3.17 of the Disclosure Schedule contains a true and complete list of each of the following Contracts or other documents or arrangements (true and complete copies, or, if none, written descriptions or forms of which have been made available to the Purchaser, together with all amendments thereto), to which the Company is a party or by which any of its respective Assets and Properties is bound:

(a) all employment, agency, consultation, or representation Contracts or other Contracts of any type (including, without limitation, loans or advances) with any present officer, director, employee, agent, Producer, consultant, or other similar representative of the Company (or former officer, director, employee, agent, Producer, consultant or similar representative of the Company, if there exists any present or future liability with respect to such Contract, whether now existing or contingent) (other than Contracts with consultants and similar representatives who do not receive compensation of \$25,000 or more per year and other than employment or agency Contracts with agents who do not receive compensation of \$25,000 or more per year), and the name, position, and rate of compensation of each such Person and the expiration date of each such Contract;

(b) all Contracts with any Person containing any provision or covenant limiting the ability of the Company to engage in any line of business or to compete with or to obtain products of services from any Person or limiting the ability of any Person to compete with or to provide products or services to the Company;

(c) all partnership, joint venture, profit sharing, or similar Contracts with any Person;

(d) all material Contracts relating to the borrowing of money by the Company or to the direct or indirect guarantee by the Company of any obligation for borrowed money for the Company or any of its Affiliates, or any other Liability in respect of indebtedness of any other Person, including without limitation any Contract relating to the maintenance of compensating balances, that are not terminable by the Company without penalty upon not more than sixty (60) calendar days' notice, any line of credit or similar facility, the payment for property, products, or services of any other Person even if such property, products, or services are not conveyed, delivered, or rendered, or the obligation to take or pay, keep well, make whole, or maintain surplus or earnings levels or perform other financial ratios or requirements;

(e) all leases or subleases of real property used in the business, operations, or affairs of the Company, and all other leases, subleases, or rental or use Contracts for which the Company is liable;

(f) all Contracts relating to the future disposition or acquisition of any investment in or security of any Person or of any interest in any business enterprise (other than the disposition or acquisition of investments in the Ordinary Course of Business);

(g) all Contracts or arrangements (including, without limitation, Contracts relating to the sharing or allocation of expenses, Taxes, personnel, services, or facilities) between or among the Company and any of its Affiliates or any other Person who is described in Section 3.10(o);

(h) all reinsurance, coinsurance, or other similar Contracts indicating, with respect to each such Contract, the information required to be disclosed in Schedule S of the SAP Annual Statements of First Guaranty;

(i) all outstanding proxies, powers of attorney, or similar delegations of authority of the Company, except for powers of attorney for the service of process pursuant to applicable insurance Laws;

(j) all Contracts for any product, service, equipment, facility, or similar item (other than insurance Contracts issued, reinsured, or underwritten by First Guaranty and other than reinsurance, coinsurance, and other similar Contracts) that by their terms do not expire or terminate or are not terminable by the Company, without penalty or other Liability, within six (6) months after September 1, 2015; and

(k) all other Contracts (other than insurance Contracts issued, reinsured, or underwritten by the Company) that involve the payment or potential payment pursuant to the terms of such Contracts, by or to the Company of more than \$25,000 individually or \$100,000 in the aggregate or that are otherwise material to the Business or Condition of the Company.

To the Best Knowledge of the Sellers or the Company, each Contract disclosed or required to be disclosed in the Disclosure Schedule pursuant to this Section is in full force and effect and constitutes a legal, valid, and binding obligation of the Company and, to the Best Knowledge of the Sellers or the Company, as of the date of this Agreement, of each other Person that is a party thereto in accordance with its terms; and neither the Company nor (to the Best Knowledge of the Sellers or the Company), as of the date of this Agreement, any other party to such Contract is in violation or breach of or default under any such Contract (or with or without notice or lapse of time or both, would be in violation or breach of or default under any such Contract) which violation, breach or default has had or would reasonably be expected to have a Material Adverse Effect. The Company is not a party to or bound by any collective bargaining or similar labor Contract.

3.18 Insurance Issued by First Guaranty. Except as required by Law or except as disclosed in Section 3.18 of the Disclosure Schedule:

- (a) All insurance Contract benefits payable by First Guaranty to any other Person that is a party to or bound by any insurance, reinsurance, coinsurance, or other similar Contract with First Guaranty have in all material respects been paid in accordance with the terms of the insurance, reinsurance, coinsurance and other Contracts under which they arose, except for such benefits for which First Guaranty reasonably believes there is a reasonable basis to contest payment.
- (b) No outstanding insurance Contract issued, reinsured, or underwritten by First Guaranty entitles the holder thereof or any other Person to receive dividends, distributions, or to share in the income of First Guaranty or to receive any other benefits based on the revenues or earnings of First Guaranty or any other Person.
- (c) The underwriting standards utilized and ratings applied by First Guaranty and, to the Best Knowledge of the Sellers or the Company, as of the date of this Agreement, by any other Person that is a party to or bound by any reinsurance, coinsurance, or other similar Contract with First Guaranty conform in all material respects to industry accepted underwriting standards, and to the standards and ratings required pursuant to the terms of the respective reinsurance, coinsurance, or other similar Contracts.
- (d) To the Best Knowledge of the Sellers or the Company, all of First Guaranty's liability under insurance Contracts issued, reinsured, or underwritten by the First Guaranty which is beyond First Guaranty's normal retention is fully reinsured under valid reinsurance Contracts with reinsurers which, to the Best Knowledge of the Sellers or First Guaranty, (i) are solvent as of the date of this Agreement, and (ii) all amounts to which First Guaranty is entitled under reinsurance, coinsurance, or other similar Contracts (including without limitation amounts based on paid and unpaid losses) as of the date of this Agreement are fully collectible.
- (e) To the Best Knowledge of the Sellers or the Company, each Producer, at the time such Producer wrote, sold, or produced business for First Guaranty, was duly licensed as an insurance agent (for the type of business written, sold, or produced by such Producer) in the particular jurisdiction in which such Producer wrote, sold, or produced such business for First Guaranty.

(f) To the Best Knowledge of the Sellers or the Company, no such Producer violated (or with or without notice or lapse of time or both, would have violated) in any material respect any term or provision of any Law or any writ, judgment, decree, injunction, or similar order applicable to the writing, sale, or production of business for the First Guaranty.

3.19 Licenses and Permits. Except as disclosed in Section 3.19 of the Disclosure Schedule:

(a) First Guaranty owns or validly holds, all licenses, franchises, permits, approvals, authorizations, exemptions, classifications, certificates, registrations, and similar documents or instruments that are required for its business, operations, and affairs, except where the failure to so own or hold such licenses, franchises, permits, approvals, authorizations, exemptions, classifications, certificates, registrations, and similar documents or instruments has not had or would not reasonably be expected to have a Material Adverse Effect.

(b) All such licenses, franchises, permits, approvals, authorizations, exemptions, classifications, certificates, registrations, and similar documents or instruments are valid and in full force and effect except where the invalidity or failure to be in full force and effect has not had or would not reasonably be expected to have a Material Adverse Effect.

3.20 Operations Insurance. Section 3.20 of the Disclosure Schedule contains a true and complete list and description of all liability, property, workers compensation, directors and officers liability, and other similar insurance Contracts that insure the business, operations, or affairs of the Company, or affect or relate to the ownership, use, or operations of any of the Assets and Properties of the Company and that have been issued to the Company (or any of its Affiliates for the benefit of the Company) (including, without limitation, the names and addresses of the insurers, the expiration dates thereof, and the annual premiums and payment terms thereof) or that are held by the Company (or by any Affiliate of the Company for the benefit of the Company).

3.21 Intercompany Liabilities. Except as reflected in the Latest Statement, or except as disclosed in Section 3.21 of the Disclosure Schedule, (a) there are no Liabilities between the Company, on the one hand, and the Sellers or any of their Affiliates (other than the Company), on the other hand, and (b) neither the Sellers nor any of their Affiliates provide or cause to be provided to the Company any products, services, equipment, facilities, or similar items that, in the case of this clause (b), individually or in the aggregate are material to the Business or Condition of the Company.

3.22 Bank Accounts. Section 3.22 of the Disclosure Schedule contains a true and complete list of the names and locations of all banks, trust companies, securities brokers, and other financial institutions at which the Company has an account or safe deposit box or maintains a banking, custodial, trading, or other similar relationship and a true and complete list and description of each such account, box, and relationship, indicating in each case the account number and the names of the officers, employees, agents, or other similar representatives of the Company authorized to transact business with respect thereto.

3.23 Brokers. Except for the fees disclosed in Section 3.23 of the Disclosure Schedule and this Section 3.23, neither the Sellers nor the Company nor any of their representatives have incurred any liability for brokerage or finders' fees or agents' commissions or other similar payments in connection with the transactions contemplated by the Transaction Documents. The Sellers will pay a fee to Scott Gibson of Lewis & Ellis with the expense to be prorated between the Sellers as set forth in Section 3.23 of the Disclosure Schedule.

3.24 Providing of Information. To the Best Knowledge of the Sellers, the Sellers and their representatives have furnished all information and materials responsive to information requests by Purchasers.

3.25 No Other Representations. Except as expressly set forth in this Agreement, the Sellers do not make any representation or warranty of any kind or character, expressed or implied. Other than in the case of fraud, Sellers disclaim any liability and responsibility for any statement or information not contained in this Agreement or the Disclosure Schedule or any document contemplated hereby made or communicated, by oversight or otherwise (orally or in writing), to the Purchaser (including, without limitation, any opinion, information, projection, statement or advice provided by any employee, officer, manager, director, agent, member or other representative of the Company in connection with this transaction).

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to the Sellers as follows:

4.1 Organization. The Purchaser is a corporation duly incorporated, validly existing, and in good standing under the Laws of the State of Utah and has full power and authority to enter into this Agreement and to perform its obligations hereunder. The Purchaser is duly licensed, qualified, or admitted to do business and is in good standing in all jurisdictions in which the failure to be so licensed, qualified, or admitted and in good standing, individually or in the aggregate with other such failure, would reasonably be expected to have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement.

4.2 Authority. The Board of Directors of the Purchaser has duly and validly approved this Agreement and the transactions contemplated hereby and thereby. The execution and delivery of this Agreement by the Purchaser and the performance by the Purchaser of its obligations hereunder have been duly and validly authorized by all necessary corporate action on the part of the Purchaser and its shareholders. This Agreement constitutes a legal, valid, and binding obligation of the Purchaser and is enforceable against the Purchaser in accordance with its terms, except to the extent that enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium, or similar Laws now or hereafter in effect relating to or limiting creditors' rights generally and the remedy of specific performance and injunctive and other forms of equitable relief are subject to certain equitable defenses and to the discretion of the court or other similar Person before which any proceeding therefore may be brought.

4.3 No Conflicts or Violations. The execution and delivery of this Agreement by the Purchaser do not, and the performance by the Purchaser of its obligations hereunder and thereunder will not:

(a) subject to obtaining the approvals or the expiration of the waiting periods contemplated by Sections 3.5(e) and 6.1 of the Disclosure Schedule, violate any term or provision of any Law or any writ, judgment, decree, injunction, or similar order applicable to the Purchaser;

(b) conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under, any of the terms, conditions, or provisions of the articles of incorporation or bylaws of the Purchaser;

(c) result in the creation or imposition of any Lien upon the Purchaser or any of its Assets and Properties that individually or in the aggregate with any other Liens would reasonably be expected to have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement;

(d) conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under, or give to any person any right of termination, cancellation, acceleration, or modification in or with respect to, any Contract to which the Purchaser is a party or by which any of its Assets and Properties may be bound and as to which any such conflicts, violations, breaches, defaults, or rights individually or in the aggregate would reasonably be expected to have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement; or

(e) require the Purchaser to obtain any consent, approval, or action of, or make any filing with or give any notice to, any Person except as contemplated in Section 6.1, or those which the failure to obtain, make, or give individually or in the aggregate with other such failures would not reasonably be expected to have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement.

4.4 Litigation. As of the date of this Agreement, there are no actions, suits, investigations, or proceedings pending against the Purchaser, or (to the Best Knowledge of the Purchaser) threatened against the Purchaser, at law or in equity, in, before, or by any Person, that individually or in the aggregate would reasonably be expected to have a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement or on the Business and Condition of the Purchaser.

4.5 Brokers. Neither the Purchaser nor any of its representatives has incurred any liability for brokerage or finders' fees or agents' commissions or other similar payments in connection with the transactions contemplated by this Agreement.

4.6 Availability of Funds. At the Closing, the Purchaser will have sufficient cash or immediately available funds necessary to enable it to pay the Purchase Price in accordance with Section 2.2 and consummate the transactions contemplated by this Agreement.

4.7 Purchase for Investment. The Shares will be acquired by the Purchaser for its own account for the purpose of investment and not for the purpose or with the intent of further offer, sale or other distribution or dispositions thereof. The Purchaser has sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of its investment in the Shares. The Purchaser will refrain from offering, selling, transferring or otherwise disposing of any of the Shares, or any interest therein, in such manner as to violate any registration provision of the securities Laws.

4.8 Investigation and Evaluation of Business. To the Best Knowledge of the Purchaser, the Sellers, the Company and their representatives have furnished all materials requested by the Purchaser, and the Purchaser's evaluation of the business of the Company was made in reliance upon such assumption. The Purchaser has been afforded the opportunity to ask questions and receive answers concerning its purchase of the Shares. The Purchaser has conducted such investigation of the Company and the business of the Company as it has deemed necessary in order to make an informed decision concerning its purchase of the Shares. The Purchaser has reviewed all of the documents, records, reports and other materials identified in the Disclosure Schedule and is familiar with the content thereof. For the purpose of conducting these investigations, the Purchaser has employed the services of its own agents, representatives, experts, actuaries and consultants.

4.9 Information on Change of Control Applications. The Purchaser does not anticipate that there is information relating to the Purchaser and its Affiliates required to be included by the Purchaser on the applications to be filed with the Governmental Authorities that will, to the Best Knowledge of the Purchaser, cause approval of such applications to be delayed beyond April 30, 2016, or not approved.

ARTICLE V COVENANTS OF THE SELLERS; JOINT CONSENTS

The Sellers covenant and agree with the Purchaser that, at all times from and after the date of this Agreement until the Closing or earlier termination of this Agreement, the Sellers will comply and will cause the Company to comply with all of the covenants and provisions of this Article V, except to the extent the Purchaser may otherwise consent in writing or to the extent otherwise required or permitted by this Agreement.

5.1 Regulatory Approvals. The Sellers will, and will cause the Company to, take all commercially reasonable steps necessary or desirable, and proceed diligently and in good faith and use all commercially reasonable efforts to obtain, as promptly as practicable, all approvals, authorizations, and clearances of Governmental Authorities required of the Sellers to consummate the transactions contemplated by this Agreement that are listed on Section 3.5(e) of the Disclosure Schedule; provide such other information and communications to such Governmental Authorities as the Purchaser or such Governmental Authorities may reasonably request; and cooperate with the Purchaser in obtaining or filing, as promptly as practicable, but in any case in the time required by Law, all approvals, authorizations, and clearances of Governmental Authorities and others required of the Purchaser that are listed in Section 6.1 of the Disclosure Schedule to consummate the transactions contemplated by this Agreement, including, without limitation, any required approvals of the Louisiana Commissioner of Insurance, and any filings Purchaser may be required to file with the Securities Exchange Commission or state securities Governmental Authorities.

5.2 Access by the Purchaser. The Sellers will provide, and will cause the Company to provide the Purchaser and its counsel, accountants, actuaries, and other representatives with reasonable access, upon forty-eight (48) hours prior notice and during normal business hours and under the supervision of Kirk B. Babb, to all facilities, officers, employees, agents, accountants, actuaries, Assets and Properties, and Books and Records of the Company and will furnish the Purchaser and such other Persons during such period with all such information and data (including, without limitation, copies of Contracts and other Books and Records) in their possession, concerning the business, operations, and affairs of the Company as the Purchaser or any of such other Persons reasonably may request. Any investigations and inspections conducted by the Purchaser and its representatives will be conducted in a reasonable and businesslike manner that will not interfere with the normal operations of the Company. Notwithstanding anything to the contrary in this Agreement, (a) the Sellers and the Company will not be required to disclose any information to the Purchaser or the Purchaser's representatives if such disclosure would (i) jeopardize any attorney-client or other legal privilege or (ii) contravene any applicable Laws, fiduciary duty or agreement entered into prior to the date hereof and (b) prior to the Closing Date, without the prior written consent of the Company, neither the Purchaser nor the Purchaser's representatives shall contact or cause to be contacted any customers or policyholders of the Company concerning the transactions contemplated hereby. The Parties shall make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply. The Purchaser acknowledges that it is and remains bound by the Nondisclosure Agreement among the Parties dated April 7, 2015 (the "Confidentiality Agreement"), and that the Purchaser shall, and shall cause its representatives to, abide by the terms of the Confidentiality Agreement.

5.3No Negotiations, etc. The Sellers will not take, and will not permit the Company or any Affiliate of the Sellers (or permit any other Person acting for or on behalf of the Sellers, the Company, or any Affiliate of the Sellers) to take, directly or indirectly, any action to seek, encourage or accept any offer or proposal from any Person to acquire any shares of capital stock or any other securities of the Company or any interest therein or Assets and Properties thereof or any interest therein; merge, consolidate, or combine, or to permit any other Person to merge, consolidate or combine, with the Company; liquidate, dissolve, or reorganize the Company in any manner; acquire or transfer any Assets and Properties of the Company or any interests therein, except as contemplated by the terms of this Agreement; reach any agreement or understanding (whether or not such agreement or understanding is absolute, revocable, contingent, or conditional) for, or otherwise to attempt to consummate, any such acquisition, transfer, merger, consolidation, combination, or reorganization; or furnish or cause to be furnished any information with respect to the Company to any Person (other than the Purchaser or any Governmental Authorities) that the Sellers or any Affiliate of the Sellers (or any Person acting for or on behalf of the Sellers, the Company, or any other Affiliate of the Sellers) knows or has reason to believe is in the process of attempting or considering any such acquisition, transfer, merger, consolidation, combination, liquidation, dissolution, or reorganization.

5.4Conduct of Business. Except for the actions contemplated by this Agreement, from the date of this Agreement until the Closing the Sellers will cause the Company to conduct its business only in the Ordinary Course of Business, except to the extent the Purchaser may otherwise consent in writing or to the extent otherwise required or permitted by this Agreement. Without limiting the generality of the foregoing from the date of this Agreement until the Closing:

(a) The Sellers will use all commercially reasonable efforts to preserve intact the Company's present business organization, reputation, and policyholder relations; maintain all licenses, qualifications, and authorizations of the Company to do business in each jurisdiction in which it is so licensed, qualified, or authorized; except as otherwise provided in this Agreement, maintain in full force and effect all material Contracts, documents, and arrangements referred to in Section 3.17; maintain all material Assets and Properties of the Company in the working order and condition as the same exist on the date of this Agreement, ordinary wear and tear excepted; and exercise all commercially reasonable efforts to maintain and protect the confidential and proprietary nature of the Company's policyholder lists, lists of the Company's Producers, billing records and commission statements and other materials relating to the Company's sales and marketing practices or in force business.

(b) The Sellers will cause the Books and Records of the Company to be maintained in the usual manner and consistent with past practice and will not permit a material change in any underwriting, investment, actuarial, financial reporting, or accounting practice or policy of the Company or in any assumption underlying such practice or policy, or in any method of calculating any bad debt, contingency, or other reserve for financial reporting purposes or for other accounting purposes (including, without limitation, any practice, policy, assumption, or method relating to or affecting the determination of the Company's investment income, reserves or other similar amounts, or operating ratios with respect to expenses, losses, or lapses), except to the extent required by SAP.

(c) The Sellers will properly prepare and duly and timely file all reports and all Tax Returns required to be filed with any Governmental Authorities with respect to the business, operations, or affairs of the Company; and duly and fully pay all Taxes indicated by such Tax Returns or otherwise levied or assessed upon the Company or any of its Assets and Properties, and withhold or collect and pay to the proper taxing authorities or hold in separate bank accounts for such payment all Taxes that the Company is required to so withhold or collect and pay, unless such Taxes are being contested in good faith and, if appropriate, reasonable reserves therefor have been established and reflected in the Books and Records of the Company in accordance with SAP.

(d) The Sellers will cause First Guaranty to cause all reserves and other similar amounts with respect to insurance Contracts established or reflected in the Books and Records of First Guaranty to be computed and reflected on a basis consistent, in all material respects, with those reserves and other similar amounts and reserving methods followed by the Company at September 30, 2015, and, when considered in light of the assets held by the Company with respect to the reserves and related actuarial items, including without limitation then current assumptions concerning investment earnings on the assets and considerations anticipated to be received and retained under the insurance Contracts, mortality and morbidity experience, persistence and expenses, good, sufficient and adequate in all material respects (under commonly accepted actuarial standards consistently applied and fairly stated in accordance with sound actuarial principles) to cover the total amount of all reasonably anticipated matured and unmatured benefits, dividends, losses, claims, expenses, and other Liabilities of First Guaranty under all insurance Contracts pursuant to which First Guaranty has or will have any Liability (including, without limitation, any Liability arising under or as a result of any reinsurance, coinsurance, or other similar Contract); continue to own assets that qualify as legal reserve assets under all applicable insurance Laws in an amount at least equal to the reserves required of First Guaranty; and maintain, until the Closing Date or earlier termination of this Agreement, First Guaranty's capital and surplus and a risk-based capital ratio in such amounts as may be required by the Louisiana Commissioner of Insurance.

(e) The Sellers will use all commercially reasonable efforts to maintain in full force and effect until the Closing or earlier termination of this Agreement substantially the same levels of coverage as the insurance afforded the Company under the insurance Contracts listed in Section 3.20 of the Disclosure Schedule. Any and all benefits under such Contracts paid or payable (whether before or after the effective date of this Agreement) with respect to the business, operations, affairs, or Assets and Properties of the Company will be paid to the Company.

(f) The Sellers will use commercially reasonable efforts to cause the Company to continue to comply, in all material respects, with all Laws applicable to its business, operations, or affairs.

5.5 Financial Statements and Reports.

(a) As promptly as practicable after the end of each calendar quarter and consistent with past practice commencing on December 31, 2015, the Sellers will deliver to the Purchaser a true and complete copy of the Quarterly or the Annual Statements of First Guaranty, as the case may be, filed by First Guaranty for the preceding quarter or year, prepared in accordance with SAP, and which shall present fairly in all material respects the financial position of First Guaranty as of the date(s) thereof and the results of operations, capital and surplus account, and cash flow of First Guaranty for and during each of the periods covered thereby.

(b) As promptly as practicable after the preparation thereof in the Ordinary Course of Business, the Sellers will deliver to the Purchaser true and complete copies of such other material financial statements, reports, or analyses as may be prepared by First Guaranty or any Affiliate of First Guaranty and as relate to the business, operations, or affairs of the Company, including, without limitation, normal internal reports (such as those reflecting monthly premiums, claims, and cash flow) and special reports (such as those of consultants).

(c) As to each statement, presentation and other report or analysis required to be delivered by the Sellers to the Purchaser pursuant to this Section 5.5, the president of the Company shall certify to the Purchaser upon the Purchaser's request, that, to the Best Knowledge of the Sellers or the Company, the same is correct in all material respects as to the matters referred to therein.

5.6 Investments. The Sellers will cause the Company to invest its future cash flow, any cash from matured and maturing investments, any cash proceeds from the sale of any of its respective Assets and Properties, and any cash funds currently held by the Company, in cash or cash equivalents acceptable to Purchaser.

5.7 Employee Matters.

(a) Except as may be required by Law or except for such representations, promises, changes, alterations, or amendments that do not and will not result in any material Liability to the Company or the Purchaser, or as otherwise consented to in writing by the Purchaser, the Sellers will refrain, and will cause the Company to refrain, from directly or indirectly:

(i) making any representation or promise, oral or written, to any officer, director, employee, agent, Producer, consultant, or other similar representative of the Company concerning any benefit plan;

(ii) except in the Ordinary Course of Business, adopting, entering into, amending or altering (other than terminating), partially or completely, any employment, agency, consulting, or Producer Contract that is, or had it been in existence on the effective date of this Agreement would have been, required to be disclosed in Section 3.18(a) of the Disclosure Schedule;

(iii) approving any general or company wide pay increases for officers, directors, employees, Producers, consultants, or other similar representatives of the Company; or

(iv) entering into any Contract with any officer, director, employee, Producer, consultant, or other similar representative of the Company that is not terminable by the Company, without penalty or other Liability, upon not more than sixty (60) calendar days' notice.

5.8No Charter Amendments. The Sellers will not amend the articles of incorporation or bylaws of the Company and will refrain from taking any action with respect to any such amendment.

5.9No Issuance of Securities. The Sellers will refrain from authorizing or permitting the Company to any shares of capital stock or other debt or equity securities of the Company, or from entering into any Contract or granting any option, warrant, or right calling for the authorization or issuance of any such shares or other debt or equity securities, or creating or issuing any securities directly or indirectly convertible into or exchangeable for any such shares or other equity securities, or issuing any options, warrants, or rights to purchase any such convertible securities.

5.10No Dividends. The Company will refrain from declaring, setting aside, or paying any dividend or other distribution in respect of its capital stock and from directly or indirectly redeeming, purchasing or otherwise acquiring any of its capital stock or any interest in or right to acquire any such stock; provided, however, that the Company may declare and pay a dividend on or about March 15, 2015 in an amount not to exceed \$300,000 for the sole purpose of making a payment under the Prior Stock Purchase Agreements.

5.11No Disposal of Property. Except as consented to in writing by the Purchaser or as otherwise expressly provided in this Agreement, the Sellers will cause the Company not to dispose of any of its Assets and Properties or permit any of its Assets and Properties to be subjected to any Liens other than Permitted Liens, except to the extent any such disposition or any such Lien is made or incurred in the Ordinary Course of the Business; sell any material part of its insurance products, operations, or business to any third Party (other than sales of insurance products in the Ordinary Course of Business); enter into any Contracts obligating the Company to administer the insurance operations of any Person; or enter into any Contracts permitting any Person to administer First Guaranty's insurance operations. Notwithstanding the foregoing, First Guaranty may sell any of the properties comprising the Transferred Real Estate or the Charbonnet Property for a purchase price that is no less than the Book Value for such property.

5.12No Breach or Default. The Sellers will use commercially reasonable efforts to cause the Company not to violate or breach, or take or fail to take any action that (with or without notice or lapse of time or both) would constitute a violation, breach, or default in any way under any term or provision of any Contract to which it is a party or by which any of its Assets and Properties is or may be bound, except for such violations, breaches or defaults, actions or failures that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect.

5.13Indebtedness. The Sellers will cause the Company not to create, incur, assume, guarantee, or otherwise become liable for, and not cancel, pay, agree to cancel or pay, or otherwise provide for a complete or partial discharge in advance of a scheduled payment date with respect to, any monetary Liability, and not waive in any material respect any right to receive any direct or indirect payment or other benefit under any Liability owing to it.

5.14No Acquisitions. The Sellers will cause the Company not to (a) merge, consolidate, or otherwise combine or agree to merge, consolidate, or otherwise combine with any other Person, (b) acquire or agree to acquire blocks of business of, or all or substantially all the Assets and Properties or capital stock or other equity securities of any other Person, or (c) otherwise acquire or agree to acquire control or ownership of any other Person.

5.15Intercompany Liabilities. At least five (5) Business Days before the Closing, the Sellers will deliver to the Purchaser a true and complete list and description of all intercompany accounts and balances payable or receivable, whether or not currently due, between the Company, on the one hand, and the Sellers or any Affiliate of the Sellers (other than the Company), on the other hand, (including amounts due or payable under any Contracts described in Section 3.17(g)) to be outstanding on the Closing Date (the "Intercompany Balances"). On or prior to the Closing Date, the Sellers shall cause the Company to settle all Intercompany Balances, on terms and conditions that are reasonably satisfactory to the Purchaser prior to the Closing. The Company will not enter into any Contract or, except as required by any Contract disclosed in Section 3.17(g) of the Disclosure Schedule, engage in any transaction with any of its respective Affiliates.

5.16Tax Matters. The Sellers will refrain, and will cause the Company to refrain (a) from making, filing, or entering into any election, consent, or agreement described in Section 3.12(e) or Section 3.12(f) with respect to the Company or any of its Assets and Properties and (b) except as otherwise required under this Agreement, from entering into, amending or canceling any reinsurance, coinsurance, or other Contract described in Section 3.17(h) of the Disclosure Schedule.

5.17Notice and Cure. The Sellers will notify the Purchaser promptly in writing of, and contemporaneously will provide the Purchaser with true and complete copies of any and all information or documents relating to, and will use all commercially reasonable efforts to cure before the Closing, any event, transaction, or circumstance occurring after the date of this Agreement that causes or will cause any covenant or agreement of the Sellers in this Agreement to be breached, or that renders or will render untrue any representation or warranty of, the Sellers contained in this Agreement as if the same were made on or as of the date of such event, transaction, or circumstance. The Sellers also will use all commercially reasonable efforts to cure, before the Closing, any violation or breach of any representation, warranty, covenant or agreement made by the Sellers in this Agreement, whether occurring or arising before or after the date of this Agreement. If the Sellers notify the Purchaser in writing of any event, transaction, or circumstance occurring after the date of this Agreement that causes any covenant or agreement of the Sellers in this Agreement to be breached, or that renders untrue any representation or warranty of the Sellers contained in this Agreement, and such breach or untruth remains as of the Closing Date despite the efforts of the Sellers under this Section 5.17 and causes a condition to the Purchaser's obligation to close under Article VII to not be satisfied and the Purchaser nevertheless elects to close the transactions contemplated by this Agreement, the Purchaser shall be deemed to have waived such breach or any breach of any representation or warranty of the Sellers resulting from such untruth, and the Sellers shall have no liability for such breach or untruth under this Agreement from and after the Closing Date.

5.18Regulatory Matters.

(a) The Parties shall cooperate with each other and use their respective commercially reasonable efforts to promptly prepare and file all necessary documentation for obtaining approvals or clearances as promptly as practicable after the date of this Agreement (but in no event later than sixty (60) days following the date of the Agreement), to effect all applications, notices, petitions and filings, to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and Governmental Authorities that are necessary or advisable to consummate the transactions contemplated by this Agreement as soon as possible, and in any event no later than April 30, 2016, to the extent reasonably practicable, and to comply with the terms and conditions of all such permits, consents, approvals and authorizations of all such third parties or Governmental Authorities. Sellers, Company and Purchaser shall have the right to review in advance and, to the extent practicable, each will consult the other on, in each case subject to applicable laws, all the non-confidential information relating to Sellers, Company or Purchaser (excluding any confidential financial information relating to individuals who are not Sellers), as the case may be, and any of their respective Affiliates, that appear in any filing made with, or written materials submitted to, any third party or any Governmental Authority in connection with the transactions contemplated by this Agreement. In exercising the foregoing right, each of the Parties shall act reasonably and as promptly as practicable. The Parties shall consult with each other with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and Governmental Authorities necessary or advisable to consummate the Transactions contemplated by this Agreement and each Party will keep the other Party apprised of the status of matters relating to completion of the Transactions contemplated by this Agreement. Each Party shall consult with the other Party in advance of any meeting or conference with any Governmental Authority in connection with the transactions contemplated by this Agreement and to the extent permitted by such Governmental Authority, give the other Party and/or its counsel the opportunity to attend and participate in such meetings and conferences.

(b) Each of the Purchaser and the Sellers shall, and the Seller shall cause the Company to, upon request, furnish to the other all information concerning itself, its Affiliates, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application made by or on behalf of the Purchaser, the Sellers, the Company or any of their respective Affiliates to any Governmental Authority in connection with the transactions contemplated by this Agreement. Each of the Purchaser and the Sellers agree, and the Sellers shall cause the Company to agree, as to itself and its Affiliates, that none of the information supplied or to be supplied by it for inclusion or incorporation by reference in any of the foregoing contain prior to the Closing Date, to the best of its or their knowledge, any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. Each of the Purchaser and the Sellers further agree, and the Sellers shall cause the Company to further agree, that if it becomes aware that any information furnished by it would cause any of the statements in the foregoing to be false or misleading with respect to any material fact, or to omit to state any material fact necessary to make the statements therein not false or misleading, to promptly inform the other party thereof and to take appropriate steps to correct the foregoing.

(c) In furtherance and not in limitation of the foregoing, each of the Purchaser and the Sellers shall use, and the Sellers shall cause the Company to use, commercially reasonable efforts to (i) avoid the entry of, or to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that would restrain, prevent or delay the Closing, and (ii) avoid or eliminate each and every impediment under any applicable law and resolve any questions or issues raised by any Governmental Authority so as to enable the Closing to occur as soon as possible, and in any event no later than April 30, 2016.

(d) Each of the Purchaser and the Sellers shall, and the Sellers shall cause the Company to, promptly advise the other upon receiving any communication from any Governmental Authority the consent or approval of which is required for consummation of the transactions contemplated by this Agreement that causes such Party to believe that there is a reasonable likelihood that any required approvals will not be obtained or that the receipt of any such approval may be materially delayed.

5.19 Access to Information.

(a) During the period prior to the Effective Date or the earlier termination of this Agreement in accordance with its terms, the Company shall make available to the Purchaser a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of federal securities laws or federal or state banking or insurance laws (other than reports or documents that the Company is not permitted to disclose under applicable Law).

(b) No investigation by a Party or its representatives shall affect or be deemed to modify or waive any representations, warranties or covenants of the other Party set forth in this Agreement.

5.20 Employee Benefits.

(a) It is the Purchaser's intention that following the Closing the employees of the Company other than Babb, Madden and Kirk B. Babb (the "Retained Employees") shall continue to be eligible for benefits and compensation that are substantially similar to that provided them prior to the Closing. Effective as of the Closing and continuing through August 30, 2016, the Purchaser intends to cause the Company to continue to contribute towards the cost of the Retained Employees' health coverage consistent with past practice. Following the Closing, the Purchaser shall cause the Company to permit the Retained Employees to utilize their respective vacation and paid time off benefits accrued prior to the Closing, in accordance with the past practices of the Company; provided, however, following the Closing, in no event shall the Purchaser be required to cause the Company to continue the same vacation and paid time off policies maintained by the Company prior to the Closing.

(b) With respect to any employee benefit plan maintained by the Purchaser or any of its Affiliates (collectively, "Purchaser Employee Benefits Plans") that Employees participate in after the Closing, if any, to the extent permitted by the related Purchaser Employee Benefit Plans, (i) the Purchaser shall, or shall cause its Affiliates to, recognize all service of the Retained Employees prior to the Closing ("Pre-Closing Company Service") as if such service were with the Purchaser or its Affiliates, for vesting and eligibility purposes in such Purchaser Employee Benefit Plans.

(c) With respect to any Purchaser Employee Benefit Plans providing for, medical, dental and vision benefits in which the Retained Employees participate after the Closing, if any, the Purchaser shall, to the extent permitted by the related Purchaser Employee Benefit Plans, (i) waive or cause to be waived any exclusionary provisions, waiting period, proof of insurability requirements and pre-existing condition limitations to the extent the same are not applicable under the related Purchaser Employee Benefit Plans prior to the Closing; and (ii) credit or cause to be credited the Retained Employees for all deductible expenses incurred by the Retained Employees under the comparable Purchaser Employee Benefit Plan in the year in which the Closing occurs, provided such expenses would have been covered expenses under Purchaser Employee Benefit Plan.

(d) The Purchaser shall assure that a sufficient number of Retained Employees shall remain employed by the Company for at least a 90-day period following the Closing so as not to constitute a "plant closing" or "mass layoff" (as those terms are used in the Worker Adjustment and Retraining Notification Act, 29 U.S. Stat. § 2101 et. seq.).

(e) All Retained Employees will be employees-at-will. For the avoidance of doubt, the Parties agree that the Purchaser shall have no obligation to permit any of the Retained Employees to participate in any of the Purchaser Employee Benefit Plans.

(f) This Section 5.20 shall be binding upon and inure solely to the benefit of each of the parties, and nothing in this Section 5.20, express or implied, shall confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Section 5.20. Nothing contained herein, express or implied, shall be construed to establish, amend or modify any Plans, including any benefit plan, program, agreement or arrangement. The Parties acknowledge and agree that the terms set forth in this Section 5.20 shall not create any right in any Retained Employee or any other Person to any continued employment with the Company, the Purchaser or any of their respective Affiliates or compensation or benefits of any nature or kind whatsoever, any right of any Retained Employee or any other Person to participate in any Purchaser Employee Benefit Plan or any obligation of the Purchaser to allow any Retained Employee or any other Person to participate in any Purchaser Employee Benefit Plan. Nothing in this Agreement shall be deemed to confer upon any Person (nor any beneficiary thereof) any rights under or with respect to any Plans, including any plan, program or arrangement described in or contemplated by this Agreement, and each Person (and any beneficiary thereof) shall be entitled to look only to the express terms of any such plan, program or arrangement for his or her rights thereunder.

ARTICLE VI
COVENANTS OF THE PURCHASER

The Purchaser covenants and agrees with Sellers that, at all times before the Closing, the Purchaser will comply with all covenants and provisions of this Article VI, except to the extent the Sellers may otherwise consent in writing or to the extent otherwise required or permitted by this Agreement.

6.1Regulatory Approvals. The Purchaser will take all commercially reasonable steps necessary or desirable, and proceed diligently and in good faith and use all commercially reasonable efforts to obtain, as promptly as practicable, all approvals, authorizations, and clearances of Governmental Authorities listed in Section 6.1 of the Disclosure Schedule required of the Purchaser to consummate the transactions contemplated hereby, including without limitation filing of a Form A Statement with the Louisiana Commissioner of Insurance (and any other states in which the Company is commercially domiciled) and filing of any required Form E Statements with the applicable state insurance agencies; promptly provide copies of filings, correspondence and such other information and communications to and from such Governmental Authorities to the Sellers; provide timely notice to the Sellers or any scheduled meetings or conferences between the Purchaser and such Governmental Authorities relating to such filings or approvals so that the Sellers, at their option, may send a representative to be in attendance at such meetings and conferences; and cooperate with the Sellers and provide such information as the Sellers or any Governmental Authority may request to assist the Sellers in obtaining, as promptly as practicable, all approvals, authorizations, and clearances of Governmental Authorities required of the Sellers to consummate the transactions contemplated under this Agreement.

6.2Intentionally Reserved.

6.3Notice and Cure. The Purchaser will notify the Sellers promptly in writing of, and contemporaneously will provide the Sellers with true and complete copies of any and all information or documents relating to, and will use all commercially reasonable efforts to cure before the Closing, any event, transaction, or circumstance occurring after the date of this Agreement that causes or will cause any covenant or agreement of the Purchaser under this Agreement to be breached, or that renders or will render untrue any representation or warranty of the Purchaser contained in this Agreement as if the same were made on or as of the date of such event, transaction, or circumstance. The Purchaser also will use all commercially reasonable efforts to cure, before the Closing, any violation or breach of any representation, warranty, covenant, or agreement made by it in this Agreement, whether occurring or arising before or after the date of this Agreement. If the Purchaser notifies the Sellers in writing of any event, transaction, or circumstance occurring after the date of this Agreement that causes any covenant or agreement of the Purchaser in this Agreement to be breached, or that renders untrue any representation or warranty of the Purchaser contained in this Agreement, and such breach or untruth remains as of the Closing Date despite the efforts of the Purchaser under this Section 6.3 and causes a condition to the Sellers's or the Company's obligation to close under Article VIII to not be satisfied and the Sellers nevertheless elect to close the transactions contemplated by this Agreement, the Sellers shall be deemed to have waived such breach or any breach of any representation or warranty of the Purchaser resulting from such untruth and the Purchaser shall have no liability for such breach or untruth under this Agreement from and after the Closing Date.

6.4 Indemnification and Exculpation.

(a) All rights to indemnification and exculpation (including the advancement of expenses) from liabilities existing as of the Effective Date in favor of the current or former directors, managers, officers and employees of the Company, as provided in the articles of incorporation, the bylaws or any indemnification agreements of the Company and pursuant to applicable law shall survive the Closing and shall continue in full force and effect thereafter without amendment, modification or repeal in accordance with their terms for a period of five (5) years.

(b) The provisions of this Section 6.4 are intended to be for the benefit of, and enforceable by each Person indemnified pursuant to, this Section 6.4.

ARTICLE VII CONDITIONS TO OBLIGATIONS OF THE PURCHASER

The obligations of the Purchaser hereunder are subject to the fulfillment, at or before the Closing, of each of the following conditions (all or any of which, other than the conditions in Sections 7.4 and 7.6, may be waived in whole or in part by the Purchaser).

7.1 Representations and Warranties. Each of the representations and warranties of the Sellers contained in this Agreement and in any certificate or other written instrument delivered the Sellers pursuant hereto shall be true and correct in all respects when made and as of the Closing Date as if made on and as of the Closing Date, except (i) for such representations and warranties that may be untrue or incorrect as a result of actions or transactions expressly permitted or required by this Agreement or actions or transactions of the Sellers made with the prior written consent of the Purchaser, (ii) for such representations and warranties made as of a specified date, which shall be required to be true and correct only on and as of such specified date, and (iii) for those failures of such representations and warranties to be true and correct that, individually or in the aggregate, do not constitute a Material Adverse Effect.

7.2 Performance. The Sellers shall have performed and complied in all material respects with all covenants required by this Agreement to be so performed or complied with by the Sellers on or before the Closing Date, including those specifically referred to elsewhere in this Article VII.

7.3 Certificates of the Sellers. The Sellers shall have delivered to the Purchaser certificates dated as of the Closing Date in the form of **Exhibit A** hereto, certifying as to the fulfillment of the conditions set forth in this **Article VII**. The Sellers shall have delivered to the Purchaser the certificates of the president of the Company required by **Section 5.5(c)** of this Agreement.

7.4 No Injunction. There shall not be in effect on the Closing Date any writ, judgment, injunction, decree, or similar order of any Governmental Authority restraining, enjoining, or otherwise preventing consummation of any of the transactions contemplated by this Agreement.

7.5 No Proceeding or Litigation.

(a) Other than immaterial private litigation, there shall not be pending against the Company (whether as a defendant, counterclaim or third party defendant, intervenor, or otherwise) any action, suit, investigation, or other proceeding in, before, or by any Governmental Authority with respect to any claim (other than claims for policy benefits as are specified under insurance Contracts issued, reinsured, or underwritten by First Guaranty. For purposes of this representation, any action, suit or arbitration proceeding asserted against the company by a party other than a Governmental Authority seeking damages of less than \$25,000 shall be deemed immaterial private litigation.

(b) There shall not be in effect on the Closing Date any voluntary or involuntary bankruptcy, receivership, conservatorship, supervisory or administrative order or similar proceeding with respect to the Company or the Sellers.

7.6 Consents, Authorizations, etc. All material orders, consents, permits, authorizations, approvals, filings and waivers of every Person disclosed in **Section 6.1** or **Section 3.5(e)** of the Disclosure Schedule (including, without limitation, the approval of the Louisiana Commissioner of Insurance without the material abrogation or diminishment of the Company's authority or license or the imposition of significant restrictions upon the transactions contemplated hereby) shall have been obtained and shall be in full force and effect, and the Purchaser shall have received evidence satisfactory to it of the receipt of such orders, consents, approvals, authorizations, filings and waivers.

ARTICLE VIII
CONDITIONS TO OBLIGATIONS OF THE SELLERS

The obligations of the Sellers hereunder are subject to the fulfillment, at or before the Closing, of each of the following conditions (all or any of which, other than the conditions in **Sections 8.4** and **8.5** may be waived in whole or in part by the Sellers):

8.1 Representations and Warranties. The representations and warranties made by the Purchaser in this Agreement shall be true as of the effective date of this Agreement and shall be true on and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date.

8.2Performance. The Purchaser shall have performed and complied in all material respects with all agreements, covenants, obligations, and conditions required by this Agreement to be so performed or complied with by the Purchaser at or before the Closing Date.

8.3Officers' Certificates. The Purchaser shall have delivered to the Sellers a certificate, dated as of the Closing Date in the form of **Exhibit B** hereto and executed by the president of the Purchaser, certifying with respect to the Purchaser as to the fulfillment of the conditions set forth in this **Article VIII**. In addition, the Purchaser shall have delivered to the Sellers a certificate in the Form of **Exhibit C** hereto, dated as of the Closing Date and executed by the president and the secretary or any assistant secretary of the Purchaser certifying that the Purchaser has duly and validly taken all corporate action necessary to authorize its execution and delivery of this Agreement and its performance of its obligations under this Agreement, and that the resolutions (true and complete copies of which shall be attached to the certificate) of the Board of Directors of the Purchaser with respect to this Agreement and the transactions contemplated hereby have been duly and validly adopted and are in full force and effect.

8.4No Injunction. There shall not be in effect on the Closing Date any writ, judgment, injunction, decree, or similar order of any Governmental Authority restraining, enjoining, or otherwise preventing consummation of any of the transactions contemplated by this Agreement.

8.5Consents, Authorizations, etc. All orders, consents, permits, authorizations, approvals, and waivers of every Person listed in **Sections 3.5(e)** and **6.1** of the Disclosure Schedule shall have been obtained and shall be in full force and effect, and the Sellers shall have received evidence satisfactory to the Sellers of the receipt of such consents, approvals, authorizations, and clearances.

ARTICLE IX SURVIVAL OF PROVISIONS; REMEDIES

9.1Survival. The representations, warranties, covenants, and agreements respectively made by, the Sellers and the Purchaser in this Agreement, in the Disclosure Schedule, or in any certificate or writing respectively delivered by the Sellers or the Purchaser pursuant to Section 4.3(e), Section 7.3 or Section 8.3 will survive the Closing of this Agreement and the Closing Date:

(a) until the expiration of all applicable statutes of limitation (including all periods of extension, whether automatic or permissive) in the case of the representations, warranties, covenants and agreements (i) of the Sellers respectively set forth in Sections 3.1, 3.2, 3.3, 3.12 and 3.23, Article II and Article X and (ii) of the Purchaser in Sections 4.1, 4.2, 4.5, 4.7, Article II and Article X; and

(b) until thirteen (13) months following the Closing Date in the case of all other representations, warranties, covenants, and agreements.

If a Claim Notice or an Indemnity Notice is given in accordance with **Section 12.1** before expiration of the applicable time period referenced above, then (notwithstanding such time period) the representation, warranty, covenant, or agreement applicable to such claim shall survive until, but only for purposes of, resolution of such claim.

9.2Available Remedies. Each Party expressly agrees that, consistent with its intention and agreement to be bound by the terms of this Agreement and to consummate the transactions contemplated hereby, subject only to the performance or satisfaction of precedent conditions or of precedent requirements imposed upon another Party hereto, the remedy of specific performance shall be available to a non-breaching or non defaulting Party to enforce performance of this Agreement by a breaching or defaulting Party, including, without limitation, to require the consummation of the Closing on the Closing Date.

**ARTICLE X
INDEMNIFICATION**

10.1 Tax Indemnification.

(a) Subject to the provisions of Article IX, Section 10.4, Section 10.5 and this Section 10.1, after the Closing, the Sellers, severally and not jointly calculated on the basis of each Seller's share of the Purchase Price received by such Seller as determined in accordance with the allocation under Section 2.2 (for each Seller, the "Seller's Pro Rata Share") agree to pay, and to indemnify the Purchaser in respect of, and hold it harmless against, any and all Damages for or in respect of Taxes actually incurred by the Purchaser or the Company as a result of or relating to the Tax liability of the Company for tax year 2015 and prior years, but only to the extent such Tax liability exceeds the amount reflected as a Liability or reserved on the Books and Records of the Company or do not arise from an action taken or omitted by the Purchaser or the Company on or after the Effective Date. For the avoidance of doubt Babb's share of the Purchase Price for purposes of computing the Seller's Pro Rata Share for Babb shall exclude payments to the Former Shareholders pursuant to Section 2.2(a)(ii). Sellers shall cause the preparation and filing of the Company's Tax Returns for the year ending December 31, 2015, which shall be prepared consistent with past practice. Sellers shall provide a copy of the same to Purchaser at least fifteen (15) calendar days prior to filing.

(b) The Purchaser agrees to pay, and to indemnify the Sellers in respect of, and hold the Sellers harmless from and against, any and all Damages for or in respect of Taxes actually incurred by, imposed upon, or assessed against the Sellers or any Affiliate of the Sellers (other than the Company) as a result of or relating to the Tax liability of the Company for the tax year ending December 31, 2016 and subsequent years.

(c) The Sellers will notify the Purchaser, or (if applicable) the Purchaser will notify the Sellers, as the case may be, promptly of the commencement of any claim, audit, examination, or other proposed change or adjustment by any taxing authority concerning any Tax or other Damages covered by this Section 10.1 ("Tax Claim").

(d) The Sellers will furnish the Purchaser, or (if applicable) the Purchaser will furnish the Sellers, promptly with copies of all correspondence (including, without limitation, notices, requests, explanations, determinations, schedules, charts, and lists) received from any taxing authority in connection with any Tax Claim. The Sellers will have the right to approve in advance any correspondence sent to any taxing authority by or on behalf of the Purchaser or the Company with respect to any Tax Claim to the extent such correspondence would adversely affect the Sellers's obligations or rights under Section 10.1; provided, however, that the Sellers will be deemed to have approved any such correspondence to the extent notice of its disapproval thereof is not delivered or mailed to the Purchaser in accordance with Article XII with reasonable promptness, but in all events at least fourteen (14) Business Days before the date on which payment of the Tax is due or, if earlier, at least fourteen (14) Business Days before the date on which the ability of the Purchaser to defend against the Tax Claim is irrevocably prejudiced.

(e) At its option (following reasonable notice to and consultation with the Purchaser), the Sellers may contest any Tax Claim for tax year 2015 and prior years on behalf of the Purchaser in any legally permissible manner until such time as any payment for Taxes or other Damages with respect to such Tax Claim is due or, upon the Sellers's payment of such Taxes and other Damages, may sue for a refund thereof where permitted by applicable Law. Except as provided in the last sentence of this subsection, the Sellers will control all proceedings taken in connection with any such contest or refund suit, and may pursue or forego any and all administrative appeals, proceedings, hearings, and conferences with the taxing authority in respect of such Tax Claim for tax year 2015 and prior years. The Purchaser will take such lawful action in connection with the contest or refund suit as the Sellers may reasonably request in writing from time to time, including, without limitation, the prosecution of the contest or refund suit to a final determination, provided that the Sellers request such action with reasonable promptness, but in all events at least fourteen (14) Business Days before the date on which payment of the Taxes or other Damages are due or become final, or if earlier, at least fourteen (14) Business Days before the date on which the Purchaser's ability to defend against the Tax Claim is irrevocably prejudiced. Notwithstanding the foregoing provisions of this Section 10.1(e), if such contest or refund suit has or may reasonably be expected to have a material effect on the Liability of the Purchaser for Taxes for tax year 2016 and/or subsequent years, then the Sellers and the Purchaser will jointly control any such contest or refund suit.

(f) The Purchaser shall provide and shall cause the Company to provide all Books and Records as the Sellers reasonably request, and shall cause the Purchaser's and the Company's tax advisors to provide such work papers and other information as the Sellers shall reasonably request, to permit the Sellers to prepare and file the Tax Returns for tax year 2015 and/or to contest any Tax Claim under this Section 10.1.

(g) The Purchaser shall prepare and file the Company's Tax Returns for tax year ending December 31, 2016.

10.2 Other Indemnification.

(a) Subject to the provisions of Article IX, Section 10.3, Section 10.4 and Section 10.5, the Sellers, severally and not jointly, in accordance with each Seller's Pro Rata Share, agree to indemnify the Purchaser in respect of, and hold it harmless against:

(i) any and all Damages actually incurred on a cumulative basis, whether or not arising from the same event, transaction or occurrence (other than Damages that the Sellers have paid or are liable to pay to the Purchaser pursuant to Section 10.1), resulting from any breach of any or more than one representation or warranty of the Sellers contained in this Agreement or any certificate delivered by or on behalf of the Sellers pursuant to Section 7.3; and

(ii) any and all Damages actually incurred on a cumulative basis resulting from any nonfulfillment of or failure to perform any covenant of the Sellers contained in this Agreement.

(b) Subject to the provisions of Article IX and Section 10.3, Section 10.4 and Section 10.5, the Purchaser agrees to indemnify the Sellers in respect of, and hold the Sellers harmless against:

(i) any and all Damages on a cumulative basis, whether or not arising from the same event, transaction or occurrence (other than Damages that the Purchaser has paid or is liable to pay to the Sellers pursuant to Section 10.1), resulting from breach of any or more than one representation or warranty of the Purchaser contained in this Agreement or any certificate delivered by or for the Purchaser pursuant to Section 8.3; and

(ii) any and all Damages on a cumulative basis resulting from any nonfulfillment of or failure to perform any covenant or agreement of the Purchaser contained in this Agreement.

10.3 Method of Asserting Claims. All claims for indemnification by any Indemnified Party will be asserted and resolved as follows:

(a) Third Party Claims. In the event that, following the Closing, any Indemnified Party receives notice of any claim or the commencement of any action or proceeding by any Person who is not a Party to this Agreement or an Affiliate of a Party (a "Third Party Claim") for which an Indemnifying Party would be liable for Damages to an Indemnified Party under Section 10.2, the Indemnified Party will deliver a notice ("Claim Notice") to the Indemnifying Party within twenty (20) calendar days after learning of such Third Party Claim (or within such shorter time as may be necessary to give the Indemnifying Party a reasonable opportunity to respond to and defend such Third Party Claim) which Claim Notice must (i) provide with reasonable specificity the basis on which indemnification is being asserted, (ii) set forth the actual or good faith estimated amount of Damages for which indemnification is being asserted, if known, and (iii) be accompanied by copies of all relevant pleadings, demands, and other papers served in the Indemnified Party. The Indemnifying Party shall have the right, upon written notice to the Indemnified Party (the "Defense Notice") within fifteen (15) calendar days after receipt of the Claim Notice from the Indemnified Party, to conduct at its own expense the defense against such Third Party Claim in its own name, or, if necessary, in the name of the Indemnified Party; provided, however, that the Indemnified Party shall have the right to approve the defense counsel selected by the Indemnifying Party, which approval shall not be unreasonably withheld, and in the event the Indemnifying Party and the Indemnified Party cannot agree upon such counsel within ten (10) calendar days after the Defense Notice is provided, then the Indemnifying Party shall propose an alternate defense counsel, who shall be subject again to the Indemnified Party's approval not to be unreasonably withheld or delayed. The Indemnified Party shall take all reasonable action necessary to preserve the rights and defenses of the Indemnifying Party until the earlier of: (i) the date the Indemnifying Party has assumed the defense of such Third Party Claim; or (ii) fifteen (15) calendar days after the Indemnified Party's receipt of the Defense Notice.

(i) In the event that the Indemnifying Party shall fail to give the Defense Notice timely, it shall be deemed to have elected not to conduct the defense of the subject Third Party Claim, and in such event the Indemnified Party shall have the right to conduct such defense in good faith; provided that the Indemnified Party may not compromise and settle the claim without the prior written consent of the Indemnifying Party, which consent will not be unreasonably withheld or delayed.

(ii) In the event the Indemnifying Party elects to conduct the defense of the subject Third Party Claim pursuant to this Article X, the Indemnified Party will cooperate with and make available to the Indemnifying Party such assistance and materials as may be reasonably requested by it, all at the expense of the Indemnifying Party, and the Indemnified Party shall have the right at its own expense to participate in the defense assisted by counsel of its own choosing, provided that the Indemnified Party shall have the right to compromise and settle the claim only with the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. Without the prior written consent of the Indemnified Party, the Indemnifying Party will not enter into any settlement of any Third Party Claim or cease to defend against such Third Party Claim if, pursuant to or as a result of such settlement or cessation, injunctive or other equitable relief would be imposed against the Indemnified Party; or such settlement or cessation would lead to liability or create any financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is not entitled to indemnification hereunder; or such settlement includes a written admission of guilt or liability. The Indemnifying Party shall not be entitled to control, and the Indemnified Party shall be entitled to have sole control over, the defense or settlement of any Third Party Claim to the extent that such Third Party Claim seeks an order, injunction or other equitable relief against the Indemnified Party which, if successful, could materially interfere with the business, operations, assets, condition (financial or otherwise) or prospects of the Indemnified Party. If an offer is made to settle a Third Party Claim, which offer the Indemnifying Party is permitted to settle under this Section 10.3(a), and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party will give written notice to the Indemnified Party to that effect. If the Indemnified Party fails to consent to such offer within thirty (30) calendar days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third Party Claim and, in such event, the maximum liability of the Indemnifying Party for Damages as to such Third Party Claim will not exceed the amount of such settlement offer, plus costs and expenses paid or incurred by the Indemnified Party through the end of such 30 day period.

(iii) Any judgment entered or settlement agreed upon in the manner provided herein shall be binding upon the Indemnifying Party, and shall conclusively be deemed to be an obligation with respect to which the Indemnified Party is entitled to prompt indemnification hereunder.

(b) Direct Claims. It is the intent of the Parties hereto that all direct claims for indemnification hereunder by an Indemnified Party against any Indemnifying Party which do not constitute Third Party Claims ("Direct Claims") shall be subject to and benefit from the terms of this Section 10.3(b). In the event any Indemnified Party should have a Direct Claim against any Indemnifying Party hereunder, the Indemnified Party will notify the Indemnifying Party with reasonable promptness of such claim by the Indemnified Party, specifying the nature of and specific basis for such claim and the amount or the estimated amount of such claim (the "Indemnity Notice"), and the Indemnifying Party will have a period of thirty (30) calendar days within which to satisfy or dispute such Direct Claim. If the Indemnifying Party has timely disputed such claim, as provided above, the Indemnifying Party and the Indemnified Party agree to proceed in good faith to negotiate a resolution of such dispute, and if not resolved through negotiations, or if the Indemnifying Party does not so respond to the Indemnity Notice within such thirty (30) calendar day period, the Indemnifying Party will be deemed to have rejected such Direct Claim, in which event the Indemnified Party will be free to pursue such remedies as may be available to the Indemnified Party under this Agreement or otherwise.

(c) Failure to Give Timely Notice. A failure by an Indemnified Party to give timely, complete or accurate notice as provided in this Section will not affect the rights or obligations of any Party hereunder except and only to the extent that, as a result of such failure, any Indemnifying Party entitled to receive such notice was deprived of its right to recover payment under its applicable insurance coverage or was otherwise directly or materially prejudiced or damaged as a result of such failure to give timely notice.

10.4 Mitigation. The Parties shall use commercially reasonable efforts to mitigate the costs and expenses as well as any Damages arising out of any Third Party Claim or Direct Claim.

10.5 Limitations on Indemnification.

(a) No indemnification payment by the Sellers pursuant to Article X shall be payable for any Damages until the aggregate amount of all Damages actually incurred by the Purchaser exceeds \$50,000 (the "Deductible"), in which case the Purchaser shall be entitled to indemnification for the full amount of Damages actually incurred in excess of the Deductible; provided, however, that the Purchaser shall have no right of indemnification with respect to any single Damage or series of related Damages which is less than \$5,000 (the "Mini-Basket") and no such Damage or Damages shall be taken into account in determining whether or the extent to which the Deductible has been exceeded. The aggregate Liability for all Damages under Section 10.2(a) of each Seller shall not exceed such Seller's Pro Rata Share.

(b) Notwithstanding anything herein to the contrary, no Indemnified Party shall be entitled to any consequential, special, speculative, incidental, punitive, exemplary, or indirect damages, lost profits or business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise, but shall be entitled to actual damages incurred by the Indemnified Party because the Indemnified Party had to pay such special damages to a third party.

(c) The amount of any Damages for which indemnification is provided hereunder shall take into account and be reduced by (i) any amounts received by the Indemnified Party under insurance, indemnification, contribution, reimbursement or similar contracts, and (ii) any reduction in the amount of Taxes that otherwise would be payable by the Indemnified Party that results solely for the incurrence of such Damages (as determined by the Indemnified Party in its sole discretion exercised in good faith); provided that any indemnification payment provided hereunder shall initially be made without regard to this Section 10.5(c) and shall be reduced to reflect any reduction in the amount as a result of insurance, indemnification, contribution, reimbursement or Taxes as and when such reduction is actually realized by the Indemnified Party. For purposes of this Agreement, an Indemnified Party shall be treated as having "actually realized" a reduction in the amount of Taxes payable by such Indemnified Party to the extent that, and at such time as, the amount of Taxes payable by such Indemnified Party is reduced below the amount of Taxes that such Indemnified Party would be required to pay but for the incurrence or payment of such Damages. The amount of any reduction pursuant to clause (ii) of this Section 10.5(c) shall be adjusted to reflect any final determination with respect to the Indemnified Party's liability for Taxes, and payments between the Parties to this Agreement to reflect such adjustment shall be made if necessary.

(d) Notwithstanding anything to the contrary herein, each Seller's individual aggregate Liability for all Damages under this Article X shall not exceed such Seller's Pro Rata Share.

(e) All indemnification payments under this Article X shall be deemed adjustments to the Purchase Price.

10.6 Exclusive Remedy. The indemnification provided under this Article X shall be the sole and exclusive remedy of the Parties after the Closing with respect to, arising out of, or resulting from, this Agreement (including for any inaccuracy of any representation or warranty or any failure or breach of any covenant, obligation, condition or agreement contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith); provided, however, that the foregoing shall not (i) limit the rights of any Party to seek any equitable remedy available to enforce the rights of such Party under this Agreement or (ii) limit the right of a Party to seek any available remedy for fraud. Each Party covenants and agrees that following the Closing it shall not seek or assert any other remedy hereunder, other than any equitable remedy available to enforce the rights of such Party under this Agreement and the right of such Party to seek any available remedy for fraud.

ARTICLE XI

TERMINATION

11.1 Termination. This Agreement may be terminated, and the transactions contemplated hereby may be abandoned at any time before the Closing:

(a) by mutual written agreement of the Parties;

(b) by either of the Parties, if the approvals of any Governmental Authorities have been denied or refused, notwithstanding the commercially reasonable efforts of the Party having responsibility for obtaining such approvals;

(c) at any time by the Sellers if any of the covenants set forth in Article VI shall have been breached or any of the conditions set forth in Article VIII (other than the receipt of all approvals of Governmental Authorities) shall not have been satisfied, performed, or complied with, in any material respect, at or before the Closing Date and such breach, non-satisfaction, non-performance, or non-compliance has not been cured or eliminated within thirty (30) calendar days after notice thereof has been given to the Purchaser, provided that at the time of such termination the Sellers have neither breached any of the covenants set forth in Article V nor failed to satisfy, perform, or comply with any of the conditions set forth in Article VII, in any material respect; or

(d) at any time by the Purchaser if any of the material covenants set forth in Article V shall have been materially breached or any of the conditions set forth in Article VII (other than the receipt of all approvals of Governmental Authorities) shall not have been satisfied, performed, or complied with, in any material respect, before the Closing and such breach, non-satisfaction, non-performance or non-compliance has not been cured or eliminated within thirty (30) days after notice thereof has been given to the Sellers; provided that at the time of such termination the Purchaser has neither breached any of the covenants set forth in Article VI nor failed to satisfy, perform, or comply with any of the conditions set forth in Article VIII or Article 7.8, in any material respect; or

(e) at any time after April 30, 2016, by the Sellers or the Purchaser, if the Closing shall not have occurred on or before such date and such failure is not caused by a breach of this Agreement (or any representation, warranty, covenant, or agreement included herein) by the Party electing to terminate pursuant to this clause (e); provided, however, that either party may request an extension of up to an additional sixty (60) days if the sole reason for the extension is to allow for additional time to obtain approval of the applicable Governmental Authorities.

11.2 Effect of Termination. If this Agreement is validly terminated pursuant to Section 11.1, this Agreement will forthwith become null and void, and there will be no Liability on the part of the Sellers or the Purchaser (or any of its officers, directors, employees, agents, consultants, or other representatives) and except that this Section 11.2 and Article XII will continue to apply following any such termination; provided, however, that notwithstanding anything in this Section to the contrary, in the event of termination pursuant to Section 11.1(c) and (d), the breaching Party will not be relieved of any liability for Damages it may have to the electing Party by reason of its breach of this Agreement.

11.3 Frustration of Closing Conditions. None of the Sellers or the Purchaser may rely on the failure of any condition set forth herein to be satisfied if such failure was caused by such Party's failure to act in good faith or to use its commercially reasonable efforts to cause the Closing to occur.

11.4 Specific Performance. Each Party shall be entitled to specific performance in the event the other Party fails to perform any of its obligations which are conditions to the Closing.

ARTICLE XII

MISCELLANEOUS

12.1 Notices. All notices and other communications under this Agreement must be in writing and delivered personally, telecopied, sent by overnight express or mailed, by certified mail, return receipt requested, first class postage prepaid, to the Parties at the following addresses:

If to the Sellers or the Company, to:

Christi Diane Babb
1781 Belmont Rd.
Ashdown, AR 71822
Phone: (870) 898-3699
Email:diane.babb@first-gic.com

Jack Madden, Jr.
421 Jessie White Circle
Ashdown, AR 71822
Phone: (870) 898-3331

Mr. Kirk B. Babb, President
Reppond Holding Company
First Guaranty Insurance Company
P.O. Box 848
Ashdown, AR 71822
Phone: (870) 898-5191
Fax: (870) 898-7122
Email: kirk.babb@first-gic.com

If to the Purchaser, to:

Security National Financial Corporation
Scott M. Quist, President
5300 South 360 West, Ste 250
Salt Lake City, UT 84123
Phone: 801-264-1060
Fax: 801-265-9882
Email:scottq@securitynational.com

With a copy (which shall not constitute notice) to:

Mr. Burnie Burner
Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.
500 W. 5th Street, Suite 1150
Austin, Texas 78701-3835
Phone: 512-480-5100
Fax: 512-322-0301
Email: bburner@mwlaw.com

All notices and other communications required or permitted under this Agreement that are addressed as provided in this Article XII will if delivered personally or by nationally recognized overnight express, be deemed given upon delivery, if delivered by facsimile or electronic mail, be deemed delivered when electronically confirmed; and if delivered by certified mail in the manner described above, be deemed given when received. Any Party from time to time may change its address for the purpose of notices to that Party by giving a similar notice specifying a new address, but no such notice will be deemed to have been given until it is actually received by the Party sought to be charged with the contents thereof.

12.2Entire Agreement. This Agreement supersedes all prior discussions and agreements between the Parties with respect to the subject matter of this Agreement, and this Agreement (including the Exhibits hereto and the Disclosure Schedule) contain the sole and entire agreement among the Parties hereto with respect to the subject matter hereof.

12.3Expenses. Except as otherwise expressly provided in this Agreement (including, without limitation, as provided in Article X), each of the Sellers and the Purchaser will pay its own costs and expenses in connection with this Agreement and the transactions contemplated hereby.

12.4Public Announcements. At all times at or before the Closing, the Sellers and the Purchaser will each consult with the other before issuing or making any reports, statements, or releases to the public (other than any regulatory filings required hereunder) with respect to this Agreement or the transactions contemplated hereby and will use good faith efforts to agree on the text of a joint public report, statement, or press release or will use good faith efforts to obtain the other Party's approval of the text of any public report, statement, or press release to be made solely on behalf of a Party. If the Parties are unable to agree on or approve any such public report, statement, or press release and such report, statement, or press release is, in the opinion of legal counsel to a Party, required by Law or may be appropriate in order to discharge such Party's disclosure obligations, then such Party may make or issue the legally required report, statement, or press release. Any such report, statement, or press release approved or permitted to be made pursuant to this Section may be disclosed or otherwise provided by the Sellers or the Purchaser to any Person, including without limitation to any employee or customer of either Party hereto and to any Governmental Authority.

12.5Confidentiality. Each of the Sellers and the Purchaser will hold, and will cause the Company and its respective officers, directors, employees, agents, consultants, attorneys and other representatives to hold, in strict confidence, unless compelled to disclose by judicial or administrative process (including, without limitation, in connection with obtaining the necessary approval of insurance regulatory authorities) or by other requirements of Law, all confidential documents and confidential information concerning the other Party furnished to it by the other Party or such other Party's officers, directors, employees, agents, consultants, attorneys or representatives in connection with this Agreement or the transactions contemplated hereby, except to the extent that such documents or information can be shown to have been previously lawfully known by the Party receiving such documents or information, in the public domain through no fault of such receiving Party, or later acquired by the receiving Party from other sources not themselves bound by, and in breach of, a confidentiality agreement. Neither the Sellers nor the Purchaser will disclose or otherwise provide any such confidential documents or confidential information to any other Person, except to either Party's respective auditors, actuaries, attorneys, financial advisors, and other consultants and advisors who need such documents or information in connection with this Agreement and except as required by the provisions of Sections 5.1 and 6.1. This Section 12.5 shall survive termination of this Agreement for a period of thirteen (13) months.

12.6Section 338(h)(10) Election. If requested by the Purchaser, the Sellers and the Purchaser shall join in making and filing a timely election on Form 8023 (but in no event later than the fifteenth day of the ninth month beginning after the Closing Date as required by Treas. Reg. Section 1.338(h)(10)-1(c)(3)) under Section 338(h)(10) of the Code and any similar state law provisions in all states in which the Company files income tax returns and which permit corporations to make such elections, with respect to the sale and purchase of the Shares pursuant to this Agreement, and each Party shall provide the others with all necessary information to permit such elections to be made. The Purchaser and the Sellers shall, as promptly as practicable following the Closing Date, take all actions necessary and appropriate (including filing such forms, returns, schedules and other documents as may be required) to effect and preserve a timely Section 338(h)(10) election; *provided, however*, that the Purchaser shall be the Party responsible for preparing Form 8023 and any other forms, returns, schedules and other documents necessary for making an effective and timely Section 338(h)(10) election and Purchaser shall make a payment to Sellers, at the time of their execution of Form 8023, an amount equal to the additional Tax liability, as determined by the Seller's tax advisors, that the Sellers will incur as a result of the Section 338(h)(10) election.

12.7Further Assurances. The Sellers and the Purchaser agree that, from time to time after the Closing, upon the reasonable request of the other, they will cooperate and will cause their respective Affiliates to cooperate with each other to effect the orderly transition of the business, operations, and affairs of the Company, and to carry out the terms of this Agreement. Without limiting the generality of the foregoing, the Sellers and the Purchaser, as the case may be, will give and will cause their respective Affiliates to give representatives of the other Parties to this Agreement reasonable access during normal business hours to all Books and Records of the Sellers, the Company, and the Purchaser, as the case may be, and their Affiliates, which may be reasonably requested by such other Parties in the preparation of any post Closing Date financial statements, reports, or Tax Returns, or to carry out any of the provisions of Article X.

12.8Waiver or Extension. Any term or condition of this Agreement may be waived or extended at any time by the Party or Parties that is entitled to the benefit thereof. Such waiver or extension must be in writing and must be executed by the president or any vice president of such Party, if the Party is an entity. A waiver or extension on one occasion will not be deemed to be a waiver or extension of the same or any other breach on a future occasion. All remedies, either under this Agreement, or by Law or otherwise afforded, will be cumulative and not alternative.

12.9Amendment. This Agreement may be modified or amended only by a writing duly executed by or on behalf of the Sellers and the Purchaser.

12.10Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which will be deemed an original, but all of which will constitute one and the same instrument. For purposes hereof, facsimile and electronically scanned pdf copies hereof and facsimile and electronically scanned pdf signatures hereof shall be authorized and deemed effective.

12.11No Third Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of the Sellers and the Purchaser, and their respective successors or assigns, and it is not the intention of the Parties to confer third Party beneficiary rights upon any other Person unless otherwise expressly provided herein.

12.12Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ARKANSAS (EXCLUSIVE OF CONFLICTS OF LAW PRINCIPLES).

12.13Binding Effect. This Agreement is binding upon and will inure to the benefit of the Parties and their respective successors and, subject to Section 12.14, assigns.

12.14Assignment. Except as otherwise provided herein, neither this Agreement nor any right hereunder or part hereof may be assigned by any Party hereto without the prior written consent of the other Party hereto.

12.15Headings, etc. The headings used in this Agreement have been inserted for convenience and do not constitute matter to be construed or interpreted in connection with this Agreement.

12.16Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future Law, and if the rights or obligations of the Sellers or the Purchaser under this Agreement will not be materially and adversely affected thereby (a) such provision will be fully severable; (b) this Agreement will be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom; and (d) in lieu of such illegal, invalid, or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid, and enforceable provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible.

12.17Limitations. NOTWITHSTANDING ANYTHING TO THE CONTRARY ANYWHERE IN THIS AGREEMENT, NO PARTY SHALL BE LIABLE UNDER THIS AGREEMENT FOR CONSEQUENTIAL, SPECIAL, SPECULATIVE, INCIDENTAL, PUNITIVE, EXEMPLARY, OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE; provided, however, that this shall not prevent an Indemnified Party from recovering under Article X hereof for actual damages incurred by the Indemnified Party regardless of whether the damages sought from the Indemnified Party were actual or special.

12.18Disclosure Schedule. The information in the Disclosure Schedule constitutes exceptions or qualifications to particular representations, warranties, covenants and obligations of the Sellers as set forth in this Agreement or descriptions or lists of assets and liabilities and other items referred to in this Agreement. The Disclosure Schedule shall not be construed as indicating that any disclosed information is required to be disclosed, and no disclosure shall be construed as an admission that such information is material to, or required to be disclosed by, the Sellers, is outside the Ordinary Course of Business, or constitutes a Material Adverse Effect. Capitalized terms used in the Disclosure Schedule that are not defined therein but are defined in this Agreement shall have the meanings given to them in this Agreement. The captions contained in the Disclosure Schedule are for the convenience of reference only, and shall not be deemed to modify or influence the interpretation of the information contained in the Disclosure Schedules or the Agreement. The Sellers shall update the Disclosure Schedule as needed to make the representations, warranties, covenants and agreements of the Sellers accurate and complete as of the Closing and shall promptly notify the Purchaser of any such updates; provided that, except as expressly provided below in this Section 12.18, such updates shall not be deemed to amend the Disclosure Schedule or qualify or cure the related representations and warranties of the Sellers herein. With respect to any update that relates solely to actions, occurrences, facts, developments or events that (i) both arises and becomes known to the Sellers after the date hereof and would have been required or permitted to be set forth or described in the Disclosure Schedule had such matter existed as of the date hereof, (ii) does not arise from a breach of this Agreement, and (iii) either (A) is not material to Company, or (B) arises out of or is attributable to any item described in parts (i) through (iv) of the definition of "Material Adverse Effect", the update shall be deemed to amend the Disclosure Schedule and qualify and cure the representations and warranties of the Sellers herein ("Immaterial Interim Breaches").

12.19 Certain Understandings. Each of the Parties hereto is sophisticated and was advised by experienced counsel and, to the extent it deemed necessary, other advisors in connection with this Agreement. Each of the Parties hereto hereby acknowledges that there are no representations or warranties by or on behalf of any Party hereto or any of its respective Affiliates or representatives other than those expressly set forth in this Agreement and as set forth in the certificates to be delivered pursuant to Section 7.3 and Section 8.3; no Party has relied or will rely in respect of this Agreement or the transactions contemplated hereby upon any document or written or oral information previously furnished to or discovered by it or its representatives, other than this Agreement (including the Disclosure Schedules) and as set forth in the certificates to be delivered pursuant to Section 7.3 and Section 8.3; and the Parties' respective rights and obligations with respect to this Agreement and the events giving rise thereto will be solely as set forth in this Agreement.

12.20 Attorney-Client Privilege and Conflict Waiver. Kantrow, Spaht, Weaver & Blitzer (A Professional Law Corporation) (the "Company Firm") has represented the Sellers and the Company in connection with this Agreement and the other agreements, instruments and documents contemplated hereby and the transactions contemplated hereby and thereby (the "Transaction Engagement") and in that connection, not as counsel for any other Person, including the Purchaser. The Parties recognize the commonality of interest that exists among the Sellers and Company and will continue to exist until the Closing, and the Parties agree that the existence of such commonality of interest prior to the Closing should continue to be recognized after the Closing. Specifically, the Parties agree that the Purchaser shall not, and shall not cause the Company to, and shall cause the Company not to, seek to have the Company Firm disqualified from representing the Sellers in connection with any dispute that may arise between the Sellers, on one hand, and the Purchaser or the Company, on the other hand, in connection with this Agreement or the transactions contemplated hereby. Further, notwithstanding that the Company and the Sellers are or were a client of the Company Firm, upon and after the Closing, all communications between the Company and the Sellers and the Company Firm in the course of the Transaction Engagement shall be deemed to be attorney-client confidences that belong solely to the Sellers and not the Company or the Purchaser in any dispute arising between the Sellers, on one hand, and the Purchaser or the Company, on the other hand. The Purchaser shall not have access to any such communications, or to the files of Company Firm relating to the Transaction Engagement, whether or not the Closing shall have occurred. Without limiting the generality of the foregoing, notwithstanding that the Company was a client, in the Transaction Engagement or otherwise, upon and after the Closing: (i) the Sellers shall have the right to decide whether or not to waive the attorney-client privilege that may apply to any communications between the Company and the Company Firm that occurred prior to the Closing in connection with the Transaction Engagement, (ii) to the extent that files of the Company Firm in respect of the Transaction Engagement constitute property of the client, only the Seller shall hold such property rights and (iii) the Company Firm shall have no duty whatsoever to reveal or disclose any such attorney-client communications or files to the Company, the Purchaser or any of their respective Affiliates by reason of any attorney-client relationship between the Company Firm and the Company or otherwise. If any Seller so desires, and without the need for any consent or waiver by the Company or the Purchaser, the Company Firm shall be permitted to represent such Seller after the Closing in connection with any matter, including anything related to the transactions contemplated by this Agreement and the other agreements, instruments and documents contemplated hereby and the transactions contemplated hereby and thereby. Without limiting the generality of the foregoing sentence, after the Closing, the Company Firm shall be permitted to represent the Sellers, any of their respective Affiliates, family members or representatives, or any one or more of them, in connection with any negotiation, transaction or dispute ("dispute" includes litigation, arbitration or other adversarial proceedings) with the Purchaser, the Company or any of their Affiliates under or relating to this Agreement and the other agreements, instruments and documents contemplated hereby and the transactions contemplated hereby and thereby, such as claims for indemnification and disputes involving other agreements entered into in connection with this Agreement and the other agreements, instruments and documents contemplated hereby and the transactions contemplated hereby and thereby. Upon and after the Closing, the Company shall cease to have any attorney-client relationship with the Company Firm, unless the Company Firm is specifically engaged in writing by the Company to represent it after the Closing and either such engagement involves no conflict of interest with respect to the Sellers or the Sellers consent in writing at the time to such engagement. Any such representation by the Company Firm after the Closing does not affect the provisions of this Section 12.20. For example, and not by way of limitation, even if the Company Firm is representing the Company after the Closing, the Company Firm shall be permitted to simultaneously represent the Sellers in any matter, including any disagreement or dispute relating hereto. Each of the Parties to this Agreement consent to the foregoing arrangements and waive any actual or potential conflict of interest that may be involved in connection with any representation by the Company Firm hereunder. In consideration for this agreement by Purchaser, Sellers further agree that they will not seek to have counsel to Purchaser disqualified from representing Purchaser and/or Company in connection with any dispute that may arise between the Sellers, on one hand, and the Purchaser and/or the Company, on the other hand, in connection with this Agreement or the transactions contemplated hereby.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the Sellers and the Purchaser as of the date first written above.

SELLERS:

/s/ Christi Diane Babb
Christi Diane Babb

/s/ Jack Madden, Jr.
Jack Madden, Jr.

PURCHASER:

SECURITY NATIONAL FINANCIAL CORPORATION

By: /s/ Scott M. Quist
Scott M. Quist, President

DEFINITIONS OF TERMS

"Affiliate" shall mean any Person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Person specified. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"Agreement" shall mean this Stock Purchase Agreement, together with other exhibits and the Disclosure Schedule attached hereto.

"Annual Statement" shall mean any annual statement of First Guaranty filed with or submitted to the insurance regulatory authorities in the State of Louisiana on forms prescribed or permitted by such authorities.

"Assets and Properties" shall mean all assets or properties of every kind, nature, character, and description (whether real, personal, or mixed and whether tangible or intangible, whether absolute, accrued, contingent, fixed, or otherwise, and wherever situated) as now operated, owned, or leased by a specified Person, including without limitation cash, cash equivalents, securities, accounts and notes receivable, real estate, equipment, furniture, fixtures, insurance or annuities in force, goodwill, and going concern value.

"Benefit Arrangement" shall mean any "employee benefit plan" as defined in Section 3(3) of Employee Retirement Income Security Act of 1974, as amended and including the regulations promulgated thereunder ("ERISA") (whether or not subject to ERISA) and any other material plan, program, agreement, arrangement, obligation or practice, including, without limitation, any pension, profit sharing, severance, welfare, fringe benefit, employee loan, retirement, medical, welfare, employment or consulting, severance, stay or retention bonuses or compensation, executive or incentive compensation, sick leave, vacation pay, plant closing benefits, disability, workers' compensation, retirement, deferred compensation, bonus, stock option or purchase or other stock-based, tuition reimbursement or scholarship, employee discount, meals, travel, or vehicle allowances, plan, program, agreement, arrangement, obligation or practice, any plans subject to Section 125 of the Internal Revenue Code of 1986, as amended (the "Code"), and any plans or arrangements providing benefits or payments in the event of a change of control, change in ownership or effective control or sale of assets (i) established, sponsored, maintained, or contributed to, or required to be contributed to, by First Guaranty or any ERISA Affiliate, on behalf of any current or former director, employee, agent, independent contractor, or service provider of First Guaranty or their beneficiaries, or (ii) pursuant to which First Guaranty or any ERISA Affiliate has any obligation (whether contingent or otherwise) with respect to any such Persons. For purposes of this Agreement, the term "ERISA Affiliate" means any entity that is a member of (i) a controlled group of corporations (as defined in Section 414(b) of the Code), (ii) a group of trades or businesses under common control (as defined in Section 414(c) of the Code), (iii) an affiliated service group (as defined under Section 414(m) of the Code or the regulations under Section 414(o) of the Code) or (iv) a "controlled group" within the meaning of Section 4001 of ERISA.

"Best Knowledge of the Purchaser" shall mean the actual knowledge of Scott M. Quist, Andrew S. Quist, Jason G. Overbaugh, Christie R. Overbaugh, Jeffery R. Stephens, Jeffery Adams, Garrett S. Sill or John W. Van Valkenberg or knowledge of any such Person which should have been known after due inquiry of an ordinary person under similar circumstances of any such Person as of the date of this Agreement.

"Best Knowledge of the Sellers or the Company" or "Known to the Sellers or the Company" shall mean the actual knowledge of Babb, Madden or Kirk B. Babb or knowledge of any such Person which should have been known after due inquiry of an ordinary person under similar circumstances of Babb, Madden or Kirk B. Babb.

"Books and Records" shall mean all original files and records (or copies thereof) in whatever form (including computer generated, recorded or stored records, and any database, magnetic or optical media, to the extent not subject to licensing restrictions), in the possession or under the control of the Sellers relating primarily to the Company including, without limitation, policy files, claims files, underwriting files, sales records, advertising files, customer lists, compliance records, policy form files (including all files relating to the filing and approval of policy forms, applications and riders with any Governmental Authority), accounting, financial reporting, and Taxes covering any period prior to the Closing Date, business, marketing, corporate, and other files, documents, instruments, papers, books, and records of the Company, including without limitation financial statements, budgets, projections, ledgers, journals, deeds, titles, policies, manuals, minute books, stock certificates and books, stock transfer ledgers, Contracts, franchises, permits, agency lists, policyholder lists, supplier lists, reports, computer files, retrieval programs, operating data or plans, and environmental studies or plans.

"Book Value" as applied to any real property shall mean the book value of the real property as reflected on the 2014 Annual Statement of Company as filed with the Louisiana Department of Insurance and as included on Schedule 2.2.

"Business Day" shall mean a day other than Saturday, Sunday, a federal holiday or any day on which the principal commercial banks located in Salt Lake City, Utah, and Arkansas are authorized or obligated to be closed.

"Business or Condition" shall mean the organization, existence, authority, licenses or Liabilities of a specified Person; provided that "Business or Condition" shall not relate to insurance in force of First Guaranty.

"Certificate of Authority" means the license, permit, certificate of authority or other document issued by a Governmental Authority authorizing the Person to engage in the business of life, accident and health insurance in a particular jurisdiction.

"Claim Notice" shall mean written notification of a Third Party Claim by an Indemnified Party to an Indemnifying Party pursuant to Section 10.3, enclosing a copy of all papers served, if any.

"Closing" shall have the meaning ascribed to that term in Section 2.4 of this Agreement.

"Closing Date" shall have the meaning ascribed to that term in Section 2.4 of this Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended (including without limitation any successor code), and the rules and regulations promulgated thereunder.

"Common Stock" shall have the meaning ascribed to that term in the recitals to this Agreement.

"Company" shall have the meaning ascribed to that term in the recitals to this Agreement.

"Contract" shall mean any agreement, lease, sublease, license, sublicense, promissory note, evidence of indebtedness, insurance policy, annuity, reinsurance agreement, reinsurance treaty, or other binding contract or commitment (whether written or oral).

"Damages" shall mean any and all monetary damages, Liabilities, fines, fees, penalties, interest obligations, deficiencies, losses, and expenses (including without limitation amounts paid in settlement, interest, court costs, costs of investigation, reasonable fees and expenses of attorneys, accountants, actuaries, and other experts).

"Deductible" shall have the meaning ascribed to that term in Section 10.5(a)(i) of this Agreement.

"Defense Notice" shall have the meaning ascribed to that term in Section 10.3(a) of this Agreement.

"Direct Claims" shall have the meaning ascribed to that term in Section 10.3(b) of this Agreement.

"Disclosure Schedule" shall mean the confidential document furnished by Sellers to Purchaser together with this Agreement, and as may be updated from time to time, and containing all Schedules identified in this Agreement except **Schedule 1.1** and all lists, descriptions, exceptions, and other information and materials as are required to be included therein pursuant to this Agreement.

"Effective Date" shall mean the Closing Date or such other date as may be mutually agreed to by the Sellers and the Purchaser.

"End of Period Date" shall have the meaning ascribed to that term in Section 3.10 of this Agreement.

"Financial Statements" shall have the meaning ascribed to that term in Section 3.8 of this Agreement.

"GAAP" shall mean generally accepted accounting principles, consistently applied.

"Governmental Authority" shall mean any federal, state, local or foreign governmental or regulatory authority, agency, commission, court or other legislative, executive or judicial governmental authority, including, without limitation, any insurance regulatory authority, including the Louisiana Department of Insurance or the Louisiana Commissioner of Insurance.

"Indemnified Party" shall mean a Party claiming indemnification under Article X of this Agreement.

"Indemnifying Party" shall mean a Person against whom claims of indemnification are being asserted under Section 10.3.

"Indemnity Notice" shall have the meaning ascribed to that term in Section 10.3(b) of this Agreement.

"Intercompany Balances" shall have the meaning ascribed to that term in Section 5.15 of this Agreement.

"IRS" shall mean the United States Internal Revenue Service or any successor agency.

"Latest Statement" shall have the meaning ascribed to that term in Section 3.10 of this Agreement.

"Laws" shall mean all laws, statutes, ordinances, regulations, and other pronouncements having the effect of law in the United States of America, any foreign country, or any domestic or foreign state, province, commonwealth, city, county, municipality, territory, protectorate, possession, court, tribunal, agency, government, department, commission, arbitrator, board, bureau, or instrumentality thereof.

"Liabilities" shall mean all debts, obligations, and other liabilities of a Person (whether absolute, accrued, contingent, fixed, or otherwise, or whether due or to become due).

"Lien" shall mean any mortgage, pledge, assessment, security interest, lease, sublease, lien, adverse claim, levy, charge, or other encumbrance of any kind, or any conditional sale Contract, title retention Contract, or other Contract to give or to refrain from giving any of the foregoing.

"Louisiana Commissioner of Insurance" shall mean the Commissioner of Insurance for the State of Louisiana, or any Deputy Insurance Commissioner or Associate Insurance Commissioner acting in that capacity, or their respective successors in office.

"Material Adverse Effect" shall mean any event, change or effect (or series of related events, changes or effects) that individually or in the aggregate (i) has been or will be materially adverse to the business or financial condition of the Company or (ii) will prevent the Sellers from performing their obligations to consummate the sale of the Shares to the Purchaser as contemplated by this Agreement; provided, that in no event shall any event, series of events, change or effect that is attributable to any of the following, either alone or in combination, be deemed to constitute or contribute to a Material Adverse Effect, or shall otherwise be taken into account in the determination of whether a Material Adverse Effect has occurred or will occur: (i) any change in any law, legal requirements or accounting standards (including SAP) or interpretations or the enforcement thereof (except to the extent that such change has had, or will have, a materially disproportionate effect on the Company, relative to other Persons in the life insurance and annuity industry); (ii) conditions affecting any of the industries, industry sectors or geographic sectors in which the Company operates or in which products of the Company are sold or marketed, or general business, financial, banking or economic conditions or debt, currency or capital markets (whether in the United States or any other country or in any international market), including changes in interest rates, exchange rates, commodity prices and fuel costs (except to the extent that such change has had, or is reasonably likely to have, a materially disproportionate effect on the Company, relative to other Persons in the life insurance and annuity industry); (iii) acts of God, national or international political or social conditions, the engagement by the United States or other countries in hostilities, war or military operations, whether commenced before or after the date hereof, and whether or not pursuant to the declaration of a national emergency or war, the occurrence of any military or terrorist attack, sabotage, any hurricane, flood, tornado, earthquake or other natural disaster, or any other force majeure event; (iv) the execution or delivery of this Agreement or the announcement, disclosure, pendency or consummation of the transactions contemplated by this Agreement or attributable to the fact that the Purchaser is the prospective owner of the Company (including the impact thereof on relationships, contractual or otherwise, with, or other impact on, policy holders, agents, employees, or regulators); (v) any event, condition or other matter described on the Disclosure Schedule to this Agreement to the extent such event, condition or other matter exists as of the date of this Agreement, (vi) compliance by the Company with the terms of, or the taking of any action by the Company required by this Agreement; (vii) any actions taken, or failures to take action, or such other changes or events, in each case, to which the Purchaser has expressly consented in writing; or (viii) any failure by the Company to achieve any published or internally prepared budgets, projections, predictions, estimates, plans or forecasts of revenues, earnings or other financial performance measures or operating statistics (provided that the exception in this clause (viii) shall not prevent or otherwise affect a determination that any change underlying such failure contributes, or has contributed to, a Material Adverse Effect, subject to the exceptions contained in clauses (i) to (vii)).

"Ordinary Course of Business" means the ordinary course of business in all material respects consistent with past custom and practice (including with respect to quantity and frequency) of Reppond and First Guaranty.

"Permitted Liens" means (i) Liens for Taxes or assessments not yet due and payable or that are being contested in good faith by appropriate proceedings with adequate reserves therefor established on the financial books and records of the Company; (ii) terms and conditions of any Contracts that have been fully properly disclosed to the Purchaser on an appropriate schedule to this Agreement; (iii) mechanics', carriers', workers', repairers' and other similar Liens arising by operation of Law in the Ordinary Course of Business relating to obligations which are not past due or which are being contested in good faith by appropriate proceedings with adequate reserves therefore established on the financial books and records of the Company, or pledges, deposits or other Liens securing the performance of bids, trade Contracts, leases or statutory obligations (including workers' compensation, unemployment insurance or other social security legislation); and (iv) Liens disclosed in Section 3.16 of the Disclosure Schedule.

"Person" shall mean any natural person, corporation, general partnership, limited partnership, proprietorship, trust, union, association, court, tribunal, agency, government, department, commission, self regulatory organization, arbitrator, board, bureau, instrumentality, or other entity, enterprise, authority, or business organization.

"Purchase Price" shall have the meaning ascribed to that term in Section 2.2 of this Agreement.

"Purchaser" shall have the meaning ascribed to that term in the preamble of this Agreement.

"Quarterly Statement" shall mean any quarterly statement prepared by the Company filed with or submitted to the Louisiana Commissioner of Insurance on forms prescribed or permitted by such authority.

"SAP" shall mean the accounting practices required or permitted by the National Association of Insurance Commissioners and the insurance regulatory authorities in the State of Louisiana, consistently applied throughout the specified period and in accordance with past practice of First Guaranty.

"Sellers" shall have the meaning ascribed to that term in the preamble of this Agreement.

"Shares" shall have the meaning ascribed to that term in the recitals to this Agreement.

"Tax Claim" shall have the meaning ascribed to it in Section 10.1(c) of this Agreement.

"Taxes" shall mean all taxes, charges, fees, levies, or other similar assessments or Liabilities, including without limitation, income, gross receipts, ad valorem, premium, excise, real property, personal property, windfall profit, sales, use, transfer, licensing, withholding, employment, payroll, Phase III, and franchise taxes and Guaranty Fund assessments imposed by the United States of America or any state, local, or foreign government, or any subdivision agency, or other similar Person of the United States or any such government; and such term shall include any interest, fines, penalties, assessments, or additions to tax resulting from, attributable to, or incurred in connection with any such tax or any contest or dispute thereof.

"Tax Returns" shall mean any report, return, or other information required to be supplied to a taxing authority in connection with Taxes.

"Third Party Claim" shall have the meaning ascribed to it in Section 10.3(a) of this Agreement.

The additional capitalized terms used herein and set forth below shall have the meanings ascribed to them in the Paragraph or Section indicated below:

Term	Section
Babb	Preamble
Company Firm	Section 12.20
Confidentiality Agreement	Section 5.2
Environmental Claim	Section 3.16
Environmental Law	Section 3.16
First Guaranty	Preamble
First Guaranty Common Stock	Second Whereas Clause
First Guaranty Shares	Second Whereas Clause
Hazardous Materials	Section 3.16
Madden	Preamble
Mini-Basket	Section 10.5(a)
Party or Parties	Preamble
Pre-Closing Company Service	Section 5.20(b)
Prior Stock Purchase Agreements	Section 2.2(b)
Purchaser Employee Benefits Plans	Section 5.20(b)
Qualified Plan	Section 3.15(b)
Reppond	Preamble
Seller's Pro Rata Share	Section 10.1(a)
Transaction Engagement	Section 12.20
Transferred Real Estate	Section 2.2

**ASSIGNMENT OF AND AMENDMENT TO
STOCK PURCHASE AGREEMENT**

THIS ASSIGNMENT OF AND AMENDMENT TO STOCK PURCHASE AGREEMENT (the "Amendment") is made and entered into as of March 5th, 2016 by and between **SECURITY NATIONAL FINANCIAL CORPORATION**, a Utah corporation ("SNFC"), **SECURITY NATIONAL LIFE INSURANCE COMPANY**, a Utah domestic stock legal reserve life insurance company ("SNLIC"), and **CHRISTY DIANE BABB**, an individual ("Babb") and **JACK MADDEN, JR.**, an individual ("Madden") (each of Babb and Madden a "Seller" and collectively, the "Sellers"), with respect to the acquisition by the Purchaser of all of the outstanding capital stock of **REPPOND HOLDING COMPANY**, an Arkansas corporation ("Reppond") which is the sole shareholder of all outstanding capital stock of First Guaranty Insurance Company, a Louisiana domestic stock legal reserve life insurance company ("First Guaranty").

W I T N E S S E T H:

WHEREAS, on February 17, 2015, SNFC, Babb and Madden entered into a Stock Purchase Agreement (the "Original Agreement"), with respect to the acquisition by SNFC of all of the outstanding capital stock of Reppond Holding Company;

WHEREAS, SNLIC is a wholly-owned subsidiary of SNFC;

WHEREAS, the parties hereto desire to amend the Original Agreement to substitute SNLIC as purchaser under the Original Agreement;

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. SNFC hereby assigns and transfers to SNLIC all of SNFC's right, title and interest in and to the Original Agreement, and all references to "Purchaser" in the Original Agreement shall now refer to SNLIC. SNLIC hereby accepts and agrees to perform all duties required of SNFC and to assume all costs and liabilities of SNFC under the terms of the Original Agreement.

2. The first sentence of paragraph 4.1 of the Original Agreement shall be deleted in its entirety and replaced with the following:

The Purchaser is a Utah domestic stock legal reserve life insurance company duly organized, validly existing, and in good standing under the Laws of the State of Utah, and has full power and authority to enter into this Agreement and to perform its obligations hereunder.

3. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute on and the same instrument. All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Original Agreement. This Amendment shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Except as expressly modified by this Amendment, all other terms and conditions of the Original Agreement are unchanged.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the Sellers, SNLIC and SNFC as of the date first written above.

SELLERS:

/s/ Christi Diane Babb

Christi Diane Babb

/s/ Jack Madden, Jr.

Jack Madden, Jr.

SNFC:

**SECURITY NATIONAL FINANCIAL
CORPORATION**

By: /s/ Scott M. Quist

Scott M. Quist, President

PURCHASER/SNLIC:

**SECURITY NATIONAL LIFE
INSURANCE COMPANY**

By: /s/ Scott M. Quist

Scott M. Quist, President

Subsidiaries of Security National
Financial Corporation
as of June 30, 2016

SecurityNational Mortgage Company
Security National Life Insurance Company
Southern Security Life Insurance Company, Inc.
Trans-Western Life Insurance Company
Memorial Insurance Company of America
C & J Financial, LLC
SNFC Subsidiary, LLC
American Funeral Financial, LLC
FFC Acquisition Co., LLC dba Funeral Funding Center
Mortician's Choice, LLC
Canadian Funeral Financial, LLC
Insuradyne Corporation
EverLEND Mortgage Company
Marketing Source Center, Inc. dba Security National Travel Services
California Memorial Estates, Inc.
Cottonwood Mortuary, Inc.
Deseret Memorial, Inc.
Greer-Wilson Funeral Home, Inc.
Holladay Cottonwood Memorial Foundation
Holladay Memorial Park, Inc.
Memorial Estates, Inc.
Memorial Mortuary, Inc.
Paradise Chapel Funeral Home
Dry Creek Property Development, Inc.
New York Land Holdings, Inc.
Security National Funding Company
Select Appraisal Management, Inc.
Security National Real Estate Services, Inc.
5300 Development LLC

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED BY
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott M. Quist, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Security National Financial Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period covered in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 15, 2016

/s/ Scott M. Quist
Scott M. Quist
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED BY
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Garrett S. Sill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Security National Financial Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period covered in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 15, 2016

/s/ Garrett S. Sill
Garrett S. Sill
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10-Q for the period ending June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott M. Quist, Chairman of the Board, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 15, 2016

/s/ Scott M. Quist
Scott M. Quist
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10-Q for the period ending June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Garrett S. Sill, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 15, 2016

/s/ Garrett S. Sill
Garrett S. Sill
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)
