SECURITIES & EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2003, or

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

Commission File Number 0-9341

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

UTAH	87-0345941
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

5300 South 360 West, Suite 250 Salt Lake City, Utah	84123
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (801) 264-1060

Securities registered pursuant to Section 12(b) of the Act: None

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

Title of each Class	Name of each exchange on which registered
Class A Common Stock, $2.00 Par Value	Nasdaq National Market
Class C Common Stock, $0.20 Par Value	None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of Registrant's most recently completed second fiscal quarter was $29,890,000, based upon the closing price on that date on the Nasdaq National Market. There were 5,054,906 shares of Class A Common Stock and 6,260,793 shares of Class C Stock outstanding at March 25, 2004.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's 2004 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

Item 1. Business

Security National Financial Corporation (the "Company") operates in three main business segments: life insurance, cemetery and mortuary, and mortgage loans. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products and accident and health insurance. These products are marketed in 36 states through a commissioned sales force of independent licensed insurance agents who may also sell insurance products of other companies. The cemetery and mortuary segment of the Company consists of five cemeteries in the state of Utah and one in the state of California and eight mortuaries in the state of Utah and five in the state of Arizona. The Company also engages in pre-need selling of funeral, cemetery and cremation services through its Utah operations. Many of the insurance agents also sell pre-need funeral, cemetery and cremation services. The mortgage loan segment is an approved governmental and conventional lender that originates and underwrites residential and commercial loans for new construction and existing homes and real estate projects. The mortgage loan segment operates through 17 offices in seven states.

The design and structure of the Company is that each segment is related to the others and contributes to the profitability of the other segments. Because of the cemetery and mortuary operations in Utah, California and Arizona, the

Company enjoys a level of public awareness that assists in the sales and marketing of insurance and pre-need cemetery and funeral products. The Company's insurance subsidiaries invest their assets (representing in part the pre-paid funerals) in investments authorized by the respective insurance departments of their states of domicile. One such investment authorized by the Insurance Departments is high quality mortgage loans. Thus, while each segment is a profit center on a stand-alone basis, this horizontal integration of each segment is planned to lead to improved profitability of the Company. The Company also pursues growth through acquisitions of both life insurance companies and cemeteries and mortuaries. The Company's acquisition business strategy is based on reducing the overhead cost of the acquired company by utilizing existing personnel, management, and technology while still providing quality service to customers and policyholders.

The Company was organized as a holding company in 1979, when Security National Life Insurance Company ("Security National Life") became a wholly owned subsidiary of the Company and the former stockholders of Security National Life became stockholders of the Company. Security National Life was formed in 1965 and has grown through the direct sale of life insurance and annuities and through the acquisition of other insurance companies, including the acquisitions of Capital Investors Life Insurance Company in 1994, Civil Service Employees Life Insurance Company in 1995, Southern Security Life Insurance Company in 1998 and an asset purchase transaction with Acadian Life Insurance Company in December 2002. Most recently, on March 16, 2004, the Company purchased all of the outstanding common stock of Paramount Security Life Insurance Company, a Louisiana domiciled life insurance company ("Paramount") for the purchase price of $4,398,000. The purchase was effective January 26, 2004. The cemetery and mortuary operations have also grown through the acquisition of other cemetery and mortuary companies, including the acquisitions of Paradise Chapel Funeral Home, Inc. in 1989, Holladay Memorial Park, Inc., Cottonwood Mortuary, Inc. and Deseret Memorial, Inc. in 1991, Sunset Funeral Home in 1994, Greer-Wilson Funeral Home, Inc. in 1995 and Crystal Rose Funeral Home in 1997. In 1993, the Company formed Security National Mortgage Company ("Security National Mortgage") to originate and refinance mortgage loans. Since 1993 Security National Mortgage Company has opened 17 branches in seven states. See Notes to Consolidated Financial Statements for additional disclosure and discussion regarding segments of the business.

Life Insurance

Products

The Company, through its insurance subsidiaries, Security National Life, Southern Security Life Insurance Company, and Paramount, issues and distributes selected lines of life insurance and annuities. The Company's life insurance business includes funeral plans, interest-sensitive whole life insurance, as well as other traditional life and accident and health insurance products. The Company places specific marketing emphasis on funeral plans and traditional whole life products sold in association with the funding of higher education costs.

A funeral plan is a small face value life insurance policy that generally has a face coverage of up to $15,000. The Company believes that funeral plans represent a marketing niche that has lower competition since most insurance companies do not offer similar coverages. The purpose of the funeral plan policy is to pay the costs and expenses incurred at the time of a person's death. On a per thousand dollar cost of insurance basis, these policies can be more expensive to the policyholder than many types of non-burial insurance due to their low face amount, requiring the fixed cost of the policy to be distributed over a smaller policy size, and the simplified underwriting practices that result in higher mortality costs.

Through the Company's higher education funding division the Company markets strategies for the funding of a child's education. Pursuant to those strategies the Company conducts scholarship searches and originates and funds government guaranteed student loans. The traditional whole life product marketed in conjunction with funding of higher education costs is a 10-Pay Whole Life with an Annuity Rider. Both the paid-up aspect of the Whole Life policy and the savings aspect of the Annuity Rider are marketed as a tool for parents to help fund the cost of their children's higher education. The product is offered to parents who have children generally under the age of 25.

Markets and Distribution

The Company is licensed to sell insurance in 36 states. The Company, in marketing its life insurance products, seeks to locate, develop and service specific "niche" markets. A "niche" market is an identifiable market, which the Company believes is not emphasized by most insurers.

Funeral plan policies are sold primarily to persons who range in age from 45 to 75. Even though people of all ages and income levels purchase funeral plans, the Company believes that the highest percentage of funeral plan purchasers are individuals who are older than 45 and have low to moderate income.

Higher education funding is for families that desire to prepare for their children's higher education needs. Such preparation can include searches for scholarships, grant applications, guaranteed student loan applications, and the purchase of life insurance and annuities. In 1965, the Higher Education Act ("HEA") created the guaranteed student loan programs participated in by the Company. Federal Family Education Loan ("FFEL") Program, which now comprises Federal Stafford Loans (formerly Guaranteed Student Loans), Federal PLUS Loans, and Federal Consolidation Loans. The FFEL Program makes these long-term loans available to students attending institutions of higher education, vocation, technical, business and trade schools and some foreign schools. State or private nonprofit guaranty agencies insure FFEL's and the Federal Government reimburses these agencies for all or part of the insurance loans they pay to lenders. The federal guaranty on a FFEL replaces the security (collateral) usually required for a long-term consumer loan. These government programs have numerous rules for qualification and have limits on how much you can borrow. The Company's whole life product has an Annuity Rider that can provide a way for families to save additional funds for their children's education. The Company has a student loan resource department, which is available to policyholders to help parents and students apply for various scholarships, grants and loans.

A majority of the Company's funeral plan premiums come from the states of Arizona, Colorado, Idaho, Mississippi, Nevada, Oklahoma, Texas and Utah. A majority of the Company's non-funeral plan life insurance premiums come from the states of Alabama, California, Florida, Georgia, Louisiana, New Mexico, South Carolina and Utah.

The Company sells its life insurance products through direct agents and brokers and independent licensed agents who may also sell insurance products of other companies. The commissions on life insurance products range from approximately 10% to 100% of first year premiums. In those cases where the Company utilizes its direct agents in selling such policies, those agents customarily receive advances against future commissions.

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

In marketing the funeral plan insurance, the Company also seeks and obtains third-party endorsements from other cemeteries and mortuaries within its marketing areas. Typically, these cemeteries and mortuaries will provide letters of endorsement and may share in mailing and other lead-generating costs. The incentive for such businesses to share the costs is that these businesses are usually made the beneficiary of the policy. The following table summarizes the life insurance business for the five years ended December 31, 2003:

	2003	2002	2001	2000	1999
Life Insurance					
Policy/Cert. Count as of December 31	353,017(1)(2)	341,909(1)	74,335	71,178	75,808
Insurance in force as of December 31 (omitted 000)	$3,164,744(1)(2)	$2,635,436(1)	$2,425,557	$2,049,789	$2,113,893
Premiums Collected (omitted 000)	$32,255(1)(2)	$14,699	$14,860	$14,959	$15,261(1)

(1) Includes asset purchase transaction with Acadian Life Insurance Company on December 23, 2002. (2) Includes reinsurance assumed under agreement with Guaranty Income Life Insurance Company on October 1, 2003.

Underwriting

Factors considered in evaluating an application for ordinary life insurance coverage can include the applicant's age, occupation, general health and medical history. Upon receipt of a satisfactory application, which contains pertinent medical questions, the Company writes insurance based upon its medical limits and requirements subject to the following general non-medical limits:

Age Nearest Birthday	Non-Medical Limits
0-50	$75,000
51-up	Medical information required (APS or exam)

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

The Company also sells funeral plan insurance. This insurance is a small face amount, with a maximum policy size of $15,000. It is written on a simplified medical application with underwriting requirements being a completed application, a phone inspection on selected applicant and a Medical Information Bureau inquiry. There are several underwriting classes in which an applicant can be placed.

Annuities

Products

The Company's annuity business includes single premium deferred annuities, flexible premium deferred annuities and immediate annuities. A single premium deferred annuity is a contract where the individual remits a sum of money to the Company, which is retained on deposit until such time as the individual may wish to annuitize or surrender the contract for cash. A flexible premium deferred annuity gives the contract holder the right to make premium payments of varying amounts or to make no further premium payments after his initial payment. These single and flexible premium deferred annuities can have initial surrender charges. The surrender charges act as a deterrent to individuals who may wish to surrender their annuity contracts. Annuities have guaranteed interest rates of 3% to 4 1/2% per annum. Above that, the interest rate credited is periodically determined by the Board of Directors at their discretion. An immediate annuity is a contract in which the individual remits to the Company a sum of money in return for the Company's obligation to pay a series of payments on a periodic basis over a designated period of time, such as an individual's life, or for such other period as may be designated.

Holders of annuities enjoy a significant benefit under the current federal income tax law in that interest accretions that are credited to the annuities do not incur current income tax expense on the part of the contract holder. Instead, the interest income is tax deferred until such time as it is paid out to the contract holder. In order for the Company to realize a profit on an annuity product, the Company must maintain an interest rate spread between its investment income and the interest rate credited to the annuities. From that spread must be deducted commissions, issuance expenses and general and administrative expenses. The Company's annuities currently have credited interest rates ranging from 3% to 5%.

Markets and Distribution

The general market for the Company's annuities is middle to older age individuals who wish to save or invest their money in a tax-deferred environment, having relatively high yields. The major source of annuity considerations comes from direct agents. Annuities are also sold in conjunction with other insurance sales. This is true in both the funeral planning and higher education planning areas. If an individual does not qualify for a funeral plan due to health considerations, the agent will often sell that individual an annuity to fund those final expenses. In the higher education planning area, most life insurance sales have as part of the transaction an annuity portion that is used to accumulate funds. The commission rates on annuities are up to 10%.

The following table summarizes the annuity business for the five years ended December 31, 2003:

	2003	2002	2001	2000	1999
Annuities Policy/Cert Count as of December 31	26,871(1)	7,711	8,021	8,443	8,369
Deposits Collected (omitted 000)	$2,026	$3,215	$2,550	$3,039	$3,906

(1) Includes increase of 19,477 in reinsurance assumed mainly from Guaranty Income Life Insurance Company Reinsurance Agreement.

Accident and Health

Products

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

Markets and Distribution

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

The following table summarizes the accident and health business for the five years ended December 31, 2003:

	2003	2002	2001	2000	1999
Accident and Health Policy/Cert. Count as of December 31	17,391	18,921	19,343	21,454	24,078
Premiums Collected (omitted 000)	$352	$365	$413	$464	$549

Reinsurance

When a given policy exceeds the Company's retention limits, the Company reinsures with other companies that portion of the individual life insurance and accident and health policies it has underwritten. The primary purpose of reinsurance is to enable an insurance company to write a policy in an amount larger than the risk it is willing to assume for itself. The Company remains obligated for amounts ceded in the event the reinsurers do not meet their obligations.

The Company's policy is to retain no more than $75,000 of ordinary insurance per insured life. Excess risk is reinsured. The total amount of life insurance in force at December 31, 2003, reinsured by other companies aggregated $213,515,000, representing approximately 14.7% of the Company's life insurance in force on that date.

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

Investments

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

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

Cemetery and Mortuary

Products

The Company has six wholly-owned cemeteries and 13 wholly-owned mortuaries. The cemeteries are non-denominational. Through its cemetery and mortuary operations, the Company markets a variety of products and services both on a pre-need basis (prior to death) and an at-need basis (at the time of death). The products include grave spaces, interment vaults, mausoleum crypts and niches, markers, caskets, flowers and other related products. The services include professional services of funeral directors, opening and closing of graves, use of chapels and viewing rooms, and use of automobiles and clothing. The Company has a funeral chapel at each of its cemeteries, other than Holladay Memorial Park and Singing Hills Memorial Park, and has nine separate stand-alone mortuary facilities.

Markets and Distribution

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

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

The sales representatives of the Company's cemetery and mortuary operations are commissioned and receive no salary. The sales commissions range from 10% to 22% for cemetery products and services and 10% to 100% of first year premiums for funeral plan insurance. Potential customers are located via telephone sales prospecting, responses to letters mailed by the sales representatives, newspaper inserts, referrals, contacts made at funeral services, and door-to-door canvassing. The Company trains its sales representatives and generates leads for them. If a customer comes to one of the Company's cemeteries on an at-need basis, the sales representatives are compensated on a commission basis.

Mortgage Loans

Products

The Company, through its mortgage subsidiary, Security National Mortgage Company, originates and underwrites residential and commercial loans for new construction and existing homes and real estate projects. The Company is approved to underwrite and process government guaranteed and conventional loans. Most of the loans are sold directly to investors. The Company has available warehouse lines of credit with affiliated companies and unaffiliated financial institutions to fund mortgage loans prior to the purchase by investors.

Markets and Distribution

The Company's mortgage lending services are marketed primarily to individual homeowners. The Company has branch offices in Salt Lake City (3), Bountiful and Orem, Utah; Valencia, San Diego and Sacramento, California; Orlando, Jacksonville and Tampa, Florida; Colorado Springs and Denver, Colorado; Phoenix, Arizona; Las Vegas, Nevada; and Dallas and Houston, Texas. The average loan size for residential loans is $150,000.

The Company's mortgage loan originations are through full time mortgage loan officers and wholesale brokers who are paid a sales commission ranging between ..7% to 3.0% of the loan amount. Prospective customers are located through contacts with builders, real estate agents and regional sales representatives..

Recent Acquisitions and Other Business Activities

Paramount Security Life Insurance Company

On March 16, 2004, with the approval of the Louisiana Department of Insurance, Security National Life Insurance Company completed a stock purchase transaction with Paramount Security Life Insurance Company, a Louisiana domiciled insurance company located in Shreveport, Louisiana, to purchase all outstanding shares of common stock of Paramount. As of December 31, 2003, Paramount had 9,383 policies in force and 29 agents. The purchase consideration was $4,398,000 and was effective January 26, 2004. For the year ended December 31, 2003, Paramount had revenues of $614,000 and net income of $76,000. As of December 31, 2003, statutory assets and capital and surplus were $6,073,000 and $4,100,000, respectively.

Paramount is licensed in the State of Louisiana and is permitted to appoint agents who do not have a full life insurance license. These agents are limited to selling small life insurance policies in the final expense market. The Company believes that with this license it will be able to expand its operations in Louisiana. The Company anticipates servicing the Paramount policyholders out of its Jackson, Mississippi office and has closed the Shreveport office.

Acadian Life Insurance Company

On December 23, 2002, the Company completed an asset purchase transaction through its wholly owned subsidiary, Security National Life with Acadian from which it acquired $75,000,000 in assets and $75,000,000 in insurance reserves. The acquired assets consist primarily of approximately 275,000 funeral insurance policies in force in the state of Mississippi. The assets were originally acquired by Acadian from Gulf National Life Insurance Company ("GNLIC") on June 6, 2001, which, at that time consisted of all of GNLIC's insurance policies in force and in effect on June 1, 2001 (the "Reinsured Business").

As a part of the transaction, Security National Life entered into a Coinsurance Agreement with Acadian, in which Security National Life agreed to reinsure all the liabilities related to policies held by Mississippi policyholders. The terms included the payment of all legal liabilities, obligations, claims and commissions of the acquired policies. The effective date of the Coinsurance Agreement was September 30, 2002, subsequent to Acadian's recapture of the insurance in force from its reinsurer Scottish Re (U.S.) Inc. on September 30, 2002.

Under the terms of the Coinsurance Agreement, Security National Life agreed to assume all of the risks (including deaths, surrenders, disability, accidental deaths and dismemberment) on the reinsurance policies as of the effective date of the Agreement. Acadian represented and warranted that each of the reinsured policies was in force as of the effective date (including policies which may be lapsed subject to the right of reinstatement, policies not lapsed but in arrears, and policies in force and in effect as paid up and extended term policies) with premiums paid and its face amount, insured, and all other characteristics accurately reflected. Security National Life accepted liability for all the risks under the reinsured policies on eligible lives for all benefits occurring on or after the effective date of the agreement. The liability of Security National Life under the coinsurance treaty began as of September 30, 2002.

The Coinsurance Agreement further provided that Acadian was required to pay Security National Life an initial coinsurance premium in cash or assets acceptable to Security National Life in an amount equal to the full coinsurance reserves, not including the Incurred But Not Reported (IBNR) reserve as of the effective date. The ceding commission to be paid by Security National Life to Acadian for the reinsured policies is to be the recapture amount to be paid by Acadian to Scottish Re (U.S.), Inc., which was approximately $10,000,000. After the initial coinsurance premium, the coinsurance premiums payable by Acadian to Security National Life are to be equal to all of the premiums collected by Acadian on the reinsurance policies subsequent to December 31, 2002.

The Coinsurance Agreement further provided Security National Life the right to assume all right, title and interest to the reinsured policies, as well as other similar policies written by Acadian under similar terms and conditions in the state of Mississippi from September 30, 2002, through termination of the Coinsurance Agreement, with an Assumption Reinsurance Agreement, subject to all regulatory approvals as required by law, including Security National Life becoming an admitted insurer in the State of Mississippi. In the event Acadian were to come under any supervision by a state regulator or in the event Acadian were to apply for or consent in the appointment of, or the taking of possession by, a receiver, custodian, regulator, trustee or liquidator of itself or of all or a substantial part of its assets, make a general assignment for the benefit of its creditors, commence a voluntary case under the Federal Bankruptcy Code, file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization or winding up, Security National Life and Acadian were to be deemed to have converted the Coinsurance Agreement to an Assumption Reinsurance Agreement one day prior to such insolvency or other actions and Security National Life was to be deemed to have assumed the reinsurance policies as of one day prior to the date thereof.

Subsequent to the coinsurance agreement, Security National Life entered into an Assumption Agreement effective January 1, 2003, with Acadian, in which Security National Life agreed to assume certain of the liabilities related to the reinsurance policies. Under the terms of the Assumption Agreement, Acadian agreed to cede to Security National Life, and Security National Life agreed to assume the stated insurance risks and contractual obligations of Acadian relating to the Reinsured Business. Security National Life agreed to pay all legal liabilities and obligations, including claims and commissions, of Acadian with respect to the Reinsured Business arising on or after January 1, 2003, in accordance with the terms and conditions of the reinsured policies.

The Assumption Agreement also requires Security National Life to issue a certificate of assumption for each policy in force included in the Reinsured Business, reinsuring such policies according to the terms thereof, provided that Security National Life may be subrogated to and substituted for all rights, privileges and interests accruing under such policies, and provided further that all obligations and liabilities assumed by Security National Life are assumed subject to the terms, limitations and conditions of the insurance policies included in the Reinsured Business and all defenses, counterclaims and off-sets that are or might thereafter become available to Security National Life.

Under the Assumption Agreement Security National Life agreed to assume only those insurance risks and contractual obligations included within the Reinsured Business of Acadian. Security National Life did not agree to assume any extra contractual or other liability or obligations of Acadian. In addition, Security National Life did not agree to assume any policy issued to an insured whose death occurred prior to January 1, 2003, and for which a death claim had been received by Acadian prior to that date. However, Security National Life did agree to assume any valid claim of an insured whose death occurred prior to January 1, 2003, and for which a death claim was not received by Acadian prior to that date.

The Assumption Agreement further provided that as of January 1, 2003, Acadian was to transfer and assign to Security National Life all of its right, title and interest in the reinsured policies, including policies which may be lapsed subject to the right of reinstatement, and policies in force and in effect as paid up and extended term policies. Acadian further agreed to turn over to Security National Life, as of January 1, 2003, all policy owner service, underwriting and other files on hand that may be needed by Security National Life in the continuation of the Reinsured Business, and Acadian further agreed to turn over all such records and record books as may be necessary for carrying on the Reinsured Business, including all such permanent records of Acadian necessary for Security National Life to continue in force in effect the reinsured policies.

On December 23, 2002, Security National Life also entered into an Asset Purchase Agreement with Acadian, in which Acadian agreed to transfer and convey to Security National Life all of Acadian's right, title and interest in and to the certain assets of Acadian. The assets included the following: (i) computer hardware; (ii) licensed software from International Business Machines, Inc. ("'IBM") for certain software utilized in the maintenance of Acadian's general ledger accounting records, for use on Acadian's AS400 computer; (iii) owned software developed by employees or contractors of Acadian or Gulf National Life Insurance Company and utilized by Acadian in accounting for premiums received, reserve computations, and for other purposes; (iv) certain furniture and equipment; (v) the use of the name "Gulf National Life Insurance Company" alone or as part of any other tradename, as well as the logo "GNL"; (vi) the sublease of certain real property located in Jackson, Mississippi; and (vii) the assignment and assumption of certain agreements and arrangements. Following the closing of the asset purchase transaction with Acadian, Security National Life intends to continue to operate the business it acquired from Acadian in the state of Mississippi.

Menlo Life Insurance Company

On June 30, 1999 the Company entered into a Coinsurance and Assumption Agreement (the "Agreement") with Menlo Life Insurance Company ("Menlo Life"), wherein the Company has assumed 100% of the policies in force of Menlo Life. The Agreement was not in effect until it was approved by Menlo Life's domiciled state of Arizona and the state of California. These approvals were obtained on September 9, 1999 for the Arizona Insurance Department, and on December 9, 1999 for the California Insurance Department.

SSLIC Holding Company

On December 17, 1998, the Company completed the acquisition of SSLIC Holding Company, (formerly Consolidare Enterprises, Inc.), a Florida corporation ("SSLIC Holding") pursuant to the terms of the Acquisition Agreement which the Company entered into on April 17, 1998 with SSLIC Holding and certain shareholders of SSLIC Holding for the purchase of all of the outstanding shares of common stock of SSLIC Holding and all of the outstanding shares of stock of Insuradyne Corp., a Florida Corporation ("Insuradyne"). As of December 31, 2003, SSLIC Holding owns approximately 77% of the outstanding shares of common stock of Southern Security Life Insurance Company, a Florida corporation ("Southern Security"). Southern Security is a Florida domiciled insurance company with total assets as of December 31, 2003, of approximately $77.7 million. Southern Security is currently licensed to transact business in 14 states. Southern Security is also a reporting company under Section 13 of the Securities Exchange Act of 1934. Reference is made to Southern Security's annual report on Form 10-K for the year ended December 31, 2003, which was filed with the Securities Exchange Commission on March 29, 2004, Commission File No. 2-35669.

Regulation

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

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

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

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

Income Taxes

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

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

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

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

Competition

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

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

The mortgage loan industry is highly competitive with a number of mortgage companies and banks in the same geographic area in which the Company is operating that are better capitalized, have longer business histories, and more established positions in the community. The mortgage market in general is sensitive to changes in interest rates and the refinancing market is particularly vulnerable to changes in interest rates.

Employees

As of December 31, 2003, the Company employed 407 full-time and 38 part-time employees.

Item 2. Properties

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

Location	Function	Owned Leased	Approximate Square Footage
5300 So. 360 West Salt Lake City, Utah	Corporate Headquarters	Owned (1)	33,000
755 Rinehart Rd. Lake Mary, Florida	Insurance Operations/ Mortgage Sales	Owned (2)	27,000
6522 Dogwood View Parkway Jackson, Mississippi	Insurance Operations	Leased (3)	5,300
410 North 44th Street, Ste 190 Phoenix, Arizona	Mortgage Sales	Leased (4)	3,700
12150 Tributary Point Dr. Ste.160 Gold River, California	Mortgage Sales	Leased (5)	1,800
7676 Hazard Center Drive Ste. 625 San Diego, California	Mortgage Sales	Leased (6)	1,300
27201 Tourney Road Ste. 125 Valencia, California	Mortgage Sales	Leased (7)	1,600

Item 2. Properties (Continued)

Location	Function	Owned Leased	Approximate Square Footage
6208 Lehman Drive Ste. 201 Colorado Springs, Colorado	Mortgage Sales	Leased (8)	2,200
14001 East Lliff Ave. Ste. 120 Aurora, Colorado	Mortgage Sales	Leased (9)	1,800
7785 Baymeadows Way, Ste. 101 Jacksonville, Florida	Mortgage Sales	Leased (10)	1,800
5620 Tara Blvd. Ste. 103 Bradenton, Florida	Mortgage Sales	Leased (11)	1,200
6655 W. Sahara Ste. A-214 Las Vegas, Nevada	Mortgage Sales	Leased (12)	2,300
12750 Merit Drive, Ste. 1212 Dallas, Texas	Mortgage Sales	Leased (13)	2,100
10850 Richmond Ave., Ste. 270 Houston, Texas	Mortgage Sales	Leased (14)	2,400
535 West 500 South, Ste. 1 Bountiful, Utah	Mortgage Sales	Leased (15)	1,500
5258 Pinemont Dr. Ste. B280 Murray, Utah	Mortgage Sales	Owned (16)	2,900
970 East Murray-Holladay Rd. Ste. 4A Salt Lake City, Utah	Mortgage Sales	Leased (17)	6,600
474 West 800 North, Ste. 102 Orem, Utah	Mortgage Sales	Leased (18)	2,000

(1) The Company leases an additional 5,576 square feet of the facility to unrelated third parties for approximately $96,500 per year, under leases expiring at various dates after 2003.

(2) The Company leases an additional 9,903 square feet of the facility to unrelated third parties for approximately $160,400 per year, under leases expiring at various dates after 2003.

(3) The Company leases this facility for $84,000 per year. The lease expires in July 2005

(4) The Company leases this facility for $35,300 per year. The lease expires in August 2004.

(5) The Company leases this facility for $48,100 per year. The lease expires in July 2004.

(6) The Company leases this facility for $42,800 per year. The lease expires in June 2008.

(7) The Company leases this facility for $39,200 per year. The lease expires in November 2005.

(8) The Company leases this facility for $27,300 per year. The lease expires in June 2006.

(9) The Company leases this facility for $27,500 per year. The lease expires in June 2006.

(10) The Company leases this facility for $27,200 per year. The lease expires in September 2006.

(11) The Company leases this facility for $23,800 per year. The lease expires in July 2006.

(12) The Company leases this facility for $49,100 per year. The lease expires in October 2006.

(13) The Company leases this facility for $25,600 per year. The lease expires in January 2006.

(14) The Company leases this facility for $37,400 per year. The lease expires in November 2004.

(15) The Company leases this facility for $17,800 per year. The lease expires in October 2006.

(16) The Company leases an additional 113,839 square feet of the facility to unrelated third parties for approximately $931,600 per year, under leases expiring at various dates after 2003.

(17) The Company leases this facility for $103,800 per year. The lease expires in December 2004.

(18) The Company leases this facility for $34,800 per year. The lease expires in February 2007.

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

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

Name of Cemetery	Location	Date Acquired	Developed Acreage(1)	Total Acreage(1)	Net Saleable Acreage: Acres Sold as Cemetery Spaces(2)	Net Saleable Acreage: Total Available Acreage(1)
Memorial Estates, Inc.:						
Lakeview Cemetery(3)	1700 E. Lakeview Dr. Bountiful, Utah	1973	7	40	7	33
Mountain View Cemetery(3)	3115 E. 7800 So. Salt Lake City, Utah	1973	26	54	17	37
Redwood Cemetery(3)(5)	6500 So. Redwood Rd. West Jordan, Utah	1973	40	78	35	43
Holladay Memorial Park(4)(5)	4800 So. Memory Lane Holladay, Utah	1991	6	14	6	8
Lakehills Cemetery(4)	10055 So. State Sandy, Utah	1991	12	41	6	35
Singing Hills Memorial Park(6)	2798 Dehesa Rd. El Cajon, California	1995	6	35	3	32

(1) The acreage represents estimates of acres that are based upon survey reports, title reports, appraisal reports or the Company's inspection of the cemeteries.
(2) Includes spaces sold for cash and installment contract sales.
(3) As of December 31, 2003, there were mortgages of approximately $36,000 collateralized by the property and facilities at Memorial Estates Lakeview, Mountain View and Redwood Cemeteries.
(4) As of December 31, 2003, there were mortgages of approximately $1,600,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park, Lakehills Cemetery and Colonial Mortuary.
(5) These cemeteries include two granite mausoleums.
(6) As of December 31, 2003, there was a mortgage of approximately $459,000 collateralized by the property.

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

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

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

(1) As of December 31, 2003 there were mortgages of approximately $61,000 collateralized by the property and facilities of Camelback Sunset Funeral Home.
(2) As of December 31, 2003, there were mortgages of approximately $1,600,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park, Lakehills Cemetery and Colonial Mortuary.
(3) As of December 31, 2003, there was a mortgage of approximately $195,000, collateralized by the property and facilities of Crystal Rose Funeral Home.

Item 3. Legal Proceedings

An action was brought against the Company in May 2001, by Glenna Brown Thomas individually and as personal representative of the Estate of Lynn W. Brown in the Third Judicial Court, Salt Lake County, Utah. The action asserts that Memorial Estates delivered to Lynn W. Brown six stock certificates representing 2,000 shares in 1970 and 1971. Mr. Brown died in 1972. It is asserted that at the time the 2,000 shares were issued and outstanding, such represented a 2% ownership of Memorial Estates. It is alleged Mr. Brown was entitled to preemptive rights and that after the issuance of the stock to Mr. Brown there were further issuances of stock without providing written notice to Mr. Brown or his estate with respect to an opportunity to purchase more stock.

It is also asserted among other things that Thomas "has the right to a transfer of Brown's shares to Thomas on defendants' (which includes Security National Financial Corporation as well as Memorial Estates, Inc.) books and to restoration of Brown's proportion of share ownership in Memorial at the time of his death by issuance and delivery to Thomas of sufficient shares of defendant's publicly traded and unrestricted stock in exchange for the 2,000 shares of Memorial stock and payment of all dividends from the date of Thomas's demand, as required by Article XV of the Articles of Incorporation." The formal discovery cutoff was January 15, 2004. The Company has been verbally informed that Thomas will dismiss the case but such has not been communicated in writing. Until the foregoing actually happens, the Company intends to vigorously defend the matter, including an assertion that the statute of limitations bars the claims.

An action was brought against Southern Security Life Insurance Company by National Group Underwriters, Inc. ("NGU") in state court in the State of Texas. The case was removed by the Company to the United States District Court for the Northern District of Texas, Fort Worth Division, with Civil No. 4:01-CV-403-E. An amended complaint was filed on or about July 18, 2001. The amended complaint asserted that NGU had a contract with the Company wherein NGU would submit applications for certain policies of insurance to be issued by the Company. It is alleged that disputes have arisen between NGU and the Company with regard to the calculation and payment of certain commissions as well as certain production bonuses.

NGU alleged that it had been damaged far in excess of the $75,000 minimum jurisdictional limits of the federal court. NGU also sought attorney's fees and costs as well as prejudgment and postjudgment interest. A second amended complaint and a third amended complaint, which included a fraud claim, were filed. A motion was filed by the Company to dismiss the third amended complaint, including the fraud claim. The court denied the motion. The Company counterclaimed for what it claimed to be a debit balance owing to it pursuant to the relationship between the parties (the amount subject to reduction as premiums are received). The Company also sought to recover attorney's fees and costs, as well as punitive damages on three of its causes of action.

Certain discovery took place. The federal case was dismissed by stipulation. The matter was refiled in Texas state court, Tarrant County, Case No. 348 195490 02. The claims of the respective parties are essentially the same as those in federal court, which claims include fraudulent inducement relative to entering into a contract, fraud, breach of contract, breach of duty of good faith and fair dealing, attorney's fees and exemplary damages as well as seeking an accounting and contesting the interest charges. Certain depositions have been taken since the filing again in state court and further discovery is anticipated. The court has yet to rule on the motion. The Company filed a motion for partial summary judgment with respect to certain items. A trial is presently set for October 2004. The Company intends to vigorously defend the matter as well as prosecute its counterclaim.

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

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

No matters were submitted to a vote of the Company's shareholders during the quarter ended December 31, 2003.

PART II

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

The Company's Class A Common Stock trades on the Nasdaq National Market under the symbol "SNFCA." Prior to August 13, 1987, there was no active public market for the Class A and Class C Common Stock. As of March 25, 2004, the closing sales price of the Class A Common Stock was $7.00 per share. The following are the high and low market closing sales prices for the Class A Common Stock by quarter as reported by Nasdaq since January 1, 2002:

Period (Calendar Year)	Price Range	
	High	Low
2002		
First Quarter	2.81	2.20
Second Quarter	6.48	2.38
Third Quarter	6.10	2.74
Fourth Quarter	6.43	2.48
2003		
First Quarter	7.75	4.57
Second Quarter	6.48	5.15
Third Quarter	7.00	5.11
Fourth Quarter	7.49	5.75
2004		
First Quarter (through March 25, 2004)	8.46	6.51

The above sales prices have been adjusted for the effect of annual stock dividends.

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

The Company has never paid a cash dividend on its Class A or Class C Common Stock. The Company currently anticipates that all of its earnings will be retained for use in the operation and expansion of its business and does not intend to pay any cash dividends on its Class A or Class C Common Stock in the foreseeable future. Any future determination as to cash dividends will depend upon the earnings and financial position of the Company and such other factors as the Board of Directors may deem appropriate. A 5% stock dividend on Class A and Class C Common Stock has been paid each year from 1990 through 2003.

As of December 31, 2003, there were 4,518 record holders of Class A Common Stock and 131 record holders of Class C Common Stock.

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

The following selected financial data for each of the five years in the period ended December 31, 2003, are derived from the audited consolidated financial statements. The data as of December 31, 2003 and 2002, and for the three years ended December 31, 2003, should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

Consolidated Statement of Earnings Data:

	Year Ended December 31,				
	2003(1)	2002	2001	2000	1999
Revenue					
Premiums	$23,295,000	$14,077,000	$13,151,000	$12,876,000	$13,176,000
Net investment income	17,303,000	12,540,000	12,947,000	12,136,000	10,631,000
Net mortuary and cemetery sales	10,944,000	10,638,000	9,881,000	8,741,000	9,566,000
Realized (losses) gains on investments	(2,000)	1,021,000	10,000	424,000	313,000
Mortgage fee income	92,955,000	57,008,000	40,086,000	22,922,000	14,503,000
Other	550,000	479,000	152,000	305,000	856,000
Total revenue	145,045,000	95,763,000	76,227,000	57,404,000	49,045,000
Expenses					
Policyholder benefits	21,755,000	13,756,000	11,775,000	12,931,000	11,976,000
Amortization of deferred policy acquisition costs	4,929,000	3,994,000	3,870,000	3,189,000	4,858,000
General and administrative expenses	102,926,000	68,459,000	52,247,000	35,959,000	26,959,000
Interest expense	3,642,000	1,970,000	2,791,000	2,126,000	1,119,000
Cost of goods and services of the mortuaries and cemeteries	2,328,000	2,045,000	1,772,000	1,952,000	2,683,000
Total benefits and expenses	135,580,000	90,224,000	72,455,000	56,157,000	47,595,000
Income before income tax expense	9,465,000	5,539,000	3,772,000	1,247,000	1,450,000
Income tax expense	(2,891,000)	(1,565,000)	(913,000)	(305,000)	(230,000)
Minority interest in (income) loss of subsidiary	22,000	18,000	(18,000)	(46,000)	(244,000)
Net earnings	$ 6,596,000	$3,992,000	$ 2,841,000	$ 896,000	$ 976,000
Net earnings per common share(3)	$1.23	$.83	$.63	$.21	$.22
Weighted average outstanding common shares	5,359,000	4,824,000	4,506,000	4,318,000	4,397,000
Net earnings per common share-assuming dilution(3)	$1.20	$.80	$.63	$.21	$.22
Weighted average outstanding common shares-assuming dilution	5,510,000	4,995,000	4,507,000	4,335,000	4,397,000

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

Balance Sheet Data:

	Year Ended December 31, 2003(2)	2002(1)	2001	2000	1999
Assets					
Investments and restricted assets	$112,006,000	$106,161,000	$ 94,514,000	$108,810,000	$ 113,208,000
Cash	19,704,000	38,199,000	8,757,000	11,275,000	12,423,000
Receivables	124,125,000	102,590,000	59,210,000	36,413,000	38,074,000
Other assets	61,075,000	61,112,000	51,088,000	52,249,000	50,593,000
Total assets	$316,910,000	$308,062,000	$213,569,000	$208,747,000	$214,298,000
Liabilities					
Policyholder benefits	$220,739,000	$217,895,000	$142,291,000	$141,755,000	$140,368,000
Notes & contracts payable	17,863,000	19,273,000	12,098,000	14,046,000	23,341,000
Cemetery & mortuary liabilities	10,562,000	10,076,000	9,344,000	8,659,000	6,638,000
Other liabilities	24,614,000	22,007,000	15,630,000	12,921,000	11,415,000
Total liabilities	273,778,000	269,251,000	179,363,000	177,381,000	181,762,000
Minority interest	3,957,000	4,298,000	4,237,000	4,625,000	6,046,000
Stockholders' equity	39,175,000	34,513,000	29,969,000	26,741,000	26,490,000
Total liabilities and stockholders' equity	$316,910,000	$308,062,000	$213,569,000	$208,747,000	$214,298,000

(1) Reflects the asset purchase transaction with Acadian Life Insurance Company on December 23, 2002.
(2) Includes reinsurance assumed under agreement with Guaranty Income Life Insurance Company on October 1, 2003.

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

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 lower interest rates by originating and refinancing mortgage loans.

During the years ending December 31, 2003 and 2002, Security National Mortgage Company (SNMC) experienced increases in revenue and expenses due to the increase in loan volume of its operations. SNMC is a mortgage lender incorporated under the laws of the State of Utah. SNMC is 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. SNMC obtains loans primarily from independent brokers and correspondents. SNMC funds the loans from internal cash flows and lines of credit from financial institutions, including the Company's insurance subsidiaries. SNMC receives fees from the borrowers and other secondary fees from third party investors who purchase the loans from SNMC. SNMC pays the brokers and correspondents a commission for loans that are brokered through SNMC. In 2001, SNMC opened wholesale branches in Phoenix, Arizona and Houston, Texas. In 2002 SNMC opened an office in San Diego, California. In 2003 SNMC opened offices in Tampa and Jacksonville, Florida; Las Vegas, Nevada; Denver, Colorado; Bountiful, Utah; and Dallas, Texas. SNMC originated and sold 17,494 ($2,560,000,000 loan amount), 11,737 ($1,721,000,000 loan amount), and 8,738 ($1,268,000,000 loan amount) loans in 2003, 2002 and 2001, respectively.

On December 17, 1998, the Company purchased all of the outstanding shares of common stock of SSLIC Holding Company ("SSLIC Holding") (formerly "Consolidare Enterprises, Inc.") and Insuradyne Corporation ("Insuradyne") for a total cost of $12,248,194. As of December 31, 2003, SSLIC Holding held approximately 77% of the outstanding shares of common stock of Southern Security Life Insurance Company ("Southern Security").

On December 23, 2002, the Company completed an asset purchase transaction with Acadian Life Insurance Company, a Louisiana domiciled life insurance company ("Acadian"), in which it acquired from Acadian $75,000,000 in assets and $75,000,000 in insurance reserves through its wholly owned subsidiary, Security National Life Insurance Company, a Utah domiciled life insurance company. The acquired assets consist primarily of approximately 275,000 funeral insurance policies in force in the state of Mississippi. The assets were originally acquired by Acadian from Gulf National Life Insurance Company ("GNLIC") on June 6, 2001, consisting of all of GNLIC's insurance policies in force and in effect on June 1, 2001.

Significant Accounting Policies and Estimates

The following is a brief summary of our significant accounting policies and a review of our most critical accounting estimates. For a complete description of our significant accounting policies, see Note 1 to our financial statements.

Insurance Operations

In accordance with accounting principles generally accepted in the United States of America (GAAP), premiums and considerations received for interest sensitive products such as universal life insurance and ordinary annuities are reflected as increases in liabilities for policyholder account balances and not as revenues. Revenues reported for these products consist of policy charges for the cost of insurance, administration charges, amortization of policy initiation fees and surrender charges assessed against policyholder account balances. Surrender benefits paid relating to these products are reflected as decreases in liabilities for policyholder account balances and not as expenses. The Company receives investment income earned from the funds deposited into account balances, a portion of which is passed through to the policyholders in the form of interest credited. Interest credited to policyholder account balances and benefit claims in excess of policyholder account balances are reported as expenses in the financial statements.

Premium revenues reported for traditional life insurance products are recognized as revenues when due. Future policy benefits are recognized as expenses over the life of the policy by means of the provision for future policy benefits.

The costs related to acquiring new business, including certain costs of issuing policies and other variable selling expenses (principally commissions), defined as deferred policy acquisition costs, are capitalized and amortized into expense. For nonparticipating traditional life products, these costs are amortized over the premium paying period of the related policies, in proportion to the ratio of annual premium revenues to total anticipated premium revenues. Such anticipated premium revenues are estimated using the same assumption used for computing liabilities for future policy benefits and are generally "locked in" at the date the policies are issued. For interest sensitive products, these costs are amortized generally in proportion to expected gross profits from surrender charges and investment, mortality and expense margins. This amortization is adjusted when the Company revises the estimate of current or future gross profits or margins. For example, deferred policy acquisition costs are amortized earlier than originally estimated when policy terminations are higher than originally estimated or when investments backing the related policyholder liabilities are sold at a gain prior to their anticipated maturity.

Death and other policyholder benefits reflect exposure to mortality risk and fluctuate from year to year on the level of claims incurred under insurance retention limits. The profitability of the Company is primarily affected by fluctuations in mortality, other policyholder benefits, expense levels, interest spreads (i.e., the difference between interest earned on investments and interest credited to policyholders) and persistency. The Company has the ability to mitigate adverse experience through adjustments to credited interest rates, policyholder dividends or cost of insurance charges.

Cemetery and Mortuary Operations

Pre-need sales of funeral services and caskets - revenue and costs associated with the sales of pre-need funeral services and caskets are deferred until the services are performed.

Pre-need sales of cemetery interment rights (cemetery burial property) - revenue and costs associated with the sales of pre-need cemetery interment rights are recognized in accordance with the retail land sales provisions of Statement of Financial Accounting Standards No. 66, "Accounting for the Sales of Real Estate" (FAS No. 66). Under FAS 66, recognition of revenue and associated costs from constructed cemetery property must be deferred until a minimum percentage of the sales price has been collected. Revenues related to the pre-need sale of unconstructed cemetery property will be deferred until such property is constructed and meets the criteria of FAS No. 66 described above.

Pre-need sales of cemetery merchandise (primarily markers and vaults) - revenue and costs associated with the sales of pre-need cemetery merchandise are deferred until the merchandise is delivered.

Pre-need sales of cemetery services (primarily merchandise delivery and installation fees and burial opening and closing fees) - revenue and costs associated with the sales of pre-need cemetery services are deferred until the services are performed.

Prearranged funeral and pre-need cemetery customer obtaining costs - costs incurred related to obtaining new pre-need cemetery and prearranged funeral business are accounted for under the guidance of the provisions of Statement of Financial Accounting Standards No. 60 "Accounting and Reporting by Insurance Enterprises" (FAS No. 60). Obtaining costs, which include only costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral business, are deferred until the merchandise is delivered or services are performed.

Revenues and costs for at-need sales are recorded when a valid contract exists, the services are performed, collection reasonably assured and there are no significant obligations remaining.

Mortgage Operations

Mortgage fee income is generated through the origination and refinancing of mortgage loans and is realized in accordance with FAS No. 140.

The majority of loans originated are sold to third party investors. The amounts sold to investors are shown on the balance sheet as due from sale of loans, and are shown on the basis of the amount of fees due from the investors.

Use of Significant Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. It is reasonably possible that actual experience could differ from the estimates and assumptions utilized which could have a material impact on the financial statements. The following is a summary of our significant accounting estimates, and critical issues that impact them:

Fixed Maturities Available for Sale

Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in accumulated other comprehensive income which is included in stockholders' equity after adjustment for deferred income taxes and deferred acquisition costs related to universal life products.

The Company uses fair market values based on National Association of Insurance Commissioners (NAIC) values, versus values associated with normal marketing pricing services. The Company considers the difference to be immaterial.

The Company is required to exercise judgment to determine when a decline in the value of a security is other than temporary. When the value of a security declines and the decline is determined to be other than temporary, the carrying value of the investment is reduced to its fair value and a realized loss is recorded to the extent of the decline.

Deferred Acquisition Costs

Amortization of deferred policy acquisition costs for interest sensitive products is dependent upon estimates of current and future gross profits or margins on this business. Key assumptions used include the following: yield on investments supporting the liabilities, amount of interest or dividends credited to the policies, amount of policy fees and charges, amount of expenses necessary to maintain the policies, and amount of death and surrender benefits and the length of time the policies will stay in force.

These estimates, which are revised periodically, are based on historical results and our best estimate of future expenses.

Cost of Insurance Acquired

Cost of insurance acquired is the present value of estimated future profits of the acquired business and is amortized similar to deferred acquisition costs. The critical issues explained for deferred acquisition costs would also apply for cost of insurance acquired.

Allowance for Doubtful Accounts

The Company accrues an estimate of potential losses for the collection of receivables. The significant receivables are the result of the Company's cemetery and mortuary operations and mortgage loan operations. The allowance is based upon the Company's experience. The critical issues that would impact the cemetery and mortuary operations is the overall economy. The critical issues for the mortgage loan operations would be interest rate risk and loan underwriting.

Future Policy Benefits

Reserves for future policy benefits for traditional life insurance products requires the use of many assumptions, including the duration of the policies, mortality experience, expenses, investment yield, lapse rates, surrender rates, and dividend crediting rates.

These assumptions are made based upon historical experience, industry standards and a best estimate of future results and, for traditional life products, include a provision for adverse deviation. For traditional life insurance, once established for a particular series of products, these assumptions are generally held constant.

Unearned Revenue

The universal life products the Company sells have a significant policy initiation fees (front-end load), which are deferred and amortized into revenues over the estimated expected gross profits from surrender charges and investment, mortality and expense margins. The same issues that impact deferred acquisition costs would apply to unearned revenue.

Deferred Pre-need Cemetery and Funeral Contracts Revenues and Estimated Future Cost of Pre-need Sales

The revenue and cost associated with the sales of pre-need cemetery merchandise and funeral services are deferred until the merchandise is delivered. Also, trust investment earnings from any pre-need sales placed into trust are also deferred until the merchandise is delivered.

The Company, through its mortuary and cemetery operations, provides a guaranteed funeral arrangement wherein a prospective customer can receive future goods and services at guaranteed prices. To accomplish this, the Company, through its life insurance operations, sells to the customer an increasing benefit life insurance policy that is assigned to the mortuaries. If, at the time of need, the policyholder/potential mortuary customer utilizes one of the Company's facilities, the guaranteed funeral arrangement contract that has been assigned will provide the funeral goods and services at the contracted price. The increasing life insurance policy will cover the difference between the original contract prices and current prices. Risks may arise if the difference cannot be fully met by the life insurance policy.

Mortgage Loan Loss Reserve

The Company accrues an estimate of future losses on mortgage loans sold to third party investors. The Company may be required to reimburse third party investors for costs associated with early payoff of loans within the first year of duration and to repurchase loans in default within the first year. The estimates are based upon historical experience and best estimate of future liabilities.

Results of Operations

2003 Compared to 2002

Total revenues increased by $49,282,000, or 50.5%, from $95,763,000 for fiscal year 2002 to $145,045,000 for fiscal year 2003. Contributing to this increase in total revenues was a $35,947,000 increase in mortgage fee income, a $4,763,000 increase in net investment income, and a $9,218,000 increase in insurance premiums and other considerations.

Insurance premiums and other considerations increased by $9,218,000, from $14,077,000 in 2002 to $23,295,000 in 2003. This increase was primarily due to the additional premiums from policies acquired in the asset purchase transaction with Acadian Life.

Net investment income increased by $4,763,000, from $12,540,000 in 2002 to $17,303,000 in 2003. This increase was primarily attributable to the additional investment income from the assets acquired in the asset purchase transaction with Acadian Life.

Net mortuary and cemetery sales increased by $306,000, from $10,638,000 in 2002 to $10,944,000 in 2003. This increase was primarily due to additional at-need cemetery and mortuary sales.

Realized gains on investments and other assets decreased by $1,023,000, from a gain of $1,021,000 in 2002 to a loss of $2,000 in 2003. The realized gains on investment and other assets in 2002 was primarily from the sale of property at Lake Hills Cemetery.

Mortgage fee income increased by $35,947,000, from $57,008,000 in 2002 to $92,955,000 in 2003. This increase was primarily attributable to a greater number of loan originations during 2003 due to the opening of new offices and to lower interest rates resulting in additional borrowers refinancing their mortgage loans.

Total benefits and expenses were $135,580,000 for 2003, which constituted 93.5% of the Company's total revenues, as compared to $90,224,000, or 94.2% of the Company's total revenues for 2002.

During 2003, there was a net increase of $7,999,000 in death benefits, surrenders and other policy benefits, and in future policy benefits from $13,756,000 in 2002 to $21,755,000 in 2003. This net increase was primarily due to the additional death benefits, surrenders and other policy benefits acquired from the additional policies acquired in the asset purchase transaction with Acadian Life.

Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired increased by $935,000, from $3,994,000 in 2002 to $4,929,000 in 2003. This increase was primarily due to the additional amortization of deferred policy acquisition costs and cost of insurance acquired from the additional policies acquired in the asset purchase transaction with Acadian Life.

General and administrative expenses increased by $34,467,000, from $68,459,000 in 2002 to $102,926,000 in 2003. Contributing to this increase was a $25,422,000 increase in commission expenses, from $42,114,000 in 2002 to $67,537,000 in 2003. Salaries increased $3,666,000, from $10,414,000 in 2002 to $14,080,000 in 2003. Other expenses increased $5,379,000, from $15,931,000, in 2002 to $21,310,000 in 2003. These increases were primarily the result of additional expenses due to increased numbers of loan originations made by the Company's mortgage subsidiary in 2003 and to additional expenses associated with the asset purchase transaction with Acadian Life.

Interest expense increased by $1,672,000, from $1,970,000 in 2002 to $3,642,000 in 2003. This increase was primarily due to additional warehouse lines of credit required from the additional mortgage loan originations by the Company's mortgage subsidiary and bank borrowings for the asset purchase transaction with Acadian Life.

Cost of the mortuary and cemetery goods and services sold increased by $282,000, from $2,045,000 in 2002 to $2,327,000 in 2003. This increase was primarily due to increased at-need cemetery and mortuary sales.

2002 Compared to 2001

Total revenues increased by $19,536,000, or 25.6%, from $76,227,000 for fiscal year 2001 to $95,763,000 for fiscal year 2002. Contributing to this increase in total revenues was a $16,922,000 increase in mortgage fee income, a $757,000 increase in net mortuary and cemetery sales and a $926,000 increase in insurance premiums and other considerations.

Insurance premiums and other considerations increased by $926,000, from $13,151,000 in 2001 to $14,077,000 in 2002. This increase was primarily due to the additional premiums from increased sales of the Company's traditional life products.

Net investment income decreased by $407,000, from $12,947,000 in 2001 to $12,540,000 in 2002. This decrease was primarily attributable to reduced interest earned as a result of lower interest rates during 2002.

Net mortuary and cemetery sales increased by $757,000, from $9,881,000 in 2001 to $10,638,000 in 2002. This increase was primarily due to additional at-need cemetery and mortuary sales.

Mortgage fee income increased by $16,922,000, from $40,086,000 in 2001 to $57,008,000 in 2002. This increase was primarily attributable to a greater number of loan originations during 2002 due to lower interest rates.

Total benefits and expenses were $90,224,000 for 2002, which constituted 94.2% of the Company's total revenues, as compared to $72,455,000, or 95.1% of the Company's total revenues for 2001.

During 2002, there was a net increase of $902,000 in death benefits, surrenders and other policy benefits, and an increase of $1,079,000 in future policy benefits from $11,775,000 in 2001 to $13,756,000 in 2002. This net increase was primarily the result of an increase in traditional life reserves.

Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired increased by $124,000, from $3,870,000 in 2001 to $3,994,000 in 2002. This increase was reasonable based on the underlying nature of assumptions.

General and administrative expenses increased by $16,212,000, from $52,247,000 in 2001 to $68,459,000 in 2002. Contributing to this increase was a $12,255,000 increase in commission expenses, from $29,859,000 in 2001 to $42,114,000 in 2002. Salaries increased $1,386,000, from $9,028,000 in 2001 to $10,414,000 in 2002. Other expenses increased $2,571,000, from $13,360,000 in 2001 to $15,931,000 in 2002. These increases were primarily the result of additional expenses due to increased numbers of loan originations made by the Company's mortgage subsidiary in 2002.

Interest expense decreased by $821,000, from $2,791,000 in 2001 to $1,970,000 in 2002. This decrease was due to more loan originations from the Company's mortgage subsidiary being funded from internal sources of funds and lower interest rates from borrowings from third parties.

Cost of the mortuary and cemetery goods and services sold increased by $169,000, from $1,772,000 in 2001 to 2,045,000 in 2002. This increase was primarily due to greater at-need cemetery and mortuary sales.

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 subsidiary realizes cash flow from fees generated by originating and refinancing mortgage loans and interest earned on mortgages sold to investors. The Company considers these sources of cash flow to be adequate to fund future policyholder and cemetery and mortuary liabilities, which generally are long-term, and adequate to pay current policyholder claims, annuity payments, expenses on the issuance of new policies, the maintenance of existing policies, debt service, and to meet operating expenses.

The Company attempts to match the duration of invested assets with its policyholder and cemetery and mortuary liabilities. The Company may sell investments other than those held-to-maturity in the portfolio to help in this timing; however, to date, that has not been necessary. The Company purchases short-term investments on a temporary basis to meet the expectations of short-term requirements of the Company's products.

The Company's investment philosophy is intended to provide a rate of return which will persist during the expected duration of policyholder and cemetery and mortuary liabilities regardless of future interest rate movements.

The Company's investment policy is to invest predominately in fixed maturity securities, mortgage loans, and warehouse mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to $51,564,000 as of December 31, 2003 compared to $51,530,000 as of December 31, 2002. This represents 48% of the total insurance related investments in 2003 as compared to 51% in 2002. 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 December 31, 2003, 3% ($1,739,000) and at December 31, 2002, 4% ($1,903,000) of the Company's total bond investments were invested in bonds in rating categories three through six which are considered non-investment grade.

If market conditions were to cause interest rates to change, the market value of the fixed income portfolio (approximately $82, 810,000) could change by the following amounts based on the respective basis point swing (the change in the market values were calculated using a modeling technique):

	-200 bps	-100 bps	+100 bps	+200 bps
Change in Market Value (in thousands)	$8,263	$5,456	$(7,221)	$(17,089)

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. However, in accordance with Company policy, any such securities purchased in the future will be classified as held to maturity. Business conditions, however, may develop in the future which may indicate a need for a higher level of liquidity in the investment portfolio. In that event the Company believes it could sell short-term investment grade securities before liquidating higher-yielding longer-term securities.

The Company is subject to risk based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. At December 31, 2003 and 2002, the life subsidiaries exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity and bank debt and notes payable was $57,039,000 and $53,787,000 as of December 31, 2003 and 2002, respectively. Stockholders' equity as a percent of total capitalization was 69% and 64% as of December 31, 2003 and 2002, respectively.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2003 was 8.6%, as compared to a rate of 10.7% in 2002.

On December 17, 1998, the Company completed the acquisition of Consolidare Enterprises, Inc., a Florida corporation ("Consolidare") pursuant to the terms of the Acquisition Agreement, which the Company entered into on April 17, 1998, with Consolidare and certain shareholders of Consolidare for the purchase of all of the outstanding shares of common stock of Consolidare. Consolidare owns approximately 77% of the outstanding shares of common stock of Southern Security Life Insurance Company, a Florida corporation ("SSLIC"). The Company also acquired all of the outstanding shares of stock of Insuradyne Corp., a Florida corporation ("Insuradyne").

As consideration for the purchase of the shares of Consolidare, the Company paid to the stockholders of Consolidare at closing an aggregate of $12,248,194. In order to pay the purchase consideration, the Company obtained $6,250,000 from bank financing, with the balance of $5,998,194 obtained from funds then currently held by the Company. In addition to the purchase consideration, the Company caused SSLIC to pay, on the closing date, $1,050,000 to George Pihakis, the President and Chief Executive Officer of SSLIC prior to closing, as a lump sum settlement of the executive compensation agreement between SSLIC and Mr. Pihakis.

The Company has entered into an Administrative Services Agreement dated December 17, 1998 with SSLIC. Under the terms of the agreement, the Company has agreed to provide SSLIC with certain defined administrative and financial services, including accounting services, financial reports and statements, actuarial, policyholder services, underwriting, data processing, legal, building management, marketing advisory services and investment services. In consideration for the services to be provided by the Company, SSLIC shall pay the Company an administrative services fee of $250,000 per month, provided, however, that such fee shall be reduced to zero for so long as the capital and surplus of SSLIC is less than or equal to $6,000,000, unless SSLIC and the Company otherwise agree in writing and such agreement is approved by the Florida Department of Insurance.

The administrative services fee may be increased, beginning on January 1, 2002, to reflect increases in the Consumer Price Index, over the index amount as of January 1, 2001. The Administrative Services Agreement shall remain in effect for an initial term expiring on December 16, 2003. The term of the agreement may be automatically extended for additional one-year terms unless either the Company or SSLIC shall deliver a written notice on or before September 30 of any year stating to the other its desire not to extend the term of the agreement. The agreement was automatically extended for an additional year.

On June 30, 1999 the Company entered into a Coinsurance and Assumption Agreement (the "Agreement") with Menlo Life Insurance Company ("Menlo Life"), wherein the Company has assumed 100% of the policies in force of Menlo Life. The Agreement was not in effect until it was approved by Menlo Life's domiciled state of Arizona and the state of California. These approvals were obtained on September 9, 1999 for the Arizona Insurance Department, and on December 9, 1999 for the California Insurance Department. Menlo Life paid consideration to the Company in the form of statutory admitted assets to equal the liabilities assumed. On September 25, 2001, Menlo Life paid to the Company $308,978 in policy loans and $2,269,403 in cash.

On December 23, 2002, the Company completed an asset purchase transaction through its wholly owned subsidiary, Security National Life with Acadian from which it acquired $75,000,000 in assets and $75,000,000 in insurance reserves. The acquired assets consist primarily of approximately 275,000 funeral insurance policies in force in the state of Mississippi. The assets were originally acquired by Acadian from Gulf National Life Insurance Company ("GNLIC") on June 6, 2001, which, at that time consisted of all of GNLIC's insurance policies in force and in effect on June 1, 2001 (the "Reinsured Business").

As a part of the transaction, Security National Life entered into a Coinsurance Agreement with Acadian, in which Security National Life agreed to reinsure all the liabilities related to policies held by Mississippi policyholders. The terms included the payment of all legal liabilities, obligations, claims and commissions of the acquired policies. The effective date of the Coinsurance Agreement was September 30, 2002, subsequent to Acadian's recapture of the insurance in force from its reinsurer Scottish Re (U.S.) Inc. on September 30, 2002.

Under the terms of the Coinsurance Agreement, Security National Life agreed to assume all of the risks (including deaths, surrenders, disability, accidental deaths and dismemberment) on the reinsurance policies as of the effective date of the Agreement. Acadian represented and warranted that each of the reinsured policies was in force as of the effective date (including policies which may be lapsed subject to the right of reinstatement, policies not lapsed but in arrears, and policies in force and in effect as paid up and extended term policies) with premiums paid and its face amount, insured, and all other characteristics accurately reflected. Security National Life accepted liability for all the risks under the reinsured policies on eligible lives for all benefits occurring on or after the effective date of the agreement. The liability of Security National Life under the coinsurance treaty began as of September 30, 2002.

The Coinsurance Agreement further provided Security National Life the right to assume all right, title and interest to the reinsured policies, as well as other similar policies written by Acadian under similar terms and conditions in the state of Mississippi from September 30, 2002, through termination of the Coinsurance Agreement, with an Assumption Reinsurance Agreement, at any time but in any event not later than nine months subsequent to December 16, 2002, subject to all regulatory approvals as required by law. In the event Acadian were to come under any supervision by a state regulator or in the event Acadian were to apply for or consent in the appointment of, or the taking of possession by, a receiver, custodian, regulator, trustee or liquidator of itself or of all or a substantial part of its assets, make a general assignment for the benefit of its creditors, commence a voluntary case under the Federal Bankruptcy Code, file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization or winding up, Security National Life and Acadian were to be deemed to have converted the Coinsurance Agreement to an Assumption Reinsurance Agreement one day prior to such insolvency or other actions and Security National Life was to be deemed to have assumed the reinsurance policies as of one day prior to the date thereof.

The Coinsurance Agreement further provided that Acadian was required to pay Security National Life an initial coinsurance premium in cash or assets acceptable to Security National Life in an amount equal to the full coinsurance reserves, not including the Incurred But Not Reported (IBNR) reserve as of the effective date. The ceding commission to be paid by Security National Life to Acadian for the reinsured policies is to be the recapture amount to be paid by Acadian to Scottish Re (U.S.), Inc., which was approximately $10,000,000. After the initial coinsurance premium, the coinsurance premiums payable by Acadian to Security National Life are to be equal to all of the premiums collected by Acadian on the reinsurance policies subsequent to December 31, 2002.

Subsequent to the coinsurance agreement, Security National Life entered into an Assumption Agreement effective January 1, 2003, with Acadian, in which Security National Life agreed to assume certain of the liabilities related to the reinsurance policies. Under the terms of the Assumption Agreement, Acadian agreed to cede to Security National Life, and Security National Life agreed to assume the stated insurance risks and contractual obligations of Acadian relating to the Reinsured Business. Security National Life agreed to pay all legal liabilities and obligations, including claims and commissions, of Acadian with respect to the Reinsured Business arising on or after January 1, 2003, in accordance with the terms and conditions of the reinsured policies.

The Assumption Agreement also requires Security National Life to issue a certificate of assumption for each policy in force included in the Reinsured Business, reinsuring such policies according to the terms thereof, provided that Security National Life may be subrogated to and substituted for all rights, privileges and interests accruing under such policies, and provided further that all obligations and liabilities assumed by Security National Life are assumed subject to the terms, limitations and conditions of the insurance policies included in the Reinsured Business and all defenses, counterclaims and off-sets that are or might thereafter become available to Security National Life.

Under the Assumption Agreement Security National Life agreed to assume only those insurance risks in contractual obligations included within the Reinsured Business of Acadian. Security National Life did not agree to assume any extra contractual or other liability or obligations of Acadian. In addition, Security National Life did not agree to assume any policy issued to an insured whose death occurred prior to January 1, 2003, and for which a death claim had been received by Acadian prior to that date. However, Security National Life did agree to assume any valid claim of an insured whose death occurred prior to January 1, 2003, and for which a death claim was not received by Acadian prior to that date.

The Assumption Agreement further provided that as of January 1, 2003, Acadian was to transfer and assign to Security National Life all of its right, title and interest in the reinsured policies, including policies which may be lapsed subject to the right of reinstatement, and policies in force and in effect as paid up and extended term policies. Acadian further agreed to turn over to Security National Life, as of January 1, 2003, all policy owner service, underwriting and other files on hand that may be needed by Security National Life in the continuation of the Reinsured Business, and Acadian further agreed to turn over all such records and record books as may be necessary for carrying on the Reinsured Business, including all such permanent records of Acadian necessary for Security National Life to continue in force in effect the reinsured policies.

At December 31, 2003, $26,512,545 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their businesses without fear of litigation so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in such statements. The Company desires to take advantage of the "safe harbor" provisions of the act.

This Annual Report of Form 10-K contains forward-looking statements, together with related data and projections, about the Company's projected financial results and its future plans and strategies. However, actual results and needs of the Company may vary materially from forward-looking statements and projections made from time to time by the Company on the basis of management's then-current expectations. The business in which the Company is engaged involves changing and competitive markets, which may involve a high degree of risk, and there can be no assurance that forward-looking statements and projections will prove accurate.

Factors that may cause the Company's actual results to differ materially from those contemplated or projected, forecast, estimated or budgeted in such forward looking statements include among others, the following possibilities: (i) heightened competition, including the intensification of price competition, the entry of new competitors, and the introduction of new products by new and existing competitors; (ii) adverse state and federal legislation or regulation, including decreases in rates, limitations on premium levels, increases in minimum capital and reserve requirements, benefit mandates and tax treatment of insurance products; (iii) fluctuations in interest rates causing a reduction of investment income or increase in interest expense and in the market value of interest rate sensitive investment; (iv) failure to obtain new customer, retain existing customers or reductions in policies in force by existing customers; (v) higher service, administrative, or general expense due to the need for additional advertising, marketing, administrative or management information systems expenditures; (vi) loss or retirement of key executives or employees; (vii) increases in medical costs; (viii) changes in the Company's liquidity due to changes in asset and liability matching; (ix) restrictions on insurance underwriting based on genetic testing and other criteria; (x) adverse changes in the ratings obtained by independent rating agencies; (xi) failure to maintain adequate reinsurance; (xii) possible claims relating to sales practices for insurance products and claim denials and (xiii) adverse trends in mortality and morbidity.

Off-Balance Sheet Agreements

The Company's off-balance sheet arrangements consist of operating leases for rental of office space and equipment.

The Company leases office space and equipment under various non-cancelable agreements, with remaining terms up to four years. Minimum lease payments under these non-cancelable operating leases as of December 31, 2003, are approximately as follows:

Years Ending December 31:	
2004	$570,000
2005	460,000
2006	236,000
2007	6,000
	$1,272,000

Total rent expense related to these non-cancelable operating leases for the years ended December 31, 2003 and 2002 was approximately $396,000 and $200,000 respectively.

Recent Accounting Pronouncements

In April 2002, FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". Under historical guidance, all gains and losses resulting from the extinguishment of debt were required to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. SFAS No. 145 rescinds that guidance and requires that gains and losses from extinguishments of debt be classified as extraordinary items only if they are both unusual and infrequent in occurrence. SFAS No. 145 also amends SFAS No. 13, "Accounting for Leases" for the required accounting treatment of certain lease modifications that have economic effects similar to sale-leaseback transactions. SFAS No. 145 requires that those lease modifications be accounted for in the same manner as sale-leaseback transactions. The provisions of SFAS No. 145 related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. Adoption of the provisions of SFAS No. 145 related to SFAS No. 13 did not have a material impact on the Company's financial condition or results of operations. In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Action (including Certain Costs Incurred in a Restructuring)" ("Issue 94-3"). The principal difference between SFAS No. 146 and Issue 94-3 is that SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than at the date of an entity's commitment to an exit plan. SFAS No. 146 is effective for exit or disposal activities after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on the Company's financial condition or results of operations. In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires certain guarantees to be recorded at fair value and also requires a guarantor to make new disclosures, even when the likelihood of making payments under the guarantee is remote. In general, the Interpretation applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or an equity security of the guaranteed party. The recognition provisions of FIN 45 are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a material impact on the Company's financial condition or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure and Amendment to FASB No. 123", which provides three optional transition methods for entities that decide to voluntarily adopt the fair value recognition principles of SFAS No. 123, "Accounting for Stock Issued to Employees", and modifies the disclosure requirements of that Statement. Under the prospective method, stock-based compensation expense is recognized for awards granted after the beginning of the fiscal year in which the change is made. The modified prospective method recognizes stock-based compensation expense related to new and unvested awards in the year of change equal to that which would have been recognized had SFAS No. 123 been adopted as of its effective date, fiscal years beginning after December 15, 1994. The retrospective restatement method recognizes stock compensation costs for the year of change and restates financial statements for all prior periods presented as though the fair value recognition provisions of SFAS No. 123 had been adopted as of its effective date. Since the Company does not intend to voluntarily adopt the fair value presentation for FASB 123, adoption of SFAS 148 would not have a material effect on the financial condition or results of operations of the Company. However, pro forma disclosures required by SFAS 148 are included in the Company's interim financial statements, when necessary.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after September 30, 2003. The adoption of SFAS No. 149 did not have a material effect on the Company's results of operations and financial position.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 requires that certain financial instruments, which under previous guidance may have been accounted for as equity, must now be accounted for as liabilities (or an asset in some circumstances). The financial instruments affected include mandatory redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. This Statement is effective for all such financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company entered into an agreement with a stockholder in August 2003, wherein it purchased 124,000 shares of Class A Common Stock from this stockholder for $6.00 per share. The purchase of these shares is reflected in treasury stock. Also, under the terms of this agreement, the stockholder has agreed not to purchase or control, directly or indirectly, any additional shares of Class A or Class C Common Stock through August 2007, and on August 27, 2004, 2005, and 2006, the stockholder may request, but is not obligated to request, the Company to purchase an additional 100,000 shares of Class A Common Stock held by this stockholder for $6.00 per share. At December 31, 2003, the Company's stock had a closing price of $7.45 per share, which exceeds the stockholder's option and under SFAS No. 150 does not require the recording of a liability as of December 31, 2003.

Effective December 31, 2003, the Company adopted EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments ("EITF 03-1"). EITF 03-1 provides guidance on the disclosure requirements for other-than-temporary Impairments of debt and marketable equity investments that are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities. The adoption of EITF 03-1 requires the Company to include certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS 115 that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The adoption of EITF 03-1 did not have a material impact on the Company's financial position or results of operations.

In April 2003, the FASB cleared Statement 133 Implementation Issue No. B36, Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments ("Issue B36"). Issue B36 concluded that (i) a company's funds withheld payable and/or receivable under certain reinsurance arrangements, and (ii) a debt instrument that incorporates credit risk exposures that are unrelated or only partially related to the creditworthiness of the obligor include an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature must be measured at fair value on the balance sheet and changes in fair value reported in income. Issue B36 became effective on October 1, 2003. The adoption of Issue No. B36 did not have a material impact on the Company's financial position or results of operations.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51", and subsequently issued a revision to this Interpretation in December 2003. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies to those variable interest entities considered to be special-purpose entities no later than December 31, 2003. The Interpretation must also be applied to all other variable interest entities no later March 31, 2004. The Company is evaluating this interpretation, but does not anticipate that it will have a material effect on the results of operations or financial position of the Company.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company has no activities in derivative financial or commodity instruments other than those recorded and disclosed in the financial statements. See note 17 of the consolidated financial statements included elsewhere in this Form 10K. The Company's exposure to market risks (i.e., interest rate risk, foreign currency exchange rate risk and equity price risk) through other financial instruments, including cash equivalents, accounts receivable and lines of credit, is not material.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

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

REPORT OF INDEPENDENT AUDITORS

To The Board of Directors and Stockholders
of Security National Financial Corporation

We have audited the accompanying consolidated balance sheet of Security National Financial Corporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the three years in the period ended December 31, 2003. In connection with our audits of the consolidated financial statements, we have also audited the amounts included in the consolidated financial statement schedules as listed in the accompanying index under Item 8. These consolidated financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Security National Financial Corporation and subsidiaries as of December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ TANNER + CO

Salt Lake City, Utah
March 19, 2004

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheet

Assets:	December 31, 2003	2002
Insurance-related investments:		
Fixed maturity securities held to maturity, at amortized cost (market $38,624,978 and $33,927,051 for 2003 and 2002)	$37,293,989	$33,015,097
Fixed maturity securities available for sale, at market (cost $13,214,057 in 2003 and $17,153, 223 in 2002)	14,270,037	18,514,943
Equity securities available for sale, at market (cost $1,981,461 and $1,929,540 for 2003 and 2002)	3,453,444	2,642,093
Mortgage loans on real estate	29,914,745	21,016,008
Real estate, net of accumulated depreciation and allowances for losses of $4,059,934 and $3,728,539 for 2003 and 2002	8,519,680	9,331,248
Policy, student and other loans	11,753,617	10,974,165
Short-term investments	2,054,248	5,335,478
Total insurance-related investments	107,259,760	100,829,032
Restricted assets of cemeteries and mortuaries	4,745,709	5,332,736
Cash	19,704,358	38,199,041
Receivables:		
Trade contracts	8,600,212	11,358,027
Mortgage loans sold to investors	114,788,185	89,455,105
Receivable from agents	1,318,958	2,054,071
Receivable from officers	37,540	70,290
Other	1,086,523	1,131,977
Total receivables	125,831,418	104,069,470
Allowance for doubtful accounts	(1,706,678)	(1,479,728)
Net receivables	124,124,740	102,589,742
Policyholder accounts on deposit with reinsurer	6,795,983	6,955,691
Land and improvements held for sale	8,387,061	8,429,215
Accrued investment income	1,142,690	928,287
Deferred policy and pre-need acquisition costs	17,202,489	15,839,119
Property, plant and equipment, net	11,009,416	10,921,635
Cost of insurance acquired	14,980,763	16,408,849
Excess of cost over net assets of acquired subsidiaries	683,191	683,191
Other	873,424	945,805
Total assets	$316,909,584	$308,062,343

See accompanying notes to consolidated financial statements.

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

	December 31, 2003	December 31, 2002
Liabilities:		
Future life, annuity, and other policy benefits	$218,793,693	$215,980,207
Unearned premium reserve	1,945,203	1,914,700
Bank loans payable	14,422,670	16,113,227
Notes and contracts payable	3,440,694	3,160,009
Deferred pre-need cemetery and funeral contracts revenues and estimated future cost of pre-need sales	10,520,280	10,002,396
Accounts payable	1,274,183	1,553,777
Funds held under reinsurance treaties	1,294,589	1,334,964
Other liabilities and accrued expenses	11,171,368	11,089,763
Income taxes	10,914,845	8,103,882
Total liabilities	273,777,525	269,251,125
Commitments and contingencies	--	--
Minority interest	3,956,628	4,297,807
Stockholders' Equity:		
Common stock:		
Class A: $2 par value, authorized 10,000,000 shares, issued 6,275,104 shares in 2003 and 5,794,492 shares in 2002	12,550,208	11,588,984
Class C: $0.20 par value, authorized 7,500,000 shares, issued 6,469,638 shares in 2003 and 6,182,669 shares in 2002	1,293,927	1,236,533
Total common stock	13,844,135	12,825,517
Additional paid-in capital	13,569,582	11,280,842
Accumulated other comprehensive income (loss) and other items, net of deferred taxes of $274,091 and $293,519 for 2003 and 2002	(437,973)	1,191,863
Retained earnings	15,414,681	11,992,542
Treasury stock at cost (1,276,518 Class A shares and 75,336 Class C shares in 2003; 1,151,811 Class A shares and 71,749 Class C shares in 2002, held by affiliated companies)	(3,214,994)	(2,777,353)
Total stockholders' equity	39,175,431	34,513,411
Total liabilities and stockholders' equity	$316,909,584	$308,062,343

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Consolidated Statement of Earnings

	Year Ended December 31,		
	2003	2002	2001
Revenues:			
Insurance premiums and other considerations	$23,294,373	$14,076,652	$13,150,875
Net investment income	17,302,597	12,539,430	12,946,499
Net mortuary and cemetery sales	10,944,365	10,638,754	9,881,248
Realized gains (losses) on investments and other assets	(2,155)	1,020,820	10,428
Mortgage fee income	92,955,165	57,008,283	40,086,097
Other	550,064	479,424	151,945
Total revenue	145,044,409	95,763,363	76,227,092
Benefits and expenses:			
Death benefits	13,315,266	5,637,217	5,354,522
Surrenders and other policy benefits	1,726,275	2,086,829	1,467,323
Increase in future policy benefits	6,712,961	6,031,685	4,953,008
Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired	4,929,006	3,993,393	3,870,158
General and administrative expenses:			
Commissions	67,536,703	42,114,240	29,859,295
Salaries	14,079,908	10,414,392	9,027,523
Other	21,309,897	15,930,804	13,360,362
Interest expense	3,642,046	1,970,342	2,790,627
Cost of goods and services sold of the mortuaries and cemeteries	2,327,475	2,045,476	1,772,164
Total benefits and expenses	135,579,537	90,224,378	72,454,982
Earnings before income taxes	9,464,872	5,538,985	3,772,110
Income tax expense	(2,890,669)	(1,565,393)	(913,539)
Minority interest	22,294	17,688	(17,791)
Net earnings	$6,596,497	$3,991,280	$2,840,780
Net earnings per common share	$1.23	$.83	$.63
Weighted average outstanding common shares	5,358,503	4,823,914	4,506,476
Net earnings per common share assuming dilution	$1.20	$.80	$.63
Weighted average outstanding common shares assuming dilution	5,510,462	4,995,285	4,506,858

See accompanying notes to consolidated financial statements.

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

	Class A	Class C	Additional Paid-in Capital	Accumulated Other Comprehensive Income (loss), and Other Items	Retained Earnings	Treasury Stock	Total
Balance at January 1, 2001	$10,215,262	$1,165,561	$10,054,714	$ 836,751	$7,831,306	$(3,362,233)	$ 26,741,361
Comprehensive income:							
Net earnings	$ --	$ --	$ --	$ --	$2,840,780	$ --	$2,840,780
Unrealized gain on securities	--	--	--	387,179	--	--	387,179
Total comprehensive income	--	--	--	--	--	--	3,227,959
Stock dividends	510,826	58,221	113,809	--	(682,856)	--	--
Conversion Class C to Class A	1,094	(1,096)	--	--	--	--	(2)
Balance at December 31, 2001	$10,727,182	$1,222,686	$10,168,523	$1,223,930	$9,989,230	$(3,362,233)	$29,969,318
Comprehensive income:							
Net earnings	$ --	$ --	$ --	$ --	$ 3,991,280	$ --	$3,991,280
Unrealized loss on securities	--	--	--	(32,067)	--	--	(32,067)
Total comprehensive income	--	--	--	--	--	--	3,959,213
Stock dividends	552,024	58,883	690,316	--	(1,301,223)	--	--
Conversion Class C to Class A	45,036	(45,036)	--	--	--	--	--
Exercise of stock options	264,742	--	422,003	--	(686,745)	--	--
Sale of treasury stock	--	--	--	--	--	584,880	584,880
Balance at December 31, 2002	$11,588,984	$1,236,533	$11,280,842	$1,191,863	$11,992,542	$(2,777,353)	$34,513,411
Comprehensive income:							
Net earnings	$ --	$ --	$ --	$ --	$6,596,497	$ --	$6,596,497
Unrealized gain on securities	--	--	--	352,784	--	--	352,784
Total comprehensive income	--	--	--	--	--	--	6,949,281
Acquisition of Company Stock held in escrow (see note 18)	--	--	--	(1,982,620)	--	--	(1,982,620)
Stock dividends	603,549	61,617	1,529,240	--	(2,194,406)	--	--
Conversion Class C to Class A	4,225	(4,223)	(2)	--	--	--	--
Exercise of stock options	353,450	--	759,502	--	(979,952)	--	133,000
Purchase of treasury stock	--	--	--	--	--	(437,641)	(437,641)
Balance at December 31, 2003	$12,550,208	$1,293,927	$13,569,582	$(437,973)	$15,414,681	(3,214,994)	$39,175,431

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statement of Cash Flows

	Year Ended December 31,		
	2003	2002	2001
Cash flows from operating activities:			
Net earnings	$6,596,497	$3,991,280	$2,840,780
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Realized (gains) losses on investments and other assets	2,155	(1,020,820)	(10,428)
Depreciation	1,866,924	1,553,399	1,350,372
Provision for losses on real estate accounts and loans receivable	225,072	(300,412)	284,545
Amortization of goodwill, premiums, and discounts	44,092	121,329	197,793
Provision for deferred income taxes	2,862,343	970,139	522,047
Policy and pre-need acquisition costs deferred	(4,527,546)	(4,462,624)	(3,834,432)
Policy and pre-need acquisition costs amortized	3,611,674	3,214,710	3,004,188
Cost of insurance acquired amortized	1,317,332	778,683	865,970
Change in assets and liabilities net of effects from purchases and disposals of subsidiaries:			
Land and improvements held for sale	42,154	626,688	139,075
Future life and other benefits	7,426,761	5,349,152	5,734,205
Receivables for mortgage loans sold	(25,333,080)	(38,760,032)	(24,786,179)
Other operating assets and liabilities	3,402,371	975,682	2,908,914
Net cash used in operating activities	(2,463,251)	(26,962,826)	(10,783,150)
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(15,396,993)	(4,147,878)	(402,995)
Calls and maturities - fixed maturity securities	11,147,744	8,025,610	12,086,818
Securities available for sale:			
Purchases - equity securities	(51,921)	(327,726)	--
Sales - equity securities	3,860,000	3,303,095	2,826,094
Purchases of short-term investments	(19,065,874)	(13,819,476)	(14,301,717)
Sales of short-term investments	22,347,104	9,937,642	13,876,000
Purchases of restricted assets	610,155	(56,899)	(497,617)
Mortgage, policy, and other loans made	(30,192,467)	(10,129,993)	(3,114,060)
Payments received for mortgage, policy, and other loans	20,479,056	4,939,374	5,626,747
Purchases of property, plant, and equipment	(1,623,310)	(1,348,752)	(1,006,824)
Purchases of real estate	(1,807,658)	(3,153,299)	(784,677)
Sale of real estate	2,287,831	2,825,666	195,562
Cash received in assumed reinsurance	--	55,827,793	--
Net cash (used in) provided by investing activities	(7,406,333)	51,875,157	14,503,331

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,		
	2003	2002	2001
Cash flows from financing activities:			
Annuity and pre-need contract receipts	5,785,310	7,635,422	9,707,844
Annuity and pre-need contract withdrawals	(10,410,247)	(10,866,398)	(13,997,537)
Repayment of bank loans and notes and contracts payable	(3,695,521)	(1,824,440)	(2,698,272)
Proceeds from borrowings on bank loans and notes and contracts payable	--	9,000,000	750,000
Stock options exercised	133,000	--	--
Sale (purchase) of treasury stock	(437,641)	584,880	--
Net cash provided by (used in) financing activities	(8,625,099)	4,529,464	(6,237,965)
Net change in cash	(18,494,683)	29,441,795	(2,517,784)
Cash at beginning of year	38,199,041	8,757,246	11,275,030
Cash at end of year	$19,704,358	$38,199,041	$8,757,246

Supplemental Schedule of Cash Flow Information:

The following information shows the non-cash items in connection with the assumption of reinsurance from Acadian Life Insurance Company on December 23, 2002:

Liabilities assumed	$74,199,194
Less non-cash items:	
Cost of insurance acquired	(9,106,309)
Bonds received	(9,032,818)
Policy loans received	(82,126)
Premiums due and unpaid	(150,148)
Cash received	$55,827,793

See accompanying notes to the consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2003, 2002, and 2001

1) Significant Accounting Principles

General Overview of Business

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

Basis of Presentation

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

Risks

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

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

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

1) Significant Accounting Principles (Continued)

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

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

Estimates

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

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and operations of the Company. The Company's subsidiaries at December 31, 2003, are as follows:

Security National Life Insurance Company
Security National Mortgage Company
Memorial Estates, Inc.
Memorial Mortuary
Paradise Chapel Funeral Home
Singing Hills Memorial Park
Cottonwood Mortuary, Inc.
Deseret Memorial, Inc.
Holladay Cottonwood Memorial Foundation
Holladay Memorial Park
Camelback Sunset Funeral Home, Inc.
Greer-Wilson Funeral Home
Crystal Rose Funeral Home
Hawaiian Land Holdings
SSLIC Holding Company
Insuradyne Corporation
Southern Security Life Insurance Company (77%)

1) Significant Accounting Principles (Continued)

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

On December 17, 1998, the Company purchased all of the outstanding shares of common stock of SSLIC Holding Company (formerly Consolidare Enterprises, Inc.), (SSLIC Holding) and Insuradyne Corporation (Insuradyne) for a total cost of $12,248,194. SSLIC Holding owns approximately 77% of the outstanding shares of common stock of Southern Security Life Insurance Company (Southern Security). The acquisition was accounted for using the purchase method.

On December 23, 2002, the Company, through its wholly-owned subsidiary Security National Life Insurance Company completed the asset purchase transaction with Acadian Life Insurance Company ("Acadian") from which it acquired from Acadian $75,000,000 in assets and $75,000,000 in statutory insurance reserves. Security National Life paid a ceding commission of $10,254,803. On January 1, 2003, Security National entered into an assumption agreement in which Acadian transferred and assigned to Security National Life all of its right, title and interest in the reinsured policies and Security National Life took over the operations of this block of business. The assets and liabilities acquired have been included in the Company's consolidated balance sheet as of December 31, 2002. Since the Company did not take over the operations from Acadian until January 1, 2003, nothing was included in the consolidated statement of earnings during 2002.

Investments

Investments are shown on the following basis:

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

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

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

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

Policy, student, and other loans - at the aggregate unpaid balances, less allowances for possible losses.

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

1) Significant Accounting Principles (Continued)

Restricted assets of cemeteries and mortuaries - consists of cash, participations in mortgage loans with Security National Life Insurance Company, and mutual funds carried at cost; fixed maturity securities carried at cost adjusted for amortization of premium or accretion of discount; and equity securities carried at fair market value.

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Depreciation is calculated principally on the straight-line method over the estimated useful lives of the assets which range from three to thirty years. Leasehold improvements are amortized over the lesser of the useful life or remaining lease terms.

Recognition of Insurance Premiums and Other Considerations

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

Deferred Policy Acquisition Costs and Cost of Insurance Acquired

Commissions and other costs, net of commission and expense allowances for reinsurance ceded, that vary with and are primarily related to the production of new insurance business have been deferred. Deferred policy acquisition costs for traditional life insurance are amortized over the premium-paying period of the related policies using assumptions consistent with those used in computing policy benefit reserves. For interest-sensitive insurance products, deferred policy acquisition costs are amortized generally in proportion to the present value of expected gross profits from surrender charges, investment, mortality and expense margins. This amortization is adjusted when estimates of current or future gross profits to be realized from a group of products are reevaluated. Deferred acquisition costs are written off when policies lapse or are surrendered.

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

1) Significant Accounting Principles (Continued)

Future Life, Annuity and Other Policy Benefits

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

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

Participating Insurance

Participating business constitutes 2%, 2%, and 2% of insurance in force for 2003, 2002 and 2001, respectively. The provision for policyholders' dividends included in policyholder obligations is based on dividend scales anticipated by management. Amounts to be paid are determined by the Board of Directors.

Reinsurance

The Company follows the procedure of reinsuring risks in excess of $75,000 to provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. The Company remains liable for amounts ceded in the event the reinsurers are unable to meet their obligations.

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

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

Cemetery and Mortuary Operations

Pre-need sales of funeral services and caskets - revenue and costs associated with the sales of pre-need funeral services and caskets are deferred until the services are performed.

1) Significant Accounting Principles (Continued)

Pre-need sales of cemetery interment rights (cemetery burial property) - revenue and costs associated with the sales of pre-need cemetery interment rights are recognized in accordance with the retail land sales provisions of Statement of Financial Accounting Standards No. 66, "Accounting for the Sales of Real Estate" (FAS No. 66). Under FAS 66, recognition of revenue and associated costs from constructed cemetery property must be deferred until a minimum percentage of the sales price has been collected. Revenues related to the pre-need sale of unconstructed cemetery property will be deferred until such property is constructed and meets the criteria of FAS No. 66 described above.

Pre-need sales of cemetery merchandise (primarily markers and vaults) - revenue and costs associated with the sales of pre-need cemetery merchandise are deferred until the merchandise is delivered.

Pre-need sales of cemetery services (primarily merchandise delivery and installation fees and burial opening and closing fees) - revenue and costs associated with the sales of pre-need cemetery services are deferred until the services are performed.

Prearranged funeral and pre-need cemetery customer obtaining costs - costs incurred related to obtaining new pre-need cemetery and prearranged funeral business are accounted for under the guidance of the provisions of Statement of Financial Accounting Standards No. 60 "Accounting and Reporting by Insurance Enterprises" (FAS No. 60). Obtaining costs, which include only costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral business, are deferred until the merchandise is delivered or services are performed.

Revenues and costs for at-need sales are recorded when a valid contract exists, the services are performed, collection reasonably assured and there are no significant obligations remaining.

The Company, through its mortuary and cemetery operations, provides a guaranteed funeral arrangement wherein a prospective customer can receive future goods and services at guaranteed prices. To accomplish this, the Company, through its life insurance operations, sells to the customer an increasing benefit life insurance policy that is assigned to the mortuaries. If, at the time of need, the policyholder/potential mortuary customer utilizes one of the Company's facilities, the guaranteed funeral arrangement contract that has been assigned will provide the funeral goods and services at the contracted price. The increasing life insurance policy will cover the difference between the original contract prices and current prices. Risks may arise if the difference cannot be fully met by the life insurance policy. However, management believes that given current inflation rates and related price increases of goods and services, the risk of exposure is minimal.

Mortgage Operations

Mortgage fee income is generated through the origination and refinancing of mortgage loans and is recognized in accordance with FAS No. 140.

The majority of loans originated are sold to third party investors. The amounts sold to investors are shown on the balance sheet as due from sale of loans, and are shown on the basis of the amount of fees due from the investors. Any impairment to sold loans or possible loan losses are included in a separate provision for loan losses. At December 31, 2003 and 2002 the provision for loan losses was $1,919,000 and $906,000, respectively.

1) Significant Accounting Principles (Continued)

Excess of Cost Over Net Assets of Acquired Businesses

Previous acquisitions have been accounted for as purchases under which assets acquired and liabilities assumed were recorded at the fair values. The Company periodically evaluates the recoverability of amounts recorded. In accordance with FAS 142 the Company no longer amortizes excess of cost over net assets of acquired business ("goodwill"). Pro forma information related to the amortization of goodwill has not been presented since it is not material.

Income Taxes

Income taxes include taxes currently payable plus deferred taxes related to the tax effect of temporary differences in the financial reporting basis and tax basis of assets and liabilities. Such temporary differences are related principally to the deferral of policy acquisition costs and the provision for future policy benefits in the insurance operations, and unrealized gains on fixed maturity and equity securities available for sale.

Earnings Per Common Share

The Company computes earnings per share in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share". This Standard requires presentation of two new amounts, basic and diluted earnings per share. Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding during each year presented, after the effect of the assumed conversion of Class C Common Stock to Class A Common Stock, the acquisition of treasury stock, and the retroactive effect of stock dividends declared. Diluted earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the year plus the incremental shares that would have been outstanding under certain deferred compensation plans.

Stock Compensation

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

The Company has two fixed option plans (the "1993 Plan" and the "2000 Plan"). In accordance with APB Opinion No. 25, no compensation cost has been recognized for these plans. Had compensation cost for these plans been determined based upon the fair value at the grant date consistent with the methodology prescribed under SFAS No. 123, the Company's net income would have been reduced by approximately $490,145, $533,520 and $3,143 in 2003, 2002 and 2001, respectively. As a result, basic and diluted earnings per share would have been reduced by $.09, $.11, and $0 in 2003, 2002 and 2001, respectively.

The weighted average fair value of options granted in 2003 under the 1993 Plan and the 2000 Plan is estimated at $2.63 as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 73%, risk-free interest rate of 3.4%, and an expected life of two years.

1) Significant Accounting Principles (Continued)

The weighted average fair value of each option granted in 2002 under the 1993 Plan and the 2000 Plan is estimated at $2.88 as of the grant date using the Black Scholes option-pricing model with the following assumptions: dividend yield of 5%, volatility of 74%, risk-free interest rate of 3.8%, and an expected life of five to ten years.

The weighted average fair value of options granted in 2001 under the 1993 Plan and the 2000 Plan is estimated at $1.25 as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 31.8%, risk-free interest rate of 5.14%, and an expected life of five to ten years.

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

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Recent Accounting Pronouncements

In April 2002, FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". Under historical guidance, all gains and losses resulting from the extinguishment of debt were required to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. SFAS No. 145 rescinds that guidance and requires that gains and losses from extinguishments of debt be classified as extraordinary items only if they are both unusual and infrequent in occurrence. SFAS No. 145 also amends SFAS No. 13, "Accounting for Leases" for the required accounting treatment of certain lease modifications that have economic effects similar to sale-leaseback transactions. SFAS No. 145 requires that those lease modifications be accounted for in the same manner as sale-leaseback transactions. The provisions of SFAS No. 145 related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. Adoption of the provisions of SFAS No. 145 related to SFAS No. 13 did not have a material impact on the Company's financial condition or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Action (including Certain Costs Incurred in a Restructuring)" ("Issue 94-3"). The principal difference between SFAS No. 146 and Issue 94-3 is that SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than at the date of an entity's commitment to an exit plan. SFAS No. 146 is effective for exit or disposal activities after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on the Company's financial condition or results of operations.

1) Significant Accounting Principles (Continued)

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires certain guarantees to be recorded at fair value and also requires a guarantor to make new disclosures, even when the likelihood of making payments under the guarantee is remote. In general, the Interpretation applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or an equity security on changes in an underlying that is related to an asset, liability, or an equity security of the guaranteed party. The recognition provisions of FIN 45 are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a material impact on the Company's financial condition or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure and Amendment to FASB No. 123", which provides three optional transition methods for entities that decide to voluntarily adopt the fair value recognition principles of SFAS No. 123, "Accounting for Stock Issued to Employees", and modifies the disclosure requirements of that Statement. Under the prospective method stock-based compensation expense is recognized for awards granted after the beginning of the fiscal year in which the change is made. The modified prospective method recognizes stock-based compensation expense related to new and unvested awards in the year of change equal to that which would have been recognized had SFAS No. 123 been adopted as of its effective date, fiscal years beginning after December 15, 1994. The retrospective restatement method recognizes stock compensation costs for the year of change and restates financial statements for all prior periods presented as though the fair value recognition provisions of SFAS No. 123 had been adopted as of its effective date. Since the Company does not intend to voluntarily adopt the fair value presentation for FASB 123, adoption of SFAS 148 would not have a material effect on the financial condition or results of operations of the Company. However, pro forma disclosures by SFAS 148 are included in the Company's interim financial statements, when necessary.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after September 30, 2003. The adoption of SFAS No. 149 did not have a material effect on the Company's results of operations and financial position.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 requires that certain financial instruments, which under previous guidance may have been accounted for as equity, must now be accounted for as liabilities (or an asset in some circumstances). The financial instruments affected include mandatory redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. This Statement is effective for all such financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company entered into an agreement with a stockholder in August

1) Significant Accounting Principles (Continued)

2003, wherein it purchased 124,000 shares of Class A Common Stock from this stockholder for $6.00 per share. The purchase of these shares is reflected in treasury stock. Also, under the terms of this agreement, this stockholder has agreed not to purchase or control, directly or indirectly, any additional shares of Class A or Class C Common Stock through August 2007, and on August 27, 2004, 2005, and 2006, this stockholder may request, but is not obligated to request, the Company to purchase an additional 100,000 shares of Class A Common Stock held by this stockholder for $6.00 per share. At December 31, 2003, the Company's stock had a closing price of $7.45 per share, which exceeds the stockholder's option and under SFAS No. 150 does not require the recording of a liability as of December 31, 2003.

Effective December 31, 2003, the Company adopted EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments ("EITF 03-1"). EITF 03-1 provides guidance on the disclosure requirements for other-than-temporary Impairments of debt and marketable equity investments that are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities. The adoption of EITF 03-1 requires the Company to include certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS 115 that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The adoption of EITF 03-1 did not have a material impact on the Company's financial position or results of operations.

In April 2003, the FASB cleared Statement 133 Implementation Issue No. B36, Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments ("Issue B36"). Issue B36 concluded that (i) a company's funds withheld payable and/or receivable under certain reinsurance arrangements, and (ii) a debt instrument that incorporates credit risk exposures that are unrelated or only partially related to the creditworthiness of the obligor include an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature must be measured at fair value on the balance sheet and changes in fair value reported in income. Issue B36 became effective on October 1, 2003. The adoption of Issue No. B36 did not have a material impact on the Company's financial position or results of operations.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51", and subsequently issued a revision to this Interpretation in December 2003. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies to those variable interest entities considered to be special-purpose entities no later than December 31, 2003. The Interpretation must also be applied to all other variable interest entities no later March 31, 2004. The Company is evaluating this interpretation, but does not anticipate that it will have a material effect on the results of operations or financial position of the Company.

2) Investments

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2003, are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2003:				
Fixed maturity securities held to maturity:				
Bonds:				
U.S. Treasury securities and obligations of U.S Government age	$3,080,471	$180,125	$ --	$3,260,596
Obligations of states and political subdivisions	261,360	25,091	(693)	285,758
Corporate securities including public utilities	30,289,401	1,176,618	(110,514)	31,355,505
Mortgage-backed securities	3,634,752	78,663	(28,654)	3,684,761
Redeemable preferred stock	28,005	17,400	(7,047)	38,358
Total fixed maturity securities held to maturity	$37,293,989	$1,477,897	$(146,908)	$38,624,978
Securities available for sale:				
Bonds				
U.S. Treasury securities and obligations of U.S. Government agencies	$595,177	$ 81,604	$ --	$676,781
Corporate securities including public utilities	12,618,880	974,376	--	13,593,256
Non-redeemable preferred stock	56,030	42,688	(4,006)	94,712
Common stock	1,925,431	1,958,319	(525,018)	3,358,732
Total securities available for sale	$15,195,518	$3,056,987	$(529,024)	$17,723,481

2) Investments (Continued)

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2002 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2002:				
Fixed maturity securities held to maturity:				
Bonds:				
U.S. Treasury securities and obligations of U.S Government agencies	$2,835,420	$214,146	$(1,964)	$3,047,602
Obligations of states and political subdivisions	188,303	21,805	(725)	209,383
Corporate securities including public utilities	21,106,651	806,023	(254,369)	21,658,305
Mortgage-backed securities	8,856,718	125,310	--	8,982,028
Redeemable preferred stock	28,005	8,775	(7,047)	29,733
Total fixed maturity securities held to maturity	$33,015,097	$1,176,059	$(264,105)	$33,927,051
Securities available for sale:				
Bonds				
U.S. Treasury securities and obligations of U.S. Government agencies	$594,439	$ 103,697	$ --	$698,136
Corporate securities including public utilities	16,558,784	1,258,023	--	17,816,807
Non-redeemable preferred stock	56,031	33,810	(7,256)	82,585
Common stock	1,873,509	1,281,528	(595,529)	2,559,508
Total securities available for sale	$19,082,763	$2,677,058	$(602,785)	$21,157,036

2) Investments (Continued)

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

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2003, 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.

Held to Maturity:	Amortized Cost	Estimated Fair Value
Due in 2004	$ 2,048,933	$ 2,066,458
Due in 2005 through 2008	6,556,028	7,123,868
Due in 2009 through 2013	8,968,018	9,478,788
Due after 2013	12,336,094	12,424,625
Mortgage-backed securities	7,356,911	7,492,881
Redeemable preferred stock	28,005	38,358
	$37,293,989	$38,624,978

Available for Sale:	Amortized Cost	Estimated Fair Value
Due in 2004	$2,681,414	$2,747,175
Due in 2005 through 2008	9,249,570	10,051,451
Due in 2009 through 2013	1,185,251	1,357,501
Due after 2013	97,822	113,910
Mortgage-backed securities	--	--
	$13,214,057	$14,270,037

2) Investments (Continued)

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

	2003	2002	2001
Fixed maturity securities held to maturity:			
Gross realized gains	$3,549	$37,172	$20,228
Gross realized losses	(5,665)	(557)	(565)
Securities available for sale:			
Gross realized gains	1	354	6
Gross realized losses	(40)	(1,424)	(111)
Other assets	--	985,275	(9,130)
Total	$(2,155)	$1,020,820	$10,428

Generally gains and losses from held to maturity securities are a result of early calls and related amortization of premiums or discounts.

Mortgage loans consist of first and second mortgages. The mortgage loans bear interest at rates ranging from 4.25% to 15%, 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 and commercial loans and requires collateral on all real estate exposures, a substantial portion of its debtors' ability to honor obligations is reliant on the economic stability of the geographic region in which the debtors do business. The Company has 68% of its mortgage loans in the state of Utah.

Investments, aggregated by issuer, in excess of 10% of shareholders' equity (before net unrealized gains and losses on available for sale securities) at December 31, 2003, other than investments issued or guaranteed by the United States Government, are as follows:

	Carrying Amount
Dean Witter Discover	$4,023,115

Major categories of net investment income are as follows:

	2003	2002	2001
Fixed maturity securities	$3,407,177	$3,228,042	$3,776,132
Equity securities	54,481	53,889	49,281
Mortgage loans on real estate	1,931,358	1,350,882	1,570,478
Real estate	1,509,932	1,501,534	1,548,507
Policy loans	676,201	663,554	630,352
Short-term investments	105,094	189,894	379,562
Other	10,813,469	6,501,763	5,973,092
Gross investment income	18,497,712	13,489,558	13,927,404
Investment expenses	(1,195,115)	(950,128)	(980,905)
Net investment income	$17,302,597	$12,539,430	$12,946,499

Net investment income includes net investment income earned by the restricted assets of the cemeteries and mortuaries of approximately $848,000, $924,000 and $872,000 for 2003, 2002, and 2001, respectively.

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

Securities on deposit for regulatory authorities as required by law amounted to $8,850,755 at December 31, 2003 and $7,819,262 at December 31, 2002.

3) Cost of Insurance Acquired

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

	2003	2002	2001
Balance at beginning of year	$16,408,849	$8,081,223	$9,236,947
Cost of insurance acquired	(110,754)	9,106,309	(289,754)
Imputed interest at 7%	1,098,636	857,153	606,136
Amortization	(2,415,968)	(1,635,836)	(1,472,106)
Net amortization charged to income	(1,317,332)	(778,683)	(865,970)
Balance at end of year	$14,980,763	$16,408,849	$8,081,223

Presuming no additional acquisitions, net amortization charged to income is expected to approximate $1,206,546, $1,111,526, $1,014,348, $946,593, and $884,330 for the years 2004 through 2008. Actual amortization may vary based on changes in assumptions or experience.

4) Property, Plant and Equipment

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

	December 31, 2003	December 31, 2002
Land and Buildings	$11,140,690	$11,098,907
Furniture and equipment	10,288,299	8,725,925
	21,428,989	19,824,832
Less accumulated depreciation	(10,419,573)	(8,903,197)
Total	$11,009,416	$10,921,635

5) Bank Loans Payable and Lines of Credit

Bank loans payable are summarized as follows:

	December 31, 2003	December 31, 2002
6.59% note payable in monthly installments of $34,680 including principal and interest, collateralized by 15,000 shares of Security National Life stock, due December 2004.	$391,363	$727,524
10% note payable in monthly installments of $8,444 including principal and interest, collateralized by real property, which book value is approximately $982,000, due January 2013.	--	645,124
6% note payable in monthly installments of $5,693 including principal and interest, collateralized by real property, which book value is approximately $950,000 due September 2010.	662,944	--
6.93% note payable in monthly installments of $14,175 including principal and interest, collateralized by real property, which book value is approximately $915,000, due November 2007.	1,519,198	1,472,560
$2,230,016 in 2003 and $3,234,489 in 2002 revolving line of credit at 6.15% interest payable monthly and a reduction in principal due in semi-annual installments collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2005.	2,178,075	3,144,673
Bank prime rate plus 1/2% (4.50% at December 31, 2003) note payable in monthly installments of $7,235 including principal and interest, collateralized by real property, which book value is approximately $717,000, due August 2004.	60,683	150,564

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

	December 31, 2003	December 31, 2002
Bank prime rate less 1.35% (2.65% at December 31, 2003) note payable in monthly installments of $2,736 including principal and interest, collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2005.	98,880	128,738
7.35% note payable in monthly installments of $14,975 including principal and interest collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2006.	482,394	610,170
5.87% note payable interest only to July 1, 2003, thereafter interest and monthly principal payments of $139,000, collateralized by 15,000 shares of Security National Life Insurance Company Stock, due January 2010.	8,413,993	9,000,000
Mark to market adjustment (see note 17)	303,029	--
Other collateralized bank loans payable	312,111	233,874
Total bank loans	14,422,670	16,113,227
Less current installments	3,688,647	2,282,575
Bank loans, excluding current installments	$ 10,734,023	$ 13,830,652

In addition to the lines of credit described above, the Company has line of credit agreements with banks for $2,500,000 and $5,000,000, of which none were outstanding at December 31, 2003 or 2002. The lines of credit are for general operating purposes. The $2,500,000 line of credit bears interest at the bank's prime rate and must be repaid every 30 days. The $5,000,000 line of credit bears interest at a variable rate with interest payable monthly and is collateralized by student loans equaling 115% of the unpaid principal balance.

See Note 6 for summary of maturities in subsequent years.

6) Notes and Contracts Payable

Notes and contracts payable are summarized as follows:

	December 31, 2003	December 31, 2002
Due to former stockholders of Deseret Memorial, Inc. resulting from the acquisition of such entity. Amount represents the present value discounted at 8% of monthly annuity payments ranging from $4,600 to $5,000 plus an index adjustment in the 7th through the 12th years, due September 2011.	$545,921	$574,526

6) Notes and Contracts Payable (Continued)

	December 31, 2003	December 31, 2002
Due to former stockholders of Greer Wilson resulting from the acquisition of such entity. Amount represents the present value discounted at 10% of monthly annuity payments of $7,000, due March 2005.	98,319	168,621
Due to former stockholders of Crystal Rose Funeral Home resulting from the acquisition of such entity. Amount represents the present value discounted at 9% of monthly annuity payments of $2,675.	--	5,296
9% note payable in monthly installments of $10,000 including principal and interest collateralized by real property, which book value is approximately $2,908,000, due July 2008.	459,138	534,111
Due to Memorial Estates Endowment Care Trust Fund for the remodel of the Cottonwood Funeral Home. 6% note payable in monthly installments of $5,339 including principal and interest collateralized by the Funeral Home, which book value is approximately $828,000 due March 2030.	954,475	951,807
Due to former shareholder of Southern Security Life Insurance Company resulting from the acquisition of such entity. 6.5% note payable in five annual installments with principal payments of $158,840 due April 2005	317,680	476,520
Due to shareholder of Security National Financial Corporation 6.0% note payable in annual installments of $100,000 including principal and interest due July 2005	200,000	--
Due to shareholder of Security National Financial Corporation 4.0% note payable in annual installments of $160,873 including principal and interest due January 2006	482,620	--

6) Notes and Contracts Payable (Continued)

	December 31, 2003	December 31, 2002
Other notes payable	382,541	449,128
Total notes and contracts payable	3,440,694	3,160,009
Less current installments	732,715	447,569
Notes and contracts, excluding current installments	$2,707,979	$2,712,440

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

	2004	$4,421,362
	2005	3,640,897
	2006	2,325,645
	2007	1,931,906
	2008	1,826,064
	Thereafter	3,717,490
Total		$17,863,364

Interest paid approximated interest expense in 2003, 2002 and 2001.

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

The Company owns and operates several endowment care cemeteries, for which it has established and maintains an endowment care fund. The Company records a liability to the fund for each space sold at current statutory rates. As of December 31, 2002 the Company owed the fund $73,151 in excess of the required contribution to the fund, and as of December 31, 2003, the Company owed the fund $41,335.

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

Assets in the restricted asset account are summarized as follows:

	December 31, 2003	December 31, 2002
Cash and cash equivalents	$617,142	$378,388
Mutual funds	188,732	188,732
Fixed maturity securities	108,554	301,928
Equity securities	77,778	77,778
Participation in mortgage loans with Security National Life	3,719,807	4,352,214
Time certificate of deposit	33,696	33,696
Total	$4,745,709	$5,332,736

8) Income Taxes

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

	December 31, 2003	December 31, 2002
Current	$18,585	$45,702
Deferred	10,896,260	8,058,180
Total	$10,914,845	$8,103,882

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

	2003	2002
Assets		
Future policy benefits	$(1,676,881	$(1,849,395)
Unearned premium	(1,635,912)	(1,717,492)
Difference between book and tax basis of bonds	(27,951)	(34,178)
Net operating loss carryforwards	--	(1,132,874)
Other	(605,932)	(575,788)
Total deferred tax assets	(3,946,676)	(5,309,727)
Liabilities		
Deferred policy acquisition costs	4,889,696	5,235,909
Cost of insurance acquired	2,486,035	2,643,596
Installment sales	2,367,510	1,997,256
Depreciation	891,725	883,667
Trusts	1,054,323	1,184,382
Tax on unrealized appreciation	568,944	644,148
Reinsurance	1,974,996	--
Other	609,707	778,949
Total deferred tax liabilities	14,842,936	13,367,907
Net deferred tax liability	$10,896,260	$8,058,180

The Company paid $55,442, $462,983 and $564,327 in income taxes for 2003, 2002 and 2001, respectively. The Company's income tax expense (benefit) is summarized as follows:

	2003	2002	2001
Current	$28,326	$595,254	$391,492
Deferred	2,862,343	970,139	522,047
Total	$2,890,669	$1,565,393	$913,539

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

8) Income Taxes (Continued)

	2003	2002	2001
Computed expense at statutory rate	$3,218,056	$1,883,255	$1,282,517
Special deductions allowed small life insurance companies	(285,991)	(315,923)	(356,734)
Dividends received deduction	(5,611)	(737)	(6,405)
Minority interest taxes	13,469	7,429	(7,466)
Other, net	(49,254)	(8,631)	1,627
Tax expense	$2,890,669	$1,565,393	$913,539

A portion of the life insurance income earned prior to 1984 was not subject to current taxation but was accumulated for tax purposes, in a "policyholders' surplus account." Under provisions of the Internal Revenue Code, the policyholders' surplus account was frozen at its December 31, 1983 balance and will be taxed generally only when distributed. As of December 31, 2003, the policyholders' surplus accounts approximated $4,500,000. Management does not intend to take actions nor does management expect any events to occur that would cause federal income taxes to become payable on that amount. However, if such taxes were accrued, the amount of taxes payable would be approximately $1,500,000.

The Company does not have any loss carry forward as of December 31, 2003.

9) Reinsurance, Commitments and Contingencies

The Company follows the procedure of reinsuring risks in excess of a specified limit, which ranged from $30,000 to $75,000 at December 31, 2003 and 2002. The Company is liable for these amounts in the event such reinsurers are unable to pay their portion of the claims. The Company has also assumed insurance from other companies having insurance in force amounting to $940,050,000 at December 31, 2003 and $1,174,604,000 at December 31, 2002.

As part of the acquisition of Southern Security, the Company has a co-insurance agreement with The Mega Life and Health Insurance Company ("MEGA"). On December 31, 1992 Southern Security ceded to MEGA 18% of all universal life policies in force at that date. MEGA is entitled to 18% of all future premiums, claims, policyholder loans and surrenders relating to the ceded policies. In addition, Southern Security receives certain commission and mortgage loans originated and sold to unaffiliated investors are sold subject to certain recourse provisions.

On December 26, 2003, the Company entered into a partially Coinsurance and a partially Modified Coinsurance Agreement (CoModco Agreement) with Guaranty Income Life Insurance Company (Guaranty) effective September 30, 2003. The Company has reinsured 100% of certain blocks of Guaranty's traditional life, universal life and annuity businesses. The total liabilities reinsured for these blocks of businesses on October 1, 2003 were $60,527,887. The Company paid a ceding commission to Guaranty of $3,400,000 and will receive from Guaranty a risk charge of 1% of the outstanding Coinsurance per calendar quarter. Guaranty put into a bank trust investment grade bonds, which equal the outstanding liabilities assumed by the Company. The Company is named as a beneficiary of the trust and the terms of the trust are such that Guaranty will maintain investment grade bonds in the trust to equal the outstanding liabilities assumed by the Company. Under the CoModco Agreement the Coinsurance and the increase in reserves are equal. Under U. S. GAAP the Coinsurance and the reserve increases are netted since these are non-cash items, and the Company expects to recapture the Coinsurance from future profits of the reinsured business. Guaranty has the right to recapture the business at any time after December 31, 2004 upon 90 days advance notice. As of December 31, 2003 the outstanding Coinsurance amount was $3,344,793. The Company recorded as income the risk charge of $34,000 for the fourth quarter. In the event that the Company believes it will not recover the Coinsurance it will have to record as an expense and a future liability for the amount of such impairment.

The Company leases office space and equipment under various non-cancelable agreements, with remaining terms up to four years. Minimum lease payments under these non-cancelable operating leases as of December 31, 2003, are approximately as follows:

Years Ending December 31:	
2004	$570,000
2005	460,000
2006	236,000
2007	6,000
	$1,272,000

Total rent expense related to these non-cancelable operating leases for the years ended December 31, 2003 and 2002 was approximately $396,000 and $200,000 respectively.

An action was brought against the Company in May 2001, by Glenna Brown Thomas individually and as personal representative of the Estate of Lynn W. Brown in the Third Judicial Court, Salt Lake County, Utah. The action asserts that Memorial Estates delivered to Lynn W. Brown six stock certificates representing 2,000 shares in 1970 and 1971. Mr. Brown died in 1972. It is asserted that at the time the 2,000 shares were issued and outstanding, such represented a 2% ownership of Memorial Estates. It is alleged Mr. Brown was entitled to preemptive rights and that after the issuance of the stock to Mr. Brown there were further issuances of stock without providing written notice to Mr. Brown or his estate with respect to an opportunity to purchase more stock.

It is also asserted among other things that Thomas "has the right to a transfer of Brown's shares to Thomas on defendants' (which includes Security National Financial Corporation as well as Memorial Estates, Inc.) books and to restoration of Brown's proportion of share ownership in Memorial at the time of his death by issuance and delivery to Thomas of sufficient shares of defendant's publicly traded and unrestricted stock in exchange for the 2,000 shares of Memorial stock and payment of all dividends from the date of Thomas's demand, as required by Article XV of the Articles of Incorporation." The formal discovery cutoff was January 15, 2004. The Company has been verbally informed that Thomas will dismiss the case but such has not been communicated in writing. Until the foregoing actually happens, the Company intends to vigorously defend the matter, including an assertion that the statute of limitations bars the claims.

An action was brought against Southern Security Life Insurance Company by National Group Underwriters, Inc. ("NGU") in state court in the State of Texas. The case was removed by the Company to the United States District Court for the Northern District of Texas, Fort Worth Division, with Civil No. 4:01-CV-403-E. An amended complaint was filed on or about July 18, 2001. The amended complaint asserted that NGU had a contract with the Company wherein NGU would submit applications for certain policies of insurance to be issued by the Company. It is alleged that disputes have arisen between NGU and the Company with regard to the calculation and payment of certain commissions as well as certain production bonuses.

NGU alleged that it had been damaged far in excess of the $75,000 minimum jurisdictional limits of the federal court. NGU also sought attorney's fees and costs as well as prejudgment and postjudgment interest. A second amended complaint and a third amended complaint, which included a fraud claim, were filed. A motion was filed by the Company to dismiss the third amended complaint, including the fraud claim. The court denied the motion. The Company counterclaimed for what it claimed to be a debit balance owing to it pursuant to the relationship between the parties (the amount subject to reduction as premiums are received). The Company also sought to recover attorney's fees and costs, as well as punitive damages on three of its causes of action.

Certain discovery took place. The federal case was dismissed by stipulation. The matter was refiled in Texas state court, Tarrant County, Case No. 348 195490 02. The claims of the respective parties are essentially the same as those in federal count, which claims include fraudulent inducement relative to entering into a contract, fraud, breach of contract, breach of duty of good faith and fair dealing, attorney's fees and exemplary damages as well as seeking an accounting and contesting the interest charges. Certain depositions have been taken since the filing again in state court and further discovery is anticipated. The Company filed a motion for partial summary judgment with respect to certain items. The court has yet to rule on the motion. A trial is presently set for October 2004. The Company intends to vigorously defend the matter as well as prosecute its counterclaim.

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.

Subsequent to the year ended December 31, 2003, the Company entered a settlement agreement with one of its mortgage loan investors to resolve certain commitments under the investor agreement with the Company. The agreement requires a payment of $350,000 to be made to the investor with an additional $100,000 to be paid if the Company does not deliver a specified volume of loans during 2004. The amount of the settlement has been included in management's estimate in calculating the reserve for losses on contractual obligations.

10) Retirement Plans

The Company and its subsidiaries have a noncontributory Employee Stock Ownership Plan (ESOP) for all eligible employees. Eligible employees are primarily those with more than one year of service, who work in excess of 1,040 hours per year. Contributions, which may be in cash or stock of the Company, are determined annually by the Board of Directors. The Company's contributions are allocated to eligible employees based on the ratio of each eligible employee's compensation to total compensation for all eligible employees during each year. ESOP contribution expense totaled $98,588, $99,612, and $191,557 for 2003, 2002, and 2001, respectively. At December 31, 2003 the ESOP held 546,344 shares of Class A and 1,479,087 shares of Class C common stock of the Company. All shares held by the ESOP have been allocated to the participating employees and all shares held by the ESOP are considered outstanding for purposes of computing earnings per share.

The Company has a 401(k) savings plan covering all eligible employees, as defined above, which includes employer participation in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plan allows participants to make pretax contributions up to the lesser of 15% of total annual compensation or the statutory limits.

10) Retirement Plans

The Company may match up to 50% of each employee's investment in Company stock, up to 1/2% of the employee's total annual compensation. The Company's match will be Company stock and the amount of the match will be at the discretion of the Company's Board of Directors. The Company's matching 401(k) contributions for 2003, 2002, and 2001 were $4,493, $7,975, and $18,458 respectively. Also, the Company may contribute, at the discretion of the Company's Board of Directors, an Employer Profit Sharing Contribution to the 401(k) savings plan. The Employer Profit Sharing Contribution shall be divided among three different classes of participants in the plan based upon the participant's title in the Company. The Company contributions for 2003, 2002 and 2001 were $110,081, $142,218, and $260,350, respectively. All amounts contributed to the plan are deposited into a trust fund administered by an independent trustee.

In 2001, the Company's Board of Directors adopted a Deferred Compensation Plan. Under the terms of the Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The Board has appointed a Committee of the Company to be the Plan Administrator and to determine the employees who are eligible to participate in the plan. The employees who participate may elect to defer a portion of their compensation into the plan. The Company may contribute into the plan at the discretion of the Company's Board of Directors. The Company's contribution for 2003, 2002 and 2001 were $95,485, $100,577, and $220,038, respectively.

The Company has Deferred Compensation Agreements with its Chief Executive Officer and its past Senior Vice President. The Deferred Compensation is payable on the retirement or death of these individuals either in monthly installments (120 months) or in a lump sum settlement, if approved by the Board of Directors. The amount payable is $62,667 per year with cost of living adjustments each anniversary. The Compensation Agreements also provides that any remaining balance will be payable to their heirs in the event of their death. In addition the Agreement provides that the Company will pay the Group Health coverages for these individuals and/or their spouses. In 2003 the Company increased its liability for these future obligations by $10,000. The current balance as of December 31, 2003 is $712,000.

During 2003 the Company entered into an employment agreement with the President of Security National Mortgage Company. The agreement has a five-year term, but the Company has agreed to renew the agreement in 2008 and 2013 for additional five-year terms, provided certain employee performs his duties with usual and customary care and diligence. Under the terms of the agreement certain employee is to devote his full time to the Company serving as President of Security National Mortgage Company at not less than his current salary and benefits, and to include $350,000 of life insurance protection. In the event of disability, certain employee's salary would be continued for up to five years at 50% of its current level. In the event of a sale or merger of the Company, and certain employee were not retained in his current position, the Company would be obligated to continue certain employee current compensation and benefits for five years following the merger or sale. The agreement further provides that certain employee is entitled to receive annual retirement benefits beginning one month from the date of his retirement and his having obtained the age of 62 1/2, five years following complete disability or upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to one-half of his then current annual salary. However, in the event certain employee dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company accrued in 2003 approximately $172,000 to cover the present value of the retirement benefit of the agreement.

10) Retirement Plans (Continued)

The Company has an employment agreement with its President, which was entered into in 1996 and renewed in 1997 and 2002. Under the agreement the President is to devote his full time to the Company serving as its President, General Counsel and Chief Operating Officer at not less than his current salary and benefits, and to include $500,000 of life insurance protection. In the event of disability, his salary would be continued for up to five years at 50% of its current level. In the event of a sale or merger of the Company, and he is not retained in his current position, the Company would be obligated to continue his current compensation and benefits for seven years following the merger or sale. The Company is in the process of amending the agreement with its President to provide for retirement benefits. The Company accrued approximately $328,000 in 2003 to cover the present value of anticipated retirement benefits that would be owed once the agreement is amended.

11) Capital Stock

The following table summarizes the activity in shares of capital stock for the three-year period ended December 31, 2003:

	Class A	Class C
Balance at January 1, 2001	5,107,631	5,827,805
Stock Dividends	255,413	291,104
Conversion of Class C to Class A	547	(5,479)
Balance at December 31, 2001	5,363,591	6,113,430
Exercise of stock options	132,371	--
Stock Dividends	276,012	294,419
Conversion of Class C to Class A	22,518	(225,180)
Balance at December 31, 2002	5,794,492	6,182,669
Exercise of stock options	176,725	--
Stock Dividends	301,774	308,086
Conversion of Class C to Class A	2,113	(21,117)
Balance at December 31, 2003	6,275,104	6,469,638

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

Stockholders of both classes of common stock have received 5% stock dividends in the years 1989 through 2003, as authorized by the Company's Board of Directors.

11) Capital Stock (Continued)

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

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

	2003	2002	2001
Numerator:			
Net income	$6,596,497	$3,991,280	$2,840,780
Denominator:			
Denominator for basic earnings per share-weighted-average shares	5,358,503	4,823,914	4,506,476
Effect of dilutive securities:			
Employee stock options	149,952	169,543	382
Stock appreciation rights	2,007	1,828	--
Dilutive potential common shares	151,959	171,371	382
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	5,510,462	4,995,285	4,506,858
Basic earnings per share	$1.23	$.83	$.63
Diluted earnings per share	$1.20	$.80	$.63

12) Stock Compensation Plans

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

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

In the event that the shares of Class A Common Stock of the Company from time to time issued and outstanding are reduced by a combination of shares, the number of shares of Class A Common Stock then covered by each outstanding option granted hereunder shall be reduced proportionately with no reduction in the total price of the shares then so covered, and the number of shares of Class A Common Stock reserved for the purposes of the 1987 Plan shall be reduced by the same proportion.

12) Stock Compensation Plans (Continued)

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

Activity of the 1987 Plan is summarized as follows:

	Number of Shares	Option Price
Outstanding at January 1, 2001	179,895	\$3.70 - \$4.07
Dividend	8,995	
Exercised	--	
Outstanding at December 31, 2001	188,890	\$3.53 - \$3.88
Dividend	576	
Exercised	(119,974)	
Expired	(58,773)	
Outstanding at December 31, 2002	10,719	\$3.36
Dividend	201	
Exercised	(6,700)	
Outstanding at December 31, 2003	4,220	\$3.20
Exercisable at end of year	4,220	\$3.20
Available options for future grant 1987 Stock Incentive Plan	--	

On June 21, 1993, the Company adopted the Security National Financial Corporation 1993 Stock Incentive Plan (the "1993 Plan"), which reserved 300,000 shares of Class A Common Stock for issuance thereunder.

The 1993 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress.

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

12) Stock Compensation Plans (Continued)

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

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

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

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

On October 14, 1999, the Company amended the 1993 Plan to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 746,126 Class A shares to 1,046,126 Class A shares.

Activity of the 1993 Plan is summarized as follows:

	Number of Shares	Option Price
Outstanding at January 1, 2001	573,311	\$2.12 - \$3.77
Dividend	36,765	
Granted	172,500	
Expired	(10,513)	
Outstanding at December 31, 2001	772,063	\$2.02 - \$3.59
Dividend	21,077	
Granted	185,250	
Expired	(190,018)	
Exercised	(283,703)	
Outstanding at December 31, 2002	504,669	\$2.02 - \$4.46
Dividend	30,609	
Granted	371,000	
Exercised	(263,496)	
Outstanding at December 31, 2003	642,782	\$2.07 - \$6.18
Exercisable at end of year	642,782	\$2.07 - \$6.18
Available options for future grant 1993 Stock Incentive Plan	--	

12) Stock Compensation Plans (Continued)

On October 16, 2000, the Company adopted the Security National Financial Corporation 2000 Director Stock Option Plan (the "2000 Plan"), which reserved 50,000 shares of Class A Common Stock for issuance thereunder. Effective November 1, 2000, and on each anniversary date thereof during the term of the 2000 Plan, each outside Director who shall first join the Board after the effective date shall be granted an option to purchase 1,000 shares upon the date which such person first becomes an outside Director and an annual grant of an option to purchase 1,000 shares on each anniversary date thereof during the term of the 2000 Plan. The options granted to outside Directors shall vest in their entirety on the first anniversary date of the grant.

The primary purposes of the 2000 Plan are to enhance the Company's ability to attract and retain well-qualified persons for service as directors and to provide incentives to such directors to continue their association with the Company.

The 2000 Plan provides that if the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, the number of shares of Common Stock deliverable upon the exercise of options shall be increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivisions, combination or stock dividend.

The term of the 2000 Plan will be five years.

Activity of the 2000 Plan is summarized as follows:

	Number of Shares	Option Price
Outstanding at January 1, 2001	4,200	$2.14
Dividend	410	
Granted	4,000	
Outstanding at December 31, 2001	8,610	$2.04 - $2.43
Dividend	631	
Granted	4,000	
Outstanding at December 31, 2002	13,241	$1.94 - $2.86
Dividend	697	
Granted	4,000	
Exercised	(3,311)	
Outstanding at December 31, 2003	14,627	$1.85 - $5.72
Exercisable at end of year	10,627	
Available options for future grant 2000 Director Plan	42,673	

12) Stock Compensation Plans (Continued)

On July 11, 2003, the Company adopted the Security National Financial Corporation 2003 Stock Option Plan (the "2003 Plan"), which reserved 500,000 shares of Class A Common Stock and 1,000,000 shares of Class C Common Stock for issuance thereunder. The 2003 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress.

The 2003 Plan provides for the grant of options and the award or sale of stock to officers, directors, and employees of the Company. Both "incentive stock options", as defined under Section 422A of the Internal Revenue Code of 1986 (the "Code") and "non-qualified options" may be granted under the 2003 Plan.

The 2003 Plan is to be administered by the Board of Directors or by a committee designated by the Board. The terms of options granted or stock awards or sales affected under the 2003 Plan are to be determined by the Board of Directors or its committee. No options may be exercised for a term of more than ten years from the date of the grant. Options intended as incentive stock options may be issued only to employees, and must meet certain conditions imposed by the code, including a requirement that the option exercise price be no less than then fair market value of the option shares on the date of grant. The 2003 Plan provides that the exercise price for non-qualified options will not be less than at least 50% of the fair market value of the stock subject to such option as of the date of grant of such options, as determined by the Company's Board of Directors.

The 2003 Plan has a term of ten years. The Board of Directors may amend or terminate the 2003 Plan at any time, from time to time, subject to approval of certain modifications to the 2003 Plan by the shareholders of the Company as may be required by law or the 2003 Plan.

Activity of the 2003 Plan is summarized as follows:

	Number of Class A Shares	Number of Class C Shares
Outstanding at December 31, 2003	-0-	-0-
	===	===
Available options for future grant		
2003 Stock Incentive Plan	525,000	1,050,000
	=======	=========

13) Statutory-Basis Financial Information

The Company's life insurance subsidiaries are domiciled in Utah and Florida and prepare their statutory-basis financial statements in accordance with accounting practices prescribed or permitted by the Utah and Florida Insurance Departments. "Prescribed" or "Permitted" statutory accounting practices are interspersed throughout state insurance laws and regulations. The National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual version effective January 1, 2001, has been adopted as a prescribed or permitted practices by the States of Utah and Florida.

13) Statutory-Basis Financial Information (Continued)

Statutory net income and statutory stockholder's equity for the life subsidiaries as reported to state regulatory authorities, is presented below:

	Statutory Net Income (Loss) for the year ended December 31,		
	2003	2002	2001
Security National Life	$(5,404,687)	$1,547,253	$1,732,018
Southern Security Life	2,431,499	(427,439)	(429,143)

	Statutory Stockholders' Equity December 31,		
	2003	2002	2001
Security National Life	$15,069,057	$14,381,257	$16,316,605
Southern Security Life	11,443,488	8,582,968	8,459,700

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

The Utah and Florida Insurance Departments impose minimum risk-based capital requirements that were developed by the NAIC on insurance enterprises. The formulas for determining the risk-based capital ("RBC") specify various factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio (the "Ratio") of the enterprise's regulatory total adjusted capital, as defined by the NAIC, to its authorized control level, as defined by the NAIC. Enterprises below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The life insurance subsidiaries have a Ratio that is greater than 73.0% of the first level of regulatory action.

14) Business Segment Information

Description of Products and Services by Segment

The Company has three reportable segments: life insurance, cemetery and mortuary, and mortgage loans. 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 and the net investment income from investing segment surplus funds. The Company's mortgage loan segment consists of loan originations 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.

14) Business Segment Information (Continued)

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. Intersegment revenues are recorded at cost plus an agreed upon intercompany profit.

Factors Management Used to Identify the Enterprise's Reportable Segments

The Company's reportable segments are business units that offer different products and are managed separately due to the different products and the need to report to the various regulatory jurisdictions.

			2003		
	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$23,391,497	$10,944,365	$92,955,165$	--	$127,291,027
Net investment income	6,571,404	936,118	9,795,075	--	17,302,597
Realized gains (losses) on investments	(2,155)	--	--	--	(2,155)
Other revenues	157,850	94,907	200,183	--	452,940
Intersegment revenues:					
Net investment income	10,028,748	47,651	--	(10,076,399)	--
	40,147,344	12,023,041	102,950,423	(10,076,399)	145,044,409
Expenses:					
Death and other policy benefits	15,041,541	--	--	--	15,041,541
Increase in future policy benefits	6,712,961	--	--	--	6,712,961
Amortization of deferred policy acquisition costs and cost of insurance acquired	4,683,556	245,450	--	--	4,929,006
Depreciation	464,844	760,091	310,595	--	1,535,530
General, administrative and other costs:					
Intersegment	--	84,323	208,362	(292,685)	--
Other	10,398,872	9,807,357	83,512,224	--	103,718,453
Interest expense:					
Intersegment	90,001	179,803	9,513,910	(9,783,714)	--
Other	743,884	436,828	2,461,334	--	3,642,046
	38,135,659	11,513,852	96,006,425	(10,076,399)	135,579,537
Earnings (losses) before income taxes	$ 2,011,685	$ 509,189	$ 6,943,998	$ --	$ 9,464,872
Identifiable assets	$302,319,614	$44,018,131	$ 20,364,399	$(49,792,560)	$316,909,584
Expenditures for long-lived assets	$ 235,631	$ 559,435	$ 828,244	$ --	$ 1,623,310

14) Business Segment Information (Continued)

2002

	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 14,076,652	$10,638,754	$57,008,283	$ --	$ 81,723,689
Net investment income	6,065,652	1,011,786	5,461,992	--	12,539,430
Realized gains on investments	311,365	709,455	--	--	1,020,820
Other revenues	69,741	85,146	324,537	--	479,424
Intersegment revenues:					
Net investment income	4,741,338	--	--	(4,741,338)	--
	25,264,748	12,445,141	62,794,812	(4,741,338)	95,763,363
Expenses:					
Death and other policy benefits	7,724,046	--	--	--	7,724,046
Increase in future policy benefits	6,031,685	--	--	--	6,031,685
Amortization of deferred Policy acquisition costs and cost of insurance acquired	3,718,627	274,766	--	--	3,993,393
Depreciation	383,139	678,851	167,513	--	1,229,503
General, administrative and other costs:					
Intersegment	(900,000)	486,672	623,872	(210,544)	--
Other	6,570,217	9,537,374	53,167,818	--	69,275,409
Interest expense:					
Intersegment	90,000	201,118	4,239,676	(4,530,794)	--
Other	321,896	428,498	1,219,948	--	1,970,342
	23,939,610	11,607,279	59,418,827	(4,741,338)	90,224,378
Earnings (losses) before income taxes	$ 1,325,138	$ 837,862	$ 3,375,985	$ --	$ 5,538,985
Identifiable assets	$295,177,565	$42,255,381	$14,960,638	$ (44,331,241)	$308,062,343
Expenditures for long-lived assets	$ 189,156	$ 677,561	$ 482,035	$ --	$ 1,348,752

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2003, 2002, and 2001

14) Business Segment Information (Continued)

2001

	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 13,150,875	$ 9,881,248	$40,086,097	$ --	$ 63,118,220
Net investment income	7,018,047	959,655	4,968,797	--	12,946,499
Realized gains on investments	10,428	--	--	--	10,428
Other revenues	53,053	42,356	56,536	--	151,945
Intersegment revenues:					
Net investment income	3,679,133	--	--	(3,679,133)	--
	23,911,536	10,883,259	45,111,430	(3,679,133)	76,227,092
Expenses:					
Death and other policy benefits	6,821,845	--	--	--	6,821,845
Increase in future policy benefits	4,953,008	--	--	--	4,953,008
Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired	3,561,895	308,263	--	--	3,870,158
Depreciation	330,892	595,082	103,162	--	1,029,136
General, administrative and other costs:					
Intersegment	--	36,672	136,867	(173,539)	--
Other	7,035,455	8,674,488	37,280,266	--	52,990,209
Interest expense:					
Intersegment	98,095	243,732	3,163,767	(3,505,594)	--
Other	317,988	418,488	2,054,150	--	2,790,626
	23,119,178	10,276,725	42,738,212	(3,679,133)	72,454,982
Earnings (losses) before income taxes	$ 792,358	$ 606,534	$ 2,373,218	$ --	$ 3,772,110
Identifiable assets	$201,193,249	$38,915,291	$ 6,919,871	$(33,460,187)	$213,568,224
Expenditures for long-lived assets	$ 219,762	$ 505,045	$ 323,014	$ --	$ 1,047,821

15) Related Party Transactions

On December 19, 2001, the Company entered into an option agreement with Monument Title, LLC, a Utah limited liability company ("Monument Title") in which the Company made available a $100,000 line of credit to Monument Title at an interest rate of 8% per annum. The line of credit is secured by the assets of Monument Title. From December 28, 2001 to June 14, 2002, the Company advanced Monument Title a total of $77,953 under the line of credit. The amount advanced under the line of credit plus accrued interest are payable upon demand. This receivable was fully allowed for in 2003. The owners of Monument Title are brothers-in-law of the President and Chief Operating Officer of the Company. The Company has the right under the option agreement for a period of five years from the date thereof to acquire 100% of the outstanding common shares of Monument Title for the sum of $10. The purpose of the transaction, which was approved by the Company's board of directors, is to insure that the title and escrow work performed for Security National Mortgage Company in connection with its mortgage loans are completed as accurately as possible by Monument Title to avoid any economic losses to the Company.

The Company has a non-interest bearing note receivable from the Chairman of the Board and Chief Executive Officer. No installment payments are required under the terms of the note, but the note must be paid in full as of December 31, 2007. The outstanding balance of the note was approximately $38,000 and $70,000 at December 31, 2003 and 2002, respectively.

16) Disclosure about Fair Value of Financial Instruments

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

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

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

Investment Contracts: The fair values for the Company's liabilities under investment-type insurance contracts are estimated based on the contracts' cash surrender values. The carrying amount and fair value as of December 31, 2003 and December 31, 2002, were approximately $86,389,000 and $87,351,000, respectively.

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.

17) Accumulated Other Comprehensive Income (Loss), and Other Items

The following summarizes other comprehensive income:

	2003	2002	2001
Unrealized gains (losses) on available for-sale securities	$638,540	$84,263	$769,684
Less: reclassification adjustment for net realized gains (losses) in net income	(2,155)	(35,544)	(10,428)
Net unrealized gains (losses)	636,385	48,719	759,256
Potential unrealized losses for derivative bank loans	(303,029)	--	--
Tax expense on net unrealized gain (losses)	19,428	(80,786)	(372,077)
Other comprehensive income (loss)	$352,784	$(32,067)	$387,179
Other items:			
Acquisition of Company Stock held in escrow	(1,982,620)	--	--

The "Acquisition of Company Stock held in Escrow" above is held in escrow and voted by trustee until the balances shown under Note 6 "Notes and Contracts Payable" in the amounts of $200,000 and $482,620 are paid per terms of the agreement and promissory note.

The Company considers its interest rate swap instruments (swaps) effective cash flow hedges against the variable interest rates of certain bank loans. The swaps expire on the maturity dates of the bank loans they hedge. In the event a swap is terminated, any resulting gain or loss would be deferred and amortized to interest expense over the remaining life of the bank loan it hedged. In the event of early extinguishment of a hedged bank loan, any realized or unrealized gain or loss from the hedging swap would be recognized in income coincident with the extinguishment.

Information regarding the swaps is as follows as of December 31, 2003:

Weighted average variable interest rate of the hedged bank loans (prime less .5%)	3.5%
Weighted average fixed interest rate of the swaps	6.1%
Market value of the swaps- potential unrealized loss position	$(303,029)

The respective market values of the swaps are derived from proprietary models of the financial institution with whom the Company purchased the swaps and from whom the Company obtained the hedged bank loans.

18) Subsequent Event

On March 16, 2004, with the approval of the Louisiana Insurance Department, Security National Life Insurance Company purchased all of the outstanding common stock of Paramount Security Life Insurance Company, a Louisiana domiciled company (Paramount) located in Shreveport, Louisiana. As of December 31, 2003, Paramount had 9,383 policies in force and approximately, 29 agents. The purchase consideration was $4,397,994 and was effective January 26, 2004. For the year ended December 31, 2003, Paramount had revenues of $614,000 and net income of $76,000. As of December 31, 2003, statutory assets and capital and surplus were $6,073,000 and $4,100,000, respectively.

Paramount is licensed in the State of Louisiana and is permitted to appoint agents who do not have a full life insurance license. These agents are limited to selling small life insurance policies in the final expense market. The Company believes that with this license it will be able to expand its operations in Louisiana. The Company is planning on servicing Paramount policyholders out of its Jackson Mississippi office and has closed the Shreveport office.

Schedule I

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

As of December 31, 2003:

Type of Investment	Amortized Cost	Estimated Fair Value	Amount at which shown in the Consolidated Balance Sheet
Fixed maturity securities held to maturity:			
Bonds:			
U.S. Treasury securities and obligations of U.S. Government agencies	$3,080,471	$3,260,596	$3,080,471
Obligations of states and political subdivisions	261,360	285,758	261,360
Corporate securities including public utilities	30,289,401	31,355,505	30,289,401
Mortgage backed securities	3,634,752	3,684,761	3,634,752
Redeemable preferred stocks	28,005	38,358	28,005
Total Fixed Securities held to maturity	37,293,989	38,624,978	37,293,989
Securities available for sale:			
Bonds:			
U.S. Treasury securities and obligations of U.S. Government agencies	595,177	676,781	676,781
Corporate securities including public utilities	12,618,880	13,593,256	13,593,256
Mortgage-backed securities	--	--	--
Non-redeemable preferred stock	56,031	94,712	94,712
Common stock:			
Public utilities	314,014	447,172	447,172
Banks, trusts and insurance companies	520,683	989,305	989,305
Industrial, miscellaneous and all other	1,090,733	1,922,255	1,922,255
Total Securities available for sale	15,195,518	17,723,481	17,723,481
Mortgage loans on real estate	29,914,745		29,914,745
Real estate	8,519,680		8,519,680
Policy loans	11,753,617		11,753,617
Other investments	2,054,248		2,054,248
Total investments	$104,731,797		$107,259,760

Schedule I (Continued)

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

As of December 31, 2002:

Type of Investment	Amortized Cost	Estimated Fair Value	Amount at Which Shown in the Balance Sheet
Fixed maturity securities held to maturity:			
Bonds:			
U.S. Treasury securities and obligations of U.S. Government agencies	$2,835,420	$3,047,602	$2,835,420
Obligations of states and political subdivisions	188,303	209,383	188,303
Corporate securities including public utilities	21,106,651	21,658,305	21,106,651
Mortgage backed securities	8,856,718	8,982,028	8,856,718
Redeemable preferred stocks	28,005	29,733	28,005
Total Fixed Securities held to maturity	33,015,097	33,927,051	33,015,097
Securities available for sale:			
Bonds:			
U.S. Treasury securities and obligations of U.S. Government agencies	594,439	698,136	698,136
Corporate securities including public utilities	16,558,784	17,816,807	17,816,807
Mortgage-backed securities	--	--	--
Nonredeemable preferred stock	56,031	82,585	82,585
Common stock:			
Public utilities	314,014	375,570	375,570
Banks, trusts and insurance companies	520,683	818,146	818,146
Industrial, miscellaneous and all other	1,038,812	1,365,792	1,365,792
Total Securities available for sale	19,082,763	21,157,036	21,157,036
Mortgage loans on real estate	21,016,008		21,016,008
Real estate	9,331,248		9,331,248
Policy loans	10,974,165		10,974,165
Other investments	5,335,478		5,335,478
Total investments	$98,754,759		$100,829,032

Schedule II

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Balance Sheet

	December 31, 2003	December 31, 2002
Assets		
Cash	$(791,521)	$(3,870)
Investment in subsidiaries (equity method)	56,188,527	50,069,998
Receivables:		
Receivable from Affiliates	10,680,182	10,662,465
Other	(107,403)	(74,653)
Total receivables	10,572,779	10,587,812
Property, plant and equipment, at cost, net of accumulated depreciation of $730,230 for 2003 and $575,724 for 2002	300,744	415,144
Other assets	79,504	66,915
Total assets	$66,350,033	$61,135,999

See accompanying notes to parent company only financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Balance Sheets (Continued)

	December 31, 2003	December 31, 2002
Liabilities:		
Bank loans payable:		
Current installments	$2,995,831	$2,082,175
Long-term	8,641,418	11,400,191
Notes and contracts payable:		
Current installments	261,835	961
Long-term	421,746	--
Advances from affiliated companies	8,868,497	10,031,968
Other liabilities and accrued expenses	1,060,083	965,555
Income taxes	4,925,192	2,141,738
Total liabilities	27,174,602	26,622,588
Stockholders' equity:		
Common Stock:		
Class A: $2 par value, authorized 10,000,000 shares, issued 6,275,104 shares in 2003 and 5,794,492 shares in 2002	12,550,208	11,588,984
Class C: $0.20 par value, authorized 7,500,000 shares, issued 6,469,638 shares in 2003 and 6,182,669 shares in 2002	1,293,927	1,236,533
Total common stock	13,844,135	12,825,517
Additional paid-in capital	13,569,582	11,280,842
Accumulated other comprehensive income, (loss), and other items	(437,973)	1,191,863
Retained earnings	15,414,681	11,992,542
Treasury stock at cost (1,276,518 Class A shares and 75,336 Class C shares in 2003; 1,151,811 Class A shares and 71,749 Class C shares in 2002, held by affiliated companies)	(3,214,994)	(2,777,353)
Total stockholders' equity	39,175,431	34,513,411
Total liabilities and stockholders' equity	$66,350,033	$61,135,999

See accompanying notes to parent company only financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Statements of Earnings

	Year Ended December 31,		
	2003	2002	2001
Revenue:			
Net investment income	$52	$34,053	$188
Fees from affiliates	4,200,683	3,772,293	3,824,259
Total revenue	4,200,735	3,806,346	3,824,447
Expenses:			
General and administrative Expenses	2,439,659	3,287,683	4,082,438
Interest expense	763,088	351,599	373,815
Total expenses	3,202,747	3,639,282	4,456,253
Earnings (loss)before income taxes, and earnings of subsidiaries	997,988	167,064	(631,806)
Income tax expense	(2,841,738)	(1,045,791)	(531,270)
Equity in earnings (loss) of subsidiaries	8,440,247	4,870,007	4,003,856
Net earnings	$6,596,497	$3,991,280	$2,840,780

See accompanying notes to parent company only financial statements.

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Statements of Cash Flow

	Year Ended December 31, 2003	2002	2001
Cash flows from operating activities:			
Net earnings	$6,596,497	$3,991,280	$2,840,780
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	154,506	118,386	113,042
Undistributed (earnings) losses of affiliates	(8,440,247)	(4,870,007)	(4,003,856)
Provision for income taxes	2,841,738	1,045,791	531,271
Change in assets and liabilities:			
Accounts receivable	(128,778)	31,909	60,751
Other assets	(12,589)	(45,549)	25,638
Other liabilities	94,529	(30,673)	282,349
Net cash provided by (used in) operating activities	1,105,656	241,137	(150,025)
Cash flows from investing activities:			
Dividends received from subsidiaries	1,150,000	2,381,687	--
Purchase of equipment	(40,106)	(106,185)	(2,954)
Investment in subsidiaries	--	(900,000)	--
Net cash used in investing activities	1,109,894	1,375,502	(2,954)
Cash flows from financing activities:			
Advances from (to) affiliates	(1,019,660)	(9,396,773)	1,922,758
Payments of advances to affiliates	--	--	(28,998)
Payments of notes and contracts payable	(2,116,541)	(1,224,801)	(1,676,940)
Stock options exercised	133,000	--	--
Purchase of treasury stock	--	--	(783,086)
Proceeds from borrowings on notes and contracts payable	--	9,000,000	750,000
Net cash provided by (used in) financing activities	(3,003,201)	(1,621,574)	183,734
Net change in cash	(787,651)	(4,935)	30,755
Cash at beginning of year	(3,870)	1,065	(29,690)
Cash at end of year	$(791,521)	$(3,870)	$1,065

See accompanying notes to parent company only financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
Notes to Parent Company Only Financial Statements

1) Bank Loans Payable

Bank loans payable are summarized as follows:

	December 31, 2003	December 31, 2002
$2,230,016 in 2003 and $3,234,489 in 2002 revolving line of credit at 6.15% interest payable monthly and a reduction in principal due in semi-annual installments collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2005.	$ 2,178,075	$ 3,144,672
6.59% note payable in monthly installments of $34,680 including principal and interest, collateralized by 15,000 shares of Security National Life stock, due December 2004.	391,363	727,524
7.35% note payable in monthly installments of $14,975 including principal and interest collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2006.	482,394	610,170
5.87% note payable interest only to July 2, 2003, thereafter interest plus monthly principal payment of $125,000, collateralized by 15,000 shares of Security National Life Insurance Company stock, due January 2010.	8,413,993	9,000,000
Mark-to-market adjustment	171,424	--
Total bank loans	11,637,249	13,482,366
Less current installments	2,995,831	2,082,175
Bank loans, excluding current Installments	$ 8,641,418	$11,400,191

2) Notes and Contracts Payable

Notes and contracts are summarized as follows:

	December 31, 2003	December 31, 2002
Due to shareholders of Security National Financial Corporation 6.0% note payable in annual installments of $100,000 including principal and interest due July 2005	$ 200,000	$ --
Due to shareholders of Security National Financial Corporation 4.0% note payable in annual installments of $160,873 including principal and interest due January 2005	482,620	--

SECURITY NATIONAL FINANCIAL CORPORATION
Notes to Parent Company Only Financial Statements

2) Notes and Contracts Payable (Continued)

Other	961	961
Total notes and contracts	683,581	961
Less current installments	261,835	961
Notes and contracts, excluding current installments	$421,746	$ --

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

2004	$ 3,257,665
2005	2,803,263
2006	1,690,786
2007	1,439,220
2008	1,526,011
Thereafter	1,603,885
Total	$12,320,830

3) Advances from Affiliated Companies

	December 31, 2003	2002
Non-interest bearing advances from affiliates:		
Cemetery and Mortuary Subsidiary	$1,366,930	$ 1,366,930
Life Insurance subsidiary	7,491,567	8,655,038
Mortgage subsidiary	10,000	10,000
	$8,868,497	$10,031,968

4) Dividends

In 2003, 2002 and 2001, Security National Life Insurance Company, a wholly owned subsidiary of the Registrant, paid to the registrant cash dividends of $1,150,000, $2,381,687, and $-0- respectively.

Schedule IV

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Reinsurance

	Direct Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
2003					
Life Insurance in force ($000)	$1,974,388	$213,515	$940,050	$2,700,923	44.1%
Premiums:					
Life Insurance	$15,108,643	$973,632	$8,807,752	$22,942,763	38.4%
Accident and Health Insurance	350,371	--	1,239	351,610	.4%
Total premiums	$15,459,014	$973,632	$8,808,991	$23,294,373	38.8%
2002					
Life Insurance in force ($000)	$1,460,832	$220,749	$1,174,604	$2,414,687	48.6%
Premiums:					
Life Insurance	$13,678,397	$889,401	$922,158	$13,711,154	6.7%
Accident and Health Insurance	364,275	380	1,603	365,498	.4%
Total premiums	$14,042,672	$889,781	$923,761	$14,076,652	6.6%
2001					
Life Insurance in force ($000)	$1,587,136	$216,369	$838,421	$2,209,188	37.9%
Premiums:					
Life Insurance	$12,930,418	$1,035,984	$845,736	$12,740,170	6.6%
Accident and Health Insurance	406,393	285	4,597	410,705	1.1%
Total premiums	$13,336,811	$1,036,269	$850,333	$13,150,875	6.5%

Schedule V

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Valuation and Qualifying Accounts

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions Disposals and Write-offs	Balance at End of Year
For the Year Ended December 31, 2003				
Accumulated depreciation on real estate	$3,728,539	$331,395	$ --	$4,059,934
Accumulated depreciation on property, plant and equipment	8,903,197	1,535,529	(19,153)	10,419,573
Allowance for doubtful accounts	1,479,728	472,897	(245,947)	1,706,678
Allowance for real estate losses	--	--	--	--
For the Year Ended December 31, 2002				
Accumulated depreciation on real estate	$3,404,644	$323,895	$ --	$3,728,539
Accumulated depreciation on property, plant and equipment	7,685,613	1,229,504	(11,920)	8,903,197
Allowance for doubtful accounts	1,778,592	90,357	(389,221)	1,479,728
Allowance for real estate losses	119,269	--	(119,269)	--
For the Year Ended December 31, 2001				
Accumulated depreciation on real estate	$3,088,761	$321,234	$(5,352)	$3,404,643
Accumulated depreciation on property, plant and equipment	6,699,141	1,029,137	(42,665)	7,685,613
Allowance for doubtful accounts	1,656,223	195,940	(73,571)	1,778,592
Allowance for real estate losses	--	119,269	--	119,269

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

None

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures - The Company's principal executive officer and principal financial officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 240.13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this annual report. Based on that evaluation, the principal executive officer and the principal financial officer have concluded that the Company's disclosure controls and procedures are effective, providing them with material information relating to the Company as required to be disclosed in the reports the Company files or submits under the Exchange Act on a timely basis.

(b) Changes in internal controls - There were no significant changes in the Company's internal controls over financial reporting or in other factors that could significantly affect the Company's internal controls and procedures subsequent to the date of their most recent evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls. As a result, no corrective actions were required or undertaken.

PART III

Item 10. Directors and Executive Officers

The Company's Board of Directors consists of seven persons, four of whom are not employees of the Company. There is no family relationship between or among any of the directors, except that Scott M. Quist and G. Robert Quist are the sons of George R. Quist. The following table sets forth certain information with respect to the directors and executive officers of the Company.

Name	Age	Position with the Company
George R. Quist	83	Chairman of the Board and Chief Executive Officer
Scott M. Quist	50	President, General Counsel, Chief Operating Officer and Director
Stephen M. Sill	58	Vice President, Treasurer and Chief Financial Officer
G. Robert Quist	52	First Vice President and Secretary
J. Lynn Beckstead, Jr.	50	Vice President and Director
Charles L. Crittenden	83	Director
Robert G. Hunter	44	Director
H. Craig Moody	52	Director
Norman G. Wilbur	65	Director

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

The audit committee is composed of directors who are, in the opinion of the Board of Directors, free from any relationship which would interfere with the exercise of independent judgment and who possess an understanding of financial statements and generally accepted accounting principles. Thus, each member is an "independent" director as that term is defined by the regulations of the Security Exchange Act of 1934. The Board of Directors has determined that Norman G. Wilbur, who currently serves as a director of the Company as well as a member of its audit committee, is an independent audit committee financial expert.

Directors

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

George R. Quist has been Chairman of the Board and Chief Executive Officer of the Company since October 1979. Mr. Quist served as President of the Company from 1979 until July 2002. Mr. Quist has also served as Chairman of the Board and Chief Executive Officer of Southern Security Life Insurance Company since December 1998, and as its President from December 1998 to July 2002. From 1960 to 1964, he was Executive Vice President and Treasurer of Pacific Guardian Life Insurance Company. From 1946 to 1960, he was an agent, District Manager and Associate General Agent for various insurance companies. Mr. Quist also served from 1981 to 1982 as the President of The National Association of Life Companies, a trade association of 642 life insurance companies, and from 1982 to 1983 as its Chairman of the Board.

Scott M. Quist has been President of the Company since July 2002, its Chief Operating Officer since October 2001, and its General Counsel and a director since May 1986. Mr. Quist served as First Vice President of the Company from May 1986 to July 2002. Mr. Quist has also served as President of Southern Security Life Insurance Company since July 2002, its Chief Operating Officer since October 2001, and its General Counsel and a director since December 1998. Mr. Quist also served as First Vice President of Southern Security Life Insurance Company from December 1998 to July 2002. From 1980 to 1982, Mr. Quist was a tax specialist with Peat, Marwick, Mitchell, & Co., in Dallas, Texas. From 1986 to 1991, he was Treasurer and a director of The National Association of Life Companies, a trade association of 642 insurance companies until its merger with the American Council of Life Companies. Mr. Quist has been a member of the Board of Governors of the Forum 500 Section (representing small insurance companies) of the American Council of Life Insurance. He has also served as a regional director of Key Bank of Utah since November 1993. Mr. Quist is currently a director and past president of the National Alliance of Life Companies, a trade association of over 200 life companies.

J. Lynn Beckstead Jr. has been a Vice President and a director of the Company since March 2002. Mr. Beckstead has also served as Vice President and a director of Southern Security Life Insurance Company since March 2002. In addition, he is President of Security National Mortgage Company, an affiliate of the Company, having served in this position since July 1993. From 1980 to 1993, Mr. Beckstead was Vice President and a director of Republic Mortgage Corporation. From 1983 to 1990, Mr. Beckstead was Vice President and a director of Richards Woodbury Mortgage Corporation. From 1980 to 1983, he was a principal broker for Boardwalk Properties. From 1978 to 1980, Mr. Beckstead was a residential loan officer for Medallion Mortgage Company. From 1977 to 1978, he was a residential construction loan manager of Citizens Bank.

Charles L. Crittenden has been a director of the Company since October 1979. Mr. Crittenden is also a director of Southern Security Life Insurance Company and has served in this position since December 1998. Mr. Crittenden has been sole stockholder of Crittenden Paint & Glass Company since 1958. He is also an owner of Crittenden Enterprises, a real estate development company, and Chairman of the Board of Linco, Inc.

Robert G. Hunter, M.D. has been a director of the Company since October 1998. Dr. Hunter is also a director of Southern Security Life Insurance Company and has served in this position since December 1998. Dr. Hunter is currently a practicing physician in private practice. Dr. Hunter created the statewide E.N.T. Organization (Rocky

Mountain E.N.T., Inc.) where he is currently a member of the Executive Committee. He is also Chairman of Surgery at Cottonwood Hospital, a delegate to the Utah Medical Association and a delegate representing the State of Utah to the American Medical Association, and a member of several medical advisory boards.

H. Craig Moody has been a director of the Company since September 1995. Mr. Moody is also a director of Southern Security Life Insurance Company and has served in this position since December 1998. Mr. Moody is owner of Moody & Associates, a political consulting and real estate company. He is a former Speaker and House Majority Leader of the House of Representatives of the State of Utah.

Norman G. Wilbur has been a director of the Company since October 1998. Mr. Wilbur is also a director of Southern Security Life Insurance Company and has served in this position since December 1998. Mr. Wilbur worked for J.C. Penny's regional offices in budget and analysis. His final position was Manager of Planning and Reporting for J.C. Penney's stores. After 36 years with J.C. Penny's, he took an option of an early retirement in 1997. Mr. Wilbur is a past board member of a homeless organization in Plano, Texas.

Executive Officers

Stephen M. Sill has been Vice President, Treasurer and Chief Financial Officer of the Company since March 2002. From 1997 to March 2002, Mr. Sill was Vice President and Controller of the Company. He has also served as Vice President, Treasurer and Chief Financial Officer of Southern Security Life Insurance Company since March 2002. From 1998 to March 2002, Mr. Sill also served as Vice President and Controller of Southern Security Life Insurance Company. From 1994 to 1997, Mr. Sill was Vice President and Controller of Security National Life Insurance Company. From 1989 to 1993, he was Controller of Flying J. Inc. From 1978 to 1989, Mr. Sill was Senior Vice President and Controller of Surety Life Insurance Company. From 1975 to 1978, he was Vice President and Controller of Sambo's Restaurant, Inc. From 1974 to 1975, Mr. Sill was Director of Reporting for Northwest Pipeline Corporation. From 1970 to 1974, he was an auditor with Arthur Andersen & Co. Mr. Sill is the Immediate Past President and a director of the Insurance Accounting and Systems Association (IASA), a national association of over 1,300 insurance companies and associate members.

G. Robert Quist has been First Vice President and Secretary of the Company since March 2002. Mr. Quist also served as a director of Southern Security Life Insurance Company since April 1999 and as its First Vice President and Secretary since March 2002. He has also served as First Vice President of Singing Hills Memorial Park since 1996. Mr. Quist has served as Vice President of Memorial Estates since 1982; he began working for Memorial Estates in 1978. Also since 1987, Mr. Quist has served as President and a director of Big Willow Water Company and as Secretary-Treasurer and a director of the Utah Cemetery Association. From 1987 to 1988, he was a director of Investors Equity Life Insurance Company of Hawaii.

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

No director, officer or 5% stockholder of the Company or its subsidiaries, or any affiliate thereof has had any transactions with the Company or its subsidiaries during 2003 or 2002.

Each of the directors of the Company are directors of Southern Security Life Insurance Company, which has a class of equity securities registered under the Securities Exchange Act of 1934, as amended. In addition, Scott M. Quist is a regional director of Key Bank of Utah.

All directors of the Company hold office until the next Annual Meeting of Stockholders and until their successors have been elected and qualified.

Pursuant to Item 406 of Regulation S-K under the Securities Exchange Act of 1934, the Company has not yet adopted a code of ethics that applies to its principal executive officer, principal financial officer, controller or persons performing similar functions. The Company is still in the process of studying this issue and may adopt a code of ethics in the near future.

Item 11. Executive Officer Compensation

The following table sets forth, for each of the last three fiscal years, the compensation received by George R. Quist, the Company's President and Chief Executive Officer, and all other executive officers (collectively, the "Named Executive Officers") at December 31, 2003 whose salary and bonus for all services in all capacities exceed $100,000 for the fiscal year ended December 31, 2003.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compen-sation($)(2)	Restricted Stock Awards($)	Securities Underlying Options/SARs(#)	Long-Term Incentive Payout($)	All Other Compen-sation($)(3)
George R. Quist (1)	2003	$165,600	$50,000	$2,400	0	0	0	$23,273

Chairman of the	2002	165,600	25,000	2,400	0	0	0	31,186
Board and Chief	2001	148,737	20,200	2,400	0	50,000	0	37,358
Executive Officer								
Scott M. Quist (1)	2003	$205,400	$60,000	$7,200	0	0	0	$29,531
President, Chief	2002	179,400	35,000	7,200	0	0	0	24,066
Operating Officer	2001	152,525	20,000	7,200	0	35,000	0	34,739
and Director								

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

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

(3) The amounts indicated under "All Other Compensation" consist of (a) amounts contributed by the Company into a trust for the benefit of the Named Executive Officers under the Security National Financial Corporation Deferred Compensation Plan (for the years 2003, 2002, and 2001, such amounts were George R. Quist, $18,590, $16,207 and $32,077, respectively; and Scott M. Quist, $23,000, $19,219 and $34,102, respectively); (b) insurance premiums paid by the Company with respect to a group life insurance plan for the benefit of the Named Executive Officers (for the years 2003, 2002 and 2001, such amounts were for George R. Quist $39, $125 and $637, respectively; for Scott M. Quist, $354, $642, and $637, respectively); (c) life insurance premiums paid by the Company for the benefit of the family of George R. Quist ($4,644 for each of the years 2003, 2002 and 2001); Scott M. Quist ($6,177 for the year 2003, $4,205 for the year 2002, $0 for 2001); (d) compensation paid for the cashless exercise of 50,000 shares of Company stock exercised by George R. Quist ($10,210) for the year 2002. The amounts under "All Other Compensation" does not include the no interest loan in the amount of $172,000 that the Company made to George R. Quist on April 29, 1998, to exercise stock options. See "Item 13 Certain Relationships and Related Transactions".

The following table sets forth information concerning the exercise of options to acquire shares of the Company's Common Stock by the Named Executive Officers during the fiscal year ended December 31, 2003, as well as the aggregate number and value of unexercised options held by the Named Executive Officers on December 31, 2003.

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

			Number of Securities Underlying Unexercised Options/SARs at December 31, 2003(#)		Value of Unexercised In-the-Money Options/SARs at December 31, 2003	
Name	Shares Acquired on Exercise (#)	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
George R. Quist	-0-	$ -0-	239,505	-0-	$521,582	$-0-
Scott M. Quist	48,099	336,174	73,500	-0-	134,575	-0-

Retirement Plans

On December 8, 1988, the Company entered into a deferred compensation plan with George R. Quist, the Chairman and Chief Executive officer of the Company. The plan was later amended effective January 2, 2001. Under the terms of the plan as amended, upon the retirement of Mr. Quist, the Company is required to pay him ten annual installments in the amount of $60,000. Retirement is defined in the plan as the earlier or later of age 70, as specified by the Board of Directors. The $60,000 annual payments are to be adjusted for inflation in accordance with the United States Consumer Price Index for each year after January 1, 2002. If Mr. Quist's employment is terminated by reason of disability or death before he reaches retirement age, the Company is to make the ten annual payments to Mr. Quist, in the event of disability, or to his designated beneficiary, in the event of death.

The plan also provides that the Board of Directors may, in its discretion, pay the amounts due under the plan in a single, lump-sum payment. In the event that Mr. Quist dies before the ten annual payments are made, the unpaid balance will continue to be paid to his designated beneficiary. The plan further requires the Company to furnish an automobile for Mr. Quist's use and to pay all reasonable expenses incurred in connection with its use for a ten year period, and to provide Mr. Quist with a hospitalization policy with similar benefits to those provided to him the day before his retirement or disability. However, in the event Mr. Quist's employment with the Company is terminated for any reason other than retirement, death, or disability, the entire amount of deferred compensation payments under the plan shall be forfeited by him.

Employment Agreements

The Company maintains an employment agreement with Scott M. Quist. The agreement, which has a five-year term, was entered into in 1996, and renewed in 1997 and 2002. Under the terms of the agreement, Mr. Quist is to devote his full time to the Company serving as its President, General Counsel and Chief Operating Officer at not less than his current salary and benefits, and to include $500,000 of life insurance protection. In the event of disability, Mr. Quist's salary would be continued for up to five years at 50% of its current level. In the event of a sale or merger of the Company, and Mr. Quist were not retained in his current position, the Company would be obligated to continue Mr. Quist's current compensation and benefits for seven years following the merger or sale.

On December 4, 2003, the Company, through its subsidiary Security National Mortgage Company, entered into an employment agreement with J. Lynn Beckstead, Jr., President of Security National Mortgage Company. The agreement has a five-year term, but the Company has agreed to renew the agreement on December 4, 2008 and

2013 for additional five-year terms, provided Mr. Beckstead performs his duties with usual and customary care and diligence. Under the terms of the agreement, Mr. Beckstead is to devote his full time to the Company serving as President of Security National Mortgage Company at not less than his current salary and benefits, and to include $350,000 of life insurance protection. In the event of disability, Mr. Beckstead's salary would be continued for up to five years at 50% of its current level. In the event of a sale or merger of the Company, and Mr. Beckstead were not retained in his current position, the Company would be obligated to continue Mr. Beckstead's current compensation and benefits for five years following the merger or sale. The agreement further provides that Mr. Beckstead is entitled to receive annual retirement benefits beginning one month from the date of his retirement and his having obtained the age of 62 1/2, five years following complete disability, or upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to one-half of his then current annual salary. However, in the event that Mr. Beckstead dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs.

Director Compensation

Directors of the Company (but not including directors who are employees) are paid a director's fee of $12,000 per year by the Company for their services and are reimbursed for their expenses in attending board and committee meetings. No additional fees are paid by the Company for committee participation or special assignments. However, each director is provided with an annual grant of stock options to purchase 1,000 shares of Class A Common Stock under the 2000 Director Stock Option Plan.

Employee 401(k) Retirement Savings Plan

In 1995, the Company's Board of Directors adopted a 401(k) Retirement Savings Plan. Under the terms of the 401(k) plan, effective as of January 1, 1995, the Company may make discretionary employer matching contributions to its employees who choose to participate in the plan. The plan allows the board to determine the amount of the contribution at the end of each year. The Board adopted a contribution formula specifying that such discretionary employer matching contributions would equal 50% of the participating employee's contribution to the plan to purchase Company stock up to a maximum discretionary employee contribution of 1/2% of a participating employee's compensation, as defined by the plan.

All persons who have completed at least one year's service with the Company and satisfy other plan requirements are eligible to participate in the 401(k) plan. All Company matching contributions are invested in the Company's Class A Common Stock. The Company's matching contributions for 2003, 2002 and 2001 were approximately $4,493, $7,975 and $18,458, respectively. Also, the Company may contribute at the discretion of the Company's Board of Directors an Employer Profit Sharing Contribution to the 401(k) plan. The Employer Profit Sharing Contribution shall be divided among three different classes of participants in the plan based upon the participant's title in the Company. All amounts contributed to the plan are deposited into a trust fund administered by an independent trustee. The Company's contributions to the plan for 2003, 2002 and 2001, were $110,081, $142,218 and $260,350, respectively.

Employee Stock Ownership Plan

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

Under the Ownership Plan, the Company has discretionary power to make contributions on behalf of all eligible employees into a trust created under the Ownership Plan. Employees become eligible to participate in the Ownership Plan when they have attained the age of 19 and have completed one year of service (a twelve-month period in which the Employee completes at least 1,040 hours of service). The Company's contributions under the Ownership Plan are allocated to eligible employees on the same ratio that each eligible employee's compensation bears to total compensation for all eligible employees during each year. To date, the Ownership Plan has approximately 235 participants and had $98,588 contributions payable to the Plan in 2003. Benefits under the Ownership Plan vest as follows: 20% after the third year of eligible service by an employee, an additional 20% in the fourth, fifth, sixth and seventh years of eligible service by an employee.

Benefits under the Ownership Plan will be paid out in one lump sum or in installments in the event the employee becomes disabled, reaches the age of 65, or is terminated by the Company and demonstrates financial hardship. The Ownership Plan Committee, however, retains discretion to determine the final method of payment. Finally, the Company reserves the right to amend or terminate the Ownership Plan at any time. The trustees of the trust fund under the Ownership Plan are George R. Quist, Scott M. Quist and Robert G. Hunter, who each serve as a director of the Company.

Deferred Compensation Plan

In 2001, the Company's Board of Directors adopted a Deferred Compensation Plan. Under the terms of the Deferred Compensation Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The board has appointed a committee of the Company to be the plan administrator and to determine the employees who are eligible to participate in the plan. The employees who participate may elect to defer a portion of their compensation into the plan. The Company may contribute into the plan at the discretion of the Company's Board of Directors. The Company's contribution for 2003, 2002 and 2001 was $95,485, $100,577 and $220,038, respectively.

1987 Incentive Stock Option Plan

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

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

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

1993 Stock Option Plan

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

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

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

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

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

On October 14, 1999, the Company amended the 1993 Plan to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 746,126 Class A shares to 1,046,126 Class A shares. The Plan terminated in 2003.

2000 Director Stock Option Plan

On October 16, 2000, the Company adopted the 2000 Directors Stock Option Plan (the "Director Plan") effective November 1, 2000. The Director Plan provides for the grant by the Company of options to purchase up to an aggregate of 50,000 shares of Class A Common Stock for issuance thereunder. The Director Plan provides that each member of the Company's Board of Directors who is not an employee or paid consultant of the Company automatically is eligible to receive options to purchase the Company's Class A Common Stock under the Director Plan.

Effective as of November 1, 2000, and on each anniversary date thereof during the term of the Director Plan, each outside director shall automatically receive an option to purchase 1,000 shares of Class A Common Stock. In addition, each new outside director who shall first join the Board after the effective date shall be granted an option to purchase 1,000 shares upon the date which such person first becomes an outside director and an annual grant of an option to purchase 1,000 shares on each anniversary date thereof during the term of the Director Plan. The options granted to outside directors shall vest in their entirety on the first anniversary date of the grant. The primary purposes of the Director Plan are to enhance the Company's ability to attract and retain well-qualified persons for service as directors and to provide incentives to such directors to continue their association with the Company.

In the event of a merger of the Company with or into another company, or a consolidation, acquisition of stock or assets or other change in control transaction involving the Company, each option becomes exercisable in full, unless such option is assumed by the successor corporation. In the event the transaction is not approved by a majority of the "Continuing Directors" (as defined in the Director Plan), each option becomes fully vested and exercisable in full immediately prior to the consummation of such transaction, whether or not assumed by the successor corporation.

2003 Stock Option Plan

On July 11, 2003, the Company adopted the Security National Financial Corporation 2003 Stock Option Plan (the "2003 Plan"), which reserved 500,000 shares of Class A Common Stock and 1,000,000 shares of Class C Common Stock for issuance thereunder. The 2003 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress.

The 2003 Plan provides for the grant of options and the award or sale of stock to officers, directors, and employees of the Company. Both "incentive stock options", as defined under Section 422A of the Internal Revenue Code of 1986 (the "Code") and "non-qualified options" may be granted under the 2003 Plan.

The 2003 Plan is to be administered by the Board of Directors or by a committee designated by the Board. The terms of options granted or stock awards or sales affected under the 2003 Plan are to be determined by the Board of Directors or its committee. No options may be exercised for a term of more than ten years from the date of the grant. Options intended as incentive stock options may be issued only to employees, and must meet certain conditions imposed by the code, including a requirement that the option exercise price be no less than then fair market value of the option shares on the date of grant. The 2003 Plan provides that the exercise price for non-qualified options will not be less than at least 50% of the fair market value of the stock subject to such option as of the date of grant of such options, as determined by the Company's Board of Directors.

The 2003 Plan has a term of ten years. The Board of Directors may amend or terminate the 2003 Plan at any time, from time to time, subject to approval of certain modifications to the 2003 Plan by the shareholders of the Company as may be required by law or the 2003 Plan.

Item 12 - Security Ownership of Certain Beneficial Owners and Management

The following table sets forth security ownership information of the Company's Class A and Class C Common Stock as of March 31, 2004, (i) for persons who own beneficially more than 5% of the Company's outstanding Class A or Class C Common Stock, (ii) each director of the Company, (iii) each of the Company's named executive officers, and (iv) for all executive officers and directors of the Company as a group.

	Class A Common Stock		Class C Common Stock		Class A and Class C Common Stock	
Name and Address of Beneficial Owner	Amount Beneficially Owned	Percent of Class	Amount Beneficially Owned	Percent of Class	Amount Beneficially Owned	Percent of Class
George R. Quist (1)(2)(3)(4)(5) 4491 Wander Lane Salt Lake City, Utah 84124	455,841	8.1%	436,259	6.8%	892,100	7.4%
George R. and Shirley C Quist Family Partnership, Ltd.(6) 4491 Wander Lane Salt Lake City, Utah 84124	400,263	7.1%	3,195,860	50.0%	3,596,123	29.8%
Employee Stock Ownership Plan (7) 5300 S. 360 W., Suite 250 Salt Lake City, Utah 84123	546,344	9.7%	1,479,087	23.1%	2,025,431	16.8%
Scott M. Quist (1)(3)(4)(8) 7 Wanderwood Way Sandy, Utah 84092	323,404	5.7%	301,248	4.7%	624,652	5.2%
Associated Investors (9) 5300 S. 360 W. Suite 250 Salt Lake City, Utah 84123	88,379	1.6%	624,391	9.8%	712,770	5.9%

Item 12 - Security Ownership of Certain Beneficial Owners and Management (Continued)

Name and Address of Beneficial Owner	Class A Common Stock Amount Beneficially Owned	Class A Common Stock Percen of Class	Class C Common Stock Amount Beneficially Owned	Class C Common Stock Percent of Class	Class A and Class C Common Stock Amount Beneficially Owned	Class A and Class C Common Stock Percent of Class
G. Robert Quist (10) 4744 Millrace Park Lane Murray, Utah 84123	87,903	1.6%	225,391	3.5%	313,294	2.6%
Stephen M. Sill (11) 1595 North Fort Lane Layton, Utah 84041	51,929	*	--	--	51,929	*
J. Lynn Beckstead, Jr. (12) 190 Matterhorn Drive Alpine, Utah 84004	87,196	1.5%	--	--	87,196	*
Charles L. Crittenden 2334 Fillmore Avenue Ogden, Utah 84401	4,589	*	--	--	4,589	*
H. Craig Moody(13) 11892 South Brookglen Drive Sandy, Utah 84092	4,358	*	--	--	4,358	*
Norman G. Wilbur (14) 2520 Horseman Drive Plano, Texas 75025	4,628	*	--	--	4,628	*
Robert G. Hunter, M.D (1)(3)(15) 2 Ravenwood Lane Sandy, Utah 84092	5,899	*	--	*	5,899	*
All directors and executive officers (9 persons)(1)(2)(3)(4)	1,426,010	25.2%	4,158,758	65.0%	5,584,768	46.3%

*Less than one percent

(1) Does not include 546,344 shares of Class A Common Stock and 1,479,087 shares of Class C Common Stock owned by the Company's Employee Stock Ownership Plan (ESOP), of which George R. Quist, Scott M. Quist, and Robert G. Hunter are the trustees and accordingly, exercise shared voting and investment powers with respect to such shares.

(2) Does not include 88,379 shares of Class A Common Stock and 624,391 shares of Class C Common Stock owned by Associated Investors, a Utah general partnership, of which George R. Quist is the managing partner and, accordingly, exercises voting and investment powers with respect to such shares.

(3) Does not include 192,520 shares of Class A Common Stock owned by the Company's 401(k) Retirement Savings Plan, of which George R. Quist, Scott M. Quist, and Robert G. Hunter are members of the Investment Committee and, accordingly, exercise shared voting and investment powers with respect to such shares.

(4) Does not include 98,765 shares of Class A Common Stock owned by the Company's Deferred Compensation Plan, of which George R. Quist and Scott M. Quist are members of the Investment Committee and, accordingly, exercise shared voting and investment powers with respect to such shares.

(5) Includes options to purchase 239,505 shares of Class A common stock granted to George R. Quist, that are currently exercisable or will become exercisable within 60 days of March 31, 2004.

(6) This stock is owned by the George R. and Shirley C. Quist Family Partnership, Ltd., of which George R. Quist is the general partner.

(7) The trustees of the Employee Stock Ownership Plan (ESOP) are George R. Quist, Scott M. Quist, and Robert G. Hunter, who exercise shared voting and investment powers.

(8) Includes options to purchase 73,500 shares of Class A common stock granted to Scott M. Quist, that are currently exercisable or will become exercisable within 60 days of March 31, 2004.

(9) The managing partner of Associated Investors is George R. Quist, who exercises voting and investment powers.

(10) Includes options to purchase 42,538 shares of Class A common stock granted to G. Robert Quist, that are currently exercisable or will become exercisable within 60 days of March 31, 2004.

(11) Includes options to purchase 10,500 shares of Class A common stock granted to Mr. Sill, that are currently exercisable or will become exercisable within 60 days of March 31, 2004.

(12) Includes options to purchase 27,326 shares of Class A common stock granted to Mr. Beckstead, that are currently exercisable or will become exercisable within 60 days of March 31, 2004.

(13) Includes options to purchase 3,477 shares of Class A common stock granted to Mr. Moody, that are currently exercisable or will become exercisable within 60 days of March 31, 2004.

(14) Includes options to purchase 3,477 shares of Class A common stock granted to Mr. Wilbur, that are currently exercisable or will become exercisable within 60 days of March 31, 2004.

(15) Includes options to purchase 3,477 shares of Class A common stock granted to Mr. Hunter, that are currently exercisable or will become exercisable within 60 days of March 31, 2004.

The Company's officers and directors, as a group, own beneficially approximately 46.3% of the outstanding shares of the Company's Class A and Class C Common Stock.

Item 13. Certain Relationships and Related Transactions

The Company has made a loan in the amount of $172,000 to George R. Quist, the Company's Chief Executive Officer, without requiring the payment of any interest. The loan was made under a Promissory Note dated April 29, 1998 in order for Mr. Quist to exercise stock options which were granted to him under the 1993 Stock Option Plan. No installment payments are required under the terms of the note, but the note must be paid in full as of December 31, 2007. Mr. Quist has the right to make prepayments on the note at any time. As of March 31, 2004, the outstanding balance of the note was $28,000. The loan was approved by the Company's directors on March 12, 1999, with Mr. Quist abstaining, at a special meeting of the Board of Directors.

On December 19, 2001, the Company entered into an option agreement with Monument Title, LLC, a Utah limited liability company ("Monument Title") in which the Company made available a $100,000 line of credit to Monument Title at an interest rate of 8% per annum. The line of credit is secured by the assets of Monument Title. From December 28, 2001 to June 14, 2002, the Company advanced Monument Title a total of $77,953 under the line of credit. The amount advanced under the line of credit plus accrued interest are payable upon demand. Ron Motzkus and Troy Lashley, who own 90% and 10% of the outstanding shares of Monument Title, respectively are brother-in-laws of Scott M. Quist, President and Chief Operating Officer of the Company. The Company has the right under the option agreement for a period of five years from the date thereof to acquire 100% of the outstanding common shares of Monument Title for the sum of $10. The purpose of the transaction, which was approved by the Company's board of directors, is to insure that the title and escrow work performed for Security National Mortgage Company in connection with its mortgage loans are completed as accurately as possible by Monument Title to avoid any economic losses to the Company.

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

Item 14. Principle Accounting Fees and Services

Fees for the 2003 annual audit of the financial statements and employee benefit plans and related quarterly reviews were approximately $256,000. There were $15,000 in other fees during 2003.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

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

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

(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 (8)
3.2	Amended Bylaws (11)
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	Restated and Amended Employee Stock Ownership Plan and Trust Agreement (1)
10.2	1993 Stock Option Plan (3)
10.3	2000 Director Stock Option Plan (5)
10.4	2003 Stock Option Plan (10)
10.5	Deferred Compensation Agreement with George R. Quist (2)
10.6	Employment Agreement with Scott M. Quist (4)
10.7	Promissory Note with George R. Quist (6)
10.8	Deferred Compensation Plan (7)
10.9	Coinsurance Agreement between Security National Life and Acadian (8)
10.10	Assumption Agreement among Acadian, Acadian Financial Group, Inc., Security National Life and the Company (8)
10.11	Asset Purchase Agreement between Acadian, Acadian Financial Group, Inc., Security National Life and the Company (8)
10.12	Promissory Note with Key Bank of Utah (9)
10.13	Loan and Security Agreement with Key Bank of Utah (9)
10.14	Stock Purchase and Sale Agreement with Ault Glazer & Co. Investment Management LLC (11)
10.15	Stock Purchase Agreement with Paramount Security Life Insurance Company (12)
10.16	Reinsurance Agreement between Security National Life Insurance Company and Guaranty Income Life Insurance Company
10.17	Employment agreement with J. Lynn Beckstead, Jr.
10.21	Subsidiaries of the Registrant
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

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

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

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

(4) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1998

(5) Incorporated by reference from Schedule 14A Definitive Proxy Statement, filed August 29, 2000, relating to the Company's Annual Meeting of Shareholders

(6) Incorporated by reference from Annual Report on Form 10-K, as filed on April 16, 2001

(7) Incorporated by reference from Annual Report on Form 10-K, as filed on April 3, 2002

(8) Incorporated by reference from Report on Form 8-K/A as filed on January 8, 2003

(9) Incorporated by reference from Annual Report on Form 10-K, as filed on April 15, 2003

(10) Incorporated by reference from Schedule 14A Definitive Proxy Statement, Filed on June 5, 2003, relating to the Company's Annual Meeting of Shareholders

(11) Incorporated by reference from Report on Form 10-Q, as filed on November 14, 2003

(12) Incorporated by reference from Report on Form 8-K, as filed March 30, 2004

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Company during the quarter ended December 31, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

SECURITY NATIONAL FINANCIAL CORPORATION

Dated: March 30, 2004 By: George R. Quist,

Chairman of the Board and
Chief Executive Officer

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

SIGNATURE	TITLE	DATE
George R. Quist	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 30, 2004
Scott M. Quist	President, General Counsel, Chief Operating Officer and Director	March 30, 2004 March 30, 2004
Stephen M. Sill	Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer) March 30, 2004	
J. Lynn Beckstead, Jr.	Vice President and Director	March 30, 2004
Charles L. Crittenden	Director	March 30, 2004
H. Craig Moody	Director	March 30, 2004
Norman G. Wilbur	Director	March 30, 2004
Robert G. Hunter	Director	March 30, 2004

Exhibit 31.1

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

I, George R. Quist, certify that:

1. I have reviewed this annual report on Form 10-K of Security National Financial Corporation.

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaing disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant to 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 in which this report is being prepared;

(b) Evaluated the effectivness 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

(c) 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 officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 30, 2004

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

Exhibit 31.2

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

I, Stephen M. Sill, certify that:

1. I have reviewed this annual report on Form 10-K of Security National Financial Corporation.

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaing disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant to 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 in which this report is being prepared;

(b) Evaluated the effectivness 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

(c) 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 officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 30, 2004

By: Stephen M. Sill
Vice President, Treasurer and
Chief Financial Officer

EXHIBIT 32.1
CERTIFICATION PURSUANT TO
18 U.S.C. ss. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Security National Financial Corporation (the "Company") on Form 10K for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George R. Quist, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: George R. Quist
Chief Executive Officer
March 30, 2004

EXHIBIT 32.2
CERTIFICATION PURSUANT TO
18 U.S.C. ss. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Security National Financial Corporation (the "Company") on Form 10K for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen M. Sill, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: Stephen M. Sill
Chief Financial Officer
March 30, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
Year Ended December 31, 2003

SECURITY NATIONAL FINANCIAL CORPORATION
Commission File No. 0-9341

E X H I B I T S

Exhibit Index

Exhibit No.	Document Name
10.16	Reinsurance Agreement between Security National Life Insurance Company and Guaranty Income Life Insurance Company
10.17	Employment Agreement with J. Lynn Beckstead, Jr.
10.21	Subsidiaries of the Registrant
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

EXHIBIT 10.21

Subsidiaries of Security National
Financial Corporation
as of March 31, 2004

Security National Life Insurance Company

Security National Mortgage Company

Memorial Estates, Inc.

Memorial Mortuary

Paradise Chapel Funeral Home, Inc.

California Memorial Estates, Inc.

Cottonwood Mortuary, Inc.

Deseret Memorial, Inc.

Holladay Cottonwood Memorial Foundation

Holladay Memorial Park, Inc.

Camelback Sunset Funeral Home, Inc.

Greer-Wilson Funeral Home, Inc.

Crystal Rose Funeral Home, Inc.

Hawaiian Land Holdings

SSLIC Holding Company

Insuradyne Corporation

Southern Security Life Insurance Company

Security National Funding Company

Paramount Security Life Insurance Company

AGREEMENT

THIS EMPLOYMENT AGREEMENT made and entered into as of the 4th day of December 2003, by and between SECURITYNATIONAL MORTGAGE COMPANY, a Utah corporation (the "Company"), having its principal place of business at 5300 South 360 West, First Floor, Salt Lake City, Utah 84123, and J. LYNN BECKSTEAD ("Beckstead or Employee").

WITNESSETH:

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

1. EMPLOYMENT IN EXECUTIVE CAPACITY The Company hereby agrees to employ Beckstead as President of Security National Mortgage Company for a five (5) year term commencing on December 4, 2003, and terminating no sooner, other than for cause, than December 4, 2008. The Company agrees to renew this Employment Agreement on December 4th, 2008, and December 4th 2013 for additional five-year periods provided that Employee has performed his duties with usual and customary care, diligence, and prudence becoming the position and has not performed or failed to perform any act which would justify a termination for cause.

2. VESTING OF AGREEMENT UPON THE TERMINATION OF EMPLOYMENT OF SCOTT M. QUIST Unless otherwise agreed to in writing, the Retirement Benefits of Paragraph 12 of this Agreement shall vest and shall not be subject to forfeiture for cause or otherwise upon the termination of Scott M. Quist from employment as President within the Security National complex of companies.

3. EMPLOYEE AGREES TO DEVOTE FULL TIME Beckstead agrees to such employment and agrees to devote his full time and attention to the performance of his duties hereunder which shall include such additional duties as may be assigned to him from time to time by the Board of Directors and/or the Chairman of the Company. Employee agrees to perform such duties in a reasonable fashion using customary standards of diligence, care, and prudence comensurate with his position.

4. EMPLOYEE AGREES TO RELINQUISH ANY CLAIM TO STOCK OWNERSHIP IN SECURITYNATIONAL MORTGAGE COMPANY In partial consideration of this agreement Employee agrees that he owns no stock in SecurityNational Mortgage Company and that if he has ever owned any such ownership interest it is hereby transferred to the Company and terminated in consideration of this agreement.

5. EMPLOYEE TO BE OFFICER During the term of this Agreement and each renewal thereof, it is agreed that Beckstead shall be elected as President of SecurityNational Mortgage Company.

6. COMPENSATION In consideration of the services to be rendered by Beckstead as an officer of the Company, the Company agrees to pay Beckstead and he agrees to accept compensation at no less than his current rate of compensation including benefits. It is agreed that the term "current rate of compensation" does not include such items as stock option grants or incentive or similar bonuses as may be granted by the Board of Directors from time to time. It is agreed that on a yearly anniversary date of this Employment Agreement or such other time as the Board of Directors may see fit, the compensation being paid to Beckstead shall be reviewed by the Board of Directors and adjusted by the Board of Directors as they see fit, but in no event shall compensation be less than the current rate of compensation. Beckstead shall be entitled to reimbursement for any and all reasonable expenses associated with his duties incurred by him in the performance of his duties.

7. DISABILITY In the event Beckstead is unable to perform the duties provided for hereunder because of illness or accident, then Beckstead shall be entitled to one-half (1/2) of the current rate of compensation provided for hereunder for a term of five (5) years from the date of the commencement of said disability pursuant to such illness of accident. In lieu of the benefit provided in this paragraph the Company may purchase a disability policy. To the extent that any such policy were to pay a benefit in excess of one-half of the current rate of compensation provided for hereunder, then no additional benefit shall be due under this paragraph. To the extent any such benefit is less than one-half of the current rate of compensation then this paragraph shall be interpreted to pay an amount sufficient to bring the benefit to one-half of the current rate of compensation.

8. PENSION PLAN The Company agrees to provide an ESOP and or 401-K Plan or similar arrangement for Beckstead and to make a contribution to the Plan on behalf of Beckstead consistent with the Company's past and current practices regarding other executive employees of SecurityNational Mortgage or Security National Financial Corporation.

9. INSURANCE The Company agrees to maintain a group term life insurance policy in the amount of not less than $350,000 on the life of Beckstead, who shall have the right to designate the beneficiaries and the owner or owners of that policy. Such policy shall terminate upon retirement but if possible will be converted to an individual policy in favor of Employee. It is agreed that premiums for his policy shall be paid by the Company until retirement or other termination. The Company further agrees to maintain a Whole Life Insurance Policy in the amount of $150,000.00 on the life of Beckstead, who shall have the right to designate the beneficiaries and the owner or owners of that policy. It is agreed that all premiums for both policies shall be paid by the Company until retirement or other termination. Employee agrees that it is his responsibility to locate and procure such coverage. Employee represents that he is capable of qualifiying for such coverages under standard rates and conditions. If for whatever reason

Employee does not so qualify then the benefit to be paid under this paragraph is the premium amounts that would be paid assuming standard rates and conditions. The Company agrees to purchase a group hospitalization policy for Beckstead providing family coverage for his spouse and minor children with benefits consistent with the Company's past and current practices regarding other executive employees of SecurityNational Mortgage or Security National Financial Corporation such coverage to be provided until retirement or other termination.

10. AUTOMOBILE The Company agrees to furnish Beckstead, until retirement or other termination, with an automobile or truck, consistent with past practices, with lease payments to be made by the Company.

11. MERGER OR SALE In the event the business conducted by the Company is acquired by another entity through acquisition of assets, merger, or otherwise, this Agreement shall be binding upon any such successor organization and the any such agreements having as their subject such combination shall specifically adopt this Agreement. However, if as a consequence of any such combination, Beckstead is unable to continue his employment at the same salary, terms, and conditions, then and in that event, and in addition to the Retirement Benefit contained in paragraph 12, the Company agrees to pay Beckstead full salary plus all benefits including bonuses, options etc for a term of five (5) years from the date of his termination. In the event Beckstead is able to negotiate an Employment Agreement with a successor entity that is equal to or more favorable than this Agreement, then this provision shall be void. In the event that Beckstead is able to negotiate an employment agreement with the successor entity that is less favorable than the terms contained herein, then this agreement shall be interpreted so as to make up the shortfall in compensation such that Employee shall receive the amounts that he would have received under this agreement.

12. RETIREMENT BENFITS Beckstead shall be entitled to receive an annual Retirement Benefit commencing one month from the date of his retirement (to commence no sooner than age 62 and one half), five years following complete disability or the completion of paragraph 6, or termination of his employment without cause whenever occurring, in an amount equal to one-half (1/2) of his then current rate of compensation. This Benefit shall be paid annually for ten (10) years. In the event that Beckstead dies prior to receiving all benefits outlined in this paragraph, payments shall be made to his Intervivos Trust dated September 11, 1998.

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

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

15. DECISIONS OF THE BOARD OF DIRECTORS AND BINDING ARBITRATION Decisions and determinations as contemplated in this agreement regarding Employee shall be made by majority vote of the Board of Directors of the Company. If Beckstead is a member of such Board, he shall be recused from voting. Any disputes arising under this agreement shall be subjected to binding arbitration. Each party shall choose one arbitrator who shall be member of the American Arbitration Association and those two members shall choose a third member. The Arbitrators shall follow rules of the American Arbitration Association regarding employment matters.

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

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

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

ATTEST:	SECURITYNATIONAL MORTGAGE COMPANY
	Scott M. Quist, Chairman
	J. Lynn Beckstead

REINSURANCE AGREEMENT

BETWEEN

GUARANTY INCOME LIFE INSURANCE COMPANY

of Baton Rouge, Louisiana

referred to in this Agreement as the "Company"

and

SECURITY NATIONAL LIFE INSURANCE COMPANY

of Salt Lake City, Utah

referred to in this Agreement as the "Reinsurer"

TABLE OF CONTENTS

TABLE OF CONTENTS (continued)

GUARANTY INCOME LIFE INSURANCE COMPANY (the "Company") and SECURITY NATIONAL LIFE INSURANCE COMPANY (the "Reinsurer") mutually agree to reinsure on the terms and conditions set out below. This Agreement is an indemnity reinsurance Agreement solely between the Company and the Reinsurer, and performance of the obligations of each party under this Agreement shall be rendered solely to the other party. In no instance shall anyone other than the Company or Reinsurer have any rights under this Agreement.

ARTICLE I
SCOPE OF REINSURANCE

1. Policies Reinsured. The Company hereby cedes and the Reinsurer hereby reinsures, according to the terms and conditions of this Agreement, the risks under certain policies, as described in Schedule A.

2. Coverages and Exclusions.

a) Only risks under the policies referred to in Paragraph 1, hereinafter referred to as the "Policies," to the extent of the limits specified in Schedule A, are reinsured under this Agreement.

b) The Reinsurer will reimburse for the same form and term of nonforfeiture benefits as provided for in each reinsured policy issued by the Company in a quota share percentage corresponding to that shown in Schedule A.

c) The Reinsurer shall have no liability to the Company for reimbursement of any policy loans made to policyholders with respect to the portion of the policies reinsured under this Agreement.

3. Plan of Reinsurance. Reinsurance effected under this Agreement shall be partially on a coinsurance basis and partially on a modified coinsurance basis.

ARTICLE II
LIABILITY

Liability. The liability of the Reinsurer shall begin simultaneously with that of the Company, but not prior to the effective date of this Agreement. The reinsurance under this Agreement with respect to any policy reinsured hereunder shall be maintained in force without reduction as long as the liability of the Company under such policy remains in force without reduction, unless reinsurance under this Agreement is terminated or reduced or as otherwise provided herein. The Reinsurer's liability on any policy reinsured hereunder shall terminate with that of the Company, but shall not extend beyond the termination date of this Agreement.

ARTICLE III
GENERAL PROVISIONS

1. Representations and warranties of Company.

   a. The Company has provided the Reinsurer copies of all forms, applications, rates and values with respect to the Policies that the Reinsurer has requested and shall keep the Reinsurer promptly informed with respect to any changes or modifications to such forms, applications or rates.

   b. The Company will provide the Reinsurer with the latest examination of Company by the Louisiana Department of Insurance at the request of the Reinsurer.

   c. The Company is licensed and in good standing in Louisiana. The Company does not have any reason to believe that it is about to be placed in supervision, rehabilitation, receivership, suspension or liquidation by any insurance department.

   d. The Company is duly organized, validly existing and in good standing under the laws of the state of Louisiana, and has all necessary corporate power and authority to entitle it to use its name, to own, lease or otherwise hold its properties and assets, to carry on its business as currently conducted, and to perform its obligations.

   e. The execution, delivery and performance of this Agreement by the Company will not (i) violate or conflict with any provision of its Certificate of Incorporation or bylaws; (ii) violate or result in any breach of or constitute a default under, or give rise to a right of modification, termination or cancellation of, or accelerate the performance required by the terms of, as the case may be, any contract, lease, license, mortgage, note, or any agreement to which the Company is bound; or (iii) violate or conflict with any law, regulation, code, judgment, order, writ, injunction or decree of any court, governmental body, or administrative agency by which the Company may be bound.

   f. The Company has full corporate power and authority to execute, deliver and perform its obligations under this Agreement, and has taken all necessary corporate and other action to authorize the ceding of the Policies under the terms of this Agreement.

   g. This Agreement has been duly executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms.

h. To the best of the Company's knowledge, the Policies are in compliance with all applicable requirement of law and are on forms approved in all material respects by the appropriate governmental authorities except to the extent that failure to be in compliance therewith does not have a material adverse effect.

i. The assets reflected by Company on its quarterly statement to the Insurance Department of the State of Louisiana for the quarter ended September 30, 2003 a) have not decreased since that time, b) are accurately reflected as to value, c) are unencumbered, except as reflected on the statement, and d) are fully available to the Company to support its obligations to its policyholders.

j. Company acknowledges the existence of a certain Reinsurance Agreement by and between Company and The Mercantile and General Life Reassurance Company of America ("Mercantile") signed by Company on February 25, 1987 and by Mercantile on October 17, 1986 and a Reinsurance Agreement by and between Company and American United Life Insurance Company with an effective date of July 18, 1983 and an Amendment thereto effective November 1, 1993 and any other reinsurance agreements, if any, between Company and other reinsurers (collectively referred to as "Third Party Reinsurance Agreements"). Company acknowledges that Reinsurer will not accept the risks associated with possible changes to the Third Party Reinsurance Agreements and further promises that this Agreement shall be treated as if the Third Party Reinsurance Agreements are in full force and effect, as constituted on the effective date of this Agreement. The Company further represents that any increase to the premiums under the Third Party Reinsurance Agreements shall be the sole responsibility and obligation of Company, unless accepted in writing by Reinsurer.

2. Representations and warranties of Reinsurer.

a. The Reinsurer is duly organized, validly existing and in good standing under the laws of the state of Utah, and has all necessary corporate power and authority to entitle it to use its name, to own, lease or otherwise hold its properties and assets, to carry on its business as currently conducted, and to perform its obligations.

b. The execution, delivery and performance of this Agreement by the Reinsurer will not (i) violate or conflict with any provision of its Certificate of Incorporation or by-laws; (ii) violate or result in any breach of or constitute a default under, or give rise to a right of modification, termination or cancellation of, or accelerate the performance required by the terms of, as the case may be, any contract, lease, license, mortgage, note, or any agreement to which the Reinsurer is bound; or (iii) violate or conflict with any law, regulation, code, judgment, order, writ, injunction or decree of any court, governmental body, or administrative agency by which the Reinsurer may be bound.

c. The Reinsurer has full corporate power and authority to execute, deliver and perform its obligations under this Agreement, and has taken all necessary corporate and other action to authorize the ceding of the Policies under the terms of this Agreement.

d. This Agreement has been duly executed and delivered by the Reinsurer and constitutes a valid and legally binding obligation of the Reinsurer, enforceable in accordance with its terms.

3. Reinsurance Conditions. The reinsurance hereunder is subject to the same limitations and conditions as the insurance under the policies which are reinsured hereunder, except as otherwise provided herein.

4. Administration of Policies Reinsured. The Company shall administer the policies reinsured hereunder and shall perform all accounting for such policies.

5. Ownership of Assets. The Company shall retain ownership all of the assets held in relation to the U.S. Statutory Reserves on the policies reinsured hereunder, subject to Reinsurer's beneficial interest. The said assets shall be placed in trust with a mutually agreed upon financial institution. Company will continue to manage the assets placed in the trust and will be allowed to buy or sell the assets under normal business circumstances, provided that the value of the corpus of the trust remains at or above the value of the trust at its inception. The mechanics of the trust are more fully described in the Custodial Agreement between Company and Reinsurer which is incorporated herein and attached hereto as Schedule J.

6. Initial Allowance. An initial allowance shall be paid to the Company equal to $3,400,000. This Initial Allowance is due and payable on the effective date of this Agreement. This allowance is meant to reimburse the Company for all acquisition costs incurred on the reinsured business. No other allowances will be paid to the Company by the Reinsurer as reimbursement for these expenses.

7. Expense Allowance. An expense allowance for the Reinsurance Premium as described in Schedule D shall be allowed the Company for the administration of the business reinsured hereunder.

8. Age or Gender Adjustment. If the amount of any of the Company's policies reinsured under this Agreement is changed because of a misstatement of age or gender, the Reinsurer will share proportionately with the Company in all adjustments in accordance with the limitations defined in Schedule A.

9. Policy Changes. Company, under any circumstances, may not make any changes to

the terms and conditions of any policies reinsured under this Agreement without the written consent of the Reinsurer. For the purpose of this Agreement, "terms and conditions of any policies" includes, but is not limited to interest crediting rates and cost of insurance rates.

If Company obtains Reinsurer's written consent, a change is made in the terms and conditions of a policy issued by the Company and reinsured hereunder, which increases or reduces the liability of the Company on such policy, changes the plan of insurance or makes any other policy change, the Company and the Reinsurer shall share in such change in proportion to their respective liabilities under this Agreement except as provided in a formal exchange program as described below. A reduction in reinsurance which is not caused by the implementation of a formal exchange program will not be applied, however, to force the Company to reassume more than its regular retention limits at the time of the reduction of age at issue, mortality rating, and form of the policy or policies for which reinsurance is being terminated.

If the Company makes a change in the terms and conditions of any policy reinsured hereunder, including, but not limited to, a change in the method used to calculate reserves on the policy, and such change affects the Reinsurer's liability hereunder with respect of such policy, the Company shall obtain Reinsurer's advance written consent before making any changes. For purposes of this Agreement, any such change shall be deemed to be the issuance of a new policy form by the Company. The Reinsurer shall inform the Company whether the Reinsurer will include such new policy form under this Agreement, or will terminate or modify the reinsurance hereunder in respect of such policy. In the event of a termination or modification pursuant to this Article, a terminal accounting shall be computed for all policies for which reinsurance was terminated or modified. If the calculation produces a negative amount, the Company shall pay the Reinsurer the absolute value of such amount.

10. Internal and External Replacements. Company may not make any internal or external replacements of policies reinsured under this Agreement without the written consent of Reinsurer.

An internal replacement of any contracts reinsured hereunder, pursuant to a program of internal or external replacement, shall be considered reinsured contracts under the terms of this Agreement, with effect from the date of such replacement, unless the Reinsurer, at its sole discretion, chooses not to reinsure such policies.

An internal replacement shall include all contracts which are reinsured under this Agreement which under a program initiated by the Company after the Effective Date of this Agreement are, within six (6) months of being surrendered, covered under a new policy written by the Company or an affiliate.

An external replacement program shall consist of a program entered into by the Company with a non-affiliated company to replace the contracts reinsured hereunder for a contract with another reinsurer.

11. Oversights. If failure to pay any premiums due or to do any other act required by this Agreement is unintentional and caused by misunderstanding or oversight, the Company and the Reinsurer will adjust the situation to what it would have been had the misunderstanding or oversight not occurred.

12. Inspection. The Company shall be responsible for maintaining proper records and for handling the collection of premiums, payment of benefits, processing of policy loans and policyholder service. The Company will be responsible for computing reserves and other data necessary for the Reinsurer to file statutory and tax financial statements. At any reasonable time during business hours, either party may inspect the original papers and any and all other books or documents at the home office of the other party relating to or affecting reinsurance under this Agreement. The Company agrees to complete, at the request of the Reinsurer, a process confirming the existence of policies reinsured under this Agreement.

13. Amendments. This Agreement may be amended by mutual agreement of the parties. Any such amendments shall be in writing and signed by authorized representatives of both parties.

14. Headings and Schedules. Article and paragraph headings are not a part of this Agreement and shall not affect the terms hereof. The schedules attached are a part of this Agreement.

15. Offset. Any debts or credits, matured or unmatured, liquidated or unliquidated, regardless of when they arose or were incurred, in favor of or against either the Company or the Reinsurer with respect to this Agreement are deemed mutual debts or credits, as the case may be, and shall be set off, and only the balance shall be allowed or paid.

16. Recoupment. All net amounts due either party under this Agreement, for any accounting period, shall be netted regardless of the insolvency, rehabilitation or receivership of either party. In particular, amounts due under this Agreement to one party before or after the insolvency of the other party may be recouped and only the net balance due shall be paid.

17. Currency. The currency for the purpose of this Agreement shall be United States dollars.

18. Coinsurance Reserve. The initial coinsurance reserve shall be equal to $3,400,000. Subsequently, the Coinsurance Reserve shall be equal to the difference between the Statutory Reserve and the Modified Coinsurance Reserve. The Company shall take a reserve credit, in accordance with applicable state statutes, for the portion hereunder of this Agreement that is on a coinsurance basis and the Reinsurer shall establish such amount on its books and records as its minimum reserve liability on the portion of the policies reinsured

hereunder.

19. Service of Suit

If the Reinsurer fails to perform any of its obligations under this Agreement, the Company may request the Reinsurer submit to the jurisdiction of a court of competent jurisdiction within the United States. The Reinsurer will comply with all reasonable requirements necessary to give such court jurisdiction over it and will abide by the final decision of such court or of any appellate court in the event of an appeal.

The Reinsurer hereby designates the Commissioner of the State of Utah as its true and lawful attorney within such Commonwealth upon whom any lawful process in any action, suit or proceeding instituted by or on behalf of the Company.

This provision is not intended to conflict with or override the obligation of the parties to arbitrate disputes hereunder. Consequently, it shall only apply as necessary to enforce the terms of this Agreement or to enforce a written decision of the arbitrators.

ARTICLE IV
INITIAL CONSIDERATION AND REINSURANCE PREMIUMS

To effect reinsurance with respect to the policies inforce on the effective date of this Agreement, the Company shall pay to the Reinsurer, the initial consideration and reinsurance premium as described in Paragraph 2 of this Article.

Initial Consideration and Reinsurance Premium The initial consideration to be paid to the Reinsurer by the Company on the effective date of this Agreement will be the reinsured quota share of the US Statutory Reserve (as defined in Schedule B) as of the effective date of this Agreement, corresponding to the amount and policies reinsured, as outlined in Schedule A.

During subsequent accounting periods, the Company will pay the Reinsurer the reinsurance premium determined in accordance with Schedule C, corresponding to the amount and the policies reinsured.

ARTICLE V
RESERVE ADJUSTMENTS

1. Initial Reserve Adjustment. Simultaneously with the payment of the initial consideration described in Article IV, by the Company to the Reinsurer, the Reinsurer shall pay to the Company an initial reserve transfer in an amount that is equal to the Modified Coinsurance Reserves, as defined in Schedule B, on the effective date of this Agreement with respect to the policies reinsured hereunder.

2. Modco Reserve Adjustments.

(a) Modco reserve adjustments shall be computed quarterly by deducting ((i) + (ii)) from (iii) where items (i), (ii) and (iii) are defined as:

(i) the total amount of the Modified Coinsurance Reserves, as defined in Schedule B, on the last day of the preceding accounting period on the contracts reinsured hereunder.

(ii) Modco Investment Income as defined in Schedule E.

(iii) the total amount of the Modified Coinsurance Reserves on the last day of the current accounting period on the policies reinsured hereunder and then in force under this Agreement.

With respect, however, to the first accounting period after the effective date of this Agreement occurs, the reference in "(i)," to "the last day of the preceding accounting period" shall refer to the effective date of this Agreement.

In the accounting period in which termination of this Agreement occurs, the reference in "(iii)" above to "the last day of the current accounting period" shall refer to the termination date of this Agreement.

(b) For any accounting period in which "(iii)" exceeds ("(i)" + "(ii)") in (a), above, the Reinsurer shall pay the Company such excess. For any accounting period in which ("(i)" + "(ii)") exceeds "(iii)," in (a) above, the Company shall pay the Reinsurer such excess.

ARTICLE VI
BENEFITS

1. Notice. The Company shall have the sole responsibility for the settlement of claims with its claimants. The Company will maintain records to support its claim payments. The Reinsurer reserves the right to review those claim records, and proofs of such claim payments due or paid will be furnished to the Reinsurer upon request.

2. Liability and Payment. The Reinsurer will accept the decision of the Company on payment of benefits (defined herein) on a policy reinsured hereunder, the intent of the parties being that the Reinsurer will, in every case to which this Agreement applies and in the proportions specified herein, follow the fortunes of the Company. The Reinsurer will pay its quota share in a lump sum to the Company without regard to the form of claim settlement of the Company. Benefits shall be defined as death benefits, surrender benefits, withdrawals, dividends, annuity benefits (defined as the annuity benefits payable in accordance with the guaranteed settlement options as provided for in each policy reinsured hereunder) and other contractual policyholder benefits, net of any other Reinsurance the Company may have on the business covered by this Agreement. Punitive, exemplary or extra-contractual damages are not considered benefits under this Agreement.

3. Contested Claims. The Company will advise the Reinsurer of its intention to contest, compromise, or litigate a claim involving a policy reinsured hereunder. The Reinsurer will pay its share of the unusual expense of the contest in addition to its share of the claim itself, or it may choose not to participate in the contest. If the Reinsurer chooses not to participate, it will discharge its liability by payment of the full amount of its liability on the policy reinsured to the Company. In no event shall the following categories of expenses or liabilities be considered for purposes of this Agreement as "unusual expenses":

a) routine investigation or administrative expense;

b) expenses incurred in connection with a dispute or contest arising out of conflicting claims of entitlement to policy proceeds or benefits which the Company admits are payable;

c) expenses, fees, settlements or judgments arising out of or in connection with claims against the Company for punitive or exemplary damages; and

d) expenses, fees, settlements or judgments arising out of or in connection with claims made against the Company and based on alleged or actual bad faith, failure to exercise good faith or tortious conduct in the handling of claims or in other dealings with its policyholders.

4. Assistance and Advice. On any claim on a policy reinsured hereunder, the Reinsurer will, at the request of the Company, advise and assist the Company in its determination of the liability and in the best procedure to follow with respect to a claim of doubtful validity, provided that the Reinsurer shall not be liable to the Company or to any third party for claims arising out of such advice and assistance.

5. General. It is expressly understood that all benefits reinsured hereunder this Agreement shall be netted against the Reinsurance Premium and other amounts due the Reinsurer from the Company under this Agreement.

ARTICLE VII
ACCOUNTING AND SETTLEMENT

1. Accounting Periods. The accounting shall be on a calendar quarter basis. The first accounting period shall begin on the 1st day of the effective date of this Agreement. The final accounting period shall run from the end of the preceding calendar quarter until the termination date of this Agreement.

2. Accounting Reports. Accounting reports (Schedules F, G, H and K) shall be submitted to the Reinsurer by the Company not later than fifteen (15) days after the end of each accounting period except in the case of calendar year end accounting reports as described in the following paragraph. Such reports shall be shown on a line of business basis as indicated on Schedule A and include information on claims, surrender values, statutory reserve adjustments and Coinsurance Reserves on a consolidated basis on the policies reinsured for the preceding accounting period.

Within fifteen (15) days of the end of the calendar year, the Company shall supply the Reinsurer with the year end Accounting Reports which shall include information as shown in Schedules F, G, H and K. The Company shall make its best efforts to supply the actual data; and if the data cannot be supplied within the time limits, the Company shall produce best estimates which are trued up later.

3. Settlements. With respect to the business reinsured hereunder and within fifteen (15) days after the end of each accounting period, except for the 1st accounting period which will be the effective date of this Agreement, the Company shall pay the Reinsurer a settlement computed as follows:

Initial Reinsurance Premium (In accordance with Article IV; first period only),

PLUS: Premiums, in accordance with Schedule C,

MINUS: Initial Allowance (Article III, Paragraph 6; first period only),

MINUS: Expense Allowance, in accordance with Schedule D,

PLUS: Modco Reserve Adjustment payable to the Reinsurer in accordance with Article V,

MINUS: Modco Reserve Adjustment payable to the Company in accordance with Article V,

MINUS: Benefits paid during the accounting period, in accordance with Article VI.

MINUS: Experience Refund as defined in Article VII, paragraph 8 below.

If the amount computed is positive, then such amount shall be paid to the Reinsurer by the Company. If the amount computed is negative, then the absolute value of such amount shall be paid by the Reinsurer to the Company.

4. Loss Carry Forward. At the beginning of the first accounting period, the Loss Carry Forward shall be set equal to zero. For subsequent accounting periods, the Loss Carry Forward shall be as calculated in Schedule F, Part II.

5. Amounts Due. Except as otherwise specifically provided in this Agreement, all amounts due to be paid to either the Reinsurer or the Company shall be determined on a net basis as of the last day of each accounting period. These amounts shall be due and payable within fifteen (15) days after such date.

In the calculation of the net amount due in Paragraph 3 above, due regard will be given to the incidence of payment throughout the accounting periods and interest at the rate determined in accordance with Paragraph 6 below, will be credited accordingly on an exact basis, whenever possible or otherwise on a mutually agreed upon approximate basis.

6. Delayed Payment and Recalculations. If there is a delayed settlement or a recalculation of an amount due, there will be an interest charge computed at the interest rate prescribed below for the period commencing with the sixteenth (16th) day after the end of the accounting period to which the charge applies.

The annual interest rate for delayed settlement shall be equal to the yield of one-year US treasuries as quoted at closing on the last Friday before the last day of the accounting period to which the charge applies, plus 100 basis points.

7. Expense and Risk Charge. The expense and risk charge in any accounting period shall be equal to 1.00% of the Coinsurance Reserve at the end of the accounting period.

In no event shall the Expense and Risk Charge be payable in a given accounting period, if the Profit (Schedule B) is less than zero.

8. Experience Refund. If the Experience Refund is positive, this amount shall be paid to the Company by the Reinsurer. If the Experience Refund is negative, the absolute value of this amount shall be paid to the Reinsurer by the Company. Beginning with the second accounting period that the Coinsurance Reserve is equal to zero, if the Experience Refund is positive, then the Experience Refund will be reduced by 10%. The Experience Refund is calculated as follows:

Premiums, in accordance with Schedule C,

PLUS: Experience Refund Investment Income in accordance with Schedule E, MINUS: Benefits paid during the accounting period in accordance with Article VI,

MINUS: Expense Allowance, in accordance with Schedule D,

MINUS: Change in the Statutory Reserve in accordance with Schedule F,

PLUS: Change in the Coinsurance Reserve in accordance with Schedule F,

MINUS: Expense and Risk charge in accordance with Article VII,

MINUS: Loss Carry Forward at the beginning of the current accounting period accumulated at the Modco Investment Income Interest Rate (as calculated in Schedule E)

EQUALS: Experience Refund

ARTICLE VIII
RECAPTURE

1. Duration. The parties expressly recognize that this Agreement is an executory contract, and agree that it will terminate automatically in the event that the Company fails to pay any reinsurance premiums when due. In the event of this automatic termination, the Recapture Accounting and Settlement outlined in Article IX will apply.

2. Recapture. The Company may recapture the business reinsured hereunder at any time after December 31, 2004 with ninety (90) days prior written notice, if recapture will occur in the 1st, 2nd or 3rd quarter of a given year or one hundred and twenty days (120) days prior written notice, if recapture will occur in the 4th quarter of a given year.

3. Procedure. Recapture of reinsurance hereunder may be effected only subject to the recapture accounting and settlement provisions described in Article IX.

ARTICLE IX
RECAPTURE ACCOUNTING AND SETTLEMENT

1. Recapture Accounting. In the event that all reinsurance under this Agreement is recaptured in accordance with Article VIII, a recapture accounting and settlement shall take place.

2. Date. The recapture accounting date shall be the effective date of recapture pursuant to any notice of recapture given under this Agreement or such other date as shall be mutually agreed to in writing.

3. Settlement. The recapture accounting and settlement shall consist of:

a) the settlements as provided in Article VII, computed as of the recapture accounting date;

b) payment by the Company to the Reinsurer of an amount equal to the Statutory Reserve minus the coinsurance reserve hereunder as of the recapture accounting date; and

c) payment by the Reinsurer to the Company of a recapture consideration equal to the US Statutory Reserve (as defined in Schedule B) as of the recapture accounting date.

d) An additional recapture adjustment equal to the coinsurance reserve as of the recapture date of this Agreement shall be paid by the Company to the Reinsurer.

If the calculation of the recapture accounting and settlement produces an amount owing to the Company, such amount shall be paid promptly by the Reinsurer to the Company. If the calculation of the recapture accounting and settlement produces an amount owing to the Reinsurer, such amount shall be paid promptly by the Company to the Reinsurer.

4. Supplementary Accounting and Settlement. In the event that, subsequent to the recapture accounting and settlement as above provided, a change is made with respect to any amount taken into account pursuant to Article VII, a supplementary accounting shall take place pursuant to Paragraph 3 of this Article. Any amount owed to the Reinsurer or to the Company by reason of such supplementary accounting shall be paid promptly upon the completion thereof.

ARTICLE X
ARBITRATION

It is the intention of the Reinsurer and the Company that the customs and practices of the insurance and reinsurance industry will be given full effect in the operation and interpretation of this Agreement. The parties agree to act in all things with the highest good faith. If the Reinsurer or the Company cannot mutually resolve a dispute which arises out of or relates to this Agreement, however, the dispute will be decided through arbitration. The arbitrators will base their decision on the terms and conditions of this Agreement plus, as necessary, on the customs and practices of the insurance and the reinsurance industry rather than solely on a strict interpretation of the applicable law; there will be no appeal from their decision, and any court having jurisdiction of the subject matter and the parties may reduce that decision to judgment.

To initiate arbitration, either the Company or the Reinsurer will notify the other party by Certified Mail of its desire to arbitrate, stating the nature of its dispute and the remedy sought. The party to which the notice is sent will respond to the notification in writing within ten (10) days of its receipt.

There will be three arbitrators who will be current or former officers of life insurance companies other than the contracting companies, their subsidiaries or affiliates. Each of the contracting companies will appoint one of the arbitrators and these two arbitrators will select the third. If either party refuses or neglects to appoint an arbitrator within sixty (60) days, the other party may appoint the second arbitrator. If the two arbitrators do not agree on a third arbitrator within sixty (60) days of their appointment, each of the arbitrators will nominate three individuals. Each arbitrator will then decline two of the nominations presented by the other arbitrator. The third arbitrator will then be chosen from the remaining two nominations by drawing lots.

It is agreed that each of the three arbitrators should be impartial regarding the dispute and should resolve the dispute on the basis described in the first paragraph of this Article. Therefore at no time will either the Company or the Reinsurer contact or otherwise communicate with any person who is to be or has been designated as a candidate to serve as an arbitrator concerning the dispute, except upon the basis of jointly drafted communications provided by both the Company and the Reinsurer to inform the arbitrators of the nature and facts of the dispute. Likewise, any written or oral arguments provided to the arbitrators concerning the dispute will be coordinated with the other party and will be provided simultaneously to the other party or will take place in the presence of the other party. Further, at no time will any arbitrator be informed that the arbitrator has been named or chosen by one party or the other.

The arbitration hearing will be held in a place and on the date fixed by the arbitrators. In no event will this date be later than six (6) months after the appointment of the third arbitrator. As soon as possible, the arbitrators will establish pre-arbitration procedures as warranted by the facts and issues of the particular case. At least ten (10) days prior to the arbitration hearing, each party will provide the other party and the arbitrators with a detailed statement of the facts and arguments it will present at the arbitration hearing. The arbitrators may consider any relevant evidence, they will give evidence such weight as they deem it entitled to after consideration of any objections raised concerning it. The party initiating the arbitration will have the burden of proving its case by a preponderance of the evidence. Each party may examine any witnesses who testify at the arbitration.

The cost of the arbitration will be shared equally by both parties unless the arbitrators decide otherwise.

This Article shall survive termination of this Agreement.

ARTICLE XI
INSOLVENCY

In the event (i) Company comes under any supervision by a state regulator or in the event Company shall (ii) apply for or consent in the appointment of, or the taking of possession by, a receiver, custodian, regulator trustee or liquidator of itself or of all or a substantial part of its assets, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code, (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization or winding up, or (vi) take any action for the purpose of effecting any of the foregoing, or a proceeding or case shall be commenced without the application or consent of Company in any court or forum of competent jurisdiction seeking (a) its liquidation , reorganization, dissolution or winding-up, (b) the appointment of a trustee, receiver, custodian, liquidator or the like of Company or of all or any substantial part of its assets, or (c) similar relief in respect of Company under any law relating to bankruptcy, insolvency, reorganization or winding up, Reinsurer shall have the option, in its sole discretion, to convert this Agreement to an Assumption Reinsurance Agreement one day prior to such insolvency or other actions described in this Article XI, and Reinsurer may assume all or a part of the Reinsured Policies identified in Schedule A as of one day prior to the date thereof.

In the event of the insolvency of Company, all reinsurance that is payable directly to the liquidator, receiver, or statutory successor of Company, shall be without diminution or increase because of the insolvency of Company.

In the event of insolvency of Company, the liquidator, receiver, or statutory successor shall give Reinsurer written notice of the pendency of a claim on a policy reinsured within a reasonable time after such claim is filed in the insolvency proceeding. During the pendency of any such claim, Reinsurer may investigate such claim and interpose in the name of Company (its liquidator, receiver or statutory successor), but at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses which Reinsurer may deem available to Company or its liquidator, receiver or statutory successor.

The expense thus incurred by Reinsurer shall be chargeable, subject to court approval, against Company as part of the expense of liquidation to the extent of a proportionate share of the benefit that may accrue to Company solely as a result of the defense undertaken by Reinsurer. Where two or more reinsurers are participating in the same claim and a majority in interest elect to interpose a defense or defenses to any such claim, the expense shall be apportioned in accordance with the terms of the Agreement as though such expenses had been incurred by Company.

ARTICLE XII
SEVERABILITY

To the extent that this Agreement may be in conflict with any applicable law or regulation, this Agreement shall be amended, at the mutual agreement of both the Company and the Reinsurer, to the extent possible, to comply with such law and regulation. If any term or provision of this Agreement shall be found by a court of competent jurisdiction to be illegal or otherwise unenforceable, the same shall not invalidate the whole of this Agreement, but such term or provision shall be deemed modified to the extent necessary in the court's opinion to render such term or provision enforceable, and the rights and obligations of the parties shall be construed and enforced accordingly preserving to the fullest permissible extent the intent and agreements of the parties set forth herein.

ARTICLE XIII
COMPLETE AGREEMENT

This Agreement shall constitute the entire agreement between the parties with respect to the reinsurance of the business covered and there are no understandings between the parties other than as expressed in this Agreement. Furthermore, this Agreement may not be altered, modified or in any way amended except by instrument in writing duly executed by the proper officials of all parties.

ARTICLE XIV
PARTIES TO AGREEMENT

This is an agreement for indemnity reinsurance solely between the Company and the Reinsurer. The acceptance of reinsurance hereunder shall not create any right or legal relation whatsoever between the Reinsurer and the insured or the beneficiary under any policy reinsured hereunder.

ARTICLE XV
ASSIGNMENT

None of the rights or obligations under this Agreement may be assigned by either the Reinsurer or the Company, nor may the policies reinsured under this Agreement be sold, reinsured under an agreement of assumption reinsurance, or transferred in any other fashion without the written consent of both the Company and the Reinsurer. Consent will not be unreasonably withheld, provided the assignment, sale, assumption reinsurance, or transfer does not have a material effect on the risks transferred or the economic results to the party requested to consent. This provision shall not prohibit either party from retroceding the insurance policies on an indemnity basis.

ARTICLE XVI
INVESTMENT OF ASSETS

The Company shall maintain all assets which support the U.S. Statutory reserve associated with the policies described in Schedule A under this Agreement in a trust, escrow or other special account in order to specifically identify the assets used to support the U.S. Statutory reserve.

ARTICLE XVII
DAC TAX ARTICLE

If the Business reinsured hereunder includes for US Federal Income Tax purposes Specified Insurance Contracts pursuant to Section 848 of the Internal Revenue Code or the Final Income Tax Regulations thereunder, the Company and the Reinsurer, with respect to this Agreement, agree to make the election provided in Section 1.848-2(g)(8) of the Final Income Tax Regulations issued December 28, 1992 under Section 848 of the Internal Revenue Code of 1986. The specifics of this election are set forth in Schedule I.

ARTICLE XVIII
EXECUTION

In witness of the above, this Agreement is signed in duplicate at the dates and placed indicated with an effective date of October 1, 2003.

GUARANTY INCOME LIFE INSURANCE COMPANY

By: --------------------------------   Witness: ---------------------------

Title: -----------------------------   Title: -----------------------------

Date: -----------------------------   Date: -----------------------------

SECURITY NATIONAL LIFE INSURANCE COMPANY

By: --------------------------------   Witness: ---------------------------

Title: -----------------------------   Title: -----------------------------

Date: -----------------------------   Date: -----------------------------

SCHEDULE A
POLICIES AND AMOUNTS REINSURED

The proportion of the policies reinsured under this Agreement shall be a 100% quota share of the retained amounts for all policies in force as of October 1, 2003.

The business reinsured under this Agreement is as follows:

(1) 100% of Company's Direct Traditional Life Business;
(2) 100% of Company's Direct Universal Life Business; and
(3) 100% of Company's Security Plus Deferred Annuities

Included in this contract is an authenticated compact disc containing a detailed listing of policies reinsured hereunder. This listing shall contain policy number, line of business, death benefit, retained amount, U.S. statutory reserve and an Excel spreadsheet that comprises the Company's and Reinsurer's understanding of the mechanics of this Agreement.

SCHEDULE B
INITIAL STATUTORY, MODIFIED COINSURANCE AND COINSURANCE RESERVES
And
NET PROFIT CALCULATION

(1) As of the effective date of this Agreement, the Coinsurance Reserve shall be equal to the Initial Allowance (Article III). At the effective date of this Agreement, the Modified Coinsurance Reserve shall be equal to the difference between the US Statutory Reserve and the Coinsurance Reserve. US Statutory Reserve is defined as the statutory mean reserve plus advance premiums less net due and deferred premiums plus the claim liability on the quota share of the reinsured policies.

(2) For each accounting period after the first accounting period after the effective date of this Agreement, the PROFIT and NET PROFIT shall be determined as follows:

A - Shall be equal to:
The Reinsurance Premiums received during the accounting period,
PLUS: Experience Refund Investment Income earned during the accounting period as defined in Schedule E,
MINUS: The Allowances for expenses and percentage of premium compensation reimbursement during the accounting period as defined in Schedule D,
MINUS: Benefits paid during the accounting period as defined in Article VI.

B - PROFIT shall be defined and computed as follows:
A as defined above,
MINUS: The Statutory Reserve at the end of the current accounting period as defined in Paragraph (1) above,
PLUS: The Statutory Reserve at the beginning of the current accounting period as defined in Paragraph (1) above.

C - NET PROFIT shall be defined and computed as follows:

If PROFIT is greater than zero, but less than the Preliminary Risk Fee (which is equal to 1.0 % times the Coinsurance Reserve at the beginning of the current accounting period), then the NET PROFIT is equal to zero.

Otherwise the NET PROFIT is equal to:

B as defined above,
MINUS: The Loss Carry Forward at beginning of the current period (Schedule F, Part II).

The Coinsurance Reserve at the end of the current accounting period shall be equal to the difference between the Statutory Reserve at the end of the current accounting period and the Modified Coinsurance Reserve at the end of the current accounting period. At no time shall the Coinsurance Reserve be less than zero.

SCHEDULE C
REINSURANCE PREMIUMS

The premium to be paid to the Reinsurer by the Company will be equal to the reinsured quota share of the gross premium received by the Company corresponding to the policies reinsured less any other reinsurance premiums net of commission and expense allowance on the covered business.

SCHEDULE D
ADMINISTRATIVE EXPENSE ALLOWANCE

The Reinsurer shall reimburse the Company for the expenses it incurs associated with the portion of the policies reinsured hereunder up to the following maximums. No additional allowances will be paid to the Company by the Reinsurer as reimbursement for these expenses.

Renewal Commission Allowance -	Actual
Maintenance Expense Allowance -	Actual up to a maximum of $1.25 per policy per accounting period.
Taxes and Licenses Fee -	Actual up to a maximum of 2.5% of gross premium for all issues, all years.

SCHEDULE E
MODIFIED COINSURANCE INTEREST RATE AND MODCO INVESTMENT INCOME

The Modco Interest Rate (MIR) shall be defined as follows:

$$MIR = \frac{2 \times (I + CG)}{A + B - I - C G} - INVEXP$$

where:

I = the Net Investment Income on the assets held in the account, as described in Article XVI, during the current accounting period;

A = the book value of the assets held in the account, as described in Article XVI, at the end of the prior accounting period;

B = the book value of the assets held in the account, as described in Article XVI, at the end of the current accounting period;

CG = is net realized and unrealized capital gains (losses), as defined in the statutory annual statement, on the assets held in the account, as described in Article XVI, during the current accounting period.

InvExp = .00125 (per quarter)

The Modco Investment Income for a given accounting period is equal to (1) plus (2) where,

(1) equals the Modco Interest Rate times the Modco Reserve at the beginning of the accounting period, and

(2) equals (a) times [(1) above - (b) + (c)], where,

(a) equals 50% times the Modco Interest Rate,

(b) equals the Benefits paid during the accounting period (Article VI), and

(c) equals the new premium paid during the accounting period (Schedule C).

The Experience Refund Investment Income for a given accounting period is equal to (1) plus (2) where,

(1) equals the Modco Interest Rate times: the Statutory Reserve at the beginning of the accounting period, minus the Coinsurance Reserve at the beginning of the accounting period.

and

(2) equals (a) times [(1) above - (b) + (c)], where,
(a) equals 50% times the Modco Interest Rate,
(d) equals the Benefits paid during the accounting period (Article VI), and
(e) equals the new premium paid during the accounting period (Schedule C).

SCHEDULE F, PART I
COINSURANCE AND MODIFIED COINSURANCE RESERVE REPORT

QUARTERLY REPORT FOR GUARANTY INCOME LIFE INSURANCE COMPANY

FOR PERIOD ENDING ___________________________________

CHANGE IN MODIFIED COINSURANCE RESERVE:

Statutory Reserve at the end of the current accounting period	------------------
LESS: Statutory Reserve at the beginning of the current accounting period	------------------
PLUS: Change in Coinsurance Reserve (Schedule K)	------------------
Change in Modified Coinsurance Reserve	------------------

MODIFIED COINSURANCE RESERVE:

Modified Coinsurance Reserve at the beginning of the current period (Schedule B)	------------------
PLUS: Change in Modified Coinsurance Reserve	------------------
Modified Coinsurance Reserve at the end of the current period	------------------

COINSURANCE RESERVE:

Statutory Reserve at the end of the current period (Schedule B)	------------------
LESS: Modified Coinsurance Reserve at the end of the current period	------------------
Coinsurance Reserve at the end of the period	------------------

SCHEDULE F, PART I (continued)
COINSURANCE AND MODIFIED COINSURANCE RESERVE REPORT

QUARTERLY REPORT FOR GUARANTY INCOME LIFE INSURANCE COMPANY

FOR PERIOD ENDING ___________________________________

MODIFIED COINSURANCE (MODCO) RESERVE ADJUSTMENT

Change in Modified Coinsurance Reserve	------------------
LESS: Modco Investment Income (Schedule E)	------------------
Modified Coinsurance Reserve Adjustment	------------------

SCHEDULE F, PART II
LOSS CARRY FORWARD REPORT

QUARTERLY REPORT FOR GUARANTY INCOME LIFE INSURANCE COMPANY
FOR THE PERIOD ENDING -------------------

Loss Carry Forward at the end of the prior accounting period	-------------------
PLUS: Modco Interest (Schedule E) on previous items	-------------------
EQUALS: Loss Carry Forward at the beginning of the current accounting period	-------------------
PLUS: Expense and Risk Charge due for accounting period but not paid due to negative Profit (Schedule B)	-------------------
LESS: Profit (Item B on Schedule B), if positive; zero otherwise	--------------------
Loss Carry Forward at the end of the current accounting period	--------------------

N.B. The Loss Carry Forward at the end of the current accounting period shall not be less than zero.

SCHEDULE F, PART III
EXPERIENCE REFUND

```
QUARTERLY REPORT FOR GUARANTY LIFE INSURANCE COMPANY

FOR PERIOD ENDING                                          -------------------


Premiums- (Schedule C)                                     -------------------

Plus:  Experience Refund  Investment Income                -------------------

Minus:    Expense Allowance (Schedule D)                   -------------------

Minus:    Benefits (Article VI)                            -------------------

Minus: Change in Statutory Reserves                        -------------------

Minus: Change in Coinsurance Reserves                      -------------------

Equals:  Preliminary Experience Refund                     -------------------

Minus:  Expense and Risk Charge
(0.01 * Coinsurance Reserve at end of accounting period) ------------------

Minus:  Loss Carry Forward at beginning of the accounting
Period (Schedule F, Part II)                               -------------------

Equals:  Experience Refund                                ====================

Loss Carry Forward Addition (If Experience Refund is negative,
the Loss Carry Forward Addition is the absolute value of the
Preliminary Experience Refund; else zero)                 --------------------
```

SCHEDULE F, PART IV
QUARTERLY SETTLEMENT REPORT

QUARTERLY REPORT FOR GUARANTY INCOME LIFE INSURANCE COMPANY

FOR PERIOD ENDING	-------------------
Premiums (Schedule C)	-------------------
PLUS: Modco Reserve Adjustment payable to the Reinsurer (Article V)	-------------------
LESS: Modco Reserve Adjustment payable to the Company (Article V)	-------------------
LESS: Expense Allowance (Schedule D)	-------------------
LESS: Benefits (Article VI)	-------------------
LESS: Experience Refund (Schedule F, Part III)	-------------------
Net Settlement due to the Reinsurer (the Company)	===================

SCHEDULE G
POLICY EXHIBIT

Exhibit of Annuities with Life Contingencies

	# Policies	Annual Income
1. Outstanding at end of previous year	------------	-------------
2. Issued during the year	------------	-------------
3. Transferred from issuance account during the year	------------	-------------
4. Totals	------------	-------------
5. Other net changes during the year	------------	-------------
6. Outstanding at end of the year	------------	-------------

Classification of Annuities with Life Contingencies
Outstanding at the End of the Period

	# Policies	Annual Income
7. Income, now payable	------------	-------------
8. Deferred, fully paid	------------	-------------
9. Deferred, not fully paid	------------	-------------
10. Totals	------------	-------------

NAIC Page 7 Information
Analysis of Increase in Reserves and Deposit Funds During the Year

1. Reserve, December 31 of prior year	------------	------------
2. Tabular Net Premiums	------------	------------
4. Tabular Interest	------------	------------
5. Tabular less Actual Reserve Released	------------	------------
11. Reserve Released by Other Termination (net)	----------	------------
12. Annuity Benefits	------------	------------
15. Reserve, December 31 of current year	------------	------------

SCHEDULE H, PART I
QUARTERLY STATUTORY REPORTING

1. Initial Reinsurance Premium (first period only)

2. Annual Reinsurance Premiums

3. Initial Expense Allowance (first year only)

4. Renewal Expense Allowance

5. Cash Surrenders, Withdrawals

6. Death Benefits

7. Annuity Benefits

8. State Premium Taxes

9. Modified Coinsurance Reserve, Beginning of Period

10. Modified Coinsurance Reserve, End of Period

11. Interest on Modified Coinsurance Reserve

12. Reserve Adjustment [(10) - (9) - (11)]

13. Expense and Profit Charge

SCHEDULE H, Part II
ANNUAL STATUTORY REPORTING

All references in the table below are to the Company's annual statement as filed with the department of insurance in the Company's state of domicile.

Exhibit/Schedule	Title
	Analysis of Increase in Reserves
5	Aggregate Reserves
5A	Changes in Bases of Valuation
8, Part 1,2	Policy and Contract Claims (Liability End of Year and Incurred During Year)
	Exhibit of Life Insurance
S-Part 3C, Section 1	Reinsurance Assumed on Life Insurance

In addition, the Company shall provide the Reinsurer with a Statement of actuarial opinion, certifying as to the adequacy of the reserves being held by Company with regards to the business reinsured (Schedule A).

SCHEDULE I, PART I
DAC TAX ADJUSTMENT

The Company and the Reinsurer hereby agree to the following pursuant to Section 1.848-2(g)(8) of the Income Tax Regulations issued December 28, 1992, under Section 848 of the Internal Revenue Code of 1986, as amended. This election shall be effective for 2003 for all subsequent taxable years for which this Agreement remains in effect.

1. The term "party" will refer to either the Company or the Reinsurer as appropriate.

2. The terms used in this Article are defined by reference to Regulation Section 1.848-2 in effect December 28, 1992.

3. The party with the net positive consideration for this Agreement for each taxable year will capitalize specified policy acquisition expenses with respect to this Agreement without regard to the general deductions limitation of Section 848(c)(1).

4. Both parties agree to exchange information pertaining to the amount of net consideration under this Agreement each year to ensure consistency or as otherwise required by the Internal Revenue Service.

5. The Company upon the approval of the Reinsurer will submit a schedule (Schedule I, Part III) to the Reinsurer by May 1 of each year of its calculation of the net consideration for the preceding calendar year. This schedule of calculations will be accompanied by a statement signed by an officer of the Company stating that the Company will report such net consideration in its tax return for the preceding calendar year.

6. The Reinsurer may contest such calculation by providing an alternative calculation to the Company in writing within thirty (30) days of the Reinsurer's receipt of the Company's calculation. If the Reinsurer does not so notify the Company, the Reinsurer will report the net consideration as determined by the Company in the Reinsurer's tax return for the previous calendar year.

7. If the Reinsurer contests the Company's calculation of the net consideration, the parties will act in good faith to reach an agreement as to the correct amount within thirty (30) days of the date the Reinsurer submits its alternative calculation. If the Company and the Reinsurer reach agreement on an amount of net consideration, each party shall report such amount in their respective tax returns for the previous calendar year.

8. The Reinsurer shall complete the Reinsurance Questionnaire (Schedule I, Part II) and submit it to the Company with the information required by Schedule I, Part III.

GUARANTY INCOME LIFE INSURANCE COMPANY

By: ---------------------------------------

Title: ------------------------------------

Date: -------------------------------------

SECURITY NATIONAL LIFE INSURANCE COMPANY

By: ---------------------------------------

Title: ------------------------------------

Date: _______________________________

SCHEDULE I, PART II
REINSURANCE QUESTIONNAIRE

Reinsurance Questionnaire for Federal Income Tax Determinations

The purpose of this questionnaire is to secure sufficient information to allow the Company to account properly under the federal income tax rules for the reinsurance transactions it has with the Reinsurer. Please provide the Company with the following information:

1. Are you either:

A. company that is subject to US taxation directly under the provisions of subchapter L of chapter 1 of the Internal Revenue Code (i.e., an insurance company liable for filing Form 1120L or Form 1120-PC), or

Answer: X Yes ____ No

B. company that is subject indirectly to US taxation under the provisions of subpart F of subchapter N of chapter 1 of the Internal Revenue Code, (i.e., a "controlled foreign corporation" with the meaning of Internal Revenue Code ss. 957).

Answer: ____Yes X No

2. If your answer to 1. above is no, have you entered into a closing agreement with the Internal Revenue Service to be subject to US taxation with respect to reinsurance income pursuant to Treasury Regulation ss.1.848-2(h) (2)(ii) (B)?

Answer: ____Yes ____ No

(if your answer is yes, please provide a copy of the closing agreement).

Security National Life Insurance Company

Signed by: ---

Title: ---

Date: ---

SCHEDULE I, PART III
DAC TAX EXHIBIT

DAC TAX CAPITALIZED AMOUNTS

FOR THE YEAR ENDING ---
ON REINSURANCE CEDED TO --

GROSS BASIS:

TYPE CF TREATY	GROSS PREMIUM	CAPITALIZED AMOUNT

FULL NETTING BASIS:

TYPE OF TREATY	PREMIUM	POLICY ALLOWANCES	CLAIMS	BENEFITS	CAPITALIZED AMOUNT
Coinsurance					
Modco					

TOTAL CAPITALIZED AMOUNTS ON A FULL NETTING BASIS: -------------------------
To be reported in conformity with Section 848 of the Internal Revenue Code

Signed By: ---

Title: ---

Signature: ---

Date: ---

SCHEDULE J

TRUST AGREEMENT

SCHEDULE K
CHANGE IN COINSURANCE RESERVE

Quarterly Report for GUARANTY LIFE INSURANCE COMPANY

For Period Ending -------------------

If the Coinsurance Reserve at the beginning of the accounting period is equal to $0, Change in Coinsurance Reserve is equal to zero. _______________

a. Coinsurance Reserve at the beginning of accounting period _______________
b. Net Profit (Schedule B), if positive: else, zero _______________
c. Minimum Coinsurance Reserve at the end of the accounting period _______________

d. [c - a] _______________

If the Coinsurance Reserve at the beginning of the accounting period is positive, the change in Coinsurance Reserve is equal to the lesser of b and d _______________

Memorandum Account as of 12/31/07 ----------------

At the end of the accounting period ending 12/31/07, the Memorandum Account will be used to reduce the Coinsurance Reserve, but not less than zero.

Change in Coinsurance Reserve for the period -----------------

MINIMUM COINSURANCE RESERVE:

Minimum Coinsurance Reserve at the beginning of the accounting period _______________

LESS: Quarterly Amortization $200,000.00

Minimum Coinsurance Reserve at the end of the Accounting period _______________

MEMORANDUM ACCOUNT

Memorandum Account at the beginning of the accounting period _______________

PLUS: If b is greater than d, then b minus d _______________

Memorandum Account at the end of the accounting period _______________