SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998, 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 (Address of principal executive offices)	84123 (Zip Code)

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

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

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

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

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

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

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

Yes [X] No___

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 31, 1999 was approximately $10,792,000.

As of March 31, 1999, registrant had issued and outstanding 3,924,337 shares of Class A Common Stock and 5,387,567 shares of Class C Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's 1999 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

PART I

Item 1. Business

Security National Financial Corporation (the "Company") operates in three main business segments: life insurance, cemetery and mortuary, and mortgage loans. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products and accident and health insurance. These products are marketed in 34 states through a commissioned sales force of independent licensed insurance agents who may also sell insurance products of other companies. The cemetery and mortuary segment of the Company consists of five cemeteries in the state of Utah and one in the state of California and eight mortuaries in the state of Utah and six in the state of Arizona. The Company also engages in pre-need selling of funeral, cemetery and cremation services through its Utah operations. Many of the insurance agents also sell pre-need funeral, cemetery and cremation services. The mortgage loan segment is an approved governmental and conventional lender that originates and underwrites residential and commercial loans for new construction and existing homes and real estate projects.

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

The Company was organized as a holding company in 1979 when Security National Life became a wholly owned subsidiary of the Company and the former stockholders of Security National Life became stockholders of the Company. Security National Life was formed in 1965 and has grown through the direct sale of life insurance and annuities and through the acquisition of other insurance companies, including the acquisitions of Capital Investors Life Insurance Company in December 1994, Civil Service Employees Life Insurance Company in December 1995 and Southern Security Life Insurance Company in December 1998. Memorial Estates, Inc. and Memorial Mortuary became direct subsidiaries of the Company in the 1979 reorganization when the Company was formed. These companies were acquired by Security National Life in 1973. The cemetery and mortuary operations have also grown through the acquisition of other cemetery and mortuary companies, including the acquisitions of Paradise Chapel Funeral Home, Inc. in 1989, Holladay Memorial Park, Inc., Cottonwood Mortuary, Inc. and Deseret Memorial, Inc. in 1991, Sunset Funeral Home in January 1994, Greer-Wilson

Funeral Home, Inc. in April 1995 and Crystal Rose Funeral Home in February 1997. In July 1993, the Company formed Security National Mortgage Company ("Security National Mortgage") to originate and refinance mortgage loans. See Notes to Consolidated Financial Statements for additional disclosure and discussion regarding segments of the business.

Life Insurance

Products

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

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

Markets and Distribution

The Company is licensed to sell insurance in 34 states. The Company, in marketing its life insurance products, seeks to locate, develop and service specific "niche" markets. A "niche" market is an identifiable market which the Company believes is not emphasized by most insurers. The Company generally sells its life insurance products to people of middle age who have a need for insurance to protect the income of the wage earner of the family, to pay off debts at the time of death and for other estate planning purposes. Funeral plan policies are sold primarily to persons who range in age from 45 to 75. Even though people of all ages and income levels purchase funeral plans, the Company believes that the highest percentage of funeral plan purchasers are individuals who are older than 45 and have low to moderate income. A majority of the Company's funeral plan premiums come from the states of Arizona, Colorado, Idaho, Nevada, Oklahoma, Texas and Utah, and a majority of the Company's non-funeral plan life insurance premiums come from the states of California, New Mexico and Utah.

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

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

In marketing the funeral plan insurance, the Company also seeks and obtains third-party endorsements from other cemeteries and mortuaries within its marketing areas. Typically, these cemeteries and mortuaries will provide letters of endorsement and may share in mailing and other lead-generating costs. The incentive for such businesses to share the costs is that these businesses are usually made the beneficiary of the policy. The following table summarizes the life insurance business for the five years ended December 31, 1998:

	1998	1997	1996	1995	1994
Life Insurance Policy/Cert. Count as of December 31	69,895(1)	43,213	42,034	42,711	41,064
Insurance in force as of December 31 (omitted 000)	$ 2,123,734(1)	648,906	546,213	530,688	436,600
Premiums Collected (omitted 000)	$ 5,718	5,732	5,765	5,819	5,175

(1) Includes acquisition of Southern Security Life Insurance Company on December 17, 1998.

Underwriting

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

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

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

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

Annuities

Products

The Company's annuity business includes single premium deferred annuities, flexible premium deferred annuities and immediate annuities. A single premium deferred annuity is a contract where the individual remits a sum of money to the Company, which is retained on deposit until such time as the individual may wish to purchase an immediate annuity or surrender the contract for cash. A flexible premium deferred annuity gives the contract holder the right to make premium payments of varying amounts or to make no further premium payments after his initial payment. These single and flexible premium deferred annuities can have initial surrender charges. The surrender charges act as a deterrent to individuals who may wish to surrender their annuity contracts. These types of annuities have guaranteed interest rates of 4% to 4 1/2% per annum. Above that, the interest rate credited is 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 4% to 6 1/2%.

Markets and Distribution

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

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

The following table summarizes the annuity business for the five years ended December 31, 1998:

	1998	1997	1996	1995	1994
Annuities					
Policy/Cert. Count as of December 31	7,890(1)	7,434	7,049	6,893	5,954
Deposits Collected (omitted 000)	2,770	2,521	2,859	2,375	1,927

(1) Includes acquisition of Southern Security Life Insurance Company on December 17, 1998.

Accident and Health

Products

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

Markets and Distribution

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

The following table summarizes the accident and health business for the five years ended December 31, 1998:

	1998	1997	1996	1995	1994
Accident and Health Policy/Cert. Count as of December 31	27,201(2)	30,250	33,639	37,302	42,910(1)
Premiums Collected (omitted 000)	$ 375	430	493	569	15

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

(2) Includes acquisition of Southern Security Life Insurance Company on December 17, 1998.

Reinsurance

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

The Company's policy is to retain no more than $50,000 of ordinary insurance per insured life. Excess risk is reinsured. The total amount of life insurance in force at December 31, 1998, reinsured by other companies aggregated $352,777,000, representing approximately 16.6% of the Company's life insurance in force on that date.

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

Investments

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

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

Cemetery and Mortuary

Products

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

Markets and Distribution

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

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

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

Mortgage Loans

Products

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

Markets and Distribution

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

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

Recent Acquisitions and Other Business Activities

California Memorial Estates

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

Greer-Wilson Funeral Home

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

Evergreen Memorial Park

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

Security National Life Insurance Company

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

Civil Service Employees Life Insurance Company

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

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

Crystal Rose Funeral Home

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

Consolidare Enterprises, Inc.

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 57.4% of the outstanding shares of common stock of Southern Security Life Insurance Company, a Florida corporation ("Southern Security"), and all of the outstanding shares of stock of Insuradyne Corp., a Florida corporation ("Insuradyne"). Southern Security is a Florida domiciled insurance company with total assets of approximately $81 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 1994. Reference is made to Southern Security's annual report on Form 10-K for the year ended December 31, 1998, which was filed with the Securities Exchange Commission on April 6, 1999, Commission File No. 2-35669.

Regulation

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

The Company is currently subject to regulation in Utah under insurance holding company legislation, and other states where applicable. Intercorporate transfers of assets and dividend payments from its insurance 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 it does business. Their business and accounts are also subject to examination by these agencies.

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

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

Income Taxes

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

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

Employees

As of December 31, 1998, the Company employed 204 full-time and 36 part-time employees.

Item 2. Properties

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

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

(1) The Company leases an additional 8,858 square feet of the facility to unrelated third parties for approximately $140,000 per year, under leases which expire at various dates after 1998.

(2) The Company leases an additional 2,766 square feet of the facility to unrelated third parties for approximately $15,000 per year, under leases which expire at various dates after 1998.

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

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

Name of Cemetery	Location	Date Acquired	Developed Acreage(1)	Total Acreage(1)	Net Saleable Acreage Acres Sold as Cemetery Spaces(2)	Total Available Acreage(1)
Memorial Estates, Inc.:						
Lakeview Cemetery(3)	1700 E. Lakeview Dr. Bountiful, UT	1973	6	40	7	33
Mountain View Cemetery(3)	3115 E. 7800 So. Salt Lake City, UT	1973	26	54	17	37
Redwood Cemetery(3)(5)	6500 So. Redwood Rd. West Jordan, UT	1973	40	78	34	44
Holladay Memorial Park(4)(5)	4800 So. Memory Lane Holladay, UT	1991	6	14	5	9
Lakehills Cemetery(4)	10055 So. State Sandy, UT	1991	12	44	6	38
Singing Hills Memorial Park(6)	2798 Dehesa Rd. El Cajon, CA	1995	6	35	1	34

(1) The acreage represents estimates of acres that are based upon survey reports, title reports, appraisal reports or the Company's inspection of the cemeteries.
(2) Includes spaces sold for cash and installment contract sales.
(3) As of December 31, 1998, there were mortgages of approximately $138,000 collateralized by the property and facilities at Memorial Estates Lakeview, Mountain View and Redwood Cemeteries, of which approximately $57,000 was held by Security National Life.
(4) As of December 31, 1998, there were mortgages of approximately $1,972,000 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, 1998, there was a mortgage of approximately $781,000 collateralized by the property.

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

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

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

(1) As of December 31, 1998, there were mortgages of approximately $412,000 collateralized by the property and facilities of Camelback Sunset Funeral Home.

(2) As of December 31, 1998, there were mortgages of approximately $1,972,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park, Lakehills Cemetery and Colonial Mortuary.

(3) As of December 31, 1998, there was a mortgage of approximately $111,000, collateralized by the property and facilities of Crystal Rose Funeral Home.

Item 3. Legal Proceedings

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

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

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

On March 13, 1998, a letter was sent by Eckard's counsel relative to a settlement proposal together with a draft complaint against the Company and Security National Life Insurance Company for filing in the United States District Court for the District of Utah. There was no material difference between the complaint prepared for filing in Utah and the amended complaint which had been filed in Indiana. The complaint was filed in Utah on August 13,

1998. Since its filing (the claims being the same as in the Indiana action), the treble damage claim (conversion) has been dismissed with prejudice. The contract claim is the remaining claim. Formal discovery is in process. Eckard claims approximately $152,000 plus interest and attorney's fees. Although no prediction of outcome is given, management intends to vigorously defend the action.

The Company has been named as a party in a lawsuit brought by Robert L. Anderson ("Anderson") in the Superior Court of San Diego, North County Judicial District, State of California. The complaint was filed on January 28, 1999 and pertains to the creation of the San Diego Memorial Park Partnership and the development of Singing Hills Memorial Park. Anderson was denominated as a partner in the 1989 partner-ship agreement. He asserts that the Company did not carry out the partnership agreement in developing the property as a cemetery and residential lots and that instead the property was later acquired by California Memorial Estates, Inc., a subsidiary of the Company, and developed. Anderson asserts a claim for lost profits because of alleged breach of the partnership agreement and further asserts breach of fiduciary duty, actual fraud, constructive fraud, asks for an accounting, and alleges conspiracy and declaratory relief. He seeks punitive damages, legal fees and costs. Formal discovery has not begun. At this stage, no complete evaluation has been made. Management, however, intends to vigorously defend the matter and believes that Anderson did not perform as required and that he has no bona fide basis to complain.

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

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

None

PART II

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

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

Period (Calendar Year)	Price Range High	Low
1997		
First Quarter	$4.76	$3.51
Second Quarter	4.54	3.85
Third Quarter	4.20	3.63
Fourth Quarter	4.08	3.68
1998		
First Quarter	3.97	3.57
Second Quarter	4.29	3.57
Third Quarter	3.99	3.10
Fourth Quarter	3.27	2.92
1999		
First Quarter	3.57	2.62

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 was paid in the years 1989 through 1998.

As of March 31, 1999, there were 4,837 record holders of Class A Common Stock and 150 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, 1998, are derived from the audited consolidated financial statements. The data as of December 31, 1998 and 1997, and for the three years ended December 31, 1998, 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,				
	1998	1997(3)	1996	1995(2)	1994(1)
Revenue					
Premiums	$ 5,916,000	$ 6,141,000	$ 5,666,000	$ 5,796,000	$4,945,000
Net investment income	7,459,000	7,140,000	7,517,000	6,680,000	4,121,000
Net mortuary and cemetery income	9,226,000	9,231,000	8,138,000	8,238,000	5,888,000
Realized gains on investments	74,000	253,000	290,000	333,000	384,000
Mortgage fee income	10,082,000	5,662,000	8,237,000	4,943,000	1,170,000
Other	63,000	48,000	75,000	71,000	153,000
Total revenue	32,820,000	28,475,000	29,923,000	26,061,000	16,661,000
Expenses					
Policyholder benefits	$ 6,932,000	$6,669,000	$ 6,341,000	$ 6,111,000	$4,036,000
Amortization of deferred policy acquisition costs	1,274,000	1,132,000	1,240,000	1,150,000	767,000
General and administrative expenses	19,649,000	15,361,000	17,292,000	13,019,000	8,064,000
Interest expense	999,000	948,000	1,318,000	1,208,000	692,000
Cost of goods & services of the mortuaries & cemeteries	2,940,000	2,696,000	2,355,000	2,314,000	1,767,000
Total benefits & expenses	31,794,000	26,806,000	28,546,000	23,801,000	15,326,000
Income before income tax expense	1,026,000	1,669,000	1,377,000	2,259,000	1,335,000
Income tax expense	(255,000)	(360,000)	(139,000)	(728,000)	(302,000)
Minority interest in loss of subsidiary	--	--	--	20,000	7,000
Net earnings	$ 771,000	$1,309,000	$ 1,237,000	$ 1,551,000	$1,040,000
Net earnings per common share(4)	$0.18	$0.33	$0.33	$0.44	$0.31
Weighted average outstanding common shares	4,273,000	3,988,000	3,750,000	3,508,000	3,350,000
Net earnings per common share-assuming dilution(4)	$0.18	$0.32	$0.32	$0.43	$0.30
Weighted average outstanding common shares-assuming dilution	4,273,000	4,093,000	3,856,000	3,576,000	3,418,000

Balance Sheet Data:

	Year Ended December 31, 1998(5)	1997(3)	1996	1995(2)	1994(1)
Assets					
Investments and restricted assets	$126,332,000	$ 81,039,000	$ 78,638,000	$ 80,815,000	$ 74,835,000
Cash	6,671,000	3,408,000	3,301,000	7,710,000	2,061,000
Receivables	28,309,000	15,224,000	17,070,000	24,177,000	4,638,000
Other assets	51,953,000	25,781,000	25,701,000	25,511,000	22,224,000
Total assets	$213,265,000	$125,452,000	$124,710,000	$138,213,000	$103,758,000
Liabilities					
Policyholder benefits	$137,466,000	$ 77,890,000	$ 76,962,000	$ 76,868,000	61,896,000
Notes & contracts payable	22,887,000	9,981,000	12,490,000	27,129,000	10,210,000
Cemetery & mortuary liabilities	6,917,000	6,116,000	5,946,000	6,078,000	6,603,000
Other liabilities	12,473,000	6,070,000	5,844,000	6,219,000	5,070,000
Total liabilities	179,743,000	100,057,000	101,242,000	116,294,000	83,779,000
Minority interest	6,778,000	--	--	--	--
Stockholders' equity	26,744,000	25,395,000	23,468,000	21,919,000	19,979,000
Total liabilities and stockholders' equity	$213,265,000	$125,452,000	$124,710,000	$138,213,000	$103,758,000

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

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

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

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

(5) Reflects the acquisition of Consolidare Enterprises, Inc., and subsidiaries as of December 17, 1998.

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

Overview

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

Results of Operations

1998 Compared to 1997

Total revenues increased by $4,345,000, or 15.3%, from $28,475,000 for fiscal year 1997 to $32,820,000 for fiscal year 1998. Net investment income increased $319,000 and mortgage fee income increased $4,420,000. These increases were offset by decreases in insurance premiums and other considerations of $225,000, net mortuary and cemetery sales of $5,000 and realized gains on investments and other assets of $179,000.

Insurance premiums and other considerations decreased by $225,000, from $6,141,000 in 1997 to $5,916,000 in 1998. This decrease was primarily attributed to a reduction in renewal premiums.

Net investment income increased by $319,000, from $7,140,000 in 1997 to $7,459,000 in 1998. This increase was primarily the result of the reinvestment of the Company's bond portfolio in 1998 into higher long-term rates in mortgage loans.

Net mortuary and cemetery sales decreased by $5,000, from $9,231,000 in 1997 to $9,226,000 in 1998. The increase in cemetery sales (primarily trusted merchandise sales) was offset by a decrease in mortuary revenues.

Mortgage fee income increased by $4,420,000, from $5,662,000 in 1997 to $10,082,000 in 1998. This increase was primarily due to the increased number of loan originations in the Company's primary market, the intermountain region, compared to 1997.

Total benefits and expenses were $31,794,000 for 1998, which constituted 97% of the Company's total revenues, as compared to $26,806,000, or 94% of the Company's total revenues for 1997.

During 1998, there was a net increase of $263,000 in death benefits, surrender and other policy benefits, and an increase in future policy benefits from $6,669,000 in 1997 to $6,932,000 in 1998. This increase was primarily due to additional interest credited on annuities and reserve increases on traditional products. This increase was reasonable based on the underlying actuarial assumptions.

Amortization of deferred policy acquisition costs and cost of insurance acquired increased by $141,000, from $1,132,000 in 1997 to $1,274,000 in 1998. This increase was reasonable based on the underlying actuarial assumptions.

General and administrative expenses increased by $4,288,000, from $15,361,000 in 1997 to $19,649,000 in 1998. Commission expenses increased by $2,735,000, from $4,883,000 in 1997 to $7,618,000 in 1998. Salaries increased $553,000 from $4,806,000 in 1997 to $5,359,000 in 1998. Other expenses increased $999,000, from $5,672,000 in 1997 to $6,671,000 in 1998. These increases were primarily the result of the increased number of loan originations by the Company's mortgage subsidiary.

Interest expense increased by $51,000, from $948,000 in 1997 to $999,000 in 1998. This increase was primarily due to more loan originations from the Company's mortgage subsidiary that were funded by third parties.

Cost of the mortuary and cemetery goods and services sold increased by $244,000 from $2,696,000 in 1997 to $2,940,000 in 1998. This increase was primarily due to the increase in trusted merchandise sales.

1997 Compared to 1996

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

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

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

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

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

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

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

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

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

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

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

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 $73,598,000, as of December 31, 1998 compared to $49,697,000 as of December 31, 1997. This represents 61% of the total insurance related investments in 1998 as compared to 64% in 1997. 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, 1998, .63% ($459,926) and at December 31, 1997, 4.06% ($2,018,000) of the Company's total invested assets 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 maturity security portfolio (approximately $75,467,000) 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 pbs	-100 pbs	+100 pbs	+200 pbs
Change in Market Value (in thousands)	$10,623	$5,021	$(4,798)	$(9,140)

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, 1998 and 1997, the life subsidiaries exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity and bank debt and notes payable was $41,990,000 and $35,276,000 as of December 31, 1998 and 1997, respectively. Stockholders' equity as a percent of total capitalization was 64% and 72% as of December 31, 1998 and 1997, respectively.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 1998 was 6.0%, as compared to a rate of 11.7% in 1997.

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

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

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

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

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

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 57.4% of the outstanding shares of common stock of Southern Security Life Insurance Company, a Florida corporation ("SSLIC"), and 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.

In connection with the acquisition of Consolidare, the Company 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, 2001, to reflect increases in the Consumer Price Index, over the index amount as of January 1, 2000. 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. However, in no event can the agreement be terminated prior to December 16, 2003.

At December 31, 1998, $20,710,999 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.

Year 2000 Issues

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

The Company's insurance operations have two different administrative systems for its insurance operations. The system used for Security National Life Insurance Company was converted to a Year 2000 compliant version in the fourth quarter of 1998. The Company expended approximately $52,000 for the conversion to this latest version. As part of the acquisition of Southern Security Life Insurance Company (Southern Security), the Company purchased a new system which is Year 2000 compliant. The Company successfully converted Southern Security's existing system to the new system on January 1, 1999. The Company paid in 1998 approximately $1 million for this new system.

The Company's mortgage subsidiary uses a Year 2000 compliant system. The Company's mortuary and cemetery operations converted to the latest version for Year 2000 software during March 1999. The Company's general accounting and payroll systems were converted to Year 2000 versions during March 1999. The cost for these conversions were not significant to consolidated net income.

Anticipated future costs of addressing potential problems are not currently expected to have a material adverse impact on the Company's financial position, results of operations or cash flows in future periods. However, if the Company, its customers or vendors are unable to resolve such processing issues in a timely manner, it could result in a material financial risk. Management believes that manual policy and claims administration could be performed in the unlikely event that one or more of its systems did not function.

The Company has tested each personal computer being used for Year 2000 compliance and has installed or replaced the necessary software to meet compliance. The Company is monitoring the progress of third party vendors which the Company relies upon, i.e., telephone equipment and communication suppliers, electricity suppliers, natural gas suppliers, banks, brokers, U.S. Postal Service, express mail services, etc. The Company is not aware of any if its suppliers that will not be Year 2000 compliant and will continue to monitor and make the necessary contingency plans where needed. The Company is aware of the risks associated with any of its internal systems or those of its suppliers that are not Year 2000 compliant.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

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

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Security National Financial Corporation

We have audited the accompanying consolidated balance sheets of Security National Financial Corporation and subsidiaries as of December 31, 1998, and 1997, and the related consolidated statements of earnings, stockholders' equity, and cash flow for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedules listed in the Index at Item 8. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Security National Financial Corporation and subsidiaries at December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

ERNST & YOUNG LLP

Salt Lake City, Utah
March 22, 1999

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheets

Assets:	December 31, 1998	December 31, 1997
Insurance-related investments:		
Fixed maturity securities held to maturity, at amortized cost (market $46,897,819 and $51,177,199 for 1998 and 1997)	$44,984,882	$ 49,784,898
Fixed maturity securities available for sale, at market (cost $28,675,440 in 1998)	28,675,440	--
Equity securities available for sale, at market (cost $4,035,251 and $3,870,078 for 1998 and 1997)	5,146,059	4,831,813
Mortgage loans on real estate	12,523,395	8,307,237
Real estate, net of accumulated depreciation of $2,380,874 and $2,049,346 for 1998 and 1997	7,866,151	7,559,725
Policy, student and other loans	11,493,637	2,966,858
Short-term investments	11,543,540	3,698,941
Total insurance-related investments	122,233,104	77,149,472
Restricted assets of cemeteries and mortuaries	4,098,877	3,889,785
Cash	6,670,996	3,408,179
Receivables:		
Trade contracts	4,011,722	4,323,011
Mortgage loans sold to investors	21,181,028	11,398,432
Receivable from agents	1,944,449	816,657
Receivable from officers	145,600	--
Other	2,603,243	364,782
Total receivables	29,886,042	16,902,882
Allowance for doubtful accounts	(1,576,668)	(1,679,090)
Net receivables	28,309,374	15,223,792
Policyholder accounts on deposit with reinsurer	8,518,571	--
Land and improvements held for sale	8,405,725	8,466,886
Accrued investment income	1,440,860	1,001,998
Deferred policy acquisition costs	10,501,281	4,433,841
Property, plant and equipment, net	10,682,085	6,641,562
Cost of insurance acquired	10,462,446	3,370,018
Excess of cost over net assets of acquired subsidiaries	1,414,910	1,554,505
Other	526,918	311,841
Total assets	$213,265,147	$125,451,879

See accompanying notes to consolidated financial statements.

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

	December 31, 1998	December 31, 1997
Liabilities:		
Future life, annuity, and other policy benefits	$134,899,870	$ 77,890,080
Unearned premium reserve	2,565,968	--
Line of credit for financing of mortgage loans	7,577,248	100,000
Bank loans payable	11,909,980	6,097,351
Notes and contracts payable	3,399,272	3,783,566
Estimated future costs of pre-need sales	6,376,651	5,994,241
Payable to endowment care fund	540,504	121,370
Accounts payable	1,321,559	1,204,029
Funds held under reinsurance treaties	1,419,357	--
Other liabilities and accrued expenses	3,787,385	1,632,897
Income taxes	6,008,537	3,233,415
Total liabilities	179,806,331	100,056,949
Commitments and contingencies	--	--
Minority interest	6,778,557	--
Stockholders' Equity:		
Common stock:		
Class A: $2 par value, authorized 10,000,000 shares, issued 4,617,330 shares in 1998 and 4,326,588 shares in 1997	9,234,660	8,653,176
Class C: $0.20 par value, authorized 7,500,000 shares, issued 5,446,595 shares in 1998 and 5,200,811 shares in 1997	1,089,319	1,040,162
Total common stock	10,323,979	9,693,338
Additional paid-in capital	9,596,444	9,133,454
Accumulated other comprehensive income, net of deferred taxes of $222,967 and $130,796 for 1998 and 1997	1,081,113	830,939
Retained earnings	7,474,783	7,533,259
Treasury stock at cost (692,993 Class A shares and 59,028 Class C shares in 1998; 659,992 Class A shares and 56,217 Class C shares in 1997, held by affiliated companies)	(1,796,060)	(1,796,060)
Total stockholders' equity	26,680,259	25,394,930
Total liabilities and stockholders' equity	$213,265,147	$125,451,879

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Consolidated Statements of Earnings

	Year Ended December 31, 1998	1997	1996
Revenues:			
Insurance premiums and other considerations	$ 5,915,659	$ 6,140,783	$ 5,666,436
Net investment income	7,458,743	7,139,580	7,517,014
Net mortuary and cemetery sales	9,225,801	9,230,864	8,138,010
Realized gains on investments and other assets	74,121	252,635	289,543
Mortgage fee income	10,082,330	5,661,867	8,236,709
Other	62,949	48,893	74,989
Total revenue	32,819,603	28,474,622	29,922,701
Benefits and expenses:			
Death benefits	2,432,822	2,407,931	2,143,843
Surrenders and other policy benefits	1,145,812	1,286,511	1,452,295
Increase in future policy benefits	3,353,287	2,974,915	2,744,326
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,273,394	1,132,298	1,239,918
General and administrative expenses:			
Commissions	7,618,335	4,882,880	6,000,119
Salaries	5,358,743	4,805,571	4,744,503
Other	6,671,823	5,671,664	6,547,639
Interest expense	999,123	947,629	1,318,102
Cost of goods and services sold of the mortuaries and cemeteries	2,940,220	2,696,174	2,355,353
Total benefits and expenses	31,793,559	26,805,573	28,546,098
Earnings before income taxes	1,026,044	1,669,049	1,376,603
Income tax expense	(254,815)	(360,108)	(139,458)
Net earnings	$ 771,229	$ 1,308,941	$ 1,237,145
Net earnings per common share	$0.18	$0.33	$0.33
Weighted average outstanding common shares	4,272,516	3,988,034	3,750,498
Net earnings per common share-assuming dilution	$0.18	$0.32	$0.32
Weighted average outstanding common shares assuming-dilution	4,272,516	4,092,691	3,855,560

See accompanying notes to consolidated financial statements.

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

	Class A	Class C	Additional Paid-in Capital
Balance at December 31, 1995	$7,638,830	$ 955,216	$7,879,578
Comprehensive income:			
Net earnings			
Unrealized loss on securities			
Total comprehensive income			
Stock dividends	403,758	42,101	548,844
Conversion Class C to Class A	3,904	(3,904)	
Stock issued	174,926		246,964
Purchase of treasury stock	---------	---------	--------
Balance at December 31, 1996	8,221,418	993,413	8,675,386
Comprehensive income:			
Net earnings			
Unrealized gain on securities			
Total comprehensive income			
Stock dividends	412,712	49,531	431,967
Conversion Class C to Class A	2,718	(2,718)	
Stock issued	16,328	(64)	26,101
Purchase of treasury stock	----------	-------	--------
Balance at December 31, 1997	8,653,176	1,040,162	9,133,454
Comprehensive income:			
Net earnings			
Unrealized gain on securities			
Total comprehensive income			
Stock dividends	439,784	51,875	338,046
Conversion Class C to Class A	2,672	(2,672)	
Stock issued	139,028	(46)	124,944
Purchase of treasury stock	-----------	----------	-----------
Balance at December 31, 1998	$9,234,660	$1,089,319	$ 9,596,444
	==========	==========	===========

See accompanying notes to consolidated financial statements.

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

	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total
Balance at December 31, 1995	$368,515	$6,876,086	$(1,799,632)	$21,918,593
Comprehensive income:				
Net earnings		1,237,145		1,237,145
Unrealized loss on securities	(108,600)			(108,600)
Total comprehensive income				1,128,545
Stock dividends		(994,703)		
Conversion Class C to Class A				
Stock issued				421,890
Purchase of treasury stock			(1,000)	(1,000)
Balance at December 31, 1996	259,915	7,118,528	(1,800,632)	23,468,028
Comprehensive income:				
Net earnings		1,308,941		1,308,941
Unrealized gain on securities	571,024			571,024
Total comprehensive income				1,879,965
Stock dividends		(894,210)		
Conversion Class C to Class A				
Stock issued			43,520	85,885
Purchase of treasury stock			(38,948)	(38,948)
Balance at December 31, 1997	830,939	7,533,259	(1,796,060)	25,394,930
Comprehensive income:				
Net earnings		771,229		771,229
Unrealized gain on securities	250,174			250,174
Total comprehensive income				1,021,403
Stock dividends		(829,705)		
Conversion Class C to Class A				
Stock issued				263,926
Purchase of treasury stock				
Balance at December 31, 1998	$1,081,113	$ 7,474,783	$(1,796,060)	$26,680,259

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 1998	1997	1996
Cash flows from operating activities:			
Net earnings	$ 771,229	$1,308,941	$1,237,145
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Realized gains on investments and other assets	(74,121)	(252,635)	(289,543)
Depreciation	917,166	815,977	1,213,639
Provision for losses on accounts and loans receivable	175,750	129,502	197,239
Amortization of goodwill, premiums, and discounts	90,622	106,783	(5,528)
Provision for income taxes	254,815	360,108	139,458
Policy acquisition costs deferred	(1,310,170)	(909,943)	(748,356)
Policy acquisition costs amortized	976,482	753,662	980,768
Cost of insurance acquired amortized	296,912	378,636	259,150
Change in assets and liabilities net of effects from purchases and disposals of subsidiaries:			
Land and improvements held for sale	61,161	(10,584)	(888,286)
Future life and other benefits	3,349,196	2,879,911	2,759,439
Receivables for mortgage loans sold	(5,841,576)	2,056,691	6,384,534
Other operating assets and liabilities	921,158	(534,157)	497,522
Net cash provided by operating activities	588,624	7,082,892	11,737,181
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(524,562)	(9,254,030)	(1,496,512)
Calls and maturities - fixed maturity securities	10,482,673	7,561,598	5,018,437
Securities available for sale:			
Purchases - equity securities	(22,183)	(309,547)	(3,126)
Sales - equity securities	114,608	465,935	384,045
Purchases of short-term investments	(11,453,095)	(5,008,706)	(7,768,574)
Sales of short-term investments	11,102,460	3,568,048	6,232,884
Purchases of restricted assets	(15,820)	(329,379)	(467,964)
Mortgage, policy, and other loans made	(6,974,351)	(1,337,456)	(4,931,984)
Payments received for mortgage, policy, and other loans	2,811,841	3,066,889	5,663,131
Purchases of property, plant, and equipment	(2,040,023)	(351,091)	(986,924)
Purchases of real estate	(755,581)	(97,013)	(484,471)
Purchases of subsidiaries net of cash acquired	(11,764,823)	(60,602)	--
Net cash (used in) provided by investing activities	(9,038,856)	(2,085,354)	1,158,942

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

	Year Ended December 31, 1998	1997	1996
Cash flows from financing activities:			
Annuity receipts	2,770,045	2,521,025	2,858,798
Annuity withdrawals	(3,962,579)	(4,472,918)	(5,523,860)
Repayment of bank loans and notes and contracts payable	(918,065)	(1,965,706)	(1,550,583)
Proceeds from borrowings on bank loans and notes and contracts payable	6,246,400	233,000	167,915
Sale of treasury stock	--	44,994	--
Purchase of treasury stock	--	(38,948)	(1,000)
Net change in line of credit for financing of mortgage loans	7,577,248	(1,211,890)	(13,256,464)
Net cash (used in) provided by financing activities	11,713,049	(4,890,443)	(17,305,194)
Net change in cash	3,262,817	107,095	(4,409,071)
Cash at beginning of year	3,408,179	3,301,084	7,710,155
Cash at end of year	$ 6,670,996	$ 3,408,179	$ 3,301,084

See accompanying notes to the financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 1998, 1997, and 1996

1) Significant Accounting Principles

General Overview of Business

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

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles which, for the life insurance 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 on mortgage loans on real estate owned by the Company will default or that other parties, including reinsurers and holders of cemetery/ mortuary contracts which owe the Company money, will not pay. The Company minimizes this risk by adhering to a conservative investment strategy, by maintaining sound reinsurance and credit and collection policies and by providing for any amounts deemed uncollectible.

1) Significant Accounting Principles (Continued)

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

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

Estimates

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

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and operations of the Company. The Company's subsidiaries at December 31, 1998, 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

1) Significant Accounting Principles (Continued)

Camelback Sunset Funeral Home, Inc.
Greer-Wilson Funeral Home
Crystal Rose Funeral Home
Hawaiian Land Holdings
Consolidare Enterprises, Inc.
Insuradyne
Southern Security Life Insurance Company (57.4%)

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 Consolidare Enterprises, Inc., (Consolidare) for a total cost of $12,248,194. Consolidare owns approximately 57.4% of the outstanding shares of common stock of Southern Security Life Insurance Company (Southern Security) and all of the outstanding shares of stock of Insuradyne Corp. The acquisition was accounted for using the purchase method. The assets and liabilities of Consolidare and subsidiaries have been included in the Company's balance sheet at December 31, 1998. The results of operations of Consolidare and subsidiaries were not material to the financial statements of the Company from the date of acquisition through December 31, 1998 and, consequently, have not been included in the Consolidated Statements of Earnings for the year then ended.

The unaudited consolidated pro forma results of operations assuming consummation of the purchase as of January 1, 1997 are summarized as follows:

	Pro Forma	
	1998	1997
	(in thousands except earnings per share)	
Total revenues	$43,943	$39,968
Net earnings	1,117	2,068
Earnings per share	.26	.52

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

1) Significant Accounting Principles (Continued)

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.

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

Restricted assets of cemeteries and mortuaries - consists of cash, participations in mortgage loans with Security National Life Insurance Company, 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.

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.

1) Significant Accounting Principles (Continued)

Deferred Policy Acquisition Costs and Cost of Insurance Acquired

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

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

Future Life, Annuity and Other Policy Benefits

Future policy benefit reserves for traditional life insurance are computed using a net level method, including assumptions as to investment yields, mortality, morbidity, withdrawals, and other assumptions based on the 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% in 1998, 1997, and 1996. Benefit reserves for traditional limited-payment life insurance policies include the deferred portion of the premiums received during the premium-paying period. Deferred premiums are recognized as income over the life of the policies. Policy benefit claims are charged to expense in the period the claims are incurred.

Future policy benefit reserves for interest-sensitive insurance products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policy account balances. Interest crediting rates for interest-sensitive insurance products ranged from 4% to 6.5% in 1998, 1997 and 1996.

Participating Insurance

Participating business constitutes 1%, 8%, and 5% of insurance in force for 1998, 1997 and 1996, respectively. The provision for policyholders' dividends included in policyholder obligations is based on dividend scales anticipated by management. Amounts to be paid are determined by the Board of Directors.

1) Significant Accounting Principles (Continued)

Reinsurance

The Company follows the procedure of reinsuring risks in excess of $50,000 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

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

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

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

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

The Company, through its mortuary and cemetery operations, provides a guaranteed funeral arrangement wherein a

1) Significant Accounting Principles (Continued)

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

Mortgage Operations

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

Excess of Cost Over Net Assets of Acquired Businesses

Previous acquisitions have been accounted for as purchases under which assets acquired and liabilities assumed were recorded at their fair values. The excess of cost over net assets of acquired businesses is being amortized over a range of fifteen to twenty years using the straight-line method. The Company periodically evaluates the recoverability of amounts recorded. Accumulated amortization was $919,951 and $780,356 at December 31, 1998 and 1997, respectively.

Income Taxes

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

1) Significant Accounting Principles (Continued)

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 one fixed option plan (the "1993 Plan"). In accordance with APB Opinion No. 25, no compensation cost has been recognized for the 1993 plan. Had compensation cost for the 1993 plan been determined based upon the fair value at the grant date consistent with the methodology prescribed under SFAS No. 123, the Company's net income would have been reduced by approximately $110,000, $10,000, and $7,000 in 1998, 1997, and 1996, respectively. As a result, basic and diluted earnings per share would have been reduced in 1998 from $0.18 to $0.15. There would have been no measurable effect on earnings per share in 1997 or 1996.

The fair value of each option granted in 1998 under the 1993 Plan is estimated at $0.81 as of the grant date using the Black Scholes option-pricing model with the following assumptions: dividend yield of 5%, volatility of 29.3%, risk-free interest rate of 5.7%, and an expected life of five years. The fair value of each option granted in 1996 under the 1993 Plan is estimated at $1.19 as of the grant date using the Black Scholes option-pricing model with the following assumptions: dividend yield of 5%, volatility of 34.2%, risk-free interest rate of 6.9%, and an expected life of five years.

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

Comprehensive Income

As of January 1, 1998, the Company adopted SFAS 130, "Reporting Comprehensive Income". SFAS 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of this Statement had no impact on the Company's net income nor stockholders'

1) Significant Accounting Principles (Continued)

equity. SFAS 130 requires unrealized gains or losses on the Company's available-for-sale securities, which prior to adoption were reported separately in stockholders' equity, to be included in other comprehensive income. Prior year financial statements have been reclassified to conform to the requirements of SFAS 130.

Reclassifications

Certain amounts in prior years have been reclassified to conform with the 1998 presentation.

2) Investments

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 1998:				
Fixed maturity securities held to maturity:				
Bonds				
U.S. Treasury securities and obligations of U.S. Government agencies	$14,548,493	$ 483,831	$ (117)	$15,032,207
Obligations of states and political subdivisions	169,941	15,047	(5,938)	179,050
Corporate securities including public utilities	22,764,172	1,410,810	(34,627)	24,140,355
Mortgage-backed securities	7,439,713	--	--	7,439,713
Redeemable preferred stock	62,563	51,874	(7,943)	106,494
Total	$44,984,882	$1,961,562	$ (48,625)	$46,897,819
Securities available for sale				
Bonds				
U.S. Treasury securities and obligations of U.S. Government agencies (1)	$ 5,309,323	$ --	$ --	$ 5,309,323
Corporate securities including public utilities(1)	23,366,117	--	--	23,366,117
Nonredeemable preferred stock	76,431	75,675	(3,231)	148,875
Common stock	3,958,820	1,581,457	(543,093)	4,997,184
Total	$32,710,691	$1,657,132	$ (546,324)	$33,821,499
Restricted equity securities (note 7)	$ 172,391	$ 203,619	$ (10,348)	$ 365,662

(1) Fixed maturity securities available for sale were acquired as part of the SSLIC acquisition. As such, cost equaled fair value as of December 31, 1998.

2) Investments (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 1997:				
Fixed maturity securities held to maturity:				
U.S. Treasury securities and obligations of U.S. Government agencies	$17,212,358	$300,816	$ (13,139)	$17,500,035
Obligations of states and political subdivisions	216,290	14,066	(12,406)	217,950
Corporate securities including public utilities	25,144,396	1,260,917	(158,966)	26,246,347
Redeemable preferred stock	87,563	35,054	(34,041)	88,576
Mortgage-backed securities	7,124,291	--	--	7,124,291
Total	$49,784,898	$1,610,853	$(218,552)	$51,177,199
Equity securities available for sale	$ 3,870,078	$1,563,836	$(602,101)	$ 4,831,813
Restricted equity securities (note 7)	$ 172,391	$ --	$ --	$ 172,391

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, 1998, 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 1999	$ 5,710,714	$ 5,699,201
Due in 2000 through 2003	22,989,518	24,364,311
Due in 2004 through 2008	8,271,794	8,685,749
Due after 2008	510,580	602,351
Mortgage-backed securities	7,439,713	7,439,713
Redeemable preferred stock	62,563	106,494
	$44,984,882	$46,897,819

Available for Sale:	Amortized Cost	Estimated Fair Value
Due in 1999	$ 2,852,809	$ 2,852,809
Due in 2000 through 2003	11,757,682	11,757,682
Due in 2004 through 2008	12,664,452	12,664,452
Due after 2008	1,400,497	1,400,497
	$28,675,440	$28,675,440

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

	1998	1997	1996
Fixed maturity securities held to maturity:			
Gross realized gains	$ 43,154	$ 37,995	$ 347,728
Gross realized losses	(26,470)	(12,457)	(141,848)
Securities available for sale:			
Gross realized gains	66,589	242,714	89,823
Gross realized losses	(3,887)	(15,617)	--
Other assets	(5,265)	--	(6,160)

Total	$ 74,121	$252,635	$ 289,543

The change in unrealized appreciation of investments, as shown in the accompanying consolidated statements of stockholders' equity, relates entirely to equity securities for 1998, 1997, and 1996.

2) Investments (Continued)

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

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, 1998, other than investments issued or guaranteed by the United States Government, are as follows:

	Carrying Amount
Dean Witter Discover	$4,260,911
Philip Morris, Inc.	6,014,608

Major categories of net investment income are as follows:

	1998	1997	1996
Fixed maturity securities	$3,293,949	$3,519,270	$3,684,089
Equity securities	219,785	238,097	251,733
Mortgage loans on real estate	1,036,132	774,478	1,225,207
Real estate	1,384,311	1,375,996	1,281,511
Policy loans	170,752	170,726	168,857
Short-term investments	405,848	529,979	575,498
Other	1,899,643	1,310,246	1,179,889
Gross investment income	8,410,420	7,918,792	8,366,784
Investment expenses	(951,677)	(779,212)	(849,770)
Net investment income	$7,458,743	$7,139,580	$7,517,014

Net investment income includes net investment income earned by the restricted assets of the cemeteries and mortuaries of approximately $683,000, $609,000 and $655,000 for 1998, 1997, and 1996, 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 $9,924,315 at December 31, 1998 and $7,115,070 at December 31, 1997.

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3) Cost of Insurance Acquired

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

	1998	1997	1996
Balance at beginning of year	$3,370,018	$3,748,654	$4,007,804
Cost of insurance acquired	7,389,340	--	--
Interest accrued at 7%	235,901	262,406	280,546
Amortization	(532,813)	(641,042)	(539,696)
Net amortization charged to income	(296,912)	(378,636)	(259,150)
Balance at end of year	$10,462,446	$3,370,018	$3,748,654

Presuming no additional acquisitions, net amortization charged to income is expected to approximate $664,000, $644,000, $629,000, $617,000, and $607,000 for the years 1999 through 2003.

4) Property, Plant and Equipment

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

	December 31, 1998	1997
Land and Buildings	$ 9,983,828	$ 6,584,835
Furniture and equipment	6,011,048	4,784,763
	15,994,876	11,369,598
Less accumulated depreciation	(5,312,791)	(4,728,036)
Total	$10,682,085	$ 6,641,562

5) Bank Loans Payable and Lines of Credit

Bank loans payable are summarized as follows:

	December 31, 1998	1997
Bank prime rate plus 1/2% (8.25% at December 31, 1998) note payable in monthly installments of $36,420 including principal and interest, collateralized by 15,000 shares of Security National Life stock, due December 1999.	$1,974,898	$2,221,394

10% note payable in monthly

installments of $8,444 including principal and interest, collateralized by real property, which book value is approximately $1,113,000, due January 2013.	766,186	789,516

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5) Bank Loans Payable and Lines of Credit

Bank loans payable are summarized as follows:

	December 31, 1998	1997
One year treasury constant maturity plus 2.75% (8.03% at December 31, 1998) note payable in monthly installments of $6,000, including principal and interest, collateralized by real property, which book value is approximately $414,000, due October 1999.	239,134	295,113
Bank prime rate less 1.35% (6.40% at December 31, 1998) note payable in monthly installments of $20,836, including principal and interest, collateralized by real property, which book value is approximately $1,120,000, due November 2007.	1,755,736	1,789,349
$6,250,000 revolving line of credit at bank prime rate less 1%, (6.75% at December 31, 1998) interest only to December 1999 thereafter interest and principal, collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2005.	6,246,400	--
Bank prime rate plus 1/2% (8.25% at December 31, 1998) note payable in monthly installments of $7,235 including principal and interest, collateralized by real property, which book value is approximately $934,000, due August 1999.	412,116	460,654
Bank prime rate less 1.35% (6.40% at December 31, 1998) 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.	216,117	233,000

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

	December 31, 1998	1997
Other collateralized bank loans payable	299,393	308,325
Total bank loans	11,909,980	6,097,351
Less current installments	3,181,330	597,523
Bank loans, excluding current installments	$8,728,650	$5,499,828

	December 31, 1998	1997
$15 million revolving line of credit at LIBOR plus 1.45% (6.51% at December 31, 1998), payable within 30 days collateralized by receivable from mortgage loans sold to investors.	$7,577,248	$ --
$100,000 revolving line of credit at bank prime rate plus 1/2% (8.25% at December 31, 1998), payable within 30 days.	$ --	$ 100,000

In addition to the lines of credit described above, the Company has line of credit agreements with banks for $2,000,000 and $5,000,000, of which none were outstanding at December 31, 1998 or 1997. The lines of credit are for general operating purposes. The $2,000,000 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, 1998	1997
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.	$ 667,829	$ 680,220

6) Notes and Contracts Payable (Continued)

	December 31, 1998	1997
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.	392,458	435,543
Due to former stockholders of Civil Service Employees Life Insurance Company resulting from the acquisition of such entity. 7% note payable in seven annual installments with principal payments of $151,857, due December 2003.	607,429	759,286
Due to former stockholders of Crystal Rose Funeral Home resulting from the acquisition of such entity. Amount represents the present value discounted at 9% of monthly annuity payments of $5,350 due February 2007.	221,587	263,261
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	780,604	828,836
Other notes payable	729,365	816,420
Total notes and contracts payable	3,399,272	3,783,566
Less current installments	416,679	422,061
Notes and contracts, excluding current installments	$2,982,593	$3,361,505

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

1999	11,175,257
2000	1,389,360
2001	1,466,177
2002	1,534,972
2003	1,432,800
Thereafter	5,887,934
Total	$22,886,500

Interest paid approximated interest expense in 1998, 1997 and 1996.

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

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

	December 31, 1998	December 31, 1997
Liability for spaces sold	$ 1,400,398	$ 1,351,788
Less assets in the fund	(859,894)	(1,230,418)
Total due to fund	$ 540,504	$ 121,370

Assets in the endowment care fund are summarized as follows:

	December 31, 1998	December 31, 1997
Cash and cash equivalents	$119,761	$ 111,637
Equity securities	294,608	94,613
Participation in mortgage loans with Security National Life	310,525	889,168
Other	135,000	135,000
Total	$ 859,894	$1,230,418

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

Assets in the restricted asset account are summarized as follows:

	December 31, 1998	December 31, 1997
Cash and cash equivalents	$2,243,808	$2,038,828
Mutual funds	132,945	132,944
Fixed maturity securities	294,210	384,690
Equity securities	71,054	77,778
Participation in mortgage loans with Security National Life	1,323,164	1,221,849
Time certificate of deposit	33,696	33,696
Total	$4,098,877	$3,889,785

8) Income Taxes

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

	December 31, 1998	1997
Current	$ 141,352	$ 226,300
Deferred	5,867,185	3,007,115
Total	$6,008,537	$3,233,415

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

	1998	1997
Assets		
Future policy benefits	$(2,138,384)	$(67,238)
Unearned premium	(965,574)	--
Uncollected agents' balances	(45,140)	(45,140)
Difference between book and tax basis of bonds	(46,885)	(46,885)
AMT credits	(11,658)	(13,064)
Net operating loss carryforwards expiring in the years 2001 through 2010	(213,409)	(219,069)
Other	(80,985)	--
Total deferred tax assets	$(3,502,035)	$(391,396)
Liabilities		
Deferred policy acquisition costs	$2,186,241	$ 394,253
Cost of insurance acquired	3,198,551	466,426
Installment sales	351,080	538,205
Depreciation	758,149	790,136
Trusts	899,415	528,803
Tax on unrealized appreciation	541,901	130,796
Other	1,433,883	549,892
Total deferred tax liabilities	9,369,220	3,398,511
Net deferred tax liability	$5,867,185	$3,007,115

The Company paid no income taxes in 1998, 1997 and 1996.
The Company's income tax expense is summarized as follows:

	1998	1997	1996
Current	$(84,948)	$200,173	$(168,527)
Deferred	339,763	159,935	307,985

Total	$254,815	$360,108	$ 139,458
	========	========	=========

8) Income Taxes(Continued)

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

	1998	1997	1996
Computed expense at statutory rate	$348,855	$562,772	$ 461,574
Special deductions allowed small life insurance companies	(88,658)	(152,215)	(260,803)
Dividends received deduction	(26,691)	(32,343)	(32,968)
Prior year provision to tax return true-up	--	(18,421)	--
Other, net	21,309	315	(28,345)
Tax expense	$254,815	$360,108	$ 139,458

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, 1998, 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 insurance companies have remaining loss carry forwards for tax purposes of approximately $1,600,000, approximately $286,000 of which is subject to an annual limitation of approximately $300,000.

9) Reinsurance, Commitments and Contingencies

The Company follows the procedure of reinsuring risks in excess of a specified limit, which ranged from $30,000 to $75,000 at December 31, 1998 and 1997. 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 $569,448,000 at December 31, 1998 and $46,254,000 at December 31, 1997.

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 expense reimbursements. The funds held related to reinsurance treaties of $1,419,357 and policyholders' account balances on deposit with reinsurer of $8,518,571 represent the 18% share of policy loans and policyholder account balances ceded to MEGA as of December 31, 1998.

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

9) Reinsurance, Commitments and Contingencies (Continued)

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

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

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

On March 13, 1998, a letter was sent by Eckard's counsel relative to a settlement proposal together with a draft complaint against the Company and Security National Life Insurance Company for filing in the United States District Court for the District of Utah. There appears to be no material difference between the complaint prepared for filing in Utah and the amended complaint which had been filed in Indiana. The complaint was filed in Utah on August 13, 1998. Since its filing (the claims being the same as in the Indiana action), the treble damage claim (conversion) has been dismissed with prejudice. The contract claim is the remaining claim. Formal discovery is in process. Eckard claims approximately $152,000 plus interest and attorney's fees. Although no prediction of outcome is given, management intends to vigorously defend the action. No amount has been accrued for this contingent liability.

The Company has been named as a party in a lawsuit brought by Robert L. Anderson ("Anderson") in the Superior Court of San Diego, North County Judicial District, State of California. The complaint was filed on January 28, 1999

9) Reinsurance, Commitments and Contingencies (Continued)

and pertains to the creation of the San Diego Memorial Park Partnership and development of Singing Hills Memorial Park. Anderson was denominated as a partner in the 1989 partnership agreement. He asserts that the Company did not carry out the partnership agreement in developing the property as a cemetery and residential lots and that instead the property was later acquired by California Memorial Estates, Inc., a subsidiary of the Company, and developed. Anderson asserts a claim for lost profits because of alleged breach of the partnership agreement and further asserts breach of fiduciary duty, actual fraud, constructive fraud, asks for an accounting, and alleges conspiracy and declaratory relief. He seeks punitive damages, legal fees and costs. Formal discovery has not begun. At this stage, no complete evaluation has been made. Management, however, intends to vigorously defend the matter and believes that Anderson did not perform as required and that he has no bona fide basis to complain. No amount has been accrued for this contingent liability.

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

10) Retirement Plans

The Company and its subsidiaries have a noncontributory Employee Stock Ownership Plan (ESOP) for all eligible employees. Eligible employees are primarily those with more than one year of service, who work in excess of 1,040 hours per year. Contributions, which may be in cash or stock of the Company, are determined annually by the Board of Directors. The Company's contributions are allocated to eligible employees based on the ratio of each eligible employee's compensation to total compensation for all eligible employees during each year. ESOP contribution expense totaled $59,613, $45,616, and $50,017 for 1998, 1997, and 1996, respectively. At December 31, 1998 the ESOP held 597,081 shares of Class A and 1,158,903 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. The Company may match up to 50% of each employee's investment in Company stock, up to 5% of the employee's total annual compensation. The Company's match will be Company stock and the amount of the match will be at the discretion of the Company's Board of Directors. All amounts contributed to the plan are deposited into a trust fund administered by an independent trustee. The Company's matching 401(k) contributions for 1998, 1997, and 1996 were approximately $7,000, $-0-, and $50,000, respectively.

11) Capital Stock

The following table summarizes the activity in shares of capital stock for the three year period ended December 31, 1998:

	Class A	Class C
Balance at December 31, 1995	3,819,415	2,388,040
Stock Dividends	201,879	105,256
Conversion of Class C to Class A	1,952	(9,760)
Stock Issue	87,463	--
Stock split of Class C	--	2,483,536
Balance at December 31, 1996	4,110,709	4,967,072
Stock Dividends	206,344	247,329
Conversion of Class C to Class A	1,359	(13,590)
Stock Issued	8,176	--
Balance at December 31, 1997	4,326,588	5,200,811
Stock Dividends	219,892	259,374
Conversion of Class C to Class A	1,336	(13,352)
Stock Issued	69,514	(238)
Balance at December 31, 1998	4,617,330	5,446,595

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

Stockholders of both classes of common stock have received 5% stock dividends in the years 1989 through 1998, as authorized by the Company's Board of Directors.

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

11) Capital Stock (Continued)

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

	1998	1997	1996
Numerator:			
Net income	$ 771,229	$1,308,941	$1,237,145
Denominator:			
Denominator for basic earnings per share-weighted-average shares	4,272,516	3,988,034	3,750,498
Effect of dilutive securities:			
Employee stock options	--	19,606	23,321
Stock appreciation rights	--	85,051	81,741
Dilutive potential common shares	--	104,657	105,062
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	4,272,516	4,092,691	3,855,560
Basic earnings per share	$0.18	$0.33	$0.33
Diluted earnings per share	$0.18	$0.32	$0.32

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

12) Deferred Compensation Plans

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

12) Deferred Compensation Plans (Continued)

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.

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 December 31, 1995	185,738	$2.31 - $2.59
Dividend	9,287	
Exercised	(172,716)	
Outstanding at December 31, 1996	22,309	$2.20 - $2.47
Granted	148,000	
Dividend	7,400	
Exercised	(22,309)	
Outstanding at December 31, 1997	155,400	$4.29 - $4.71
Dividend	7,770	
Exercised	--	
Outstanding at December 31, 1998	163,170	$4.08 -$4.49
Exercisable at end of year	163,170	
Available options for future grant 1987 Stock Incentive Plan	-0-	

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

12) Deferred Compensation Plans (Continued)

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

The options 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. In addition, the number of shares of Common Stock reserved for the purpose 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.

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

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

12) Deferred Compensation Plans (Continued)

Activity of the 1993 Plan is summarized as follows:

	Number of Shares	Option Price
Outstanding at December 31, 1995	208,110	$2.84 - $4.19
Dividend	13,706	
Granted	66,000	
Outstanding at December 31, 1996	287,816	$2.70 - $4.52
Cancelled	(9,450)	
Dividend	13,918	
Outstanding at December 31, 1997	292,284	$2.58 - $4.31
Dividend	30,869	
Granted	148,000	
Exercised	(63,814)	
Outstanding at December 31, 1998	407,339	$2.34 - $4.16
Exercisable at end of year	407,339	
Available options for future grant 1993 Stock Incentive Plan	274,565	

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" statutory accounting practices are interspersed throughout state insurance laws and regulations, the National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual and a variety of other NAIC publications. "Permitted" statutory accounting practices encompass all accounting practices that are not prescribed; such practices may differ from state to state, may differ from company to company within a state, and may change in the future.

In 1998, the NAIC adopted codified statutory accounting principles ("Codification"). Codification will likely change, to some extent, prescribed statutory accounting practices and may result in changes to the accounting practices that the Company uses to prepare its statutory-basis financial statements. Codification will require adoption by the various states before it becomes the prescribed statutory basis of accounting for insurance companies domesticated within those states. Accordingly, before Codification becomes effective for the Company, the

13) Statutory-Basis Financial Information (Continued)

states of Florida and Utah must adopt Codification as the prescribed basis of accounting on which domestic insurers must report their statutory-basis results to the Insurance Departments. At this time it is unclear when the states of Florida and Utah will adopt Codification. Management has not yet determined the impact of Codification to the Company's statutory-basis financial statements. 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) December 31,		
	1998	1997	1996
Security National Life	346,659	712,219	694,745
Southern Security Life	(486,825)	45,398	1,022,182

	Statutory Stockholders' Equity December 31,		
	1998	1997	1996
Security National Life	12,083,747	11,789,615	10,020,668
Southern Security Life	8,627,252	9,316,923	9,283,928

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 300% 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 pre-need and 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. In addition, the Company has a corporate segment which provides administrative and marketing services to the reportable segments described above.

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.

14) Business Segment Information (Continued)

1998

	Life Insurance	Cemetery/ Mortuary	Mortgage
Revenues:			
From external sources:			
Revenue from customers	$ 5,915,659	$9,225,801	$10,082,330
Net investment income	5,553,486	682,915	1,206,578
Realized gains on investments	74,121		
Other revenues	22,078	32,456	6,034
Intersegment revenues:			
Net investment income	1,360,877		
Other revenues	109,887		
	$13,036,108	$ 9,941,172	$11,294,942
Expenses:			
Death and other policy benefits	$ 3,578,634	$	$
Increase in future policy benefits	3,353,287		
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,273,394		
Depreciation	85,557	455,418	39,125
General, administrative and other costs:			
Intersegment	536,400	70,656	71,631
Other	3,497,140	8,775,932	9,540,801
Interest expense:			
Intersegment	187,151	183,908	1,176,969
Other	11,587	554,283	176,091
	$ 12,523,150	$10,040,197	$11,004,617
Earnings (losses) before income taxes	$ 512,958	$ (99,025)	$ 290,325
Identifiable assets	$183,340,180	$33,539,827	$ 9,010,581
Expenditures for long-lived assets	$ 761,246	$ 1,202,056	$ 76,721

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 1998, 1997, and 1996

14) Business Segment Information (Continued)

1998

	Corporate	Reconciling Items	Consolidated
Revenues:			
From external sources:			
Revenue from customers	$	$	$25,223,790
Net investment income	15,764		7,458,743
Realized gains on investments			74,121
Other revenues	2,381		62,949
Intersegment revenues:			
Net investment income	187,151	(1,548,028)	--
Other revenues	568,800	(678,687)	--
	$ 774,096	$(2,226,715)	$32,819,603
Expenses:			
Death and other policy benefits	$	$	$ 3,578,634
Increase in future policy benefits			3,353,287
Amortization of deferred policy acquisition costs and cost of insurance acquired			1,273,394
Depreciation	4,655		584,755
General, administrative and other costs:			
Intersegment		(678,687)	--
Other	190,493		22,004,366
Interest expense:			
Intersegment		(1,548,028)	--
Other	257,162		999,123
	$ 452,310	$(2,226,715)	$ 31,793,559
Earnings (losses) before income taxes	$ 321,786	$ --	$ 1,026,044
Identifiable assets	$ 3,070,453	$(15,695,894)	$213,265,147
Expenditures for long-lived assets	$	$	$ 2,040,023

SECURITY NATIONAL FINANCIAL CORPORATION
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14) Business Segment Information (Continued)

1997

	Life Insurance	Cemetery/ Mortuary	Mortgage
Revenues:			
From external sources:			
Revenue from customers	$6,140,783	$9,230,864	$5,661,867
Net investment income	5,856,221	609,194	664,331
Realized gains on investments	252,635		
Other revenues	13,778	27,621	450
Intersegment revenues:			
Net investment income	978,930		
Other revenues	115,622		
	$13,357,969	$ 9,867,679	$ 6,326,648
Expenses:			
Death and other policy benefits	$ 3,694,442	$	$
Increase in future policy benefits	2,974,915		
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,132,298		
Depreciation	55,338	420,787	29,150
General, administrative and other costs:			
Intersegment	536,400	75,408	72,614
Other	3,722,336	8,312,812	5,377,440
Interest expense:			
Intersegment	188,767	192,835	783,257
Other	41,723	628,616	19,836
	$12,346,219	$9,630,458	$ 6,282,297
Earnings (losses) before income taxes	$ 1,011,750	$ 237,221	$ 44,351
Identifiable assets	$103,604,675	$31,297,233	$ 1,176,039
Expenditures for long-lived assets	$ 40,882	$ 283,622	$ 26,587

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
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Years Ended December 31, 1998, 1997, and 1996

14) Business Segment Information (Continued)

1997

	Corporate	Reconciling Items	Consolidated
Revenues:			
From external sources:			
Revenue from customers	$	$	$21,033,514
Net investment income	9,834		7,139,580
Realized gains on investments			252,635
Other revenues	7,044		48,893
Intersegment revenues:			
Net investment income	188,767	(1,167,697)	--
Other revenues	568,800	(684,422)	--
	$ 774,445	$ (1,852,119)	$28,474,622
Expenses:			
Death and other policy benefits	$	$	$ 3,694,442
Increase in future policy benefits			2,974,915
Amortization of deferred policy acquisition costs and cost of insurance acquired			1,132,298
Depreciation	10,644		515,919
General, administrative and other costs:			
Intersegment		(684,422)	--
Other	127,782		17,540,370
Interest expense:			
Intersegment	2,838	(1,167,697)	--
Other	257,454		947,629
	$ 398,718	$(1,852,119)	$26,805,573
Earnings (losses) before income taxes	$ 375,727	$ --	$ 1,669,049
Identifiable assets	$1,881,997	$(12,508,065)	$125,451,879
Expenditures for long-lived assets	$	$	$ 351,091

SECURITY NATIONAL FINANCIAL CORPORATION
Notes to Consolidated Financial Statements
Years Ended December 31, 1998, 1997, and 1996

14) Business Segment Information (Continued)

1996

	Life Insurance	Cemetery/ Mortuary	Mortgage
Revenues:			
From external sources:			
Revenue from customers	$5,666,436	$8,138,010	$8,236,709
Net investment income	6,166,585	655,255	664,457
Realized gains on investments	289,543		
Other revenues	24,363	50,570	
Intersegment revenues:			
Net investment income	839,445		
Other revenues	108,175		
	$13,094,547	$8,843,835	$8,901,166
Expenses:			
Death and other policy benefits	$3,596,138	$	$
Increase in future policy benefits	2,744,326		
Amortization of deferred policy acquisition costs and cost of insurance acquired	1,239,918		
Depreciation	408,528	433,391	38,688
General, administrative and other costs:			
Intersegment	536,400	75,408	65,167
Other	2,797,726	7,417,202	7,907,439
Interest expense:			
Intersegment	185,438	219,231	616,463
Other	186,479	598,810	223,532
	$ 11,694,953	$ 8,744,042	$ 8,851,289
Earnings (losses) before income taxes	$ 1,399,594	$ 99,793	$ 49,877
Identifiable assets	$102,268,803	$29,765,362	$ 2,300,513
Expenditures for long-lived assets	$ 496,433	$ 417,329	$ 73,162

14) Business Segment Information (Continued)

1996

	Corporate	Reconciling Items	Consolidated
Revenues:			
From external sources:			
Revenue from customers	$	$	$22,041,155
Net investment income	30,717		7,517,014
Realized gains on investments			289,543
Other revenues	56		74,989
Intersegment revenues:			
Net investment income	185,438	(1,024,883)	--
Other revenues	568,800	(676,975)	--
	$ 785,011	$(1,701,858)	$29,922,701
Expenses:			
Death and other policy benefits	$	$	$3,596,138
Increase in future policy benefits			2,744,326
Amortization of deferred policy acquisition costs and cost of insurance acquired			1,239,918
Depreciation	24,952		905,559
General, administrative and other costs:			
Intersegment		(676,975)	--
Other	619,688		18,742,055
Interest expense:			
Intersegment	3,751	(1,024,883)	--
Other	309,281		1,318,102
	$ 957,672	$ (1,701,858)	$ 28,546,098
Earnings (losses) before income taxes	$ (172,661)	$ --	$ 1,376,603
Identifiable assets	$1,935,763	$(11,560,938)	$124,709,503
Expenditures for long-lived assets	$	$	$ 986,924

15) Disclosure about Fair Value of Financial Instruments

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

Cash, 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, 1998 were approximately $89,844,000 and $83,049,000, 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.

16) Other Comprehensive Income

The following summarizes other comprehensive income:

	1998	1997	1996
Unrealized gains (loss) on available for-sale securities	$405,047	$928,917	$(18,777)
Less: reclassification adjustment for net realized gains in net income	(62,702)	(227,097)	(89,823)
Net unrealized gains (loss)	342,345	701,820	(108,600)
Tax expense on net unrealized gain	(92,171)	(130,796)	--
Other comprehensive income (loss)	$ 250,174	$ 571,024	$(108,600)

Schedule I

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

As of December 31, 1998:

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	$14,548,493	$15,032,207	$14,548,493
Obligations of states and political subdivisions	169,941	179,050	169,941
Corporate securities including public utilities	22,764,172	24,140,355	22,764,172
Mortgage backed securities	7,439,713	7,439,713	7,439,713
Redeemable preferred stocks	62,563	106,494	62,563
Total Fixed Securities held to maturity	44,984,882	46,897,819	44,984,882
Securities available for sale:			
Bonds:			
U.S. Treasury securities and obligations of U.S. Government agencies	5,309,323	5,309,323	5,309,323
Corporate securities including public utilities	23,366,117	23,366,117	23,366,117
Nonredeemable preferred stock	76,431	148,875	148,875
Common stock:			
Public utilities	286,815	500,141	500,141
Banks, trusts and insurance companies	91,723	415,205	415,205
Industrial, miscellaneous and all other	3,580,282	4,081,838	4,081,838
Total Securities available for sale	32,710,691	33,821,499	33,821,499
Mortgage loans on real estate	12,523,395		12,523,395
Real estate	7,866,151		7,866,151
Policy loans	11,493,637		11,493,637
Other investments	11,543,540		11,543,540
Total investments	$121,122,296		$122,233,104

Schedule II

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Balance Sheets

	December 31, 1998	December 31, 1997
Assets		
Short-term investments	$ 294,927	$ 283,190
Cash	118,731	28,353
Investment in subsidiaries (equity method)	36,107,078	29,043,712
Receivables:		
Receivable from affiliates	1,579,965	1,584,965
Other	76,368	(19,232)
Total receivables	1,656,333	1,565,733
Property, plant and equipment, at cost, net of accumulated depreciation of $313,859 for 1998 and $309,204 for 1997	66	4,721
Other assets	396	--
Total assets	$38,178,127	$30,925,709

See accompanying notes to parent company only financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Balance Sheets (Continued)

	December 31, 1998	December 31, 1997
Liabilities:		
Bank loans payable:		
Current installments	$ 2,358,684	$ 245,041
Long-term	5,862,614	1,976,353
Notes and contracts payable:		
Current installments	181,319	181,319
Long-term	455,572	607,429
Advances from affiliated companies	1,781,118	1,781,118
Accounts payable	--	--
Other liabilities and accrued expenses	494,367	489,671
Income taxes	364,194	249,848
Total liabilities	11,497,868	5,530,779
Stockholders' equity:		
Common Stock:		
Class A: $2 par value, authorized 10,000,000 shares, issued 4,617,330 shares in 1998 and 4,326,588 shares in 1997	9,234,660	8,653,176
Class C: $0.20 par value, authorized 7,500,000 shares, issued 5,446,595 shares in 1998 and 5,200,811 shares in 1997	1,089,319	1,040,162
Total common stock	10,323,979	9,693,338
Additional paid-in capital	9,596,444	9,133,454
Accumulated other comprehensive income	1,081,113	830,939
Retained earnings	7,474,783	7,533,259
Treasury stock at cost (692,993 Class A shares and 59,028 Class C shares in 1998; 659,992 Class A shares and 56,217 Class C shares in 1997, held by affiliated companies)	(1,796,060)	(1,796,060)
Total stockholders' equity	26,680,259	25,394,930
Total liabilities and stockholders' equity	$38,178,127	$30,925,709

See accompanying notes to parent company only financial statements.

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Statements of Earnings

	Year Ended December 31, 1998	1997	1996
Revenue:			
Net investment income	$ 18,145	$ 16,878	$ 30,717
Fees from affiliates	755,951	757,567	754,294
Total revenue	774,096	774,445	785,011
Expenses:			
General and administrative expenses	195,148	138,425	644,640
Interest expense	257,162	260,293	313,032
Total expenses	452,310	398,718	957,672
Earnings (loss) before income taxes, and earnings of subsidiaries	321,786	375,727	(172,661)
Income tax expense	(114,346)	(124,256)	(26,112)
Equity in earnings of subsidiaries	563,789	1,057,470	1,435,918
Net earnings	$ 771,229	$1,308,941	$1,237,145

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, 1998	1997	1996
Cash flows from operating activities:			
Net earnings	$ 771,229	$1,308,941	$1,237,145
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,655	10,644	24,953
Undistributed earnings of affiliates	(563,789)	(1,057,470)	(1,435,918)
Provision for income taxes	114,346	124,254	(99,514)
Change in assets and liabilities:			
Accounts receivable	(90,600)	86,403	103,006
Other assets	(396)	202	(74)
Accounts payable and accrued expenses	4,697	31,046	431,735
Other liabilities	263,926	(43,732)	(7,134)
Net cash provided by operating activities	504,068	460,288	254,199
Cash flows from investing activities:			
Purchase of short-term investments	(11,737)	(96,039)	(212,051)
Proceeds from sale of short term investments	--	91,750	208,000
Note receivable from affiliate	(1,000,000)	--	--
Investment in subsidiaries	(5,250,000)	(75,000)	121,002
Net cash (used in) provided by investing activities	(6,261,737)	(79,289)	116,951
Cash flows from financing activities:			
Proceeds from advances from affiliates	200,000	--	--
Payments of advances to affiliates	(200,000)	--	--
Payments of notes and contracts payable	(398,353)	(386,799)	(410,271)
Purchase of treasury stock	--	--	(1,000)
Sale of treasury stock	--	44,994	--
Proceeds from borrowings on notes and contracts payable	6,246,400	--	--
Net cash (used in) provided by financing activities	5,848,047	(341,805)	(411,271)
Net change in cash	90,378	39,194	(40,121)
Cash at beginning of year	28,353	(10,841)	29,280
Cash at end of year	$ 118,731	$ 28,353	$ (10,841)

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, 1998	1997
$6,250,000 revolving line of credit at bank prime rate less 1%, (6.75% at December 31, 1998) interest only to December 1999 thereafter interest and principal, collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2005	$6,246,400	--
Bank prime rate plus 1/2% (8.25% at December 31, 1998) note payable in monthly installments of $36,420 including principal and interest, collateralized by 15,000 shares of Security National Life stock, due December 1999.	1,974,898	2,221,394
Total bank loans	8,221,298	2,221,394
Less current installments	2,358,684	245,041
Bank loans, excluding current installments	$5,862,614	$1,976,353

2) Notes and Contracts Payable

Notes and contracts are summarized as follows:

	December 31, 1998	1997
10 year notes due April 16, 1999, 1% over U.S. Treasury 6 month bill rate	$ 28,187	$ 28,187
Due to former stockholders of Civil Service Employees Life Insurance Company resulting from the acquisition of such entity. 7% note payable in seven annual principal payments of $151,857 due December 2003	607,429	759,286
Other	1,275	1,275
Total notes and contracts	636,891	788,748
Less current installments	181,319	181,319
Notes and contracts, excluding current installments	$455,572	$607,429

SECURITY NATIONAL FINANCIAL CORPORATION
Notes to Parent Company Only Financial Statements

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

1999	$2,540,003
2000	968,023
2001	1,026,502
2002	1,089,172
2003	1,004,473
Thereafter	2,230,016
Total	$8,858,189

3) Advances from Affiliated Companies

	December 31, 1998	1997
Non-interest bearing advances from affiliates:		
Cemetery and Mortuary subsidiary	$1,126,527	$1,126,527
Mortgage subsidiary	--	200,000
Life Insurance subsidiary	654,591	454,591
	$1,781,118	$1,781,118

4) Dividends

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

Schedule IV

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Reinsurance

	Direct Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
1998					
Life Insurance in force ($000)	$1,554,286	$352,777	$569,448	$1,770,957	32.15%
Premiums:					
Life Insurance	$5,544,015	$ 251,271	$161,562	$5,454,306	2.96%
Accident and Health Insurance	371,585	22,924	4,905	353,566	1.39%
Total premiums	$5,915,600	$ 274,195	$166,467	$5,807,872	2.87%
1997					
Life Insurance in force ($000)	$ 602,652	$ 61,629	$ 46,254	$ 587,277	7.88%
Premiums:					
Life Insurance	$5,575,024	$237,830	$276,086	$5,613,280	4.92%
Accident and Health Insurance	426,529	25,367	6,953	408,115	1.70%
Total premiums	$6,001,553	$263,197	$283,039	$6,021,395	4.70%
1996					
Life Insurance in force ($000)	$ 493,705	$ 73,822	$ 52,508	$ 472,391	11.12%
Premiums:					
Life Insurance	$5,135,007	$315,967	$310,378	$5,129,418	6.05%
Accident and Health Insurance	473,807	41,895	6,920	438,832	1.58%
Total premiums	$5,608,814	$357,862	$317,298	$5,568,250	5.70%

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, 1998				
Accumulated depreciation on real estate	$2,049,346	$332,411	$ (883)	$2,380,874
Accumulated depreciation on property, plant and equipment	4,728,036	584,755	--	5,312,791
Allowance for doubtful accounts	1,679,090	175,750	(278,172)	1,576,668
For the Year Ended December 31, 1997				
Accumulated depreciation on real estate	$1,868,187	$300,058	$(118,899)	$2,049,346
Accumulated depreciation on property, plant and equipment	4,218,591	515,919	(6,474)	4,728,036
Allowance for doubtful accounts	1,862,599	129,502	(313,011)	1,679,090
For the Year Ended December 31, 1996				
Accumulated depreciation on real estate	$1,560,107	$308,080	$ --	$1,868,187
Accumulated depreciation on property, plant and equipment	3,313,032	905,559	--	4,218,591
Allowance for doubtful accounts	2,311,450	197,239	(646,090)	1,862,599

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

None

PART III

Item 10. Directors and Executive Officers

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

Name	Age	Director Since	Position(s) with the Company
George R. Quist(2)	78	October 1979	Chairman of the Board, President and Chief Executive Officer
William C. Sargent(2)	70	February 1980	Senior Vice President, Secretary and Director
Scott M. Quist(1)	45	May 1986	First Vice President, General Counsel, Treasurer and Director
Charles L. Crittenden(2)	79	October 1979	Director
Sherman B. Lowe(2)	84	October 1979	Director
R.A.F. McCormick(1)	85	October 1979	Director
H. Craig Moody(1)	45	September 1995	Director
Norman Wilbur(2)	60	October 1998	Director
Robert G. Hunter(2)	39	October 1998	Director

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

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

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

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

George R. Quist, age 78, has been Chairman of the Board, President and Chief Executive Officer of the Company since October 1979. Mr. Quist is also Chairman of the Board, President and Chief Executive Officer of Southern Security Life Insurance Company and has served in this position since December 1998. 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.

William C. Sargent, age 70, has been Senior Vice President of the Company since 1980, Secretary since October 1993, and a director since February 1980. Mr. Sargent is also Senior Vice President, Secretary and Director of Southern Security Life Insurance Company and has served in this position since December 1998. Prior to that time, he was employed by Security National as a salesman and agency superintendent.

Scott M. Quist, age 45, has been General Counsel of the Company since 1982, First Vice President since December 1990, Treasurer since October 1993, and a director since May 1986. Mr. Quist is also First Vice President, Treasurer and General Counsel and Director of Southern Security Life Insurance Company and has served in this position since December 1998. 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 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. Mr. Quist has also served as a regional director of Key Bank of Utah since November 1993. Mr. Quist is currently a director and vice president of the National Alliance of Life Companies, a trade association of over 200 life companies.

Charles L. Crittenden, age 79, 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.

Sherman B. Lowe, age 84, has been a director of the Company since October 1979. Mr. Lowe is also a director of Southern Security Life Insurance Company and has served in this position since December 1998. Mr. Lowe was formerly President and Manager of Lowe's Pharmacy for over 30 years. He is now retired. He is an owner of Burton-Lowe Ranches, a general partnership.

R.A.F. McCormick, age 85, has been a director of the Company since October 1979. Mr. McCormick is also a director of Southern Security Life Insurance Company and has served in this position since December 1998. He is a past Vice President of Sales for Cloverclub Foods. He is now retired.

H. Craig Moody, age 45, 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 Wilbur, age 60, 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. Penny'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.

Robert G. Hunter, M.D., age 39, 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 State Wide E.N.T. Organization (Rocky Mountain E.N.T., Inc.) where he is currently a member of the Executive Committee. He is Chairman of Surgery at Cottonwood Hospital, a delegate to the Utah Medical Association and a delegate representing Utah to the American Medical Association, and a member of several medical advisory boards.

Executive Officers

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

Name	Age	Title
George R. Quist(1)	78	Chairman of the Board, President and Chief Executive Officer
William C. Sargent	70	Senior Vice President and Secretary
Scott M. Quist(1)	45	First Vice President, General Counsel and Treasurer

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

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

No director, officer or 5% stockholder of the Company or its subsidiaries, or any affiliate thereof has had any transactions with the Company or its subsidiaries during 1998 or 1997 other than employment arrangements as described above, and the loan made to George R. Quist on April 29, 1998. See "Item 13. Certain Relationships and Related Transactions."

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. In addition, Scott M. Quist is a 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 duly elected and qualified.

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, 1998 whose salary and bonus for all services in all capacities exceed $100,000 for the fiscal year ended December 31, 1998.

Summary Compensation Table

Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compen-sation($)(2)
George R. Quist (1)				
Chairman of the Board,	1998	$137,454	$20,200	$2,400
President and Chief	1997	118,508	16,833	2,400
Executive Officer	1996	109,127	15,303	2,400
William C. Sargent				
Senior Vice President,	1998	130,329	17,325	4,500
Secretary and	1997	108,685	16,500	4,500
Director	1996	103,915	15,000	4,500
Scott M. Quist (1)				
First Vice President,	1998	119,025	18,770	7,200
General Counsel	1997	103,215	17,875	7,200
Treasurer and Director	1996	96,192	16,250	7,200

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, 1998 whose salary and bonus for all services in all capacities exceed $100,000 for the fiscal year ended December 31, 1998.

Summary Compensation Table

		Annual Compensation		Long-Term Compensation	
Name and Principal Position	Year	Restricted Stock Awards($)	Securities Underlying Options/SARs(#)	Long-Term Incentive Payout($)	All Other Compen-sation($)(3)
George R. Quist (1)					
Chairman of the Board,	1998	$0	50,000	$0	$12,084
President and Chief	1997	0	50,000	0	11,094
Executive Officer	1996	0	0	0	8,218
William C. Sargent					
Senior Vice President,	1998	0	45,000	0	5,286
Secretary and	1997	0	45,000	0	5,224
Director	1996	0	0	0	4,320
Scott M. Quist (1)					
First Vice President,	1998	0	35,000	0	7,257
General Counsel	1997	0	35,000	0	6,490
Treasurer and Director	1996	0	0	0	4,497

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

(2) The amounts indicated under "Other Annual Compensation" for 1998 consist of payments related to the operation of automobiles by the Named Executive Officers. However, such payments do not include the furnishing of an automobile by the Company to George R. Quist, William C. Sargent and Scott M. Quist nor the payment of insurance and property taxes with respect to the automobiles operated by the Named Executive Officers.

(3) The amounts indicated under "All Other Compensation" for 1998 consist of (a) amounts contributed by the Company into a trust for the benefit of the Named Executive Officers under the Employee Stock Ownership Plan (for fiscal 1998, such amounts were George R. Quist, $6,803; William C. Sargent, $3,547; and Scott M. Quist, $6,620); (b) matching contributions made by the Company pursuant to the 401(k) Retirement Savings Plan in which all matching contributions are invested in the Company's Class A Common Stock (for fiscal 1998, such amounts were George R. Quist, $-0-; William C. Sargent, $1,102; and Scott M. Quist, $-0-; (c) insurance premiums paid by the Company with respect to a group life insurance plan for the benefit of the Named Executive Officers (for fiscal 1998, $1,911 was paid for all Named Executive Officers as a group, or $637 each for George R. Quist, William C. Sargent and Scott M. Quist); and (d) life insurance premiums paid by the Company for the benefit of the family of George R. Quist ($4,644). The amounts under "All Other Compensation" do 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, 1998, as well as the aggregate number and value of unexercised options held by the Named Executive Officers on December 31, 1998.

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, 1998(#)		Value of Unexercised In-the-Money Options/SARs at December 31, 1998	
Name	Shares Acquired on Exercise (#)	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
George R. Quist	63,814	$67,303	209,728	0	$0	$0
William C. Sargent	0	$0	180,715	0	$0	$0
Scott M. Quist	0	$0	75,338	0	$0	$0

Retirement Plans

George R. Quist, who has been Chairman, President and Chief Executive Officer of the Company since 1979, has a Deferred Compensation Agreement, dated December 8, 1988, with the Company (the "Compensation Agreement"). This Compensation Agreement provides upon Mr. Quist's retirement the Company shall pay him $50,000 per year as an annual retirement benefit for a period of 10 years from the date of retirement; and upon his death, the remainder of such annual payments shall be payable to his designated beneficiary.

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

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

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

Employment Agreement

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

Director Compensation

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

Employee 401(k) Retirement Savings Plan

In 1995, the Company's Board of Directors adopted a 401(k) Retirement Savings Plan. Under the terms of the 401(k) plan, effective as of January 1, 1995, the Company may make discretionary employer matching contributions to its employees who choose to participate in the plan. The plan allows the board to determine the amount of the contribution at the end of each year. The Board adopted a contribution formula specifying that such discretionary employer matching contributions would equal 50% of the participating employee's contribution to the plan up to a maximum discretionary employee contribution of 5% of a participating employee's compensation, as defined by the plan.

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 1998, 1997, and 1996 were approximately $7,000, $-0-, and $50,000 respectively. The trustees under the 401(k) plan are Messrs. Sherman B. Lowe, Scott M. Quist and William C. Sargent.

Employee Stock Ownership Plan

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

Under the Ownership Plan, the Company has discretionary power to make contributions on behalf of all eligible employees into a trust created under the Ownership Plan. Employees become eligible to participate in the Ownership Plan when they have attained the age of 19 and have completed one year of service (a twelve-month period in which the Employee completes at least 1,040 hours of service). The Company's contributions under the Ownership Plan are allocated to eligible employees on the same ratio that each eligible employee's compensation bears to total compensation for all eligible employees during each year. To date, the Ownership Plan has approximately 98 participants and had contributions payable to the Plan in 1998 of $59,613. Benefits under the Ownership Plan vest as follows: 20% after the third year of eligible service by an employee, an additional 20% in the fourth, fifth, sixth and seventh years of eligible service by an employee.

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

1987 Incentive Stock Option Plan

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

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

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

Item 12 - Security Ownership of Certain Beneficial Owners and Management

The following table sets forth security ownership information of the Company's Class A and Class C Common Stock as of March 20, 1999, (i) for persons who own beneficially more than 5% of the Company's outstanding Class A or Class C Common Stock, (ii) each director of the Company, and (iii) for all executive officers and directors of the Company as a group.

	Class A Common Stock		Class C Common Stock		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) 4491 Wander Lane Salt Lake City, Utah 84124	130,812	3.3	208,059	3.9	338,871	3.6
George R. and Shirley C. Quist Family Partnership, Ltd.(6) 4491 Wander Lane Salt Lake City, Utah 84124	311,782	7.9	2,504,040	46.5	2,815,822	30.2
Employee Stock Ownership Plan (4) 5300 S. 360 W., Suite 250 Salt Lake City, Utah 84123	597,081	15.2	1,158,903	21.5	1,755,984	18.9
William C. Sargent (1)(2)(3) 4974 Holladay Blvd. Salt Lake City, Utah 84117	83,399	2.1	279,320	5.2	362,719	3.9
Scott M. Quist (3) 7 Wanderwood Way Sandy, Utah 84092	87,667	2.2	65,306	1.2	152,973	1.6
Charles L. Crittenden 248 - 24th Street Ogden, Utah 84404	1,515	*	178,811	3.3	180,326	1.9

Name and Address of Beneficial Owner	Class A Common Stock Amount Beneficially Owned	Class A Common Stock Percent of Class	Class C Common Stock Amount Beneficially Owned	Class C Common Stock Percent of Class	Class A and Class C Common Stock Amount Beneficially Owned	Class A and Class C Common Stock Percent of Class
Sherman B. Lowe (3) 2197 South 2100 East Salt Lake City, Utah 84109	21,255	*	195,416	3.6	216,671	2.3
R.A.F. McCormick (1) 400 East Crestwood Road Kaysville, Utah 84037	10,193	*	101,953	1.9	112,146	1.2
H. Craig Moody 1782 East Faunsdale Dr. Sandy, Utah 84092	560	*	-0-	*	560	*
Norman G. Wilbur 2520 Horseman Drive Plano, Texas 75025	294	*	-0-	*	294	*
Robert G. Hunter #2 Ravenwood Lane Sandy, Utah 84092	-0-	*	-0-	*	-0-	*
Associated Investors (5) 5300 S. 360 W. Suite 250 Salt Lake City, Utah 84123	79,251	2.0	489,227	9.1	568,478	6.1
All directors and executive officers (9 persons)	647,477	16.5	3,532,905	65.6	4,180,382	44.9

* Less than one percent

(1) Does not include 597,081 shares of Class A Common Stock and 1,158,903 shares of Class C Common Stock owned by the Company's Employee Stock Ownership Plan (ESOP), of which George R. Quist, William C. Sargent and R.A.F. McCormick are the trustees and accordingly, exercise shared voting and investment powers with respect to such shares.

(2) Does not include 79,251 shares of Class A Common Stock and 489,227 shares of Class C Common Stock owned by Associated Investors, a Utah general partnership, of which these individuals are the managing partners and, accordingly, exercise shared voting and investment powers with respect to such shares.

(3) Does not include 40,869 shares of Class A Common Stock owned by the Company's 401(k) Retirement Savings Plan, of which William C. Sargent, Scott M. Quist and Sherman B. Lowe are the trustees and accordingly, exercise shared voting and investment powers with respect to such shares.

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

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

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

The Company's officers and directors, as a group, own beneficially approximately 44.9% 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 President and 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 Plan. No installment payments are required under the terms of the note, but the note must be paid in full as of May 1, 2000. Mr. Quist has the right to make prepayments on the note at any time. As of March 31, 1999, the outstanding balance of the note was $123,800. 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.

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

No director, officer or 5% stockholder of the Company or its subsidiaries, or any affiliate thereof, has engaged in any business transactions with the Company or its subsidiaries during 1997 or 1998 other than as described herein.

PART IV

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

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

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

(a)(3) Exhibits

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

Exhibit Table No	Document
(a)(3) Exhibits:	
3.A.	Articles of Restatement of Articles of Incorporation (8)
B.	Bylaws (1)
4.A.	Specimen Class A Stock Certificate (1)
B.	Specimen Class C Stock Certificate (1)
C.	Specimen Preferred Stock Certificate and Certificate of Designation of Preferred Stock (1)
10.A.	Restated and Amended Employee Stock Ownership Plan and Trust Agreement (1)
B.	Deferred Compensation Agreement with George R. Quist (2)
C.	1993 Stock Option Plan (3)
D.	Promissory Note with Key Bank of Utah (4)
E.	Loan and Security Agreement with Key Bank of Utah (4)
F.	General Pledge Agreement with Key Bank of Utah (4)
G.	Note Secured by Purchase Price Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (5)
H.	Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (5)
I.	Promissory Note with Page and Patricia Greer (6)
J.	Pledge Agreement with Page and Patricia Greer (6)
K.	Promissory Note with Civil Service Employees Insurance Company (7)
L.	Deferred Compensation Agreement with William C. Sargent (8)

M. Employment Agreement with Scott M. Quist. (8)

N. Acquisition Agreement with Consolidare Enterprises, Inc., and certain shareholders of Consolidare. (9)

O. Agreement and Plan of Merger between Consolidare Enterprises, Inc., and SSLIC Holding Company. (10)

P. Administrative Services Agreement with Southern Security Life Insurance Company. (11)

Q. Promissory Note with George R. Quist.

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

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

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

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

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

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

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

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

(9) Incorporated by reference from Report on Form 8-K, as filed on May 11, 1998.

(10) Incorporated by reference from Report on Form 8-K, as filed on January 4, 1999.

(11) Incorporated by reference from Report on Form 8-K, as filed on March 4, 1999.

21. Subsidiaries of the Registrant

27. Financial Data Schedule

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Company during the fourth quarter of 1998.

SIGNATURES

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

SECURITY NATIONAL FINANCIAL CORPORATION

Dated: April 14, 1999

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

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

SIGNATURE	TITLE	DATE
George R. Quist	Chairman of the Board, President and Chief Executive Officer and (Principal Executive Officer)	April 14, 1999
Scott M. Quist	First Vice President, General Counsel and Treasurer and Director (Principal Financial and Accounting Officer)	April 14, 1999
William C. Sargent	Senior Vice President, Secretary and Director	April 14, 1999
Charles L. Crittenden	Director	April 14, 1999
Sherman B. Lowe	Director	April 14, 1999
R.A.F. McCormick	Director	April 14, 1999
H. Craig Moody	Director	April 14, 1999
Norman G. Wilbur	Director	April 14, 1999
Robert G. Hunter	Director	April 14, 1999

Washington, D.C. 20549
FORM 10-K
Year Ended December 31, 1998

SECURITY NATIONAL FINANCIAL CORPORATION
Commission File No. 0-9341

E X H I B I T S

Exhibit Index

Exhibit No.	Document Name
10.R	Promissory Note with George R. Quist
21.	Subsidiaries of the Registrant
27.	Financial Data Schedule

EXHIBIT 10(R)

Promissory Note with George R. Quist

Note

$172,000.00 April 29, 1998

George R. Quist
4491 Wander Lane
Salt Lake City, Utah 84124

1. Borrower's Promise to Pay. In return for the loan that I have received, I promise to pay the sum of One Hundred Seventy Two Thousand Dollars ($172,000.00) (this amount is called the "principal") to the order of the Lender. The Lender is Security National Financial Corporation. I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder".

2. Interest. There will be no interest for this loan.

3. Payments. No monthly payments will be required under this Note. If, on May 1, 2000, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date". I will make my payments at 5300 South 360 West, Suite 200, Salt Lake City, Utah 84123, or at a different place if required by the Note Holder. Payments can be made through the United States mails.

4. Borrower's Right to Repay. I have the right to make payments of principal at any time before they are due. A payment of principal only is known as a "prepayment". When I make a prepayment, I will tell the Note Holder in writing that I am doing so. I may make a full prepayment or partial prepayments without paying any prepayment charge. The Note Holder will use all of my prepayments to reduce the amount of principal that I owe under this Note. If I make a partial prepayment, there will be no changes in the due date unless the Note Holder agrees in writing to those changes.

5. Loan Charges. If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (i) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (ii) any sums already collected from me which exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the principal I owe under this Note or by making a direct payment to me. If a refund reduces principal, the reduction will be treated as a partial prepayment.

6. Giving of Notices. Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address. Any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in Section 3 above or at a different address if I am given a notice of that different address.

7. Waivers. I and any other person who has obligations under this Note waive the rights of presentment and notice of dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

WITNESS THE HAND OF THE UNDERSIGNED.

____
George R. Quist

EXHIBIT 21

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

Exhibit 21

Subsidiaries of Security National Financial Corporation
(as of March 31, 1999)

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

Consolidare Enterprises, Inc.

Insuradyne Corporation

Southern Security Life Insurance Company

Exhibit 27

Financial Data Schedule

12-MOS
DEC-31-1998
DEC-31-1998
28,675,440
44,984,882
46,897,819
5,146,059
12,523,395
7,866,151
122,233,104
6,670,996
0
10,501,281
213,265,147
131,545,290
2,565,968
1,425,831
1,928,749
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213,265,147
5,915,659
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74,121
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6,931,921
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0
771,229
0.18
0.18
0
0
0
0
0
0
0