SECURITY NATIONAL FINANCIAL CORP
Form 10-K/A
August 25, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A
Amendment No. 1

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016, or

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

Commission file number 000-09341

SECURITY NATIONAL FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

UTAH	87-0345941
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934: None

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934:

Title of each class	Name of each exchange on which registered
Class A common stock, $2.00 Par Value	NASDAQ National Market
Class C common stock, $2.00 Par Value	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. [ ]

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

Large accelerated filer [ ] Accelerated filer [ ] Nonaccelerated filer [ ] Smaller reporting company [X]
(Do not check if a smaller reporting company)

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

As of June 30, 2016, the aggregate market value of the registrant's Class A common stock held by non-affiliates of the registrant was $22,000,000 based on the $4.66 closing sale price of the Class A common stock as reported on The Nasdaq National Market.

As of March 27, 2017, there were outstanding 13,820,079 shares of Class A common stock, $2.00 par value per share, and 1,901,624 shares of Class C common stock, $2.00 par value per share.

Documents Incorporated by Reference

None.

EXPLANATORY NOTE

Security National Financial Corporation ("the Company") is filing this Amendment No. 1 on Form 10-K/A (this "Form 10-K/A") to amend its Annual Report on Form 10-K for the year ended December 31, 2016, as originally filed with the Securities and Exchange Commission (the "SEC") on March 31, 2017 (the "Original Filing"), to restate its Consolidated Financial Statements and related disclosures as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 (including the unaudited quarterly periods within 2016, 2015 and 2014). This Form 10-K/A also amends certain other items in the Original Filing, as listed in "Items Amended in This Filing" below.

Background and Effects of Restatement

Subsequent to the Original Filing, the Company identified errors relating to the application of accounting principles that related to its treatment of warehouse line repurchase agreements and its assessment of the tax valuation allowance, which is a component of the Company's deferred tax assets. As disclosed in the Current Report on Form 8-K that was filed by the Company with the SEC on August 4, 2017, the Company's management and the Audit Committee of its Board of Directors determined, based on the preliminary results of an internal investigation, that the Company's consolidated and combined financial statements and related report of independent registered public accounting firm that audited the Company's Annual Report on Form 10-K for the year ended December 31, 2016, originally filed with the SEC on March 31, 2017, should no longer be relied upon as a result of these errors.

Along with restating its financial statements to correct the errors discussed above, the Company elected to record adjustments for certain immaterial accounting errors related to the periods covered in its Form 10-K/A.

Related financial information in this Form 10-K/A has been restated to reflect adjustments for the accounting errors related to the matters described above. For further details, see Note 21 "Correction of Errors." Restated quarterly information for each of the quarterly periods in the years ended December 31, 2016, 2015 and 2014 is set forth in Note 22 "Impact of Restatement Adjustments on Quarterly Financial Statements (unaudited)." Restated balances have been identified with the notation "As Restated" where appropriate and the terms "As Previously Reported" and "As Originally Reported" are used to refer to balances from the 2016 consolidated financial statements as reported in the Original Filing.

The Company has not filed amendments to any previously filed Quarterly Reports on Form 10-Q to restate financial information presented for the periods affected by the restatement. The Company believes that presenting amended and restated unaudited quarterly financial information in this Form 10-K/A allows the readers to review relevant data in a single presentation along with the revised evaluation of controls and procedures. Accordingly, investors should rely only on the financial information regarding the restated periods in this Form 10-K/A or in future filings with the SEC (as applicable), and not on any previously filed reports relating to those periods. The Company is concurrently filing Quarterly Reports on Form 10-Q/A for the quarterly period ended March 31, 2017, which will include disclosure of the effects of the restatement on the comparative March 31, 2016 quarterly period.

Items Amended in This Filing

For the convenience of the reader, this Amendment sets forth the information in the Original Filing, in its entirety, as such information is modified and superseded where necessary to reflect the restatement of the Company's consolidated financial statements as a result of the errors discussed above. References throughout this document to "Form 10-K" have been amended to "Form 10-K/A" where appropriate. Except as noted below, this Amendment does not affect any other parts of the Original Filing, nor does it reflect events occurring after the date of the Original Filing or amend or otherwise update any information in the Original Filing. The following Items have been amended as a result of the restatement:

- Part II, Item 6. Selected Financial Data
- Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk
- Part II, Item 8. Financial Statements and Supplementary Data
- Part II, Item 9A. Controls and Procedures
- Part IV, Item 15. Exhibits and Financial Statement Schedules

In addition, in accordance with applicable SEC rules, this Amendment includes new certifications required by Rule 13a-14 under the Securities Exchange Act of 1934 ("Exchange Act") from the Company's Chief Executive Officer and Chief Financial Officer dated as of the date of filing of this Amendment. These certifications are filed as Exhibits 31.1, 31.2, 32.1 and 32.2.

Internal Control Consideration

The Company's management has reassessed its evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2016. As a result of that reassessment, management identified additional material weaknesses that existed as of December 31, 2016. For a description of the material weaknesses, see Part II, Item 9A. "Controls and Procedures."

Security National Financial Corporation
Form 10-K/A
For the Fiscal Year Ended December 31, 2016

TABLE OF CONTENTS

PART I

Item 1. Business

Security National Financial Corporation (the "Company") operates in three main business segments: life insurance, cemetery and mortuary, and mortgages. 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 38 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 consists of eight mortuaries and five cemeteries in the state of Utah and one cemetery in the state of California. The Company also engages in pre-need selling of funeral, cemetery, mortuary and cremation services through its Utah and California operations. Many of the insurance agents also sell pre-need funeral, cemetery and cremation services. The mortgage segment originates and underwrites or otherwise purchases residential and commercial loans for new construction, existing homes and other real estate projects. The mortgage segment operates through 170 retail and three wholesale offices in 28 states, and is an approved mortgage lender in several other states.

The Company's design and structure are that each business segment is related to the other business segments and contributes to the profitability of the other segments. The Company's cemetery and mortuary segment provides a level of public awareness that assists in the sales and marketing of insurance and pre-need cemetery and funeral products. The Company's insurance segment invests their assets (including, in part, pre-paid funeral products and services) in investments authorized by the respective insurance departments of their states of domicile. The Company also pursues growth through acquisitions. The Company's mortgage segment provides mortgage loans and other real estate investment opportunities.

The Company was organized as a holding company in 1979, when Security National Life Insurance Company ("Security National Life") became a wholly owned subsidiary of the Company and the former stockholders of Security National Life became stockholders of the Company. Security National Life was formed in 1965 and has acquired or purchased significant blocks of business which include Capital Investors Life Insurance Company (1994), Civil Service Employees Life Insurance Company (1995), Southern Security Life Insurance Company (1998), Menlo Life Insurance Company (1999), Acadian Life Insurance Company (2002), Paramount Security Life Insurance Company (2004), Memorial Insurance Company of America (2005), Capital Reserve Life Insurance Company (2007), Southern Security Life Insurance Company, Inc. (2008), North America Life Insurance Company (2011, 2015), Trans-Western Life Insurance Company (2012), Mothe Life Insurance Company (2012), DLE Life Insurance Company (2012), American Republic Insurance Company (2015) and First Guaranty Insurance Company (2016).

The cemetery and mortuary operations have also grown through the acquisition of other cemetery and mortuary companies. The cemetery and mortuary companies that the Company has acquired are Holladay Memorial Park, Inc. (1991), Cottonwood Mortuary, Inc. (1991) and Deseret Memorial, Inc. (1991).

In 1993, the Company formed SecurityNational Mortgage Company ("SecurityNational Mortgage") to originate and refinance residential mortgage loans. In 2012, the Company formed Green Street Mortgage Services, Inc. (now known as EverLEND Mortgage Company) ("EverLEND Mortgage") also to originate and refinance residential mortgage loans.

See Note 14 of the Notes to Consolidated Financial Statements for additional information regarding business segments of the Company.

Life Insurance

Products

The Company, through Security National Life, issues and distributes selected lines of life insurance and annuities. The Company's life insurance business includes funeral plans and interest-sensitive life insurance, as well as other traditional life, accident and health insurance products. The Company places specific marketing emphasis on funeral plans through pre-need planning. The Company's other insurance subsidiaries, First Guaranty Insurance Company ("First Guaranty"), Memorial Insurance Company of America ("Memorial Insurance"), Southern Security Life Insurance Company, Inc. ("Southern Security") and Trans-Western Life Insurance Company ("Trans-Western"), service and maintain policies that were purchased prior to their acquisition by Security National Life.

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

Markets and Distribution

The Company is licensed to sell insurance in 38 states. The Company, in marketing its life insurance products, seeks to locate, develop and service specific niche markets. The Company's funeral plan policies are sold primarily to persons who range in age from 45 to 85 and have low to moderate income. A majority of the Company's funeral plan premiums come from the states of Arkansas, California, Florida, Georgia, Louisiana, Mississippi, Missouri, Texas and Utah.

The Company sells its life insurance products through direct agents, brokers and independent licensed agents who may also sell insurance products of other companies. The commissions on life insurance products range from approximately 50% to 120% of first year premiums. In those cases, where the Company utilizes its direct agents in selling such policies, those agents customarily receive advances against future commissions.

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

In marketing 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 since 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, 2016:

	2016		2015	2014	2013	2012	
Life Insurance							
Policy/Cert Count as of December 31	531,775	(2)	509,058	497,933	498,228	502,978	(1)
Insurance in force as of December 31 (omitted 000)	$1,672,081	(2)	$2,862,803	$2,763,496	$2,828,470	$2,913,419	(1)
Premiums Collected (omitted 000)	$65,220	(2)	$55,780	$52,418	$50,009	$48,168	

(1) Includes coinsurance with Mothe Life Insurance Company and DLE Life Insurance Company.
(2) Includes the acquisition of First Guaranty Insurance Company and the termination of the reinsurance assumed for Servicemembers' Group Life Insurance ("SGLI").

Underwriting

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

Age Nearest Birthday

	Non Medical Limits
0 50	$ 100,000
51 up	Medical information required (APS or exam)

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

The Company's funeral plan insurance is written on a simplified medical application with underwriting requirements being a completed application, a phone inspection on the applicant, and a Medical Information Bureau inquiry. There are several underwriting classes in which an applicant can be placed.

Annuities

Products

The Company's annuity business includes single premium deferred annuities, flexible premium deferred annuities and immediate annuities. A single premium deferred annuity is a contract where the individual remits a sum of money to the Company, which is retained on deposit until such time as the individual may wish to annuitize or surrender the contract for cash. A flexible premium deferred annuity gives the contract holder the right to make premium payments of varying amounts or to make no further premium payments after his initial payment. These single and flexible premium deferred annuities can have initial surrender charges. The surrender charges act as a deterrent to individuals who may wish to prematurely surrender their annuity contracts. An immediate annuity is a contract in which the individual remits a sum of money to the Company 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.

Annuities have guaranteed interest rates that range from 1% to 6.5% per annum. Rates above the guaranteed interest rate credited are periodically modified by the Board of Directors at their discretion. 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. Commissions, issuance expenses and general and administrative expenses are deducted from this interest rate spread.

Markets and Distribution

The general market for the Company's annuities is middle to older age individuals. A major source of annuity sales come from direct agents and are sold in conjunction with other insurance sales. If an individual does not qualify for a funeral plan, the agent will often sell that individual an annuity to fund final expenses.

The following table summarizes the annuity business for the five years ended December 31, 2016:

	2016		2015	2014	2013	2012
Annuities Policy/Cert Count as of December 31	21,364	(1)	12,022	12,701	12,703	12,320
Deposits Collected (omitted 000)	$11,019	(1)	$8,069	$8,010	$7,281	$6,777

(1) Includes the acquisition of First Guaranty Insurance Company.

Accident and Health

Products

With the acquisition of Capital Investors in 1994, the Company acquired a small block of accident and health policies. Since 1999, the Company has offered a low-cost comprehensive diver's accident policy that provides worldwide coverage for medical expense reimbursement in the event of a diving accident.

Markets and Distribution

The Company currently markets its diver's accident policies through the internet.

The following table summarizes the accident and health insurance business for the five years ended December 31, 2016:

	2016	2015	2014	2013	2012

Accident and Health Policy/Cert Count as of December 31	4,761	5,185	5,838	6,451	7,291
Premiums Collected (omitted 000)	$113	$119	$133	$144	$158

5

Reinsurance

The primary purpose of reinsurance is to enable an insurance company to issue an insurance policy in an amount larger than the risk the insurance company is willing to assume for itself. The insurance company remains obligated for the amounts reinsured (ceded) in the event the reinsurers do not meet their obligations.

The Company currently cedes and assumes certain risks with various authorized unaffiliated reinsurers pursuant to reinsurance treaties, which are generally renewed 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.

It is the Company's policy to retain no more than $100,000 of ordinary insurance per insured life, with the excess risk being reinsured. The total amount of life insurance reinsured by other companies as of December 31, 2016, was $65,040,000, which represents approximately 3.9% of the Company's life insurance in force on that date.

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 reinsurance.

Investments

The investments that support the Company's life insurance and annuity obligations are determined by the investment committees of the Company's subsidiaries and ratified by the full Board of Directors of the respective subsidiaries. A significant portion of the Company's investments must meet statutory requirements governing the nature and quality of permitted investments by its insurance subsidiaries. The Company maintains a diversified investment portfolio consisting of common stocks, preferred stocks, municipal bonds, investment and non investment grade bonds, mortgage loans, real estate, short-term investments 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

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: plots, interment vaults, mausoleum crypts, markers, caskets, flowers and other death care related products. These 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 mortuary at each of its cemeteries, other than Holladay Memorial Park and Singing Hills Memorial Park, and has four separate stand-alone mortuary facilities.

Markets and Distribution

The Company's pre need cemetery and mortuary sales are marketed to persons of all ages but are generally purchased by persons 45 years of age and older. The Company 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 some instances, the Company's cemetery and mortuary facilities are the named beneficiaries of the funeral plan policies.

Potential customers are located via telephone sales prospecting, responses to letters mailed by the pre-planning consultants, newspaper inserts, referrals, and door-to-door canvassing. The Company trains its sales representatives and helps generate leads for them.

Mortgage Loans

Products

The Company, through its wholly owned subsidiaries, SecurityNational Mortgage and EverLEND Mortgage, are active in the residential real estate market. SecurityNational Mortgage is approved by the U.S. Department of Housing and Urban Development (HUD), the Federal National Mortgage Association (Fannie Mae), and other secondary market investors, to originate a variety of residential mortgage loan products, which are subsequently sold to investors. EverLEND Mortgage is approved by the U.S. Department of Housing and Urban Development (HUD), and other secondary market investors, to originate a variety of residential mortgage loan products, which are subsequently sold to investors. The Company uses internal and external funding sources to fund mortgage loans.

Security National Life originates and funds commercial real estate loans, residential construction loans and land development loans for internal investment.

Markets and Distribution

The Company's residential mortgage lending services are marketed primarily to real estate brokers and some independent mortgage loan originators. The Company has a strong retail origination presence in the Utah, Florida, Nevada, and Texas markets in addition to three wholesale branch offices located in Florida, Texas and Utah, with sales representatives in these and other states. 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 mortgage loans.

Recent Acquisitions and Other Business Activities

Acquisition of First Guaranty Insurance Company

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

Reinsurance Agreement with North America Life Insurance Company

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

Reinsurance Agreement with American Republic Insurance Company

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

Real Estate Development

The Company is capitalizing on the opportunity to develop commercial assets on its existing properties. The cost to acquire existing for-sale assets currently exceeds the replacement costs, thus creating the opportunity for development and redevelopment of the land the company currently owns. The Company has developed, or is in the process of developing assets that have an initial development cost exceeding $100,000,000. The group plans to continue its development endeavors as the market demands.

Dry Creek at East Village Apartments

The construction of Dry Creek at East Village Apartments ("Dry Creek") was completed in December 2015. The total project consists of 282 units and contains a mixture of one, two and three bedroom units. It is located within close proximity to a transit hub and as of December 31, 2016, was 94% occupied. Rental rates increased in the market by 9.8% over pro forma rents, and effective (achieved) rates net of concessions also increased. Leasing remains strong and vacancy rates in the market remain below the long-term average.

As Dry Creek has matured in its leasing and operations, the management group has pushed to retain tenants and increase the resident experience. This optimism has seen great acceptance as Dry Creek continues to maintain longer term residents and management offers a Class A living experience in the suburban market of Salt Lake City. The Company continues to view Dry Creek as a long-term investment with strong upside potential in a growing market.

53rd Center Development

In 2015 the Company broke ground and commenced development on the first phase of its new corporate campus. The anticipated project, comprising nearly 20 acres of land that is currently owned by the Company in the central valley of Salt Lake City, is envisioned to be a multi-year, phased development. At full development, the project will include nearly one million square-feet in six buildings, ranging from four to ten stories, and will be serviced by three parking structures with about 4,000 stalls.

The first phase of the project includes a building and a parking garage consisting of nearly 200,000 square feet of office and retail space with 748 parking stalls. This phase of the campus is expected to be completed in the third quarter of 2017.

Regulation

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

The Company's life insurance subsidiaries are currently subject to regulation in Utah, Arkansas, Louisiana, Mississippi and Texas under insurance holding company legislation, and other states where applicable. Generally, intercompany transfers of assets and dividend payments from insurance subsidiaries are subject to prior notice of approval from the state insurance department, if they are deemed "extraordinary" under these statutes. The insurance subsidiaries are required, under state insurance laws, to file detailed annual reports with the supervisory agencies in each of the states in which they do business. Their business and accounts are also subject to examination by these agencies. The Texas Department of Banking also audits pre-need insurance policies that are issued in the state of Texas. Pre-need policies are life and annuity products sold as the funding mechanism for funeral plans through funeral homes by Security National agents. The Company is required to send the Texas Department of Banking an annual report that summarizes the number of policies in force and the face amount or death benefit for each policy. This annual report also indicates the number of new policies issued for that year, all death claims paid that year, and all premiums received.

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

The Company's mortgage subsidiaries are subject to the rules and regulations of the U.S. Department of Housing and Urban Development (HUD), and to various state licensing acts and regulations and the Consumer Financial Protection Bureau (CFPB). These regulations, among other things, specify minimum capital requirements, procedures for loan origination and underwriting, licensing of brokers and loan officers, quality review audits and the fees that can be charged to borrowers. Each year, the Company is required to have an audit completed for each mortgage subsidiary by an independent registered public accounting firm to verify compliance under some of these regulations. In addition to the government regulations, the Company must meet loan requirements, and underwriting guidelines of various investors who purchase the loans.

Income Taxes

The Company's insurance subsidiaries, Security National Life and First Guaranty, are taxed under the Life Insurance Company Tax Act of 1984. Under the act, 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). Also, under the Tax Reform Act of 1986, distributions in excess of stockholders' surplus account or a significant decrease in life reserves will result in taxable income.

Security National Life and First Guaranty calculate 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 or ten-year period.

The Company's non life insurance company subsidiaries are taxed in general under the regular corporate tax provisions. The following subsidiaries are regulated as life insurance companies but do not meet the Internal Revenue Code definition of a life insurance company so are taxed as insurance companies other than life insurance companies: Memorial Insurance, Southern Security and Trans-Western.

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 more diversified line of insurance products than the Company. In addition, such companies generally have a larger sales force. Further, the Company competes with mutual insurance companies which may have a competitive advantage because all profits accrue to policyholders. Because the Company is smaller 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 Utah and California markets where 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 which 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 industry is highly competitive with a large number of mortgage companies and banks in the same geographic area in which the Company is operating. The mortgage industry in general is sensitive to changes in interest rates and the refinancing market is particularly vulnerable to changes in interest rates.

Employees

As of December 31, 2016, the Company had 1,393 full-time and 264 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.

Street	City	State	Function	Owned Leased	Approximate Square Footage	Lease Amount		Expiration
5300 S. 360 W.	Salt Lake City	UT	Corporate Headquarters	Owned	36,000			N/A
5201 S. Green Street	Salt Lake City	UT	Mortgage Operations	Owned	36,899			N/A
1044 River Oaks Dr.	Flowood	MS	Insurance Operations	Owned	21,521			N/A
5239 Greenpine Dr.	Murray	UT	Funeral Service Operations	Owned	1,642			N/A
351 N. 3rd St.	Ashdown	AR	Insurance Operations	Leased	4,200	$1,757	/ mo	7/12/2017
497-A Sutton Bridge Rd.	Rainbow City	AL	Fast Funding Operations	Leased	5,500	$33,600	/ yr	6/30/2018
9700 Stirling Rd., Suite 110	Cooper City	FL	Fast Funding Operations	Leased	1,018	$63,600	/ yr	month to month
3515 Pelham Rd., Suite 200	Greenville	SC	Fast Funding Operations	Leased	4,000	$4,643	/ mo	5/31/2018
2567 Mall Rd.	Florence	AL	Mortgage Sales	Sub-Leased	1,600	$750	/ mo	month to month
16427 North Scottsdale Road	Scottsdale	AZ	Mortgage Sales	Leased	3,966	$10,246	/ mo	2/29/2020
17015 N. Scottsdale Rd., Suite 125	Scottsdale	AZ	Mortgage Sales	Leased	6,070	$13,025	/ mo	3/31/2017
17015 N. Scottsdale Rd., Suite 210	Scottsdale	AZ	Mortgage Sales	Leased	2,906	$6,054	/ mo	3/31/2017
17015 N. Scottsdale Rd., Suite 340	Scottsdale	AZ	Mortgage Sales	Leased	1,900	$3,958	/ mo	1/31/2019
	Scottsdale	AZ	Mortgage Sales	Leased	3,756	$8,138	/ mo	10/31/2019

8600 East Anderson Drive, Suite 240								
1819 S. Dobson	Mesa	AZ	Mortgage Sales	Leased	2,397	$1,381	/ mo	4/30/2017
5701 Talavi Blvd. Suite 155	Glendale	AZ	Mortgage Sales	Leased	2,214	$4,428	/ mo	month to month
6751 N. Sunset Blvd.	Glendale	AZ	Mortgage Sales	Leased	3,431	$6,576	/ mo	6/30/2018
2450 S. Gilbert Rd.	Chandler	AZ	Mortgage Sales	Leased	6,306	$10,247	/ mo	2/28/2019
3100 W. Ray Rd.	Chandler	AZ	Mortgage Sales	Leased	1,000	$949	/ mo	month to month
3435 South Demaree	Visalia	CA	Mortgage Sales	Leased	1,740	$2,175	/ mo	4/30/2019
2333 San Ramon Vallue Blvd.	San Ramon	CA	Mortgage Sales	Leased	1,563	$3,908	/ mo	5/30/2019
923 East Valley Blvd.	San Gabriel	CA	Mortgage Sales	Leased	820	$1,400	/ mo	8/31/2017
3005 Douglas Blvd., Suite 100	Roseville	CA	Mortgage Sales	Leased	3,722	$7,406	/ mo	4/14/2018
140 Gregory Lane	Pleasant Hill	CA	Mortgage Sales	Leased	3,125	$3,244	/ mo	1/31/2019
140 Lake Ave., Suite 305	Pasadena	CA	Mortgage Sales	Leased	1,105	$3,244	/ mo	3/31/2017
765 The City Dr., Suite 360	Orange	CA	Mortgage Sales	Leased	3,886	$8,451	/ mo	8/31/2017
18625 Suter Blvd., Suite 300	Morgan Hill	CA	Mortgage Sales	Leased	2,255	$2,660	/ mo	6/30/2018
750 University Ave.	Los Gatos	CA	Mortgage Sales	Leased	2,137	$9,018	/ mo	4/30/2018
3643 East 4th Street, Suite A	Long Beach	CA	Mortgage Sales	Leased	1,250	$2,060	/ mo	10/31/2017

3908 Hathaway Ave.	Long Beach	CA	Mortgage Sales	Leased	200	$100	/ mo	month to month
13191 Crossroads Parkway	City of Ind.	CA	Mortgage Sales	Leased	2,569	$5,954	/ mo	7/31/2020
5650 El Camino Real	Carlsbad	CA	Mortgage Sales	Leased	1,739	$2,956	/ mo	10/31/2017
7100 E. Bellview Ave., Suite 301	Greenwood Village	CO	Mortgage Sales	Leased	2,549	$2,929	/ mo	month to month
8480 E. Orchard Rd.	Greenwood Village	CO	Mortgage Sales	Leased	4,631	$9,647	/ mo	2/28/2018
1120 West 122nd Ave.	Denver	CO	Mortgage Sales	Leased	5,238	$5,250	/ mo	10/31/2021
14502 N. Dale Mabry Highway	Tampa	FL	Mortgage Sales	Leased	250	$550	/ mo	month to month
4023 Armenia Ave.	Tampa	FL	Mortgage Sales	Leased	1,563	$1,865	/ mo	4/30/2019
35190 US Highway N.	Palm	FL	Mortgage Sales	Leased	1,982	$2,945	/ mo	2/28/2018
17 N. Summerlin Ave.	Orlando	FL	Mortgage Sales	Leased	1,400	$3,328	/ mo	11/30/2018
5222 Andrus Ave.	Orlando	FL	Mortgage Sales	Leased	1,450	$1,716	/ mo	12/31/2017
7575 Dr. Phillips Blvd., Suite 270	Orlando	FL	Mortgage Sales	Leased	1,844	$5,292	/ mo	3/31/2018
3689 Tampa Rd.	Oldsmar	FL	Mortgage Sales	Leased	5,620	$6,720	/ mo	3/31/2018
4947 Tamiami Trail N.	Naples	FL	Mortgage Sales	Leased	1,168	$1,303	/ mo	11/30/2018
4732 US Highway 98 North	Lakeland	FL	Mortgage Sales	Leased	1,250	$1,070	/ mo	5/30/2017
1145 TownPark	Lake Mary	FL	Mortgage Sales	Leased	9,390	$14,775	/ mo	3/1/2020

Ave., Suite 2215								
1525 International Parkway	Lake Mary	FL	Mortgage Sales	Leased	2,862	$5,128	/ mo	10/31/2019
4575 Via Royal, Suite 100	Ft Myers	FL	Mortgage Sales	Sub-Leased	2,631	$500	/ mo	month to month
2500 N. Military Trail	Boca Raton	FL	Mortgage Sales	Leased	2,453	$4,500	/ mo	7/14/2017
3030 McEver Rd.	Gainsville	GA	Mortgage Sales	Leased	300	$839	/ mo	month to month
2250 Satellite Blvd.	Duluth	GA	Mortgage Sales	Leased	1,380	$1,553	/ mo	1/31/2017
4520 Kuhui St.	Kapaa	HI	Mortgage Sales	Leased	750	$1,025	/ mo	month to month
12 W. Main St.	Rexburg	ID	Mortgage Sales	Leased	800	$800	/ mo	9/30/2017
9042 W. Barnes Dr.	Boise	ID	Mortgage Sales	Leased	1,568	$2,090	/ mo	10/31/2018
7227 West Madison St.	Forest Park	IL	Mortgage Sales	Leased	1,800	$2,100	/ mo	6/30/2017
30700 Telegraph Rd.	Bingham Farms	MI	Mortgage Sales	Leased	1,099	$1,374	/ mo	3/31/2019
108 Sikes Place	Charlotte	NC	Mortgage Sales	Leased	275	$875	/ mo	2/28/2017
10765 Double R Blvd.	Reno	NV	Mortgage Sales	Leased	4,214	$8,639	/ mo	10/31/2021
1980 Festival Plaza Dr.	Las Vegas	NV	Mortgage Sales	Leased	12,866	$39,884	/ mo	5/31/2021
4000 S. Eastern Ave., Suite 310	Las Vegas	NV	Mortgage Sales	Leased	2,750	$54,450	/ yr	1/31/2020
6130 Elton Ave., Suite 223	Las Vegas	NV	Mortgage Sales	Leased	125	$400	/ mo	month to month
9330 W. Sahara Ave.,	Las Vegas	NV	Mortgage Sales	Leased	2,681	$4,101	/ mo	8/31/2018

Suite 270								
2370 Corporate Circle, Suite 200	Henderson	NV	Mortgage Sales	Leased	10,261	$184,855	/ yr	4/30/2020
1160 State Route 28	Millford	OH	Mortgage Sales	Leased	300	$550	/ mo	month to month
999 Polaris Parkway	Columbus	OH	Mortgage Sales	Leased	1,751	$1,642	/ mo	7/31/2018
11305 Reed Hartman Highway	Blue Ash	OH	Mortgage Sales	Leased	711	$918	/ mo	5/31/2019

10

Item 2. Properties (Continued)

Street	City	State	Function	Owned Leased	Approximate Square Footage	Lease Amount		Expiration
2468 W. New Orleans	Broken Arrow	OK	Mortgage Sales	Leased	1,683	$1,896	/ mo	12/31/2019
10610 SE Washington	Portland	OR	Mortgage Sales	Leased	506	$1,000	/ mo	month to month
3311 NE MLK Jr Blvd., Suite 203	Portland	OR	Mortgage Sales	Leased	1,400	$675	/ mo	month to month
10365 SE Sunnyside Rd.	Clackamus	OR	Mortgage Sales	Leased	1,288	$2,280	/ mo	11/30/2019
1063 E. Montague Ave.	Charleston	SC	Mortgage Sales	Leased	2,334	$3,404	/ mo	8/31/2020
6263 Poplar Ave.	Memphis	TN	Mortgage Sales	Leased	1,680	$2,380	/ mo	3/31/2019
108 Stekola Ln.	Knoxville	TN	Mortgage Sales	Leased	1,100	$1,200	/ mo	7/31/2018
6640 Carothers Parkway	Franklin	TN	Mortgage Sales	Leased	3,229	$3,902	/ mo	3/31/2020
303 Germantown Bend Cove	Cordova	TN	Mortgage Sales	Leased	1,200	$1,500	/ mo	3/31/2017
8505 Technology Forest Place, Suite 304	Woodlands	TX	Mortgage Sales	Leased	1,250	$2,900	/ mo	5/31/2018
602 S Main Street, Suite 300	Weatherford	TX	Mortgage Sales	Sub-Leased	1,000	$1,200	/ mo	5/31/2017
52 Sugar Creek Center Blvd., Suite 150	Sugarland	TX	Mortgage Sales	Leased	1,788	$3,497	/ mo	3/31/2020
2526 N. Loop 1604 W., Suite 210	San Antonio	TX	Mortgage Sales	Leased	4,959	$10,125	/ mo	11/30/2019
1 Chisholm Trail Rd., Suite 210	Round Rock	TX	Mortgage Sales	Leased	3,402	$3,331	/ mo	12/31/2017
3027 Marina Bay Dr.	League City	TX	Mortgage Sales	Leased	2,450	$2,016	/ mo	3/31/2020
3027 Marina Bay Dr., Suite 110	League City	TX	Mortgage Sales	Leased	180	$740	/ mo	3/31/2020
120 West Village	Laredo	TX	Mortgage Sales	Leased	800	$1,136	/ mo	4/30/2018
7913 McPherson, Suite B	Laredo	TX	Mortgage Sales	Leased	1,200	$1,400	/ mo	month to month
1202 Lakeway Dr., Suite 12	Lakeway	TX	Mortgage Sales	Leased	1,192	$2,145	/ mo	3/31/2018
24668 Kingsland Blvd.	Katy	TX	Mortgage Sales	Leased	150	$400	/ mo	month to month
2877 Commercial Center Blvd.	Katy	TX	Mortgage Sales	Leased	250	$2,000	/ mo	month to month
1848 Norwood Plaza, Suite 205	Hurst	TX	Mortgage Sales	Sub-Leased	455	$361	/ mo	month to month
16350 Park Ten Place	Houston	TX	Mortgage Sales	Leased	3,397	$7,077	/ mo	11/30/2018

17347 Village Green Dr., Suite 102A	Houston	TX	Mortgage Sales	Sub-Leased	3,000	$8,970	/ mo	month to month
30417 5th St., Suite B	Fulshear	TX	Mortgage Sales	Sub-Leased	1,000	$550	/ mo	month to month
4936 Collinwood, Suite 110	Fort Worth	TX	Mortgage Sales	Leased	1,900	$34,200	/ yr	month to month
4100 Alpha Rd.	Farmers Branch	TX	Mortgage Sales	Leased	2,935	$4,035	/ mo	3/31/2020
1626 Lee Trevino	El Paso	TX	Mortgage Sales	Leased	8,400	$7,059	mo	11/30/2019
921 West New Hope Drive	Cedar Park	TX	Mortgage Sales	Subleased	880	$1,000	/ mo	7/31/2017
8700 Manchaca Rd., Suite 603	Austin	TX	Mortgage Sales	Sub-Leased	850	$1,600	/ mo	7/31/2019
9737 Great Hills Trail, Suite 150	Austin	TX	Mortgage Sales	Leased	11,717	$15,378	/ mo	8/31/2024
16801 Addison Rd.	Addison	TX	Mortgage Sales	Leased	4,662	$3,011	/ mo	2/14/2018
118 E. Vine St.	Tooele	UT	Mortgage Sales	Leased	1,000	$849	/ mo	7/31/2017
5965 So. Redwood Rd.	Taylorsville	UT	Mortgage Sales	Leased	2,000	$600	/ mo	12/31/2017
6575 S. Redwood Rd.	Taylorsville	UT	Mortgage Sales	Leased	3,323	$4,638	/ mo	8/31/2019
10437 S. 1300 W.	South Jordan	UT	Mortgage Sales	Leased	4,000	$7,800	/ mo	9/30/2019
126 West Sego Lily Dr.	Sandy	UT	Mortgage Sales	Leased	2,794	$5,451	/ mo	8/31/2017
9815 S. Monroe St.	Sandy	UT	Mortgage Sales	Leased	1,725	$3,306	/ mo	9/30/2018
9815 S. Monroe St., Suite 206	Sandy	UT	Mortgage Sales	Leased	2,819	$5,286	/ mo	5/31/2018
9980 S. 300 W., Suite 201	Sandy	UT	Mortgage Sales	Leased	100	$1,819	/ mo	month to month
1111 Brickyard Rd.	Salt Lake City	UT	Mortgage Sales	Leased	4,857	$3,917	/ mo	1/31/2018
5993 S. Redwood Rd.	Salt Lake City	UT	Mortgage Sales	Leased	2,880	$2,375	/ mo	7/31/2021
1224 S. River Rd., Suites E3 & E4	Saint George	UT	Mortgage Sales	Leased	1,900	$1,814	/ mo	4/30/2018
465 N. Main	Richfield	UT	Mortgage Sales	Leased	2,848	$1,600	/ mo	month to month
1245 Deer Valley Dr., Suite 3A	Park City	UT	Mortgage Sales	Leased	2,183	$4,684	/ mo	12/31/2017
730 South Sleepy Ridge Dr.	Orem	UT	Mortgage Sales	Leased	891	$1,500	/ mo	10/31/2017
5201 S. Green St.	Murray	UT	Mortgage Sales	Leased	10,990	$13,456	/ mo	6/30/2017
210 E. Main St.	Midway	UT	Mortgage Sales	Leased	1,600	$1,850	/ mo	12/31/2018
	Midvale	UT		Leased	37,226	$74,098	/ mo	2/28/2018

6965 S. Union Park, Stes 100, 260, 300, 460, 470, & 480			Mortgage Sales					
6975 Union Park Ave., Suite 420	Midvale	UT	Mortgage Sales	Leased	6,672	$12,500	/ mo	6/30/2019
1133 North Main St.	Layton	UT	Mortgage Sales	Subleased	300	$500	/ mo	month to month
288 SR 248, Suite 2A	Kamas	UT	Mortgage Sales	Leased	1,480	$2,350	/ mo	month to month
497 S. Main	Ephraim	UT	Mortgage Sales	Leased	953	$765	/ mo	9/30/2017
15640 NE Fourth Plain Blvd., Suite 220	Vancouver	WA	Mortgage Sales	Leased	360	$1,190	/ mo	6/30/2017
535 Dock St., Suite 100	Tacoma	WA	Mortgage Sales	Leased	3,825	$5,620	/ mo	7/31/2018
318 39th St. Ave. SW, Suite A	Puyallup	WA	Mortgage Sales	Leased	3,431	$5,575	/ mo	11/30/2017
11232 120th Ave. NE, Suite 206	Kirkland	WA	Mortgage Sales	Leased	500	$350	/ mo	5/31/2017
11314 4th Ave. W.	Everett	WA	Mortgage Sales	Leased	1,793	$2,308	/ mo	10/31/2018
1604 Hewitt Ave., Suite 703	Everett	WA	Mortgage Sales	Leased	2,038	$4,650	/ mo	month to month
5002 7th Ave.	Kenosha	WI	Mortgage Sales	Leased	1,450	$1,200	/ mo	10/31/2019

The Company believes the office facilities it occupies are in good operating condition and adequate for current operations. The company will enter into additional leases or modify existing leases to meet market demand. Those leases will be month to month where possible. As leases expire the Company will either renew or find comparable leases or acquire additional office space.

Item 2. Properties (Continued)

The following table summarizes the location and acreage of the six Company owned cemeteries, each of which includes one or more mausoleums:

Name of Cemetery	Location	Date Acquired	Developed Acreage (1)	Net Saleable Acreage Total Acreage (1)	Acres Sold as Cemetery Spaces (2)	Total Available Acreage (1)
Memorial Estates, Inc.						
Lakeview Cemetery	1640 East Lakeview Drive Bountiful, Utah	1973	7	40	6	34
Mountain View Cemetery	3115 East 7800 South Salt Lake City, Utah	1973	17	54	16	38
Redwood Cemetery (4)	6500 South Redwood Road West Jordan, Utah	1973	34	78	30	48
Deseret Memorial Inc. Lake Hills Cemetery (3)(6)						
Lake Hills Cemetery (3)	10055 South State Street Sandy, Utah	1991	9	28	4	24
Holladay Memorial Park, Inc.						
Holladay Memorial Park (3)(4)	4900 South Memory Lane Holladay, Utah	1991	5	14	4	10
California Memorial Estates, Inc.						
Singing Hills Memorial Park	2800 Dehesa Road El Cajon, California	1995	8	35	4	31

(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, 2016, there were mortgages of approximately $147,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park, and Lake Hills Cemetery.
(4) These cemeteries include two granite mausoleums.

Item 2. Properties (Continued)

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

Name of Mortuary	Location	Date Acquired	Viewing Room(s)	Chapel(s)	Square Footage
Memorial Mortuary, Inc.					
Memorial Mortuary	5850 South 900 East				
	Murray, Utah	1973	3	1	20,000
Affordable Funerals and Cremations, St. George	157 East Riverside Dr., No. 3A	2016	1	1	2,360
	St. George, Utah				
Memorial Estates, Inc.					
Redwood Mortuary(2)	6500 South Redwood Rd.				
	West Jordan, Utah	1973	2	1	10,000
Mountain View Mortuary(2)	3115 East 7800 South				
	Salt Lake City, Utah	1973	2	1	16,000
Lakeview Mortuary(2)	1640 East Lakeview Dr.				
	Bountiful, Utah	1973	0	1	5,500
Deseret Memorial, Inc.					
Deseret Mortuary(1)	36 East 700 South				
	Salt Lake City, Utah	1991	2	2	36,300
Lakehills Mortuary(2)	10055 South State St.				
	Sandy, Utah	1991	2	1	18,000
Cottonwood Mortuary, Inc.					
Cottonwood Mortuary(1)(2)	4670 South Highland Dr.				
	Holladay, Utah	1991	2	1	14,500

(1) As of December 31, 2016, there were mortgages of approximately $147,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park and Lake Hills Cemetery.
(2) These funeral homes also provide burial niches at their respective locations.

Item 3. Legal Proceedings

Lehman Brothers and Aurora Loan Services Litigation - Utah

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

On December 17, 2007, SecurityNational Mortgage entered into an Indemnification Agreement with Lehman Bank and Aurora Loan Services LLC ("Aurora"). Under the terms of the Indemnification Agreement, SecurityNational Mortgage agreed to indemnify Lehman Bank and Aurora for certain amounts of actual losses, as defined, that Lehman Bank and Aurora may incur on account of the alleged breaches and early payment defaults pertaining to certain identified loans. A reserve account was set up to cover said losses. From the time the reserve account was established, approximately $4,300,000 was taken from the reserve account to indemnify Lehman Bank and Aurora for alleged losses. On March 28, 2011, Aurora Bank FSB (formerly known as Lehman Brothers Bank, FSB) ("Aurora Bank") and Aurora allegedly assigned certain rights and remedies under the Indemnification Agreement to Lehman Brothers Holdings, Inc. ("Lehman Holdings").

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

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

On November 29, 2016, Judge Nuffer entered a judgment in favor of SecurityNational Mortgage Company, jointly and severally against Aurora Commercial Corporation (successor by merger to Aurora Bank), Aurora Bank and Aurora. The amount of the judgment was $3,892,974 principal, plus interest through May 31, 2014 in the amount of $1,674,240, plus interest for each day after May 31, 2014 until judgment (dated November 29, 2016) at the rate of $960 per diem.

In December 2016, the cases before Judge Nuffer and Judge Stewart were settled. Final settlement agreements were executed on December 20, 2016, which were effective as of December 9, 2016. Under the terms of the settlement, payments were made by Aurora Commercial to SecurityNational Mortgage, and by SecurityNational Mortgage to Lehman Holdings. The net result of the settlement involving both of the Utah cases was that $2,125,000 more was paid to Lehman Holdings. Additionally, the release agreed to by the parties covered claims arising from the sale of mortgage loans by SecurityNational Mortgage to Aurora Bank or Lehman Holdings that were included in the Utah cases.

Lehman Brothers Litigation – Delaware and New York

In January 2014, Lehman Holdings entered into a settlement with the Federal National Mortgage Association (Fannie Mae) concerning the mortgage loan claims asserted by Fannie Mae against Lehman Holdings that were based on alleged breaches of certain representations and warranties by Lehman Holdings. Lehman Holdings had acquired these loans from Aurora Bank, which in turn purchased the loans from residential mortgage loan originators, including SecurityNational Mortgage. A settlement based on similar circumstances was entered into between Lehman Holdings and the Federal Home Loan Mortgage Corporation (Freddie Mac) in February 2014.

Lehman Holdings filed a motion in May 2014 with the U.S. Bankruptcy Court of the Southern District of New York to require the mortgage loan originators, including SecurityNational Mortgage, to engage in non-binding mediations of its alleged indemnification claims against the mortgage loan originators relative to the Fannie Mae and Freddie Mac settlements with Lehman Holdings. The mediation was not successful in resolving any issues between SecurityNational Mortgage and Lehman Holdings.

On January 26, 2016, SecurityNational Mortgage filed a declaratory judgment action against Lehman Holdings in the Superior Court for the State of Delaware. In the Delaware action, SecurityNational Mortgage asserted its right to obtain a declaration of rights in that there are allegedly millions of dollars in dispute with Lehman Holdings pertaining to approximately 136 loans. SecurityNational Mortgage sought declaratory judgment as to its rights as it contends that it has no liability to Lehman Holdings as a result of Lehman Holdings' settlements with Fannie Mae and Freddie Mac. Lehman Holdings filed a motion in the Delaware court seeking to stay or dismiss the declaratory judgment action. On August 24, 2016, the Court ruled that it would exercise its discretion to decline jurisdiction over the action and granted Lehman Holdings' motion to dismiss.

On February 3, 2016, Lehman Holdings filed an adversary proceeding against approximately 150 mortgage loan originators, including SecurityNational Mortgage, in the U.S. Bankruptcy Court of the Southern District of New York seeking a declaration of rights similar in nature to the declaration that SecurityNational Mortgage sought in its Delaware lawsuit, and for damages relating to the defendants' obligations under indemnification provisions of the alleged agreements, in amounts to be determined at trial, including interest, attorneys' fees and costs incurred by Lehman Holdings in enforcing the obligations of the defendants. A Case Management Order ("CMO") was entered on November 1, 2016. On December 27, 2016, pursuant to the CMO, Lehman Holdings filed a Second Amended Complaint against SecurityNational Mortgage. The case is presently in a motion period and no Answer is required to be filed by SecurityNational Mortgage pending further order of the Court. SecurityNational Mortgage denies that it has any liability to Lehman Holdings and intends to vigorously protect and defend such position.

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Stock, Related Security Holder Matters, and Issuer Purchases of Equity Securities

The Company's Class A common stock trades on The NASDAQ National Market under the symbol "SNFCA." As of March 27, 2017, the closing sales price of the Class A common stock was $7.00 per share. The following were the high and low market closing sales prices for the Class A common stock by quarter as reported by NASDAQ since January 1, 2015:

	Price Range (1)	
	High	Low
Period (Calendar Year)		
2015		
First Quarter	$5.66	$4.82
Second Quarter	$6.34	$4.75
Third Quarter	$7.38	$5.90
Fourth Quarter	$6.20	$5.34
2016		
First Quarter	$6.17	$4.85
Second Quarter	$4.88	$4.23
Third Quarter	$5.62	$4.59
Fourth Quarter	$7.04	$5.45
2017		
First Quarter (through March 27, 2017)	$7.30	$6.24

(1) Sales prices have been adjusted retroactively for the effect of annual stock dividends.

The Class C common stock is not registered or traded on a national exchange. See Note 11 of the Notes to Consolidated Financial Statements.

The Company has never paid a cash dividend on its Class A or Class C common stock. The Company currently anticipates that all of its earnings will be retained for use in the operation and expansion of its business and does not intend to pay any cash dividends on its Class A or Class C common stock in the foreseeable future. Any future determination as to cash dividends will depend upon the earnings and financial position of the Company and such other factors as the Board of Directors may deem appropriate. A 5% stock dividend on Class A and Class C common stock has been paid each year from 1990 through 2016.

The graph below compares the cumulative total stockholder return of the Company's Class A common stock with the cumulative total return on the Standard & Poor's 500 Stock Index and the Standard & Poor's Insurance Index for the period from December 31, 2011 through December 31, 2016. The graph assumes that the value of the investment in the Company's Class A common stock and in each of the indexes was $100 at December 31, 2011 and that all dividends were reinvested.

The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of the Company's Class A common stock.

	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
SNFC	100	564	325	408	487	507
S & P 500	100	113	147	164	163	178
S & P Insurance	100	117	170	180	181	208

The stock performance graph set forth above is required by the Securities and Exchange Commission and shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Form 10-K/A into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed soliciting material or filed under such acts.

As of December 31, 2016, there were 3,424 record holders of Class A common stock and 72 record holders of Class C common stock.

Item 6. Selected Financial Data

As a smaller reporting company, the Company is not required to provide information typically disclosed under this item.

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

Overview

The accompanying management's discussion and analysis gives effect to the restatement discussed in Note 21 to the Consolidated Financial Statements.

The Company's operations over the last several years generally reflect three trends or events which the Company expects to continue: (i) increased attention to "niche" insurance products, such as the Company's funeral plan policies and traditional whole life products; (ii) emphasis on cemetery and mortuary business; and (iii) capitalizing on relatively low interest rates by originating mortgage loans.

Insurance Operations

The following table shows the condensed financial results for the Company's insurance operations for the years ended December 31, 2016, 2015 and 2014. See Note 14 of the Notes to Consolidated Financial Statements.

	Years ended December 31 (in thousands of dollars)							
	2016	2015	2016 vs 2015 % Increase (Decrease)		2014	2015 vs 2014 % Increase (Decrease)	
Revenues from external customers							
Insurance premiums	$64,501	$56,410	14	%	$53,009	6	%
Net investment income	28,618	25,297	13	%	23,008	10	%
Revenues from loan originations	2,401	2,474	(3	%)	4,029	(39	%)
Other	85	2,744	(97	%)	1,727	59	%
Total	$95,605	$86,925	10	%	$81,773	6	%
Intersegment revenue	$7,120	$7,615	(7	%)	$6,128	24	%
Earnings before income taxes	$7,858	$8,619	(9	%)	$8,626	0	%

Intersegment revenues for the Company's insurance operations are primarily interest income from the warehouse line provided to SecurityNational Mortgage Company. Profitability in 2016 has decreased due to a decrease in realized gains on investments and other assets, which was partially offset by an increase in net investment income and an increase in insurance premiums.

Cemetery and Mortuary Operations

The following table shows the condensed financial results for the Company's cemetery and mortuary operations for the years ended December 31, 2016, 2015 and 2014. See Note 14 of the Notes to Consolidated Financial Statements.

Years ended December 31 (in thousands of dollars)				
2016	2015	2016 vs 2015 %	2014	2015 vs 2014 %

			Increase (Decrease)		Increase (Decrease)
Revenues from external customers					
Mortuary revenues	$4,848	$4,628	5 %	$4,801	(4 %)
Cemetery revenues	7,420	6,874	8 %	6,625	4 %
Realized gains on investments and other assets	211	387	(45 %)	586	(34 %)
Other	401	598	(33 %)	445	34 %
Total	$12,880	$12,487	3 %	$12,457	0 %
Earnings before income taxes	$1,219	$914	33 %	$663	38 %

The majority of the realized gain in the Company's cemetery and mortuary operations in 2014 was due to the sale of real estate located in Phoenix, Arizona. Included in other revenue was rental income from residential and commercial properties purchased from Security National Life. Memorial Estates used financing provided by Security National Life to purchase these properties. The rental income was offset by property insurance, taxes, maintenance expenses and interest payments made to Security National Life. Memorial Estates recorded depreciation on these properties of $715,000, $858,000 and $945,000 for the twelve months ended December 31, 2016, 2015 and 2014, respectively.

Mortgage Operations

Approximately 64% of the Company's revenues for the fiscal year 2016 were through its wholly owned subsidiaries, SecurityNational Mortgage and EverLEND Mortgage. Both mortgage subsidiaries are mortgage lenders incorporated under the laws of the State of Utah and approved and regulated by the Federal Housing Administration (FHA), a department of the U.S. Department of Housing and Urban Development (HUD), which originate mortgage loans that qualify for government insurance in the event of default by the borrower, in addition to various conventional mortgage loan products. SecurityNational Mortgage and EverLEND Mortgage obtain mortgage loans originated in retail offices and through independent brokers. Mortgage loans originated by the Company's mortgage subsidiaries are funded through loan purchase agreements from Security National Life and unaffiliated financial institutions.

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

For the twelve months ended December 31, 2016, 2015 and 2014, SecurityNational Mortgage originated 16,022 loans ($3,097,872,000 total volume), 14,976 loans ($2,843,455,000 total volume), and 10,794 loans ($2,037,337,000 total volume), respectively. For the twelve months ended December 31, 2016, 2015 and 2014, EverLEND Mortgage originated three loans ($838,000 total volume), 79 loans ($17,949,000 total volume), and 33 loans ($7,298,000 total volume), respectively.

The following table shows the condensed financial results for the Company's mortgage operations for the years ended 2016, 2015 and 2014. See Note 14 and Note 21 of the Notes to Consolidated Financial Statements.

	Years ended December 31 (in thousands of dollars)				
	2016	2015	2016 vs 2015 % Increase (Decrease)	2014	2015 vs 2014 % Increase (Decrease)
Revenues from external customers:					
Revenues from loan originations	$146,465	$134,832	9 %	$100,917	34 %
Secondary gains from investors	34,677	34,211	1 %	21,862	56 %
Total	$181,142	$169,043	7 %	$122,779	38 %
Earnings before income taxes	$10,626	$11,481	(7 %)	$4,437	159 %

The increase in revenues for the Company's mortgage operations for the twelve months ended December 31, 2016 as compared to December 31, 2015 was due to an increase in mortgage loan originations and fee income from the loan originations.

Mortgage Loan Loss Settlements

Future loan losses can be extremely difficult to estimate. However, management believes that the Company's reserve methodology and its current practice of property preservation allow it to estimate potential losses on loans sold. The amounts expensed for loan losses in years ended December 31, 2016 and 2015 were $4,689,000 and $6,295,000, respectively. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2016 and 2015, the balances were $628,000 and $2,806,000, respectively.

Settlement of Investigation by U.S. Department of Justice and the Office of the Inspector General for the U.S. Department of Housing and Urban Development (HUD) of Certain FHA-Insured Mortgage Loans Originated

On September 30, 2016, the Company, through its wholly owned subsidiary, SecurityNational Mortgage, announced the execution of a settlement agreement with the U.S. Department of Justice and the United States Attorney's Office in connection with the origination and underwriting by SecurityNational Mortgage of certain Federal Housing Administration (FHA) insured loans. SecurityNational Mortgage, like many other high volume FHA-approved lenders, was being reviewed by the U.S. Department of Justice and the Office of the Inspector General of the U.S. Department of Housing and Urban Development (HUD) for loan origination activities that occurred as long as nine years ago.

Without any admission of liability and in order to avoid the extended distractions and expenses associated with protracted litigation, SecurityNational Mortgage made a business decision to resolve this matter. Pursuant to the settlement agreement, SecurityNational Mortgage was required to make a payment in the amount of $4,250,000 to the U.S. Department of Justice, which payment was made on October 4, 2016. SecurityNational Mortgage continues to be able to originate FHA-insured mortgage loans and participate fully in all FHA programs as this settlement agreement does not affect SecurityNational Mortgage's status with the Department of Housing and Urban Development. In addition, this settlement does not include any allegations or findings against any particular individuals, such as officers, directors, employees or agents of SecurityNational Mortgage.

Mortgage Loan Loss Litigation

For a description of the litigation involving SecurityNational Mortgage and Lehman Brothers and Aurora Loan Services, reference is to Part I, Item 3. Legal Proceedings.

Significant Accounting Policies

The following is a brief summary of our significant accounting policies and a review of our most critical accounting estimates. See Note 1 of the Notes to Consolidated Financial Statements.

Insurance Operations

In accordance with generally accepted accounting principles in the United States of America (GAAP), premiums and other considerations received for interest sensitive products are reflected as increases in liabilities for policyholder account balances and not as revenues. Revenues reported for these products consist of policy charges for the cost of insurance, administration charges, amortization of policy initiation fees and surrender charges assessed against policyholder account balances. Surrender benefits paid relating to these products are reflected as decreases in liabilities for policyholder account balances and not as expenses.

The Company receives investment income earned from the funds deposited into account balances, a portion of which is passed through to the policyholders in the form of interest credited. Interest credited to policyholder account balances and benefit claims in excess of policyholder account balances are reported as expenses in the consolidated financial statements.

Premiums and other considerations received for traditional life insurance products are recognized as revenues when due. Future policy benefits are recognized as expenses over the life of the policy by means of the provision for future policy benefits.

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

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

19

Cemetery and Mortuary Operations

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

Pre-need sales of cemetery interment rights (cemetery burial property), including revenue and costs associated with the sales of pre-need cemetery interment rights, are recognized in accordance with the retail land sales provisions of GAAP. Under GAAP, recognition of revenue and associated costs from constructed cemetery property must be deferred until a minimum percentage of the sales price has been collected. Revenues related to the pre-need sale of unconstructed cemetery property will be deferred until such property is constructed and meets the criteria of GAAP, described above.

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

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

Prearranged funeral and pre-need cemetery customer obtaining costs, including costs incurred related to obtaining new pre-need cemetery and prearranged funeral business are accounted for under the guidance of the provisions of GAAP related to Financial Services - Insurance. Obtaining costs, which include only costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral business, are deferred until the merchandise is delivered or services are performed.

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

Mortgage Operations

Mortgage fee income consists of origination fees, processing fees and certain other income related to the origination and sale of mortgage loans. For mortgage loans sold to third party investors, mortgage fee income and related expenses are recognized pursuant to GAAP at the time the sales of the mortgage loans comply with the sales criteria for the transfer of financial assets. The sales criteria are as follows: (i) the transferred assets have been isolated from the Company and its creditors, (ii) the transferee has the right to pledge or exchange the mortgage, and (iii) the Company does not maintain effective control over the transferred mortgage.

The Company has determined that all three sales criteria are met at the time a mortgage loan is purchased by a third party investor. Until the loan is purchased, all direct selling revenues and costs are deferred.

The Company sells mortgage loans to third party investors without recourse. It may be required, however, to repurchase a loan or pay a fee instead of repurchase under certain events, which include the following:

- Failure to deliver original documents specified by the investor,

- The existence of misrepresentation or fraud in the origination of the loan,

- The loan becomes delinquent due to nonpayment during the first several months after it is sold,

- Early pay-off of a loan, as defined by the agreements,

- Excessive time to settle a loan,

- Investor declines purchase, and

- Discontinued product and expired commitment.

Loan purchase commitments generally specify a date 30 to 45 days after delivery upon which the underlying loans should be settled. Depending on market conditions, these commitment settlement dates can be extended at a cost to the Company.

It is the Company's policy to cure any documentation problems regarding such loans at a minimal cost for up to a six-month time period and to pursue efforts to enforce loan purchase commitments from third-party investors concerning the loans. The Company believes that six months allows adequate time to remedy any documentation issues, to enforce purchase commitments, and to exhaust other alternatives. Remedial methods include the following:

- Research reasons for rejection,

- Provide additional documents,

- Request investor exceptions,

- Appeal rejection decision to purchase committee, and

- Commit to secondary investors.

Once purchase commitments have expired and other alternatives to remedy are exhausted, which could be earlier than the six-month time period, the loans are repurchased and transferred to the long-term investment portfolio at the lower of cost or fair value and the previously recorded sales revenue that was to be received from a third party investor is written off against the loan loss reserve. Any loan that later becomes delinquent is evaluated by the Company at that time and any impairment is adjusted accordingly.

Determining lower of cost or market. Cost is equal to the amount paid to the warehouse bank and the amount originally funded by the Company. Market value, while often difficult to determine, is based on the following guidelines:

- For loans that have an active market, the Company uses the market price on the repurchase date.
- For loans where there is no market but there is a similar product, the Company uses the market value for the similar product on the repurchase date.
- For loans where no active market exists on the repurchase date, the Company determines that the unpaid principal balance best approximates the market value on the repurchase date, after considering the fair value of the underlying real estate collateral and estimated future cash flows.

The appraised value of the real estate underlying the original mortgage loan adds significance to the Company's determination of fair value because, if the loan becomes delinquent, the Company has sufficient value to collect the unpaid principal balance or the carrying value of the loan. In determining the market value on the date of repurchase, the Company considers the total value of all of the loans because any sale of loans would be made as a pool.

Loans that have been foreclosed are reclassified as real estate held for investment. The Company carries the foreclosed properties in either Security National Life, Memorial Estates, or SecurityNational Mortgage and rents the properties until it is deemed economically desirable to sell them.

The majority of loans originated are sold to third party investors. The amounts expected to be sold to investors are shown on the balance sheet as loans held for sale, and include the fees due from third party investors.

Use of Significant Accounting Estimates

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

Loan Commitments

The Company estimates the fair value of a mortgage loan commitment based on the change in estimated fair value of the underlying mortgage loan, quoted MBS prices, estimates of the fair value of mortgage servicing rights, and an estimate of the probability that the mortgage loan will fund within the terms of the commitment net of estimated commission expense. The change in fair value of the underlying mortgage loan is measured from the date the mortgage loan commitment is issued and is shown net of related expenses. Following issuance, the value of a loan commitment can be either positive or negative depending upon the change in value of the underlying mortgage loans. Fallout rates and other factors from the Company's recent historical data are used to estimate the quantity and value of mortgage loans that will fund within the terms of the commitments.

Deferred Acquisition Costs

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

For nonparticipating traditional life products, these costs are amortized over the premium paying period of the related policies in proportion to the ratio of annual premium revenues to total anticipated premium revenues. Such anticipated premium revenues are estimated using the same assumption used for computing liabilities for future policy benefits and are generally "locked in" at the date the policies are issued.

Value of Business Acquired

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

Mortgage Loans Foreclosed to Real Estate Held for Investment

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

Future Policy Benefits

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

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

Unearned Revenue

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

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

The revenue and cost associated with the sales of pre-need cemetery merchandise and funeral services are deferred until the merchandise is delivered or the service is performed.

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

Mortgage Servicing Rights

Mortgage Service Rights (MSR) arise from contractual agreements between the Company and third-party investors (or their agents) when mortgage loans are sold. Under these contracts, the Company is obligated to retain and provide loan servicing functions on the loans sold, in exchange for fees and other remuneration. The servicing functions typically performed include, among other responsibilities, collecting and remitting loan payments; responding to borrower inquiries; accounting for principal and interest, holding custodial (impound) funds for payment of property taxes and insurance premiums; counseling delinquent mortgagors; and supervising the acquisition of real estate owned and property dispositions. The Company initially accounts for MSRs at fair value and subsequently accounts for them using the amortization method. MSR amortization is determined by amortizing the balance straight-line over an estimated seven and nine-year life. The Company periodically assesses MSRs accounted for using the amortization method for impairment.

Mortgage Allowance for Loan Loss and Loan Loss Reserve

The Company provides allowances for losses on its mortgage loans through an allowance for loan losses (a contra-asset account) and through the mortgage loan loss reserve (a liability account). The allowance for loan losses is an allowance for losses on the Company's mortgage loans held for investment. The allowance is comprised of two components. The first component is an allowance for collectively evaluated impairment that is based upon the Company's historical experience in collecting similar receivables. The second component is based upon individual evaluation of loans that are determined to be impaired. Upon determining impairment, the Company establishes an individual impairment allowance based upon an assessment of the fair value of the underlying collateral.

When a mortgage loan is past due more than 90 days, the Company, where appropriate, sets up an allowance to approximate the excess of the carrying value of the mortgage loan over the estimated fair value of the underlying real estate collateral. When foreclosure is commenced on a delinquent loan, all expenses for foreclosure are expensed as incurred. Once foreclosed the carrying value should approximate its fair value and the amount will be classified as real estate owned. The Company is currently able to rent properties at a 2% to 8% gross return.

The mortgage loan loss reserve is an estimate of probable losses at the balance sheet date that the Company will realize in the future on mortgage loans sold to third party investors. The Company may be required to reimburse third party investors for costs associated with early payoff of loans within the first six months of such loans and to repurchase loans where there is a default in any of the first four monthly payments to the investors or, in lieu of repurchase, to pay a negotiated fee to the investors. The Company's estimates are based upon historical loss experience and the best estimate of the probable loan loss liabilities.

Upon completion of a transfer that satisfies the conditions to be accounted for as a sale, the Company initially measures at fair value liabilities incurred in a sale relating to any guarantee or recourse provisions. The Company accrues a monthly allowance for indemnification losses to investors based on total production. This estimate is based on the Company's historical experience and is included as a component of mortgage fee income. Subsequent updates to the recorded liability from changes in assumptions are recorded in selling, general and administrative expenses. The estimated liability for indemnification losses is included in other liabilities and accrued expenses. The Company believes the allowance for loan losses and the loan loss reserve represent probable loan losses incurred as of the balance sheet date.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities require various estimates and judgments and may be affected favorably or unfavorably by various internal and external factors. These estimates and judgments occur in the calculation of certain deferred tax assets and liabilities that arise from temporary differences in the recognition of revenues and expenses for tax and financial reporting purposes and in estimating the ultimate amount of deferred tax assets recoverable in future periods. Factors affecting the deferred tax assets and liabilities include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, and changes to overall levels of pre-tax earnings. Changes in these estimates, judgments or factors may result in an increase or decrease to the Company's deferred tax assets and liabilities with a related increase or decrease in the Company's provision for income taxes.

Results of Consolidated Operations

2016 Compared to 2015

Total revenues increased by $23,980,000, or 8.6%, to $304,335,000 for fiscal year 2016 from $280,355,000 for the fiscal year 2015. Contributing to this increase in total revenues was a $12,026,000 increase in mortgage fee income, an $8,091,000 increase in insurance premiums and other considerations, a $3,574,000 increase in net investment income, a $1,766,000 increase in other revenues, a $765,000 increase in net cemetery and mortuary sales, and a $335,000 decrease in other than temporary impairments. This increase in total revenues was partially offset by a $2,577,000 decrease in realized gains on investments and other assets.

Insurance premiums and other considerations increased by $8,091,000, or 14.3%, to $64,501,000 for 2016, from $56,410,000 for the comparable period in 2015. This increase was due to an increase in renewal premiums and an increase in first year premiums as a result of increased insurance sales in 2016.

Net investment income increased by $3,574,000, or 10.5%, to $37,582,000 for 2016, from $34,008,000 for the comparable period in 2015. This increase was primarily attributable to a $2,961,000 increase in insurance assignment income, a $1,515,000 increase in income from real estate held for investment, a $1,267,000 increase in interest from mortgage loans, an $804,000 increase in fixed maturity securities income and a $31,000 increase in policy loans income. This increase was partially offset by a $2,610,000 decrease in income from short-term investments and a $406,000 increase in investment expenses.

Net cemetery and mortuary sales increased by $765,000, or 6.7%, to $12,267,000 for 2016, from $11,502,000 for the comparable period in 2015. This increase was primarily due to an increase in at-need sales and pre-need sales in both the cemetery and mortuary operations.

Realized gains on investments and other assets decreased by $2,577,000, or 107.3%, to $176,000 in realized losses for 2016, from $2,401,000 in realized gains for the comparable period in 2015. This decrease in realized gains on investments and other assets was primarily attributable to a $2,577,000 decrease in realized gains on other assets due to the sale of an office building in 2015, which was offset by an increase in impairments on real estate held for investment in 2016, and a $47,000 decrease in realized gains on fixed maturity securities. This decrease was also partially offset by a $47,000 increase in realized gains on securities available for sale.

Other than temporary impairments on investments decreased by $335,000, or 55.3%, to $270,000 for 2016 from $605,000 for the comparable period in 2015. This decrease was primarily attributable to an overall decrease in impairments on fixed maturity securities held to maturity and securities available for sale.

Mortgage fee income increased by $12,026,000, or 7.0%, to $183,543,000 for 2016, from $171,517,000 for the comparable period in 2015. This increase was primarily attributable to an increase in mortgage loan originations.

Other revenues increased by $1,766,000, or 34.5%, to $6,888,000 for 2016 from $5,122,000 for the comparable period in 2015. This increase was due to an increase in mortgage servicing revenues.

Total benefits and expenses were $284,632,000, or 93.4% of total revenues, for 2016, as compared to $259,341,000, or 92.5% of total revenues, for the comparable period in 2015.

Death benefits, surrenders and other policy benefits, and future policy benefits increased by an aggregate of $4,102,000, or 8.1%, to $54,710,000 for 2016, from $50,608,000 for the comparable period in 2015. This increase was primarily the result of a $4,264,000 increase in future policy benefits, which was partially offset by a $125,000 decrease in death benefits and a $37,000 decrease in surrenders and other policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired increased by $2,362,000, or 41.9%, to $8,003,000 for 2016, from $5,641,000 for the comparable period in 2015. This increase was primarily due to an increase in insurance sales expenses.

Selling, general and administrative expenses increased by $18,190,000, or 9.2%, to $215,020,000 for 2016, from $196,830,000 for the comparable period in 2015. This increase was primarily due to a $9,394,000 increase in personnel expenses resulting from increased salaries for existing employees and the hiring of new employees, a $7,734,000 increase in commission expenses, a $1,616,000 increase in other expenses, a $695,000 increase in advertising expenses, a $290,000 increase in costs related to funding mortgage loans, and a $210,000 increase in rent and rent related expenses. These increases were partially offset by a $1,749,000 decrease in the provision for loan losses.

Interest expense increased by $654,000, or 14.7%, to $5,112,000 for 2016, from $4,458,000 for the comparable period in 2015. This increase in interest expense was primarily due to the completion of the construction of the Dry Creek at East Village Apartments development in December 2015, resulting in the interest from the bank loan that had been capitalized during the construction phase of the project being expensed in 2016.

Cost of goods and services sold of the cemeteries and mortuaries decreased by $16,000, or 0.9%, to $1,787,000 for 2016, from $1,803,000 for the comparable period in 2015. This decrease was primarily due to a decrease in mortuary at-need sales, which was offset by an increase in cemetery pre-need sales.

Other comprehensive income for the years ended December 31, 2016 and December 31, 2015 amounted to a gain of $764,000 and a loss of $761,000, respectively. This increase of $1,525,000 in 2016 was primarily the result of a $1,529,000 unrealized gain in marketable securities.

2015 Compared to 2014

Total revenues increased by $55,308,000, or 24.6%, to $280,355,000 for fiscal year 2015 from $225,047,000 for the fiscal year 2014. Contributing to this increase in total revenues was a $44,710,000 increase in mortgage fee income, a $5,704,000 increase in net investment income, a $3,401,000 increase in insurance premiums and other considerations, a $1,375,000 increase in other revenues, a $483,000 increase in realized gains on investments and other assets, and a $76,000 increase in net cemetery and mortuary sales. This increase in total revenues was partially offset by a $441,000 increase in other than temporary impairments.

Insurance premiums and other considerations increased by $3,401,000, or 6.4%, to $56,410,000 for 2015, from $53,009,000 for the comparable period in 2014. This increase was due to an increase in renewal premiums and an increase in first year premiums as a result of increased insurance sales in 2015.

Net investment income increased by $5,704,000, or 20.2%, to $34,008,000 for 2015, from $28,304,000 for the comparable period in 2014. This increase was primarily attributable to a $4,119,000 increase in income from short-term investments, a $1,021,000 increase in income from real estate, a $414,000 decrease in investment expenses, a $146,000 increase in interest from mortgage loans, a $57,000 increase in equity securities income, and an $8,000 increase in policy loans income. This increase was partially offset by a $61,000 decrease in fixed maturity securities income.

Net cemetery and mortuary sales increased by $76,000, or 0.7%, to $11,502,000 for 2015, from $11,426,000 for the comparable period in 2014. This increase was primarily due to a $249,000 increase in cemetery pre-need and at-need sales. This increase was partially offset by a $173,000 decrease in mortuary at-need sales.

Realized gains on investments and other assets increased by $483,000, or 25.2%, to $2,401,000 in realized gains for 2015, from $1,918,000 in realized gains for the comparable period in 2014. This increase in realized gains and losses on investments and other assets was primarily due to a $677,000 increase in gains and losses on other assets. This increase was partially offset by a $180,000 decrease in gains and losses on marketable securities, and a $14,000 decrease in gains and losses on fixed maturity securities held to maturity.

Other than temporary impairments on investments increased by $441,000, or 268.6%, to $605,000 for 2015 from $164,000 for the comparable period in 2014. This increase was due to a $192,000 increase in impairments on real estate held for investment and mortgage loans, and a $249,000 increase in impairments on marketable securities.

Mortgage fee income increased by $44,710,000, or 35.3%, to $171,517,000 for 2015, from $126,807,000 for the comparable period in 2014. This increase was primarily attributable to an increase in mortgage loan originations and higher secondary gains from loans held for sale.

Other revenues increased by $1,375,000, or 36.7%, to $5,122,000 for 2015 from $3,747,000 for the comparable period in 2014. This increase was due to an increase in mortgage servicing revenues.

Total benefits and expenses were $259,341,000, or 92.5% of total revenues, for 2015, as compared to $211,320,000, or 93.9% of total revenues, for the comparable period in 2014.

Death benefits, surrenders and other policy benefits, and future policy benefits increased by an aggregate of $2,912,000, or 6.1%, to $50,608,000 for 2015, from $47,696,000 for the comparable period in 2014. This increase was primarily the result of an increase of $4,058,000 in death benefits, which was partially offset by decreases of $848,000 in future policy benefits, and $298,000 in surrenders and other policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired decreased by $1,252,000, or 18.2%, to $5,641,000 for 2015, from $6,893,000 for the comparable period in 2014. This decrease was primarily due to improved persistency in the payment of premiums in the traditional life business.

Selling, general and administrative expenses increased by $44,946,000, or 29.6%, to $196,830,000 for 2015, from $151,884,000 for the comparable period in 2014. This increase was primarily due to a $21,526,000 increase in commission expenses, an $11,500,000 increase in personnel expenses, a $4,154,000 increase in other expenses, a $2,449,000 increase in the provision for loan losses, a $2,450,000 increase in costs related to funding mortgage loans, a $1,715,000 increase in rent and rent related expenses, and a $1,146,000 increase in advertising expenses. These increased expenses in 2015 were primarily due to the additional costs and expenses associated with the Company's significant increases in the number of mortgage loan originations in 2015.

Interest expense increased by $1,464,000, or 48.9%, to $4,458,000 for 2015, from $2,994,000 for the comparable period in 2014. This increase was primarily due to an increase in outstanding balances on warehouse lines of credit that are used to fund mortgage loans.

Cost of goods and services sold of the cemeteries and mortuaries decreased by $50,000, or 2.7%, to $1,803,000 for 2015, from $1,853,000 for the comparable period in 2014. This decrease was primarily due to a decrease in mortuary at-need sales, which was offset by an increase in cemetery pre-need and at-need sales.

Other comprehensive income for the years ended December 31, 2015 and December 31, 2014 amounted to losses of $761,000 and $49,000, respectively. This decrease of $712,000 in 2015 was primarily the result of a $705,000 unrealized loss in marketable securities.

Risks

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

Legal and Regulatory Risks. Changes in the legal or regulatory environment in which the Company operates may create additional expenses and risks not anticipated by the Company in developing and pricing its products. 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 and mortuary business. The Company mitigates these risks 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 that identify and minimize the adverse impact of such risks.

Mortgage Industry Risks. Developments in the mortgage industry and credit markets can adversely affect the Company's ability to sell its mortgage loans to investors, which can impact the Company's financial results by requiring it to assume the risk of holding and servicing any unsold loans.

The mortgage loan loss reserve is an estimate of probable losses at the balance sheet date that the Company could realize in the future on mortgage loans sold to third party investors. The Company's mortgage subsidiaries may be required to reimburse third party investors for costs associated with early payoff of loans within the first six months of such loans and to repurchase loans where there is a default in any of the first four monthly payments to the investors or, in lieu of repurchase, to pay a negotiated fee to the investors. The Company's estimates are based upon historical loss experience and the best estimate of the probable loan loss liabilities.

Upon completion of a transfer that satisfies the conditions to be accounted for as a sale, the Company initially measures at fair value liabilities incurred in a sale relating to any guarantee or recourse provisions. The initial allowance for loan losses in years ended December 31, 2016, 2015 and 2014 were $2,989,000, $2,846,000 and $2,053,000, respectively, and the charge has been included in mortgage fee income. Additional amounts accrued for changes in estimates specific to settlements for loan losses in years ended December 31, 2016, 2015 and 2014 were $1,700,000, $3,449,103 and $1,000,000, respectively, and the charge has been included in selling, general and administrative expenses. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2016 and 2015, the balances were $628,000 and $2,806,000, respectively. The Company believes the allowance for loan losses and the loan loss reserve represent probable loan losses incurred as of December 31, 2016. There is a risk, however, that future loan losses may exceed the loan loss reserves and allowances.

As of December 31, 2016, the Company's long term mortgage loan portfolio consisted of $3,184,000 in mortgage loans with delinquencies more than 90 days. Of this amount, $1,829,000 of the loans were in foreclosure proceedings. The Company has not received or recognized any interest income on the $3,184,000 in mortgage loans with delinquencies more than 90 days. During the twelve months ended December 31, 2016 and 2015, the Company decreased its allowance for mortgage losses by $99,000 and $31,000, respectively, which was charged to bad debt expense and included in selling, general and administrative expenses for the period. The allowances for mortgage loan losses as of December 31, 2016 and 2015 were $1,749,000 and $1,848,000, respectively.

At various times third party investors have asserted that SecurityNational Mortgage sold mortgage loans that allegedly contained borrower misrepresentations or experienced early payment defaults, or that were otherwise allegedly defective or not in compliance with loan purchase agreements involving SecurityNational Mortgage. As a result of these claims, third party investors have made demands at times that SecurityNational Mortgage repurchase certain alleged defective mortgage loans that were sold to such investors or indemnify them against any losses related to such loans.

The total amount of potential claims by third party investors is difficult to determine. The Company has reserved and accrued $628,000 as of December 31, 2016 to settle all such investor related claims. The Company believes that the reserve for mortgage loan losses, which includes provisions for probable losses and indemnification on loans held for sale, is reasonable based on available information. Moreover, the Company has successfully negotiated acceptable settlement terms with other third-party investors that asserted claims for mortgage loan losses against SecurityNational Mortgage.

SecurityNational Mortgage disagrees with the repurchase demands and notices of potential claims from third party investors. Furthermore, SecurityNational Mortgage believes there is potential to resolve the alleged claims by the third-party investors on acceptable terms. If SecurityNational Mortgage is unable to resolve such claims on acceptable terms, legal action may ensue. In the event of legal action by any third-party investor, SecurityNational Mortgage believes it has significant defenses to any such action and intends to vigorously defend itself against such action.

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 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 loss on the sale.

Mortality and Morbidity Risks. The risk that the Company's actuarial assumptions may differ from actual mortality and morbidity experiences 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 and liability duration matching, and sound actuarial practices.

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

Material estimates that are particularly susceptible to significant changes in the near term are those used in determining the value of derivative assets and liabilities, those used in determining deferred acquisition costs and the value of business acquired, those used in determining the value of mortgage loans foreclosed to real estate held for investment, those used in determining the liability for future policy benefits and unearned revenue, those used in determining the estimated future costs for pre-need sales, those used in determining the value of mortgage servicing rights, those used in determining allowances for loan losses for mortgage loans on real estate, those used in determining loan loss reserve, and those used in determining deferred tax assets and liabilities. Although some variability is inherent in these estimates, management believes the amounts provided are fairly stated in all material respects.

Liquidity and Capital Resources

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

During the twelve months ended December 31, 2016, the Company's operations provided cash of $35,535,000. This was primarily due to an increase in cash collected on loans held for sale. During the twelve months ended December 31, 2015, the Company's operations used cash of $28,113,000. This was primarily due to an increase in cash paid on loans held for sale.

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

The Company attempts to match the duration of invested assets with its policyholder and cemetery and mortuary liabilities. The Company may sell investments other than those held to maturity in the portfolio to help in this timing. The Company purchases short-term investments on a temporary basis to meet the expectations of short-term requirements of the Company's products. The Company's investment philosophy is intended to provide a rate of return, 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 also to invest predominantly in fixed maturity securities, real estate, mortgage loans, and warehousing of mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to $184,356,000 and $144,946,000 as of December 31, 2016 and 2015, respectively. This represents 33.1% and 32.9% of the total investments as of December 31, 2016, and 2015, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners. Under this rating system, there are six categories used for rating bonds. At December 31, 2016, 9.0% (or $16,513,000) and at December 31, 2015, 8.3% (or $11,990,000) of the Company's total bond investments were invested in bonds in rating categories three through six, which are considered non investment grade.

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

See Note 2 of the Notes to Consolidated Financial Statements for the schedule of the maturity of fixed maturity securities and for the schedule of principal payments for mortgage loans on real estate and construction loans held for investment.

If market conditions were to cause interest rates to change, the market value of the Company's fixed income portfolio, which includes bonds, preferred stock, and mortgage loans, could change by the following amounts based on the respective basis point swing (the change in the market values were calculated using a modeling technique):

	-200 bps	-100 bps	+100 bps	+200 bps
Change in Market Value (in thousands)	$28,572	$13,491	$(17,119)	$(30,069)

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, 2016 and 2015, the life insurance subsidiaries exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity, and bank loans and notes payable were $284,700,000 as of December 31, 2016, as compared to $248,722,000 as of December 31, 2015. Stockholders' equity as a percent of total capitalization was 46.6% and 47.3% as of December 31, 2016 and December 31, 2015, respectively. Bank loans and notes payable increased by $12,810,000 for the twelve months ended December 31, 2016 as compared to December 31, 2015, thus decreasing the stockholders' equity percentage.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance was 9.6% in 2016 as compared to a rate of 7.4% for 2015.

At December 31, 2016, $44,055,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's life insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to its parent company without the approval of state insurance regulatory authorities.

Forward-Looking Statements

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

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

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

Off-Balance Sheet Agreements

At December 31, 2016, the Company was contingently liable under a standby letter of credit aggregating $560,350, to be used as collateral to cover any contingency related to additional risk assessments pertaining to the Company's captive insurance program. The Company does not expect any material losses to result from the issuance of the standby letter of credit because claims are not expected to exceed premiums paid. Accordingly, the estimated fair value of this letter of credit is zero.

At December 31, 2016, the Company was contingently liable under standby letters of credit aggregating $1,250,000, to be used as collateral to cover any contingency related to claims filed in states where the Company's mortgage segment is licensed. The Company does not expect any material losses to result from the issuance of these standby letters of credit. Accordingly, the estimated fair value of these letters of credit is zero.

At December 31, 2016, the Company was contingently liable under a standby letter of credit aggregating $48,220, issued as a security deposit to guarantee payment of final bills for electric and gas utility services for a commercial real estate property owned by the Company in Wichita, Kansas. The Company does not expect any material losses to result from the issuance of the standby letter of credit. Accordingly, the estimated fair value of this letter of credit is zero.

The total of the Company's unfunded residential construction loan and land development loan commitments as of December 31, 2016, was $15,622,000.

The Company entered into a Construction Loan Agreement between Key Bank National Association and 5300 Development LLC, the Company's wholly owned subsidiary. Under the terms of this Agreement, the Company agrees to pay Key Bank the current outstanding principal up to $40,740,000 plus interest. These funds are being used for the construction of phase 1 of the Company's new corporate campus development in Salt Lake City Utah. As of December 31, 2016, the Company has used $8,778,000 of these funds.

Contractual Obligations

The Company's contractual obligations as of December 31, 2016, and the payments due by period are shown in the following table:

	Less than 1 year	1-3 years	4-5 years	over 5 years	Total
Non-cancelable operating leases	$6,556,093	$7,857,212	$534,151	$37,438	$14,984,894
Bank and other loans payable	101,177,574	37,668,543	4,502,845	8,791,717	152,140,679
	$107,733,667	$45,525,755	$5,036,996	$8,829,155	$167,125,573

Casualty Insurance Program

In conjunction with the Company's casualty insurance program, limited equity interests are held in a captive insurance entity. This program permits the Company to self-insure a portion of losses, to gain access to a wide array of safety-related services, to pool insurance risks and resources in order to obtain more competitive pricing for administration and reinsurance and to limit its risk of loss in any particular year. The maximum exposure to loss related to the Company's involvement with this entity is limited to approximately $560,350 which is collateralized under a standby letter of credit issued on the insurance entity's behalf. See Note 9, "Reinsurance, Commitments and Contingencies," for additional discussion of commitments associated with the insurance program and Note 1, "Significant Accounting Policies", for further information on a standby letter of credit.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, the Company is not required to provide information typically disclosed under this item.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Shareholders
Security National Financial Corporation

We have audited the accompanying consolidated balance sheets of Security National Financial Corporation and Subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016. Our audits also included the financial statements Schedule II, Schedule IV and Schedule V. The Company's management is responsible for these consolidated financial statements and schedules. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 as of December 31, 2016 and 2015, and the consolidated results of their earnings and their cash flows for each of the years in the three-year period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 21, subsequent to the issuance of the Company's financial statements as of December 31, 2016 and 2015, and for the three-year period ended December 31, 2016, and our report thereon dated March 31, 2017, we became aware that those financial statements contained errors related to purchase agreements for mortgage loans and the tax valuation allowance, as well as related disclosures and a number of other matters. In our original report we expressed an unmodified opinion on these financial statements, and our opinion on the revised statements, as expressed herein, remains unmodified.

Salt Lake City, Utah
March 31, 2017, except for Note 21, for which the date is August 25, 2017

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31

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2016	2015
Assets	(As Restated)	(As Restated)
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	$184,979,644	$145,558,425
Equity securities, available for sale, at estimated fair value	10,573,356	8,431,090
Mortgage loans on real estate and construction loans held for investment, net of allowances for loan losses of $1,748,783 and $1,848,120 for 2016 and 2015	149,181,578	112,546,905
Real estate held for investment, net of accumulated depreciation of $16,138,439 and $12,210,346 for 2016 and 2015	145,165,921	114,852,432
Policy loans and other investments, net of allowances for doubtful accounts of $1,119,630 and $906,616 for 2016 and 2015	40,937,146	39,582,421
Short-term investments	27,560,040	16,915,808
Accrued investment income	2,972,596	2,553,819
Total investments	561,370,281	440,440,900
Cash and cash equivalents	38,987,430	40,053,242
Loans held for sale	189,139,832	211,453,006
Receivables, net	6,373,364	6,060,994
Restricted assets	10,391,394	9,359,802
Cemetery perpetual care trust investments	4,131,885	2,848,759
Receivable from reinsurers	13,079,668	13,400,527
Cemetery land and improvements	10,672,836	10,780,996
Deferred policy and pre-need contract acquisition costs	69,118,745	59,004,909
Mortgage servicing rights, net	18,872,362	12,679,755
Property and equipment, net	8,791,522	11,441,660
Value of business acquired	7,570,300	8,743,773
Goodwill	2,765,570	2,765,570
Other	10,413,394	11,439,273
Total Assets	$951,678,583	$840,473,166

See accompanying notes to consolidated financial statements.

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

	December 31	
	2016	2015
Liabilities and Stockholders' Equity	(As Restated)	(As Restated)
Liabilities		
Future life, annuity, and other benefits	$584,067,692	$515,789,254
Unearned premium reserve	4,469,771	4,737,305
Bank and other loans payable	152,140,679	131,005,614
Deferred pre-need cemetery and mortuary contract revenues	12,360,249	12,816,227
Cemetery perpetual care obligation	3,598,580	3,465,771
Accounts payable	4,213,109	3,502,046
Other liabilities and accrued expenses	33,950,503	31,027,381
Income taxes	24,318,869	20,412,889
Total liabilities	819,119,452	722,756,487
Stockholders' Equity		
Preferred Stock:		
Preferred stock - non-voting-$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Common Stock:		
Class A: common stock - $2.00 par value; 20,000,000 shares authorized; issued 13,819,006 shares in 2016 and 13,109,100 shares in 2015	27,638,012	26,218,200
Class B: non-voting common stock - $1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Class C: convertible common stock - $2.00 par value; 3,000,000 shares authorized; issued 1,902,229 shares in 2016 and 1,709,640 shares in 2015	3,804,458	3,419,280
Additional paid-in capital	34,813,246	30,232,582
Accumulated other comprehensive income, net of taxes	264,822	(499,358)
Retained earnings	67,409,204	60,525,404
Treasury stock, at cost - 704,122 Class A shares and -0- Class C shares in 2016; 930,546 Class A shares and -0- Class C shares in 2015	(1,370,611)	(2,179,429)
Total stockholders' equity	132,559,131	117,716,679
Total Liabilities and Stockholders' Equity	$951,678,583	$840,473,166

See accompanying notes to consolidated financial statements.

33

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended December 31		
	2016 (As Restated)	2015 (As Restated)	2014 (As Restated)
Revenues:			
Insurance premiums and other considerations	$64,501,017	$56,409,863	$53,008,679
Net investment income	37,582,444	34,007,904	28,303,740
Net mortuary and cemetery sales	12,267,640	11,502,045	11,426,308
Realized gains on investments and other assets	(176,387)	2,401,359	1,918,176
Other than temporary impairments	(270,358)	(605,430)	(164,240)
Mortgage fee income	183,542,796	171,517,284	126,807,473
Other	6,887,749	5,121,807	3,747,013
Total revenues	304,334,901	280,354,832	225,047,149
Benefits and expenses:			
Death benefits	31,033,222	31,158,281	27,100,278
Surrenders and other policy benefits	2,354,158	2,391,612	2,689,686
Increase in future policy benefits	21,322,195	17,057,764	17,905,914
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	8,003,175	5,641,293	6,892,978
Selling, general and administrative expenses:			
Commissions	88,634,494	80,900,618	59,374,542
Personnel	70,254,479	60,860,275	49,360,406
Advertising	6,425,277	5,730,197	4,584,436
Rent and rent related	8,061,598	7,850,776	6,135,876
Depreciation on property and equipment	2,182,724	2,183,496	2,177,165
Provision for loan loss reserve	1,700,000	3,449,103	1,000,000
Costs related to funding mortgage loans	9,191,488	8,901,511	6,451,319
Other	28,569,949	26,954,378	22,800,066
Interest expense	5,111,868	4,458,612	2,994,429
Cost of goods and services sold – mortuaries and cemeteries	1,787,043	1,803,444	1,853,103
Total benefits and expenses	284,631,670	259,341,360	211,320,198
Earnings before income taxes	19,703,231	21,013,472	13,726,951
Income tax expense	(7,514,604)	(7,662,031)	(5,510,119)
Net earnings	$12,188,627	$13,351,441	$8,216,832
Net earnings per Class A equivalent common share (1)	$0.82	$0.92	$0.59
Net earnings per Class A equivalent common share - assuming dilution(1)	$0.81	$0.89	$0.57
Weighted average Class A equivalent common shares outstanding (1)	14,806,290	14,439,274	13,893,260
	15,127,204	14,951,833	14,344,475

Weighted average Class A equivalent common shares
outstanding-assuming dilution (1)

(1) Earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends. The weighted-average shares outstanding includes the weighted-average Class A common shares and the weighted-average Class C common shares determined on an equivalent Class A common stock basis. Class C common shares have been adjusted retroactively for the effect of the 1-for-10 reverse stock split that was approved by the stockholders in 2014. Net earnings per common share represent net earnings per equivalent Class A common share. Net earnings per Class C common share is $6.68, $7.99 and $5.48 per share for 2016, 2015 and 2014, respectively, and $6.19, $6.88 and $4.55 per share-assuming dilution for 2016, 2015 and 2014, respectively.

See accompanying notes to consolidated financial statements.

34

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016 (As Restated)	2015 (As Restated)	2014 (As Restated)
Net earnings	$12,188,627	$13,351,441	$8,216,832
Other comprehensive income:			
Changes in:			
Net unrealized gains on derivative instruments	6,490	10,628	16,433
Net unrealized gains (losses) on available for sale securities	757,690	(771,343)	(65,848)
Other comprehensive gain (loss)	764,180	(760,715)	(49,415)
Comprehensive income	$12,952,807	$12,590,726	$8,167,417

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2016, 2015 and 2014

	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at January 1, 2014, (As Previously Reported)	$23,614,574	$2,660,382	$23,215,875	$310,772	$40,574,211	$(2,624,625)	$87,751,189
Prior period adjustment (see Note 21)	-	-	-	-	6,405,271	-	6,405,271
Balance at January 1, 2014 (As Restated)	23,614,574	2,660,382	23,215,875	310,772	46,979,482	(2,624,625)	94,156,460
Net earnings (As Restated)	-	-	-	-	8,216,832	-	8,216,832
Other comprehensive loss	-	-	-	(49,415)	-	-	(49,415)
Stock based compensation	-	-	391,220	-	-		391,220
Reverse stock split true up	-	30	-	-	(30)	-	-
Exercise of stock options	108,824	-	(34,800)	-	-	-	74,024
Sale of treasury stock	-	-	361,679	-	-	538,171	899,850
Stock dividends	1,190,040	132,767	1,997,147	-	(3,319,954)	-	-
Conversion Class C to Class A	5,042	(5,041)	(2)	-	1	-	-
Balance at December 31, 2014, (As Restated)	24,918,480	2,788,138	25,931,119	261,357	51,876,331	(2,086,454)	103,688,971
Net earnings (As Restated)	-	-	-	-	13,351,441	-	13,351,441
Other comprehensive loss	-	-	-	(760,715)	-	-	(760,715)

Stock based compensation	-	-	387,608	-	-	-	387,608
Exercise of stock options	47,922	483,304	(55,717)	-	-	(441,832)	33,677
Sale of treasury stock	-	-	666,840	-	-	530,396	1,197,236
Purchase of treasury stock	-	-	-	-	-	(181,539)	(181,539)
Stock dividends	1,248,966	150,670	3,302,732	-	(4,702,368)	-	-
Conversion Class C to Class A	2,832	(2,832)	-	-	-	-	-
Balance at December 31, 2015, (As Restated)	26,218,200	3,419,280	30,232,582	(499,358)	60,525,404	(2,179,429)	117,716,679
Net earnings (As Restated)	-	-	-	-	12,188,627	-	12,188,627
Other comprehensive income	-	-	-	764,180	-	-	764,180
Stock based compensation	-	-	343,577	-	-	-	343,577
Exercise of stock options	85,268	209,950	(179,112)	-	-	-	116,106
Sale of treasury stock	-	-	621,144	-	-	808,818	1,429,962
Stock dividends	1,315,838	193,934	3,795,055	-	(5,304,827)	-	-
Conversion Class C to Class A	18,706	(18,706)	-	-	-	-	-
Balance at December 31, 2016, (As Restated)	$27,638,012	$3,804,458	$34,813,246	$264,822	$67,409,204	$(1,370,611)	$132,559,131

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016 (As Restated)	2015 (As Restated)	2014 (As Restated)
Cash flows from operating activities:			
Net earnings	$12,188,627	$13,351,441	$8,216,832
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Realized losses (gains) on investments and other assets	176,387	(2,401,359)	(1,918,176)
Other than temporary impairments	270,358	605,430	164,240
Depreciation	5,579,259	5,023,985	4,389,472
Provision for loan losses and doubtful accounts	1,188,599	524,237	743,386
Amortization of premiums and discounts	653,761	269,681	238,687
Provision for deferred and other income taxes	6,130,644	4,826,010	3,856,456
Policy and pre-need acquisition costs deferred	(16,943,538)	(13,061,573)	(10,159,895)
Policy and pre-need acquisition costs amortized	6,829,702	4,364,167	5,590,332
Value of business acquired amortized	1,173,473	1,277,126	1,302,646
Servicing asset at amortized cost, additions	(8,603,154)	(6,217,551)	(3,741,381)
Amortization of mortgage servicing rights	2,410,547	1,372,543	750,735
Stock based compensation expense	343,577	387,608	391,220
Benefit plans funded with treasury stock	1,429,962	1,197,236	899,850
Loans originated for sale	(3,098,710,299)	(2,861,404,239)	(2,044,909,613)
Proceeds from loans sold	3,246,127,714	2,933,300,742	2,102,740,825
Net gains on loans sold	(137,682,984)	(131,130,447)	(93,144,155)
Change in assets and liabilities:			
Land and improvements held for sale	108,160	67,089	(216,512)
Future life and other benefits	17,989,595	15,078,397	13,930,657
Other operating assets and liabilities	(5,125,376)	4,456,090	(1,589,164)
Net cash provided by (used in) operating activities	35,535,014	(28,113,387)	(12,463,558)
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(11,386,383)	(22,604,453)	(3,449,187)
Calls and maturities - fixed maturity securities	15,343,488	11,952,402	11,850,864
Securities available for sale:			
Purchase - equity securities	(4,980,320)	(9,336,175)	(5,996,993)
Sales - equity securities	4,523,034	6,559,555	3,851,664
Purchases of short-term investments	(18,228,912)	(47,160,050)	(18,587,022)
Sales of short-term investments	12,943,083	57,188,522	3,663,246
Sales (purchases) of restricted assets	(981,433)	(40,763)	(2,628,764)
Change in assets for perpetual care trusts	(1,215,778)	(267,717)	(230,921)
Amount received for perpetual care trusts	132,809	59,053	140,587
Mortgage, policy, and other investments made	(469,593,661)	(372,334,883)	(286,974,069)
Payments received for mortgage, policy, and other investments	446,242,429	371,254,833	267,763,998
Purchases of property and equipment	(3,566,511)	(3,632,690)	(1,520,443)
Disposal of property and equipment	47,293	2,899,322	894,805
Purchases of real estate held for investment	(26,634,840)	(16,725,475)	(19,317,567)
Sale of real estate held for investment	6,093,308	13,540,913	7,269,475
Cash received from reinsurance	-	24,020,215	13,553,864

Cash paid for purchase of subsidiaries, net of cash acquired	(4,328,520)	-	(15,011,193)
Net cash provided by (used in) investing activities	(55,590,914)	15,372,609	(44,727,656)

See accompanying notes to consolidated financial statements.

37

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016 (As Restated)	2015 (As Restated)	2014 (As Restated)
Cash flows from financing activities:			
Annuity contract receipts	$11,349,276	$10,172,170	$10,051,662
Annuity contract withdrawals	(13,620,998)	(12,273,707)	(14,519,563)
Proceeds from stock options exercised	116,106	33,677	74,024
Purchase of treasury stock	-	(181,539)	-
Repayment of bank and other loans payable	(1,680,678)	(1,967,197)	(2,357,468)
Proceeds from bank borrowings	14,500,950	13,873,157	13,115,348
Net change in warehouse line borrowings	8,325,432	12,282,139	43,479,367
Net cash provided by financing activities	18,990,088	21,938,700	49,843,370
Net change in cash and cash equivalents	(1,065,812)	9,197,922	(7,347,844)
Cash and cash equivalents at beginning of year	40,053,242	30,855,320	38,203,164
Cash and cash equivalents at end of year	$38,987,430	$40,053,242	$30,855,320
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$5,119,459	$4,347,062	$2,901,492
Income taxes	2,667,918	2,716,161	408,939
Non Cash Investing and Financing Activities:			
Transfer of loans held for sale to mortgage loans held for investment	$12,578,743	$-	$2,282,899
Accrued real estate construction costs and retainage	7,358,922	-	-
Mortgage loans foreclosed into real estate	2,075,714	3,246,712	981,820

See Note 19 regarding non cash transactions included in the acquisitions of First Guaranty Insurance Company and American Funeral Financial.

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

1) Significant Accounting Policies

General Overview of Business

Security National Financial Corporation and its wholly owned subsidiaries (the "Company") operate in three main business segments: life insurance, cemetery and mortuary, and mortgages. 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 and eleven southern states. The cemetery and mortuary segment of the Company consists of eight mortuaries and five cemeteries in Utah and one cemetery in California. The mortgage segment is an approved government and conventional lender that originates and underwrites residential and commercial loans for new construction, existing homes and real estate projects primarily in Florida, Nevada, Texas, and Utah.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The presentation of certain amounts in prior years has been reclassified to conform to the 2016 presentation.

Principles of Consolidation

These consolidated financial statements include the financial statements of the Company and its majority owned subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates

Management of the Company has made a number of estimates and assumptions related to the reported amounts of assets and liabilities, reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant changes in the near term are those used in determining the value of derivative assets and liabilities, those used in determining deferred acquisition costs and the value of business acquired, those used in determining the value of mortgage loans foreclosed to real estate held for investment, those used in determining the liability for future policy benefits and unearned revenue, those used in determining the estimated future costs for pre-need sales, those used in determining the value of mortgage servicing rights, those used in determining allowances for loan losses for mortgage loans on real estate, those used in determining loan loss reserve, and those used in determining deferred tax assets and liabilities. Although some variability is inherent in these estimates, management believes the amounts provided are fairly stated in all material respects.

Investments

The Company's management determines the appropriate classifications of investments in fixed maturity securities and equity securities at the acquisition date and re-evaluates the classifications at each balance sheet date.

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

Equity securities available for sale are carried at estimated fair value. Changes in fair values net of income taxes are reported as unrealized appreciation or depreciation and recorded as an adjustment directly to stockholders' equity and, accordingly, have no effect on net income.

Mortgage loans on real estate and construction loans held for investment are carried at their unpaid principal balances adjusted for charge-offs and the related allowance for loan losses. The Company defers related material loan origination fees, net of related direct loan origination costs, and amortizes the net fees over the term of the loans.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

1) Significant Accounting Policies (Continued)

Mortgage loans are collateral dependent and require an appraisal at the time of underwriting and funding. Generally, the Company will fund a loan not to exceed 80% of the loan's collateral fair market value. Amounts over 80% will require additional collateral or mortgage insurance by an approved third-party insurer. Once a loan is deemed to be impaired the Company will review the market value of the collateral and provide an allowance for any impairment.

Real estate held for investment is carried at cost, less accumulated depreciation provided on a straight line basis over the estimated useful lives of the properties, or is adjusted to a new basis for impairment in value, if any. Included are foreclosed properties which the Company intends to hold for investment purposes. These properties are recorded at the lower of cost or fair value upon foreclosure.

Policy loans and other investments are carried at the aggregate unpaid balances, less allowances for possible losses.

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

Realized gains and losses on investments arise when investments are sold (as determined on a specific identification basis) or are other-than-temporarily impaired. If in management's judgment a decline in the value of an investment below cost is other-than-temporary, the cost of the investment is written down to fair value with a corresponding charge to earnings. Factors considered in judging whether an impairment is other-than-temporary include: the financial condition, business prospects and credit worthiness of the issuer, the length of time that fair value has been less than cost, the relative amount of the decline, and the Company's ability and intent to hold the investment until the fair value recovers, which is not assured.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts, which at times exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or market and include the amounts due from third party investors. Loans held for sale are also shown net of direct selling revenues and costs. Based on the short-term nature of these assets, the Company has no related allowance for loan losses recorded for these assets.

Restricted Assets

Restricted assets are assets held in a trust account for future mortuary services and merchandise and consist of cash; participations in mortgage loans with Security National Life; mutual funds carried at cost; equity securities carried at fair market value; and a surplus note with Security National Life. Restricted cash also represents escrows held for borrowers and investors under servicing and appraisal agreements relating to mortgage loans, funds held by warehouse banks in accordance with loan purchase agreements and funds held in escrow for certain real estate construction development projects. Additionally, the Company elected to fund its medical benefit safe-harbor limit based on 35 percent of the qualified direct costs for the preceding year, and has included this amount as a component of restricted cash.

Cemetery Perpetual Care Trust Investments

Cemetery endowment care trusts have been set up for four of the six cemeteries owned by the Company. Of the six cemeteries owned by the Company, four cemeteries are endowment care properties. Under endowment care arrangements a portion of the price for each lot sold is withheld and invested in a portfolio of investments similar to those described in the prior paragraph. The earnings stream from the investments is designed to fund future maintenance and upkeep of the cemetery.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

1) Significant Accounting Policies (Continued)

Cemetery Land and Improvements

The development of a cemetery involves not only the initial acquisition of raw land but the installation of roads, water lines, landscaping and other costs to establish a marketable cemetery lot. The costs of developing the cemetery are shown as an asset on the balance sheet. The amount on the balance sheet is reduced by the total cost assigned to the development of a particular lot when the criterion for recognizing a sale of that lot is met.

Property and Equipment

Property and equipment are 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 forty years. Leasehold improvements are amortized over the lesser of the useful life or remaining lease terms.

Recognition of Insurance Premiums and Other Considerations

Premiums and other consideration 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. Premiums and other consideration for interest-sensitive insurance policies (which include universal life policies, interest-sensitive life policies, deferred annuities, and annuities without life contingencies) are recognized when earned and consist of amounts assessed against policyholder account balances during the period for policy administration charges and surrender charges.

Deferred Policy Acquisition Costs and Value of Business 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 ("DAC") 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.

The Company follows accounting principles generally accepted in the United States of America when accounting for DAC on internal replacements of insurance and investment contracts. An internal replacement is a modification in product benefits, features, rights or coverage that occurs by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to contract, or by the election of a feature or coverage within a contract. Modifications that result in a replacement contract that is substantially changed from the replaced contract are accounted for as an extinguishment of the replaced contract. Unamortized DAC, unearned revenue liabilities and deferred sales inducements from the replaced contract are written-off. Modifications that result in a contract that is substantially unchanged from the replaced contract are accounted for as a continuation of the replaced contract.

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

Mortgage Servicing Rights

Mortgage Service Rights (MSR) arise from contractual agreements between the Company and third-party investors (or their agents) when mortgage loans are sold. Under these contracts, the Company is obligated to retain and provide loan servicing functions on loans sold, in exchange for fees and other remuneration. The servicing functions typically performed include, among other responsibilities, collecting and remitting loan payments; responding to borrower inquiries; accounting for principal and interest, holding custodial (impound) funds for payment of property taxes and insurance premiums; counseling delinquent mortgagors; and supervising the acquisition of real estate owned and property dispositions.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

1) Significant Accounting Policies (Continued)
The total residential mortgage loans serviced for others consist primarily of agency conforming fixed-rate mortgage loans. The value of MSRs is derived from the net cash flows associated with the servicing contracts. The Company receives a servicing fee of generally about 0.250% annually on the remaining outstanding principal balances of the loans. Based on the result of the cash flow analysis, an asset or liability is recorded for mortgage servicing rights. The servicing fees are collected from the monthly payments made by the mortgagors. The Company generally receives other remuneration including rights to various mortgagor-contracted fees such as late charges, and collateral reconveyance charges and the Company is generally entitled to retain the interest earned on funds held pending remittance of mortgagor principal, interest, tax and insurance payments. Contractual servicing fees and late fees are included in other revenues on the Consolidated Statements of Earnings.

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

Interest rate risk, prepayment risk, and default risk are inherent risks in MSR valuation. Interest rate changes largely drive prepayment rates. Refinance activity generally increases as rates decline. A significant decrease in rates beyond expectation could cause a decline in the value of the MSR. On the contrary, if rates increase borrowers are less likely to refinance or prepay their mortgage, which extends the duration of the loan and MSR values are likely to rise. Because of these risks, discount rates and prepayment speeds are used to estimate the fair value.

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

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

Derivative Instruments

Mortgage Banking Derivatives

Loan Commitments

The Company is exposed to price risk due to the potential impact of changes in interest rates on the values of loan commitments from the time a loan commitment is made to an applicant to the time the loan that would result from the exercise of that loan commitment is funded. Managing price risk is complicated by the fact that the ultimate percentage of loan commitments that will be exercised (i.e., the number of loans that will be funded) fluctuates. The probability that a loan will not be funded or the loan application is denied or withdrawn within the terms of the commitment is driven by a number of factors, particularly the change, if any, in mortgage rates following the issuance of the loan commitment.

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

1) Significant Accounting Policies (Continued)

The Company estimates the fair value of a loan commitment based on the change in estimated fair value of the underlying mortgage loan, quoted MBS prices, estimates of the fair value of mortgage servicing rights, and an estimate of the probability that the mortgage loan will fund within the terms of the commitment net of estimated commission expense. The change in fair value of the underlying mortgage loan is measured from the date the loan commitment is issued and is shown net of expenses. Following issuance, the value of a loan commitment can be either positive or negative depending upon the change in value of the underlying mortgage loans.

Forward Sale Commitments

The Company utilizes forward commitments to economically hedge the price risk associated with its outstanding mortgage loan commitments. A forward commitment protects the Company from losses on sales of the loans arising from exercise of the loan commitments. Management expects these types of commitments will experience changes in fair value opposite to changes in fair value of the loan commitments, thereby reducing earnings volatility related to the recognition in earnings of changes in the values of the commitments.

The net changes in fair value of all loan commitments and forward sale commitments are shown in current earnings as a component of mortgage fee income.

Call and Put Options

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

Allowance for Doubtful Accounts and Loan Losses and Impaired Loans

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

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

The Company provides allowances for losses on its mortgage loans held for investment through an allowance for loan losses. The allowance is comprised of two components. The first component is an allowance for collectively evaluated impairment that is based upon the Company's historical experience in collecting similar receivables. The second component is based upon individual evaluation of loans that are determined to be impaired. Upon determining impairment, the Company establishes an individual impairment allowance based upon an assessment of the fair value of the underlying collateral. See the schedules in Note 2 for additional information. In addition, when a mortgage loan is past due more than 90 days, the Company does not accrue any interest income. When a loan becomes delinquent, the Company proceeds to foreclose on the real estate and all expenses for foreclosure are expensed as incurred. Once foreclosed, an adjustment for the lower of cost or fair value is made, if necessary, and the amount is classified as real estate held for investment. The Company will rent the properties until it is deemed desirable to sell them.

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

43

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

1) Significant Accounting Policies (Continued)

Loan Loss Reserve

The mortgage loan loss reserve is an estimate of probable losses at the balance sheet date that the Company will realize in the future on mortgage loans sold to third party investors.

The loan loss reserve analysis involves mortgage loans that have been sold to third party investors, which were believed to have met investor underwriting guidelines at the time of sale, where the Company has received a demand from the investor. There are generally three types of demands: make whole, repurchase, or indemnification. These types of demands are more particularly described as follows:

Make whole demand – A make whole demand occurs when an investor forecloses on a property and then sells the property. The make whole amount is calculated as the difference between the original unpaid principal balance, accrued interest and fees, less the sale proceeds.

Repurchase demand – A repurchase demand usually occurs when there is a significant payment default, error in underwriting or detected loan fraud.

Indemnification demand – On certain loans the Company has negotiated a set fee that is to be paid in lieu of repurchase. The fee varies by investor and by loan product type.

Additional information related to the Loan Loss Reserve is included in Note 2.

Future Life, Annuity and Other Policy Benefits

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

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 3% to 6.5%.

Participating Insurance

Participating business constituted 2% of insurance in force for the years ended 2016, 2015 and 2014. The provision for policyholders' dividends included in policyholder obligations is based on dividend scales anticipated by management. Amounts to be paid are determined by the Board of Directors.

Reinsurance

The Company follows the procedure of reinsuring risks in excess of $100,000 to provide for greater diversification of business to 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.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

1) Significant Accounting Policies (Continued)

The Company 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.

Pre-need Sales and Costs

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

Sales of cemetery interment rights (cemetery burial property) - revenue and costs associated with the sale of cemetery interment rights are recognized in accordance with the retail land sales provisions based on GAAP. Under GAAP, recognition of revenue and associated costs from constructed cemetery property must be deferred until a minimum percentage of the sales price has been collected.

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

Prearranged funeral and pre-need cemetery customer acquisition costs - costs incurred related to obtaining new pre-need contract cemetery and prearranged funeral services are accounted for under the guidance of the provisions based on GAAP. Obtaining costs, which include only costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral services, are deferred until the merchandise is delivered or services are performed.

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

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

Mortgage Fee Income

Mortgage fee income consists of origination fees, processing fees and certain other income related to the origination and sale of mortgage loans. For mortgage loans sold to third party investors, mortgage fee income and related expenses are recognized pursuant to GAAP at the time the sales of mortgage loans comply with the sales criteria for the transfer of financial assets, which are: (i) the transferred assets have been isolated from the Company and its creditors, (ii) the transferee has the right to pledge or exchange the mortgage, and (iii) the Company does not maintain effective control over the transferred mortgage.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

1) Significant Accounting Policies (Continued)

The Company has determined that all three criteria are met at the time a loan is purchased from a third party investor. Until the loan is purchased, all direct selling revenues and costs are deferred.

The Company, through its mortgage subsidiaries, sells mortgage loans to third party investors without recourse. However, it may be required to repurchase a loan or pay a fee instead of repurchase under certain events, which include the following:

- Failure to deliver original documents specified by the investor,
- The existence of misrepresentation or fraud in the origination of the loan,
- The loan becomes delinquent due to nonpayment during the first several months after it is sold,
- Early pay-off of a loan, as defined by the agreements,
- Excessive time to settle a loan,
- Investor declines purchase, and
- Discontinued product and expired commitment.

Loan purchase commitments generally specify a date 30 to 45 days after delivery upon which the underlying loans should be settled. Depending on market conditions, these commitment settlement dates can be extended at a cost to the Company.

It is the Company's policy to cure any documentation problems regarding such loans at a minimal cost for up to a six-month time period and to pursue efforts to enforce loan purchase commitments from third-party investors concerning the loans. The Company believes that six months allows adequate time to remedy any documentation issues, to enforce purchase commitments, and to exhaust other alternatives. Remedial methods include the following:

- Research reasons for rejection,
- Provide additional documents,
- Request investor exceptions,
- Appeal rejection decision to purchase committee, and
- Commit to secondary investors.

Once purchase commitments have expired and other alternatives to remedy are exhausted, which could be earlier than the six-month time period, the loans are repurchased and transferred to the long-term investment portfolio at the lower of cost or fair value and previously recorded sales revenue that was to be received from a third-party investor is written off against the loan loss reserve. Any loan that later becomes delinquent is evaluated by the Company at that time and any impairment is adjusted accordingly.

Determining Lower of Cost or Market

Cost is equal to the amount paid to the warehouse bank and the amount originally funded by the Company. Market value is often difficult to determine, but is based on the following:

- For loans that have an active market the Company uses the market price on the repurchased date.

- For loans where there is no market but there is a similar product, the Company uses the market value for the similar product on the repurchased date.

- For loans where no active market exists on the repurchased date, the Company determines that the unpaid principal balance best approximates the market value on the repurchased date, after considering the fair value of the underlying real estate collateral and estimated future cash flows.

The appraised value of the real estate underlying the original mortgage loan adds support to the Company's determination of fair value because if the loan becomes delinquent, the Company has sufficient value to collect the unpaid principal balance or the carrying value of the loan. In determining the market value on the date of repurchase, the Company considers the total value of all of the loans because any sale of loans would be made as a pool.

The Company provides an allowance for loan losses on its mortgage loans held for investment. The allowance is comprised of two components. The first component is an allowance for collectively evaluated impairment that is based upon the Company's historical experience in collecting similar receivables. The second component is based upon individual evaluation of loans that are determined to be impaired.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

1) Significant Accounting Policies (Continued)

Commercial Loans

Each quarter, management reviews the current commercial loans and determines if an allowance is required based on the Company's actual experience of losses on impaired commercial loans. To date, the Company has not incurred any significant losses. The carrying value of all commercial loans is supported by appraisals and cash flow analysis of revenue received. Also, the Company does not accrue any interest income or capitalize any of the foreclosure costs on impaired commercial loans.

Residential and Construction Loans

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

It should be noted that for replacement cost, when determining the fair value of mortgage properties, the Company uses Marshall and Swift, a provider of building cost information to the real estate construction industry. For the investment analysis, the Company used market data based upon its real estate operation experience and projected the present value of the net rental income over seven years. The Company used 20% of the projected cash flow analysis and 80% of the replacement cost to approximate fair value of the collateral.

Each quarter the Company also analyzes its current loan portfolio and determines the level of allowance needed for loans that are listed as current in the portfolio. The basis of the analysis places a higher weight on loans with high loan to value ratios, those that lack mortgage insurance, and certain loan types that have a higher percentage of default based on the Company's experience.

Each quarter the Company makes further analysis of the foreclosed properties to determine if any additional allowances are necessary by comparing national indexes of loan to value ratios by region to the Company's loan to value ratios. Based upon the above procedures, the Company's management believes that residential and residential construction loans are reflected in the Company's financial statements at the lower of cost or market in accordance with GAAP requirements.

Goodwill

Previous acquisitions have been accounted for as purchases under which assets acquired and liabilities assumed were recorded at their fair values with the excess purchase price recognized as goodwill. The Company evaluates annually or when changes in circumstances warrant the recoverability of goodwill and if there is a decrease in value, the related impairment is recognized as a charge against income. No impairment of goodwill has been recognized in the accompanying financial statements.

Long-lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset, and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. No impairment of long-lived assets has been recognized in the accompanying financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

1) Significant Accounting Policies (Continued)

Income Taxes

Income taxes include taxes currently payable plus deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the temporary differences in the financial reporting basis and tax basis of assets and liabilities and operating loss carry-forwards. Deferred tax assets are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled.

Liabilities are established for uncertain tax positions expected to be taken in income tax returns when such positions are judged to meet the "more-likely-than-not" threshold based on the technical merits of the positions. Estimated interest and penalties related to uncertain tax penalties are included as a component of other expenses.

Earnings Per Common Share

The Company computes earnings per share in accordance with GAAP which requires presentation of basic and diluted earnings per share. Basic earnings per equivalent Class A common share are computed by dividing net earnings by the weighted-average number of Class A common shares outstanding during each year presented, after the effect of the assumed conversion of Class C common stock to Class A common stock. Diluted earnings per share is computed by dividing net earnings by the weighted-average number of common shares outstanding during the year used to compute basic earnings per share plus dilutive potential incremental shares. Basic and diluted earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends.

Stock Based Compensation

The cost of employee services received in exchange for an award of equity instruments is recognized in the financial statements and is measured based on the fair value on the grant date of the award. The fair value of stock options is calculated using the Black Scholes method. Stock option compensation expense is recognized over the period during which an employee is required to provide service in exchange for the award.

Concentration of Credit Risk

For a description of the geographic concentration risk regarding mortgage loans and real estate, refer to Note 2 of the Notes to Consolidated Financial Statements.

Advertising

The Company expenses advertising costs as incurred.

Recent Accounting Pronouncements

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

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

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

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

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

2) Investments

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2016 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2016:				
Fixed maturity securities held to maturity carried at amortized cost:				
U.S. Treasury securities and obligations of U.S. Government agencies	$4,475,065	$249,028	$(66,111)	$4,657,982
Obligations of states and political subdivisions	6,017,225	153,514	(133,249)	6,037,490
Corporate securities including public utilities	164,375,636	10,440,989	(3,727,013)	171,089,612
Mortgage-backed securities	9,488,083	221,400	(280,871)	9,428,612
Redeemable preferred stock	623,635	13,418	-	637,053
Total fixed maturity securities held to maturity	$184,979,644	$11,078,349	$(4,207,244)	$191,850,749
Equity securities available for sale at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	$10,985,338	$447,110	$(859,092)	$10,573,356
Total securities available for sale carried at estimated fair value	$10,985,338	$447,110	$(859,092)	$10,573,356
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	$58,593,622			
Residential construction	40,800,117			
Commercial	51,536,622			
Less: Allowance for loan losses	(1,748,783)			
Total mortgage loans on real estate and construction loans held for investment	$149,181,578			
Real estate held for investment - net of depreciation	$145,165,921			

Policy loans and other investments are shown at amortized cost except for other investments that are shown at estimated fair value:

Policy loans	$6,694,148
Insurance assignments	33,548,079
Promissory notes	48,797
Other investments at estimated fair value	1,765,752
Less: Allowance for doubtful accounts	(1,119,630)
Total policy loans and other investments	$40,937,146
Short-term investments at amortized cost	$27,560,040

49

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

2) Investments (Continued)

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2015:				
Fixed maturity securities held to maturity carried at amortized cost:				
U.S. Treasury securities and obligations of U.S. Government agencies	$3,560,579	$292,869	$(4,743)	$3,848,705
Obligations of states and political subdivisions	1,805,828	182,073	(1,040)	1,986,861
Corporate securities including public utilities	134,488,108	9,836,355	(5,501,743)	138,822,720
Mortgage-backed securities	5,091,887	190,867	(75,580)	5,207,174
Redeemable preferred stock	612,023	29,675	-	641,698
Total fixed maturity securities held to maturity	$145,558,425	$10,531,839	$(5,583,106)	$150,507,158
Equity securities available for sale at estimated fair value:				
Common stock:				
Industrial, miscellaneous and all other	$9,891,500	$213,684	$(1,674,094)	$8,431,090
Total securities available for sale carried at estimated fair value	$9,891,500	$213,684	$(1,674,094)	$8,431,090
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	$46,020,490			
Residential construction	34,851,557			
Commercial	33,522,978			
Less: Allowance for loan losses	(1,848,120)			
Total mortgage loans on real estate and construction loans held for investment	$112,546,905			
Real estate held for investment - net of depreciation	$114,852,432			

Policy loans and other investments are shown at amortized cost except for other investments that are shown at estimated fair value:	
Policy loans	$6,896,457
Insurance assignments	32,369,014
Promissory notes	48,797
Other investments at estimated fair value	1,174,769
Less: Allowance for doubtful accounts	(906,616)
Total policy loans and other investments	$39,582,421
Short-term investments at amortized cost	$16,915,808

50

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

2) Investments (Continued)

Fixed Maturity Securities

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

	Unrealized Losses for Less than Twelve Months	Fair Value	Unrealized Losses for More than Twelve Months	Fair Value	Total Unrealized Loss	Fair Value
At December 31, 2016						
U.S. Treasury Securities and Obligationsof U.S. Government Agencies	$66,111	$1,342,088	$-	$-	$66,111	$1,342,088
Obligations of States and Political Subdivisions	133,249	3,686,856	-	-	133,249	3,686,856
Corporate Securities	1,728,312	41,796,016	1,998,701	12,969,135	3,727,013	54,765,151
Mortgage and other asset-backed securities	176,715	4,176,089	104,156	940,278	280,871	5,116,367
Total unrealized losses	$2,104,387	$51,001,049	$2,102,857	$13,909,413	$4,207,244	$64,910,462
At December 31, 2015						
U.S. Treasury Securities and Obligations of U.S. Government Agencies	$4,743	$2,191,782	$-	$-	$4,743	$2,191,782
Obligations of States and Political Subdivisions	-	-	1,040	86,388	1,040	86,388
Corporate Securities	3,701,572	30,109,114	1,800,171	3,723,569	5,501,743	33,832,683
Mortgage and other asset-backed securities	75,580	1,775,505	-	-	75,580	1,775,505
Total unrealized losses	$3,781,895	$34,076,401	$1,801,211	$3,809,957	$5,583,106	$37,886,358

There were 250 securities with unrealized losses of 93.9% of amortized cost at December 31, 2016. There were 123 securities with unrealized losses of 87.2% of amortized cost at December 31, 2015. During the years ended December 31, 2016, 2015 and 2014, an other than temporary decline in market value resulted in the recognition of credit losses on fixed maturity securities of $100,000, $120,000 and $120,000, respectively.

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

2) Investments (Continued)

Equity Securities

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

	Unrealized Losses for Less than Twelve Months	No. of Investment Positions	Unrealized Losses for More than Twelve Months	No. of Investment Positions	Total Unrealized Losses
At December 31, 2016					
Industrial, miscellaneous and all other	$215,563	124	$643,529	104	$859,092
Total unrealized losses	$215,563	124	$643,529	104	$859,092
Fair Value	$2,063,144		$1,685,874		$3,749,018
At December 31, 2015					
Industrial, miscellaneous and all other	$997,862	222	$676,232	74	$1,674,094
Total unrealized losses	$997,862	222	$676,232	74	$1,674,094
Fair Value	$4,177,709		$760,860		$4,938,569

The average market value of the equity securities available for sale was 81.4% and 74.7% of the original investment as of December 31, 2016 and 2015, respectively. The intent of the Company is to retain equity securities for a period of time sufficient to allow for the recovery in fair value. However, the Company may sell equity securities during a period in which the fair value has declined below the amount of the original investment. In certain situations, new factors, including changes in the business environment, can change the Company's previous intent to continue holding a security. During the years ended December 31, 2016, 2015, and 2014, an other than temporary decline in the market value resulted in the recognition of an impairment loss on equity securities of $170,358, $293,714, and $44,240, respectively.

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

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

2) Investments (Continued)

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2016, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Held to Maturity:		
Due in 2017	$6,148,334	$6,232,674
Due in 2018 through 2021	42,886,637	44,879,897
Due in 2022 through 2026	42,090,383	43,288,035
Due after 2026	83,742,572	87,324,617
Mortgage-backed securities	9,488,083	9,488,473
Redeemable preferred stock	623,635	637,053
Total held to maturity	$184,979,644	$191,850,749

The cost and estimated fair value of available for sale securities at December 31, 2016, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Equities are valued using the specific identification method.

	Cost	Estimated Fair Value
Available for Sale:		
Common stock	$10,985,338	$10,573,356
Total available for sale	$10,985,338	$10,573,356

The Company's realized gains and losses and other than temporary impairments from investments and other assets for the years ended December 31 are summarized as follows:

	2016	2015	2014
Fixed maturity securities held to maturity:			
Gross realized gains	$389,558	$387,162	$390,203
Gross realized losses	(132,124)	(82,166)	(71,800)
Other than temporary impairments	(100,000)	(120,000)	(120,000)
Securities available for sale:			
Gross realized gains	221,817	180,602	349,207
Gross realized losses	(61,242)	(66,850)	(55,222)
Other than temporary impairments	(170,358)	(293,714)	(44,240)
Other assets:			

Gross realized gains	349,252	2,067,438	1,445,596
Gross realized losses	(943,648)	(84,827)	(139,808)
Other than temporary impairments	-	(191,716)	-
Total	$(446,745)	$1,795,929	$1,753,936

The net carrying amount for disposals of securities classified as held to maturity was $2,380,027, $2,569,712 and $2,840,709, for the years ended December 31, 2016, 2015 and 2014, respectively. The net realized gain related to these disposals was $155,346, $311,752 and $20,722, for the years ended December 31, 2016, 2015 and 2014, respectively. Although the intent is to buy and hold a bond to maturity the Company will sell a bond prior to maturity if conditions have changed within the entity that issued the bond to increase the risk of default to an unacceptable level.

53

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

2) Investments (Continued)
There were no investments, aggregated by issuer, in excess of 10% of shareholders' equity (before net unrealized gains and losses on available-for-sale securities) at December 31, 2016, other than investments issued or guaranteed by the United States Government.
Major categories of net investment income for the years ended December 31, are as follows:

	2016	2015	2014
Fixed maturity securities	$8,972,877	$8,168,441	$8,229,451
Equity securities	270,942	269,795	212,917
Mortgage loans on real estate	8,963,105	7,696,533	7,550,110
Real estate	10,969,828	9,454,567	8,433,895
Policy loans	781,188	749,917	741,220
Insurance assignments	11,876,836	8,915,655	7,324,964
Other investments	25,122	6,533	-
Short-term investments, principally gains on sale of mortgage loans	4,976,180	7,594,014	5,072,418
Gross investment income	46,836,078	42,855,455	37,564,975
Investment expenses	(9,253,634)	(8,847,551)	(9,261,235)
Net investment income	$37,582,444	$34,007,904	$28,303,740

Net investment income includes net investment income earned by the restricted assets of the cemeteries and mortuaries of $419,360, $369,632 and $356,369 for the years ended December 31, 2016, 2015 and 2014, respectively.

Net investment income on real estate consists primarily of rental revenue received under short-term leases.

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

Securities on deposit for regulatory authorities as required by law amounted to $9,269,121 and $8,815,542 at December 31, 2016 and 2015, respectively. The restricted securities are included in various assets under investments on the accompanying consolidated balance sheets.

Real Estate

The Company continues to strategically deploy resources into real estate to match the income and yield durations of its primary obligations. The sources for these real estate assets come through its various business segments in the form of acquisition, development and mortgage foreclosures. The Company reports real estate held for investment pursuant to the accounting policy discussed in Note 1 and Note 16 of the Notes to Consolidated Financial Statements.

Commercial Real Estate Held for Investment

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

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

2) Investments (Continued)

The Company currently owns and operates 13 commercial properties in 7 states. These properties include industrial warehouses, office buildings, retail centers and includes the redevelopment and expansion of its corporate campus in Salt Lake City Utah. The assets are primarily held without debt; however, the Company does use debt in strategic cases to leverage established yields or to acquire higher quality or different class of asset.

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

	Net Ending Balance December 31				Total Square Footage December 31	
	2016		2015		2016	2015
Arizona	$450,538	(1)	$463,774	(1)	16,270	16,270
Arkansas	100,369		-		3,200	-
Kansas	12,450,297		11,537,335		222,679	222,679
Louisiana	518,700		-		7,063	-
Mississippi	3,818,985		-		33,821	-
New Mexico	7,000	(1)	7,000	(1)	-	-
Texas	3,734,974		3,768,542		23,470	23,470
Utah	47,893,073	(2)	17,403,746		433,244	253,244
	$68,973,936		$33,180,397		739,747	515,663

(1) Includes Vacant Land
(2) Includes 53rd Center to be completed in July 2017.

Residential Real Estate Held for Investment

The Company owns a portfolio of residential homes primarily as a result of loan foreclosures. The strategy has been to lease these homes to produce cash flow, and allow time for the economic fundamentals to return to the various markets. As an orderly and active market for these homes returns, the Company has the option to dispose or to continue and hold them for cash flow and acceptable returns.

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

As of December 31, 2016, SNRE manages 129 residential properties in 8 states across the United States which includes a newly constructed apartment complex, Dry Creek at East Village, in Sandy Utah.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

2) Investments (Continued)

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

	Net Ending Balance December 31	
	2016	2015
Arizona	$742,259	$944,614
California	5,848,389	6,158,253
Colorado	364,489	553,230
Florida	8,327,355	9,203,624
Illinois	-	165,800
Oklahoma	46,658	99,862
Oregon	-	120,000
South Carolina	-	823,872
Texas	1,091,188	1,198,860
Utah	59,485,466	62,117,738
Washington	286,181	286,182
	$76,191,985	$81,672,035

Real Estate Owned and Occupied by the Company

The primary business units of the Company occupy a portion of the real estate owned by the Company. Currently, the Company occupies nearly 80,000 square feet, or 10% of the overall commercial real estate holdings.

As of December 31, 2016, real estate owned and occupied by the company is summarized as follows:

Location	Business Segment	Approximate Square Footage	Square Footage Occupied by the Company
5300 South 360 West, Salt Lake City, UT (1)	Corporate Offices, Life Insurance and Cemetery/Mortuary Operations	36,000	100%
5201 Green Street, Salt Lake City, UT	Mortgage Operations	36,899	34%
1044 River Oaks Dr., Flowood, MS	Life Insurance Operations	5,522	27%

(1) This asset is included in property and equipment on the Consolidated Balance Sheet

Mortgage Loans

Mortgage loans consist of first and second mortgages. The mortgage loans bear interest at rates ranging from 2.0 % to 10.5%, maturity dates range from three months to 30 years and are secured by real estate. Concentrations of credit risk arise when a number of mortgage loan debtors have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. Although the Company has a diversified mortgage loan portfolio consisting of residential mortgages, commercial loans and residential construction loans and requires collateral on all real estate exposures, a substantial portion of its debtors' ability to honor obligations is reliant on the economic stability of the geographic region in which the debtors do business. At December 31, 2016, the Company has 42%, 14%, 9%, 8% and 7% of its mortgage loans from borrowers located in the states of Utah, California, Texas, Florida and Nevada, respectively. The mortgage loans on real estate balances on the consolidated balance sheet are reflected net of an allowance for loan losses of $1,748,783 and $1,848,120 at December 31, 2016 and 2015, respectively.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

2) Investments (Continued)

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

Allowance for Credit Losses and Recorded Investment in Mortgage Loans
Years Ended December 31

	Commercial	Residential	Residential Construction	Total
2016				
Allowance for credit losses:				
Beginning balance	$187,129	$1,560,877	$100,114	$1,848,120
Charge-offs	-	(420,135)	-	(420,135)
Provision	-	320,798	-	320,798
Ending balance	$187,129	$1,461,540	$100,114	$1,748,783
Ending balance: individually evaluated for impairment	$-	$187,470	$-	$187,470
Ending balance: collectively evaluated for impairment	$187,129	$1,274,070	$100,114	$1,561,313
Ending balance: loans acquired with deteriorated credit quality	$-	$-	$-	$-
Mortgage loans:				
Ending balance	$51,536,622	$58,593,622	$40,800,117	$150,930,361
Ending balance: individually evaluated for impairment	$202,992	$2,916,538	$64,895	$3,184,425
Ending balance: collectively evaluated for impairment	$51,333,630	$55,677,084	$40,735,222	$147,745,936
Ending balance: loans acquired with deteriorated credit quality	$-	$-	$-	$-
2015				
Allowance for credit losses:				
Beginning balance	$187,129	$1,715,812	$100,114	$2,003,055
Charge-offs	-	(123,942)	-	(123,942)
Provision	-	(30,993)	-	(30,993)
Ending balance	$187,129	$1,560,877	$100,114	$1,848,120
Ending balance: individually evaluated for impairment	$-	$305,962	$-	$305,962
Ending balance: collectively evaluated for impairment	$187,129	$1,254,915	$100,114	$1,542,158
	$-	$-	$-	$-

Ending balance: loans acquired with deteriorated credit quality				
Mortgage loans:				
Ending balance	$33,522,978	$46,020,490	$34,851,557	$114,395,025
Ending balance: individually evaluated for impairment	$-	$3,087,161	$93,269	$3,180,430
Ending balance: collectively evaluated for impairment	$33,522,978	$42,933,329	$34,758,287	$111,214,594
Ending balance: loans acquired with deteriorated credit quality	$-	$-	$-	$-

57

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

2) Investments (Continued)

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

e Analysis of Past Due Mortgage Loans
ars Ended December 31

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days 1)	In Process of Foreclosure 1)	Total Past Due	Current	Total Mortgage Loans	Allowance for Loan Losses	Net Mortga Loans
6									
mmercial	$-	$-	$-	$202,992	$202,992	$51,333,630	$51,536,622	$(187,129)	$51,349,49
sidential	964,960	996,779	1,290,355	1,626,183	4,878,277	53,715,345	58,593,622	(1,461,540)	57,132,08
sidential onstruction	-	-	64,895	-	64,895	40,735,222	40,800,117	(100,114)	40,700,00
al	$964,960	$996,779	$1,355,250	$1,829,175	$5,146,164	$145,784,197	$150,930,361	$(1,748,783)	$149,181,5
5									
mmercial	$-	$-	$-	$-	$-	$33,522,978	$33,522,978	$(187,129)	$33,335,84
sidential	1,162,102	884,143	2,212,993	3,087,161	7,346,399	38,674,091	46,020,490	(1,560,877)	44,459,61
sidential onstruction	-	-	64,895	93,269	158,164	34,693,393	34,851,557	(100,114)	34,751,44
al	$1,162,102	$884,143	$2,277,888	$3,180,430	$7,504,563	$106,890,462	$114,395,025	$(1,848,120)	$112,546,9

There was not any interest income recognized on loans past due greater than 90 days or in eclosure.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2016, 2015 and 2014

2) Investments (Continued)

Impaired Mortgage Loans

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

Impaired Loans
Years Ended December 31

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
2016					
With no related allowance recorded:					
Commercial	$202,992	$ 202,992	$-	$202,992	$ -
Residential	-	-	-	-	-
Residential construction	64,895	64,895	-	64,895	-
With an allowance recorded:					
Commercial	$-	$ -	$-	$-	$ -
Residential	2,916,538	2,916,538	374,501	2,916,538	-
Residential construction	-	-	-	-	-
Total:					
Commercial	$202,992	$ 202,992	$-	$202,992	$ -
Residential	2,916,538	2,916,538	374,501	2,916,538	-
Residential construction	64,895	64,895	-	64,895	-

Other than in the United States, no action has been taken by us, the selling shareholder or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, no offer of Class A ordinary shares may be made to the public in that Relevant Member State other than:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
B. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the underwriters; or
C.

in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Class A ordinary shares shall require the Company or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Class A ordinary shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with each of the underwriters and the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

In the case of any Class A ordinary shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the Class A ordinary shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Class A ordinary shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representative has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an offer of Class A ordinary shares to the public in relation to any Class A ordinary shares in any Relevant Member State means the communication in any form and by means of sufficient information on the terms of the offer and the Class A ordinary shares to be offered so as to enable an investor to decide to purchase Class A ordinary shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

S-49

TABLE OF CONTENTS

Notice to Prospective Investors in Canada

The Class A ordinary shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Class A ordinary shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Switzerland

The Class A ordinary shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Class A ordinary shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the Class A ordinary shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Class A ordinary shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA), and the offer of Class A ordinary shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Class A ordinary shares.

Notice to Prospective Investors in the United Arab Emirates

The Class A ordinary shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Dubai International Financial Centre) other than in compliance with the laws of the United Arab Emirates (and the Dubai International Financial Centre) governing the issue, offering and sale of securities.

Further, this prospectus does not constitute a public offer of securities in the United Arab Emirates (including the Dubai International Financial Centre) and is not intended to be a public offer. This prospectus has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority or the Dubai Financial Services Authority.

Notice to Prospective Investors in Australia

This prospectus supplement:

- does not constitute a product disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) (the Corporations Act);

S-50

TABLE OF CONTENTS

- has not been, and will not be, lodged with the Australian Securities and Investments Commission (ASIC), as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act;
- does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale, of interests to a retail client (as defined in section 761G of the Corporations Act and applicable regulations) in Australia; and
- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors, or Exempt Investors, available under section 708 of the Corporations Act.

The Class A ordinary shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the Class A ordinary shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Class A ordinary shares may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Class A ordinary shares, you represent and warrant to us that you are an Exempt Investor.

As any offer of Class A ordinary shares under this document will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter

6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the Class A ordinary shares you undertake to us that you will not, for a period of 12 months from the date of issue of the Class A ordinary shares, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Notice to Prospective Investors in Japan

The Class A ordinary shares have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the Class A ordinary shares nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Notice to Prospective Investors in Hong Kong

The Class A ordinary shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Class A ordinary shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Class A ordinary shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

S-51

TABLE OF CONTENTS

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Class A ordinary shares may not be circulated or distributed, nor may the Class A ordinary shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Class A ordinary shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b)

a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Class A ordinary shares pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore

Notice to Prospective Investors in South Africa

Due to restrictions under the securities laws of South Africa, the Class A ordinary shares are not offered, and the offer shall not be transferred, sold, renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions applies:

(i) the offer, transfer, sale, renunciation or delivery is to:

(a) persons whose ordinary business is to deal in securities, as principal or agent;

(b) the South African Public Investment Corporation;

(c)

persons or entities regulated by the Reserve Bank of South Africa;

(d) authorised financial service providers under South African law;

(e) financial institutions recognised as such under South African law;

(f) a wholly-owned subsidiary of any person or entity contemplated in (c), (d) or (e), acting as

S-52

TABLE OF CONTENTS

agent in the capacity of an authorised portfolio manager for a pension fund or collective investment scheme (in each case duly registered as such under South African law); or

(g) any combination of the person in (a) to (f); or

(ii) the total contemplated acquisition cost of the securities, for any single addressee acting as principal is equal to or greater than ZAR1,000,000.

No offer to the public (as such term is defined in the South African Companies Act, No. 71 of 2008 (as amended or re-enacted) (the South African Companies Act)) in South Africa is being made in connection with the issue of the Class A ordinary shares. Accordingly, this document does not, nor is it intended to, constitute a registered prospectus (as that term is defined in the South African Companies Act) prepared and registered under the South African Companies Act and has not been approved by, and/or filed with, the South African Companies and Intellectual Property Commission or any other regulatory authority in South Africa. Any issue or offering of the Class A ordinary shares in South Africa constitutes an offer of the Class A ordinary shares in South Africa for subscription or sale in South Africa only to persons who fall within the exemption from offers to the public set out in section 96(1)(a) of the South African Companies Act. Accordingly, this document must not be acted on or relied on by persons in South Africa who do not fall within section 96(1)(a) of the South African Companies Act (such persons being referred to as SA Relevant Persons). Any investment or investment activity to which this document relates is available in South Africa only to SA Relevant Persons and will be engaged in South Africa only with SA relevant persons.

No South African residents or offshore subsidiary of a South African resident may subscribe for or purchase any of the Class A ordinary shares or beneficially own or hold any of the Class A ordinary shares unless specific approval has been obtained from the financial surveillance department of the South African Reserve Bank (the SARB) by such persons or such subscription, purchase or beneficial holding or ownership is otherwise permitted under the South African Exchange Control Regulations or the rulings promulgated thereunder (including, without limitation, the rulings issued by the SARB providing for foreign investment allowances applicable to persons who are residents of South Africa under the applicable exchange control laws of South Africa).

TABLE OF CONTENTS

Legal Matters

Certain legal and tax matters will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP. Ashurst Australia will provide opinions regarding the validity of the Class A ordinary shares offered by the selling shareholder in this prospectus supplement. Certain legal matters will be passed upon for the selling shareholder by Orrick, Herrington & Sutcliffe LLP as to matters of U.S. federal law and New York state law and Norton Rose Fulbright South Africa Inc as to matters of South African law. Certain legal matters will be passed upon for the underwriters by Davis Polk & Wardwell LLP.

Experts

The financial statements and management s assessment of the effectiveness of internal control over financial reporting of Tronox Limited (which is included in Management s Report on Internal Controls over Financial Reporting) incorporated in this Prospectus Supplement by reference to the Annual Report on Form 10-K for the year ended December 31, 2016 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

BDO Dr. Mohamed Al-Amri & Co., Ernst & Young (Jeddah) and Deloitte & Touche Bakr Abulkhair & Co., each of which is an independent auditor, have audited Cristal s consolidated financial statements for the years ended December 31, 2016, 2015 and 2014, respectively, as set forth in their reports, which express unqualified opinions on the financial statements for the respective periods and include emphasis of matter paragraphs in their respective reports, which are incorporated by reference in this prospectus supplement from Tronox Limited s Definitive Proxy Statement on Schedule 14A, filed with the SEC on August 31, 2017. Cristal s financial statements are incorporated by reference in reliance on BDO Dr. Mohamed Al-Amri & Co., Ernst & Young (Jeddah) and Deloitte & Touche Bakr Abulkhair & Co. reports, given on their authority as experts in accounting and auditing.

S-54

TABLE OF CONTENTS

Where You Can Find More Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy any of this information at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers, including us, who file electronically with the SEC. The address of that site is *www.sec.gov*. The information contained on the SEC s website is expressly not incorporated by reference in this prospectus supplement or the accompanying prospectus.

The SEC allows us to incorporate by reference information into this prospectus supplement and the accompanying prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement and the accompanying prospectus, except for any information superseded by information contained directly in this prospectus supplement, any subsequently filed document deemed incorporated by reference or any free writing prospectus prepared by or on behalf of us. This prospectus supplement and the accompanying prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC (other than information deemed furnished and not filed in accordance with SEC rules, including Items 2.02 and 7.01 of Form 8-K):

- our Definitive Proxy Statement on Schedule 14A, filed with the SEC on August 31, 2017 (excluding the selected historical financial data for the years ended December 31, 2013 and 2012 contained therein, the sections captioned Questions and Answers About Voting Procedures for the Special Meeting, Summary—The Transaction—Recommendations of the Tronox Board of Directors, Summary—The Transaction—Opinion of Tronox's Financial Advisor, Summary—The Special Meeting, Selected Historical and Pro Forma Combined Financial Data—Selected Unaudited Pro Forma Condensed Combined Financial Data of Tronox and Cristal, The Special Meeting, Proposal Submitted to Shareholders, The Transaction—Background of the Transaction, The Transaction—Reasons for the Transaction; Recommendation of the Tronox Board of Directors to Approve the Issuance of Class A Shares in the Transaction, The Transaction—Opinion of Tronox's Financial Advisor, The Transaction—Financial Projections, Additional Information Relating to Australia's Takeover Laws, Unaudited Pro Forma Condensed Combined Financial Information, Shareholder Proposals—2018 Annual Meeting, Annex C and any incorporated document therein, and such information is not incorporated by reference in this prospectus supplement or the accompanying prospectus);
- our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 24, 2017;
- our Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 16, 2017 (solely to the extent specifically incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2016);
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017, filed with the SEC on May 4, 2017 and August 9, 2017, respectively;
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our Current Reports on Form 8-K, filed with the SEC on February 21, 2017 (excluding Items 2.02 and 7.01 and exhibits 99.1, 99.2 and 99.3), February 27, 2017, April 13, 2017, April 24, 2017, May 10, 2017 (as amended on May 18, 2017), May 26, 2017, June 2, 2017, June 28, 2017, August 3, 2017 (excluding Item 7.01 and exhibit 99.1), August 7, 2017, September 7, 2017 (Film No.: 171074204), September 12, 2017 (excluding the section captioned Summary Historical and Pro Forma Financial Data in exhibit 99.1), September 25, 2017 and October 2, 2017; and

- the registration statement on Form 8-A, filed with the SEC on June 14, 2012, which incorporates by reference the description of the Class A ordinary shares under the caption Governance of Tronox Limited—Ordinary Shares in the prospectus forming a part of the registration statement on Form S-4, filed with the SEC on December 30, 2011.

S-55

TABLE OF CONTENTS

All documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and before the termination of the offering also shall be deemed to be incorporated herein by reference. We are not, however, incorporating by reference any documents or portions thereof that are not deemed filed with the SEC, including any information furnished pursuant to Items 2.02 or 7.01 of Form 8-K.

This prospectus supplement does not contain all of the information set forth in the registration statement or in the exhibits and schedules thereto, in accordance with the rules and regulations of the SEC, and we refer you to that omitted information. The statements made in this prospectus supplement pertaining to the content of any contract, agreement or other document that is an exhibit to the registration statement or the documents incorporated by reference in this prospectus supplement necessarily are summaries of their material provisions and we qualify those statements in their entirety by reference to those definitive agreements and those exhibits for complete statements of their provisions. The documents incorporated by reference in this prospectus supplement and the accompanying prospectus and the registration statement and its exhibits and schedules are available at the SEC s public reference room or through its website.

You can obtain any of the documents listed above from the SEC, through the SEC s website at the address described above or from us, without cost, by requesting them in writing or telephoning us at the following address and telephone number:

Tronox Limited
263 Tresser Boulevard, Suite 1100
Stamford, CT 06901, U.S.A.

Attn: Investor Relations
(202) 705-3800

S-56

TABLE OF CONTENTS

PROSPECTUS

TRONOX LIMITED
51,154,280 Class A Ordinary Shares

This prospectus relates to the offer, from time to time, of up to 51,154,280 of our Class A ordinary shares by Exxaro Resources Limited (the selling shareholder).

This prospectus describes the general manner in which our Class A ordinary shares may be offered and sold by the selling shareholder. If necessary, the specific manner in which Class A ordinary shares may be offered and sold will be described in a supplement to this prospectus.

We will not receive any proceeds from the sale of our Class A ordinary shares by the selling shareholder.

Any underwriters, broker-dealers or agents that participate with the selling shareholder in the distribution of the Class A ordinary shares may be considered underwriters within the meaning of the Securities Act of 1933, as amended (the Securities Act), and any commissions, discounts or profit received by them on the resale of the Class A ordinary shares may be considered underwriting commissions and discounts under the Securities Act.

Our Class A ordinary shares are listed on the New York Stock Exchange (the NYSE) under the symbol TROX. On Friday, September 29, 2017, the closing sale price of our Class A ordinary shares on the NYSE was $21.10 per share.

Investing in our Class A ordinary shares involves a number of risks. See Risk Factors beginning on page 4

before you make your investment decision and in our reports filed from time to time with the Securities and Exchange Commission (the SEC) and in any applicable prospectus supplement.

You should carefully read this prospectus and any accompanying prospectus supplement, together with the documents we incorporate by reference, before you invest in our Class A ordinary shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus or any accompanying prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is October 2, 2017.

TABLE OF CONTENTS

TABLE OF CONTENTS

Neither we nor the selling shareholder have authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus, any amendment or supplement to this prospectus or in any free writing prospectus prepared by us or on our behalf. Neither we nor the selling shareholder take any responsibility for, or can provide any assurance as to the reliability of, any information other than the information contained or incorporated by reference in this prospectus, any amendment or supplement to this prospectus or in any free writing prospectus prepared by us or on our behalf. The selling shareholder is offering to sell, and seeking offers to buy, our Class A ordinary shares only in jurisdictions where offers and sales are permitted.

You should assume that the information appearing in this

prospectus, any accompanying prospectus supplement or in any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates which are specified in such documents, and that any information in documents that we have incorporated by reference is accurate only as of the date of such document incorporated by reference. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

You should carefully read both this prospectus, any accompanying prospectus supplement and any free writing prospectus prepared by or on behalf of us, together with the additional information described under the heading Where You Can Find More Information.

ABOUT THIS PROSPECTUS

Except where the context requires otherwise, references in this prospectus to Tronox Limited, Tronox, the Company, we, our and us refer to Tronox Limited and its consolidated subsidiaries.

This prospectus is part of a registration statement that we filed with the SEC using a shelf registration process. Under the shelf registration process, the selling shareholder may offer from time to time, in one or more offerings, Class A ordinary shares.

i

TABLE OF CONTENTS

ABOUT TRONOX

Tronox Limited is a public limited company registered under the laws of the State of Western Australia. We believe we are a global leader in the production and marketing of titanium bearing mineral sands and titanium dioxide (TiO_2) pigment. Titanium feedstock is primarily used to manufacture TiO_2. Our TiO_2 products are critical components of everyday applications such as paint and other coatings, plastics, paper and other uses, and our related mineral sands product streams include titanium feedstock, zircon and pig iron. Zircon, a hard, glossy mineral, is used for the manufacture of ceramics, refractories, TV screen glass, and a range of other industrial and chemical products. Pig iron is a metal material used in the steel and metal casting industries to create wrought iron, cast iron and steel. In addition, we produce electrolytic manganese dioxide, boron-based and other specialty chemicals.

Our principal executive offices are located at 263 Tresser Boulevard, Suite 1100, Stamford, Connecticut, 06901 and Lot 22 Mason Road, Kwinana Beach, WA, Australia 6167 and our telephone number is (203) 705-3800. We maintain a website at *http://www.tronox.com*. The information on our website is not incorporated by reference in this prospectus or any accompanying prospectus supplement, and you should not consider it a part of this prospectus or any accompanying prospectus supplement.

Acquisition of Cristal

On February 21, 2017, we entered into a transaction agreement (the Cristal Transaction Agreement) with The National Titanium Dioxide Company, Ltd. (Cristal) and Cristal Inorganic

Chemicals Netherlands B.V., a private limited company (Cristal Netherlands), pursuant to which we agreed to acquire Cristal s TiO_2 business for $1.673 billion in cash (subject to a working capital adjustment at closing) plus 37,580,000 of our Class A ordinary shares (the Cristal Transaction). Following the closing of the Cristal Transaction, Cristal Netherlands will receive equity representing approximately 24% of our combined then outstanding Class A ordinary shares and Class B ordinary shares. The cash portion of the consideration is expected to be funded through proceeds from cash on hand, including proceeds from the Alkali Disposition (as defined below) and proceeds from the refinancing transactions (as described in our Current Report on Form 8-K filed with the SEC on September 25, 2017, which is incorporated herein by reference), as we determine circumstances warrant. The Cristal Transaction, which has been unanimously approved by our board of directors, is expected to close in the first quarter of 2018, subject to regulatory approvals and satisfaction of customary closing conditions. For additional information on the Cristal Transaction see Where You Can Find More Information.

We believe Cristal is a global leader in the production and marketing of titanium bearing mineral sands and TiO_2 pigment. Cristal s TiO_2 operations include manufacturing facilities, mining operations and research facilities in seven countries over five continents including North America, South America, Australia, Europe and Asia.

Disposition of Alkali Business

On September 1, 2017, we sold our Alkali business to Genesis Energy, L.P. for $1.325 billion in cash, subject to a working capital adjustment (the Alkali Disposition).

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and any accompanying prospectus supplement and any documents incorporated by reference may contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as may, will, should, could, would, predicts, future, project, believe, anticipate, expect, estimate, continue, potential, plan, aim, seek, forecast, proposed and other similar words. Our actual results, performance or achievements could be materially different from the results expressed in, or implied by, forward-looking statements. Forward-looking statements are subject to risks and uncertainties, including but not limited to the risks described in this prospectus, any accompanying prospectus supplement and any documents incorporated by reference, including the Risk Factors sections of this prospectus, any accompanying prospectus supplement and our reports and other documents filed with the SEC. When considering forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements made in this prospectus, any accompanying prospectus supplement and the documents incorporated by reference.

Factors that may cause such differences include, but are not limited to:

- the failure to close the Cristal Transaction, including by failure to satisfy closing conditions or by termination of the Cristal Transaction Agreement, and the resulting negative impact on our share price, business and financial results;

- the risk that we or Cristal may be unable to obtain governmental and regulatory approvals required for the Cristal Transaction, or required governmental and regulatory approvals may delay the Cristal Transaction or result in the imposition of restrictions, limitations or conditions that are not anticipated or could cause the parties to abandon the Cristal Transaction;
- the possibility that we may assume unexpected liabilities as a result of the Cristal Transaction;
- the impact of issuing Class A ordinary shares as consideration in connection with the Cristal Transaction on the current holders of Class A ordinary shares, including dilution of their ownership and voting interests;
- our ability as well as the ability of Cristal to operate our respective businesses in light of the Cristal Transaction and the covenants contained in the Cristal Transaction Agreement;
- uncertainties as to the timing of the closing of the Cristal Transaction;
- the risk of reduced access to unrestricted cash;
- the failure to comply with bank facility covenants;
- general economic conditions or cyclical factors affecting the demand for TiO_2 products;
- the risk that our customers might reduce demand for our products or that competitors will offer more competitive pricing or increased supply;
- the diversion of management's time and attention away from ongoing business concerns;
- our continuing ability to attract and retain qualified key employees, while controlling our labor costs;
- the impact of labor relations;
- the federal income tax consequences of the Cristal Transaction, the Alkali Disposition and the enactment of additional state, federal and/or foreign tax laws and regulations;

- net operating losses that will be limited by Section 382 of the Internal Revenue Code of 1986 (the Code), as a result of the number of shares sold and the speed in which the selling shareholder sells its shares;
- the integration risks, the inability to realize identified synergies and diversion of resources and management attention associated with integrating a private company's reporting and compliance functions into a public company group;
- exposure to environmental liabilities and subjection to environmental laws and regulations;

2

TABLE OF CONTENTS

- the possibility of disruptions in our information technology systems and other cybersecurity risks; and
- other factors discussed in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and our subsequently filed Quarterly Reports on Form 10-Q.

There can be no assurance that other factors not currently anticipated by us will not materially and adversely affect our business, financial condition and results of operations. You are cautioned not to place undue reliance on any forward-looking statements made by us or on our behalf. Please take into account that forward-looking statements speak only as of the date of this prospectus or, in the case of any accompanying prospectus supplement or documents incorporated by reference, the date of any such document. Except as required by applicable law, we do not undertake any obligation to publicly correct or update any forward-looking statement.

TABLE OF CONTENTS

RISK FACTORS

Investing in our securities involves risk. See the risk factors described in our most recent Annual Report on Form 10-K and those contained in our other filings with the SEC that are incorporated by reference in this prospectus and any accompanying prospectus supplement. Before making an investment decision, you should carefully consider these risks as well as other information we include or incorporate by reference in this prospectus and any accompanying prospectus supplement. These risks could materially affect our business, financial condition or results of operations and cause the value of our securities to decline. You could lose all or part of your investment.

TABLE OF CONTENTS

USE OF PROCEEDS

We will not receive any proceeds from the sale of our Class A ordinary shares by the selling shareholder.

5

TABLE OF CONTENTS

DESCRIPTION OF SHARE CAPITAL

General

The following summary description of our share capital is based on the provisions of the Australian Corporations Act and our constitution, as amended (the Constitution). This description does not purport to be complete and is qualified in its entirety by reference to the full text of the Australian Corporations Act, as it may be amended from time to time, and to the terms of our Constitution, as may be amended from time to time, which is incorporated by reference as an exhibit to the registration statement of which this prospectus is a part. See Where You Can Find More Information. As used in this Description of Share Capital, the terms Tronox Limited, the Company , we, our and us refer to Tronox Limited, a public limited company registered under the laws of the State of Western Australia, and do not, unless otherwise specified, include our subsidiaries.

As of September 29, 2017, our issued share capital consists of 68,591,094 Class A ordinary shares and 51,154,280 Class B ordinary shares.

The selling shareholder is the holder of all outstanding Class B ordinary shares. As the selling shareholder transfers a Class B ordinary share to a person other than an affiliate of the selling shareholder, the Class B ordinary share automatically converts to a Class A ordinary share. Accordingly, the selling shareholder will be offering Class A ordinary shares. In addition, all issued Class B ordinary shares automatically convert into Class A ordinary shares, at a ratio of one-to-one, if the Class B Voting Interest (as such term is defined in our Constitution) falls below 10.0%.

Ordinary Shares

Share Capital

Under the terms of our Constitution and the Shareholder s Deed, dated June 15, 2012, among Tronox Limited, Thomas Casey and the selling shareholder (the Shareholder s Deed), holders of Class B ordinary shares have certain rights that differ from those of holders of Class A ordinary shares. In addition, certain significant corporate actions will require the approval of holders of Class A ordinary shares and Class B ordinary shares voting as separate classes. For example, for as long as the Class B Voting Interest is at least 20.0%, a separate vote by holders of Class A ordinary shares and Class B ordinary shares is required to approve certain types of mergers or similar transactions that result in a change in control or a sale of all or substantially all of the assets of Tronox Limited, or any reorganization or similar transaction that does not treat Class A ordinary shares and Class B ordinary shares equally.

Dividends

Class A ordinary shares and Class B ordinary shares generally have the same rights to dividends and distributions.

The Tronox Limited board of directors may resolve to pay any dividend it thinks appropriate and fix the time for payment, however, under the Australian Corporations Act, Tronox Limited must not pay a dividend unless (i) the company s assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend, (ii) the payment is fair and reasonable to the company s shareholders as a whole and (iii) payment of the dividend does not materially prejudice the company s ability to pay its creditors.

The Shareholder s Deed states that the amount of Tronox Limited s dividends will be based on, among other things, its results of operations, cash requirements, financial condition, contractual restrictions and other factors that the Tronox Limited board of directors may deem relevant.

Voting Rights

On a poll, a shareholder has one vote for every share held.

Conversion of Class B Ordinary Shares

Subject to certain exceptions set forth in our Constitution, a Class B ordinary share will automatically convert to a Class A Share when transferred to a person other than an affiliate of the selling shareholder. For so

6

TABLE OF CONTENTS

long as the Class B Voting Interest is less than 45.0%, every issued Class A Share acquired by the selling shareholder or its controlled affiliates (which for this purpose means any entity that, directly or indirectly through one or more intermediaries, is controlled by the selling shareholder) will automatically convert to a Class B ordinary share.

Changes to Share Capital

Subject to the Australian Corporations Act, the Tronox Limited board of directors may issue, grant options over or otherwise dispose of, unissued shares (other than partly paid shares) to any person on the terms, with the rights and at the times that the Tronox Limited board of directors decides except that:

- the Tronox Limited board of directors may not issue additional Class B ordinary shares unless:
  - a resolution approving the issue is passed by the holders of at least 80.0% of all issued Class B ordinary shares;
- the issue is required or permitted pursuant to an agreement with the holders of Class B ordinary shares (including the Shareholder's Deed); or
- pursuant to a dividend reinvestment plan; and
- unless other rights have been approved by 75.0% of votes cast at a general meeting, Tronox Limited may only issue preference shares on the terms set out in our Constitution. These terms include repayment of capital, participation in surplus assets and profits, cumulative and non-cumulative dividends, voting and priority of payment of capital and dividends in relation to other shares or classes of preference shares.

A reduction of capital and certain buy-backs of shares require shareholder approval under the Australian Corporations Act. Tronox Limited may reduce its share capital if the reduction: (i) is fair and reasonable to Tronox Limited s shareholders as a whole, (ii) does not materially prejudice Tronox Limited s ability to pay its creditors and (iii) is approved by shareholders in accordance with the Australian Corporations Act.

If the reduction is an equal reduction (that is, it applies only to ordinary shares and applies to each holder of ordinary shares in the same manner in proportion to the number of ordinary shares held), it must be approved by 50.0% of votes cast at a general meeting.

If it is not an equal reduction, it must be approved by either: (i) 75.0% of votes cast at a general meeting, with no votes cast in favor of the resolution by any person who is to receive consideration for the reduction, or their associates or (ii) a resolution agreed to at a general meeting of all ordinary shareholders. If the reduction involves the cancellation of shares, it must also be approved by 75.0% of votes cast at a meeting of the shareholders whose shares are to be cancelled.

Tronox Limited may buy back shares if the buy-back does not materially prejudice Tronox Limited s ability to pay its creditors and the company follows the procedures in the Australian Corporations Act. An on-market, employee share scheme or equal access buy-back (that is, where the offers under the buy-back relate only to ordinary shares and are made to each ordinary shareholder to buy back the same percentage of their ordinary shares) of shares which, when combined with other voting shares bought back in the previous 12 months, would constitute more than 10.0% of the smallest number of votes attached to voting shares of the company on issue in the last 12 months must be approved by a resolution passed by a majority of the votes cast at a general meeting of the shareholders. A buy-back that is a selective buy-back (that is, where the offers under the buy-back are not made to all shareholders) must be approved by either: (i) 75.0% of the votes cast at a general meeting of the shareholders, with no votes being cast in favor of the resolution by any person or their affiliates whose shares are proposed to be bought back, or (ii) all ordinary shareholders.

Variation of Class Rights

Variation of class rights must be approved by a majority of the votes attached to all issued shares of the class proposed to be affected at a separate meeting of the holders of that class of shares. Under the Australian Corporations Act, if shareholders in a class do not all agree to a variation or cancellation of their rights or a modification to our Constitution to allow their rights to be varied or cancelled, shareholders with at least 10.0% of the votes in the class may apply to court (within one month after the variation is made) to have the variation,

TABLE OF CONTENTS

cancellation or modification set aside. The court may set aside the variation, cancellation or modification if the court is satisfied that it would unfairly prejudice the applicants. The court must confirm the variation, cancellation or modification if the court is not satisfied that the variation, cancellation or modification would cause unfair prejudice.

Shareholder Meetings

An annual general meeting must be held at least once each calendar year and within five months of the end of Tronox Limited s financial year. A shareholder meeting may be convened at any time by the Tronox Limited board of directors, the chairman of the Tronox Limited board of directors or the chief executive officer. Under the Australian Corporations Act, shareholders holding at least 5.0% of the votes that may be cast at a general meeting may call, and arrange to hold, a meeting of the company. Directors must call, and arrange to hold, a meeting at the request of shareholders with at least 5.0% of the votes that may be cast at a general meeting. The meeting must be called within 21 days after the request is given to the company.

In general, shareholders must be given at least 21 days written notice of a general meeting of Tronox Limited. Notice is deemed to be given one business day after posting. Under the Australian Corporations Act, (i) shareholders of a company holding at least 5.0% of the votes that may be cast on the resolution or (ii) at least 100 shareholders entitled to vote at a general meeting may give notice to the company proposing a resolution for consideration at the next general meeting that occurs more than two months after the notice is given.

Any action required or permitted to be taken by holders of Class A ordinary shares or shareholders as a whole must be taken at a shareholder meeting. Holders of Class B ordinary shares may act by written consent in relation to a matter to be considered at a separate meeting of holders of Class B ordinary shares.

Except as otherwise provided in our Constitution and subject to the Australian Corporations Act, holders of a majority of all issued Class A ordinary shares and Class B ordinary shares entitled to vote at a general meeting will constitute a quorum.

Board Composition

For as long as the voting interest held by holders of the Class B Voting Interest is at least 10.0% of the total voting interest in Tronox Limited, there must be nine directors on our board of directors, and the holders of Class A ordinary shares will be entitled to vote separately to elect a certain number of directors to the board, which we refer to as Class A Directors, and the holders of Class B ordinary shares will be entitled to vote separately to elect a certain number of directors to the board, which we refer to as Class B Directors. If the Class B Voting Interest is: greater than or equal to 30.0%, the board will consist of six Class A Directors and three Class B Directors; greater than or equal to 20.0% but less than 30.0%, the board will consist of seven Class A Directors and two Class B Directors; greater than or equal to 10.0% but less than 20.0%, the board will consist of eight Class A Directors and one Class B Director; and less than 10.0%, the board will consist of Class A Directors only.

If the number of Class A Directors or Class B Directors is less than the number specified in our Constitution, as described above, the remaining directors in the class of directors for which there is a vacancy may appoint, by the affirmative vote of the majority of the remaining directors of that class, a person to be a Class A

Director or Class B Director, as the case may be.

Small Share Parcels

The Tronox Limited board of directors may sell a share, other than a Class B ordinary share, that is part of a holding of 100 shares or less, with or without the consent of the shareholder, in accordance with our Constitution.

Voluntary Winding-up

Under the Australian Corporations Act, if approved by 75.0% of the votes cast at a general meeting, Tronox Limited may be voluntarily wound up. In addition, a shareholder may commence proceedings to wind up a company in certain circumstances, including on the grounds that it is just and equitable to do so.

8

TABLE OF CONTENTS

Shareholder Approval for Certain Actions

Except in respect of matters relating to election of directors or as otherwise required by our Constitution or by law, all matters to be voted on by our shareholders must have been approved by a majority of the shares present in person or by proxy, attorney or representative at the meeting and entitled to vote on the subject matter.

Merger/Sale of Assets

A merger, scheme of arrangement, share issue or other similar transaction under which the consideration to be received by shareholders immediately prior to the transaction (taken as a whole) would not entitle those shareholders to, in the aggregate, at least 50.0% of the voting power (as defined in our Constitution) immediately following the transaction, or the sale of all or substantially all of our assets, must be approved by our board of directors and

- for so long as the Class B Voting Interest is at least 20.0%, also by resolutions passed by a majority of the votes attached to all issued Class A ordinary shares and a majority of votes attached to all issued Class B ordinary shares, such resolutions to be passed at separate meetings of the holders of each class of shares; or
- if the Class B Voting Interest is less than 20.0%, a resolution passed by a majority of votes attached to all issued voting shares.

Reorganization

Any reorganization, consolidation, scheme of arrangement, share issue or similar transaction which does not treat Class A ordinary shares and Class B ordinary shares equally requires:

•

- for so long as the Class B Voting Interest is at least 20.0%, approval by resolutions passed by a majority of the votes attached to all issued Class A ordinary shares and a majority of votes attached to all issued Class B ordinary shares, such resolutions to be passed at separate meetings of the holders of each class of shares; or
- if the Class B Voting Interest is less than 20.0%, approval by a resolution passed by a majority of votes attached to all issued voting shares.

Limits on Acquisitions of Ordinary Shares

Any increase in the voting power (as defined in our Constitution) of a person in us from (a) 20.0% or below to more than 20.0%, or (b) a starting point that is above 20.0% and below 90.0% must be approved:

- if the transaction is a merger or similar transaction under which the consideration to be received by our shareholders immediately prior to the transaction (taken as a whole) would not entitle those shareholders to, in the aggregate, at least 50.0% of the voting power (as defined in our Constitution) immediately following the transaction, or sale of all or substantially all of the company's assets, in accordance with the requirements described above under —Merger/Sale of Assets ; or
- by a resolution passed by the holders of votes attached to at least 75.0% of all issued Class A ordinary shares, voting at a separate meeting and, if the Class B Voting Interest is at least 20.0%, by a resolution passed by holders of votes attached to at least 75.0% of all issued Class B ordinary shares, voting at a separate meeting; or
- by the board of directors,

unless it is expressly exempted by the Shareholders Deed.

If an increase in voting power occurs which requires approval as set forth in the preceding paragraph, and the requisite approval is not obtained, our board of directors can take steps to disenfranchise the relevant shareholder and compel the sale of shares held by that shareholder to reduce the voting power to the permitted level. The definition of voting power in our Constitution is broad and includes control by persons or their associates over voting or disposal of voting shares.

For the purpose of determining whether the resolutions referred to above have been passed by the required percentage of issued shares, shares held by the acquirer and its affiliates are excluded from the numerator and denominator.

9

TABLE OF CONTENTS

Proportional Takeover Offers

The Australian Corporations Act requires that a takeover offer be for all shares in a class or it must be a proportional takeover offer (that is, an offer for the same proportion of each shareholder s holding of shares in that class). A proportional takeover offer for us will not be effective unless (a) more than 50.0% of the votes cast at a meeting to consider the takeover offer are in favor (excluding any votes cast by the bidder and its associates), or (b) the board has failed to propose the resolution in accordance with the requirements of the Australian Corporations Act. This requirement must be renewed (by a resolution passed by 75.0% of votes cast) every three years or it will lapse.

Anti-takeover Effects of Provisions in our Constitution and under Australian Law

Our Constitution and the Australian Corporations Act regulate the acquisition of direct and indirect interests in us. Subject to certain exceptions under the Australian Corporations Act, acquisitions of interests in our voting shares will be prohibited where, as a result of the acquisition, the acquirer s or someone else s voting power (as defined in the Australian Corporations Act) in us increases to more than 20.0% or from a starting point that is above 20.0% and below 90.0%. The definition of voting power in the Australian Corporations Act is broad, and includes control by persons or their associates over voting or disposal of voting shares.

There are a number of exceptions to the prohibition, the most important of which permit: (i) acquisitions under a formal takeover bid made in accordance with the Australian Corporations Act in which all shareholders can participate; (ii) acquisitions resulting from a court-approved scheme of arrangement; (iii) acquisitions made with specified shareholder approvals (where no votes are cast in favor by the parties to the transaction or their associates); and (iv) acquisitions of no more than 3.0% of voting power (as defined in the Australian Corporations Act) every six months. Australian law requires all holders of a class of shares to be treated equally under a takeover bid and prescribes various aspects of the conduct of a takeover bid, including timing and disclosure requirements.

Under our Constitution, any increase in Voting Power (as defined in our Constitution) of a person in us from 20.0% or below to more than 20.0%, or from a starting point that is above 20.0% and below 90.0%, requires certain approvals.

There are certain restrictions on offers for less than all of the shares in a class of shares (see, —Proportional Takeover Offers).

In addition, on application by a person, the Australian Takeovers Panel may declare that unacceptable circumstances exist in relation to our affairs. Such a declaration may be made where it appears to the Australian Takeovers Panel that, among other things, circumstances are unacceptable having regard to the effect the circumstances have had, are having, will have or are likely to have on the control, or potential control, of us or the acquisition, or proposed acquisition, by a person of a substantial interest in us. A declaration can be made whether or not the circumstances constitute a contravention of the Australian Corporations Act. If a declaration is made, the Australian Takeovers Panel may make a wide range of remedial orders.

TABLE OF CONTENTS

SELLING SHAREHOLDER

In June 2012, Tronox acquired the selling shareholder s mineral sands operations, which included its Namakwa Sands and KwaZulu-Natal Sands mines, separation plants and slag furnaces in South Africa, as well as the selling shareholder s 50% interest in the TiWest Joint Venture which it had with the Company that included a TiO_2 chloride processing plant, mining operation, mineral separation plant and synthetic rutile plant in Western Australia. The selling shareholder retained a 26% ownership interest in the South African operations in order to comply with South African Black Economic Empowerment legislation. At September 29, 2017, the selling shareholder held approximately 42.7% of the voting securities of Tronox Limited. See Note 23 of notes to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for additional information regarding material relationships and transactions between us and the selling shareholder.

Information about the selling shareholder will be set forth in a prospectus supplement, in a post-effective amendment or in filings we make with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act), which are incorporated by reference into this prospectus.

TABLE OF CONTENTS

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of United States federal income tax considerations relating to the acquisition, ownership and disposition of Class A ordinary shares by a U.S. Holder (as defined below). This description addresses only the United States federal income tax considerations to holders that are initial purchasers of Class A ordinary shares pursuant to the offer and that will hold such Class A ordinary shares as capital assets for United States federal income tax purposes. This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

- banks, financial institutions and insurance companies;
- real estate investment trusts, regulated investment companies and grantor trusts;
- brokers;
- dealers or traders in securities, commodities or currencies;
- tax-exempt entities;
- certain former citizens and long-term residents of the United States;
- persons that received Class A ordinary shares as compensation for the performance of services;
- persons that will hold Class A ordinary shares as part of a hedging, integrated, conversion or constructive sale transaction or as a position in a straddle for United States federal income tax purposes;
- partnerships (including entities classified as partnerships for United States federal income tax purposes) or other pass-through entities, and holders that will hold Class A ordinary shares through such an entity;
- S-corporations;
- U.S. Holders (as defined below) whose functional currency is not

the U.S. Dollar; and

- holders that own directly, indirectly or through attribution ten percent or more of the voting power or value of the Company's shares.

This discussion does not purport to be a complete analysis of all of the potential U.S. federal income tax considerations that may be relevant to U.S. Holders, as defined below, in light of their particular circumstances. Moreover, this description does not address the United States federal estate, gift or alternative minimum tax consequences, the 3.8% tax imposed on certain net investment income or any state, local or foreign tax consequences of the acquisition, ownership and disposition of Class A ordinary shares.

This description is based on the Code, existing, proposed and temporary United States Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below. There can be no assurances that the U.S. Internal Revenue Service will not take a different position concerning the tax consequences of the acquisition, ownership and disposition of Class A ordinary shares or that such a position could not be sustained.

For purposes of this description, a U.S. Holder is a beneficial owner of Class A ordinary shares that, for United States federal income tax purposes, is:

- a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or

- a trust if such trust has validly elected to be treated as a United States person for United States federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more United States persons have the authority to control all of the substantial decisions of such trust.

12

TABLE OF CONTENTS

If a partnership (or any other entity treated as a partnership for United States federal income tax purposes) holds Class A ordinary shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Class A ordinary shares and partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences applicable to them.

You should consult your tax advisor with respect to the United States federal, state, local and foreign tax consequences of acquiring, owning and disposing of Class A ordinary shares.

Distributions

Subject to the discussion below under —*Passive foreign investment company considerations*, a U.S. Holder of Class A Shares generally will be required to treat distributions received with respect to such Class A ordinary shares (including any amounts withheld pursuant to Australian tax law) as dividend income to the extent of our current or accumulated earnings and profits (computed using U.S. federal income tax principles), with the excess treated as a non-taxable return of capital to the extent of the U.S. Holder s adjusted tax basis in the Class A ordinary shares and, thereafter, as capital gain. Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, we expect that distributions generally will be reported to U.S. Holders as dividends. Dividends paid to corporate U.S. Holders will not be eligible for the dividends received deduction allowed to U.S. corporations. Dividends paid to non-corporate U.S. holders (including individuals) from a qualified foreign corporation may be eligible for reduced rates of taxation, provided that certain holding period requirements and other conditions are satisfied. A qualified foreign corporation generally includes a foreign corporation (other than a passive foreign investment company (PFIC)) if (i) the shares with respect to which a dividend is paid are readily tradable on an established securities market in the United States or (ii) it is eligible for benefits under a comprehensive U.S. income tax treaty. The Company will not constitute a qualified foreign corporation for purposes of these rules if it is a PFIC for the taxable year in which it pays a dividend or for the preceding taxable year. See *—Passive foreign investment company considerations* below. We currently believe that dividends paid with respect to Class A ordinary shares would constitute qualified dividend income for United States federal income tax purposes. U.S. Holders are urged to consult their tax advisors regarding the availability of the preferential dividend tax rates.

Dividends paid to U.S. Holders with respect to Class A ordinary shares will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, Australian tax withheld on dividends may be deducted from your taxable income or credited against your United States federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends that the Company distributes generally should constitute passive category income. The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisor to determine whether and to what extent you will be entitled to this credit.

Sale, exchange or other disposition of Class A ordinary shares

Subject to the discussion below under —*Passive foreign investment company considerations*, a U.S. holder will generally recognize capital gain or loss upon the sale or other disposition of Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder s adjusted tax basis in such Class A ordinary shares. If you are a non-corporate U.S. Holder, capital gain from the sale, exchange or other disposition of Class A ordinary shares is generally eligible for reduced rates of taxation if your holding period for such Class A ordinary shares exceeds one year. The deductibility of capital losses for United States federal income tax purposes is subject to limitations under the Code. Any such gain or loss that a U.S. Holder recognizes generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

Passive foreign investment company considerations

Special U.S. federal income tax rules apply to U.S. persons owning shares of a PFIC. A non-U.S. corporation will be classified as a PFIC in any taxable year in which, either:

- at least 75% of its gross income is passive income ; or

- at least 50% of the average quarterly value of its total gross assets is attributable to assets that produce passive income or are held for the production of passive income.

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock. Subject to various exceptions, passive income generally includes dividends, interest, rents, royalties and gains from the disposition of assets that produce or are held for the production of passive income.

We do not currently expect to be treated as a PFIC for U.S. federal income tax purposes with respect to our taxable year ending December 31, 2017 or in the future. However, there can be no assurance that we will not be considered a PFIC for any taxable year, because the determination of whether we are a PFIC is made annually and is based on the composition of our gross income, the value of our assets (which will be determined based on our market capitalization) and activities in those years. If we were a PFIC for any taxable year during which a U.S. Holder held Class A ordinary shares, gain recognized by a U.S. Holder upon a disposition (including, under certain circumstances, a pledge) of Class A ordinary shares would be allocated ratably over the U.S. Holder s holding period for such shares. The amounts allocated to the taxable year of disposition and to years before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amount.

Further, to the extent that any distribution received by a U.S. Holder on Class A ordinary shares exceeds 125% of the average of the annual distributions on such shares received during the preceding three years or the U.S. Holder s holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of Class A ordinary shares. We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections if, contrary to our expectation, we are classified as a PFIC. U.S. Holders should consult their tax advisers to determine whether any of these elections would be available and if so, what the consequences of the alternative treatments would be in their particular circumstances. If we are determined to be a PFIC, the general tax treatment for U.S. Holders described in this paragraph would apply to indirect distributions and gains deemed to be realized by U.S. Holders in respect of any of our subsidiaries that also may be determined to be PFICs. If a U.S. Holder owns Class A ordinary shares during any year in which we are a PFIC and the U.S. Holder recognizes gain on a disposition of our Class A ordinary shares or receives distributions with respect to our Class A ordinary shares, the U.S. Holder generally will be required to file an IRS Form 8621 annually with respect to the Company, along with the U.S. Holder s federal income tax return for that year. If the Company were classified as a PFIC for a given taxable year, then holders should consult their tax advisers concerning their annual filing requirements. U.S. Holders should consult their tax advisers regarding whether we are a PFIC and the potential application of the PFIC rules.

Information reporting and backup withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

Foreign asset reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in Class A ordinary shares, subject to certain exceptions (including an exception for shares held in accounts maintained by U.S. financial institutions), by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their federal income tax return. U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of Class A ordinary shares.

EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE CLASS A ORDINARY SHARES IN LIGHT OF THE INVESTOR S OWN CIRCUMSTANCES.

TABLE OF CONTENTS

PLAN OF DISTRIBUTION

The selling shareholder, and its pledgees, donees, transferees or other successors in interest, may from time to time offer and sell, separately or together, Class A ordinary shares covered by this prospectus. Registration of the Class A ordinary shares covered by this prospectus does not mean, however, that those Class A ordinary shares necessarily will be offered or sold.

The Class A ordinary shares covered by this prospectus may be sold from time to time, at market prices prevailing at the time of sale, at prices related to market prices, at a fixed price or prices subject to change or at negotiated prices, by a variety of methods including the following:

- on the NYSE (including through at the market offerings);
- in the over-the-counter market;
- in privately negotiated transactions;
- through broker/dealers, who may act as agents or principals;
- through one or more underwriters on a firm commitment or best-efforts basis;
- in a block trade in which a broker/dealer will attempt to sell a block of Class A ordinary shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- through put or call option transactions relating to the Class A ordinary shares;
- directly to one or more purchasers;
- through agents; or
- in any combination of the above.

In effecting sales, brokers or dealers engaged by us and/or the selling shareholder may arrange for other brokers or dealers to participate. Broker/dealer transactions may include:

- purchases of the Class A ordinary shares by a broker/dealer as principal and resales of the Class A ordinary shares by the broker/dealer for its account pursuant to this prospectus;

- ordinary brokerage transactions; or
- transactions in which the broker/dealer solicits purchasers on a best efforts basis.

At any time a particular offer of the Class A ordinary shares covered by this prospectus is made, an amended prospectus or prospectus supplement, if required, will set forth the aggregate amount of Class A ordinary shares covered by this prospectus being offered and the terms of the offering, including the name or names of any underwriters, dealers, brokers or agents. In addition, to the extent required, any discounts, commissions, concessions and other items constituting underwriters or agents compensation, as well as any discounts, commissions or concessions allowed or reallowed or paid to dealers, will be set forth in such revised prospectus supplement. To the extent required, any such prospectus supplement, and, if necessary, a post-effective amendment to the registration statement of which this prospectus is a part, will be filed with the SEC to reflect the disclosure of additional information with respect to the distribution of the Class A ordinary shares covered by this prospectus.

To the extent required, the applicable prospectus supplement will set forth whether or not underwriters may over-allot or effect transactions that stabilize, maintain or otherwise affect the market price of the Class A ordinary shares at levels above those that might otherwise prevail in the open market, including, for example, by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids.

If the selling shareholder utilizes a dealer in the sale of the securities being offered pursuant to this prospectus, the selling shareholder will sell the securities to the dealer, as principal. The dealer may then resell the securities to the public at varying prices to be determined by the dealer at the time of resale.

In connection with the sale of the Class A ordinary shares covered by this prospectus through underwriters, underwriters may receive compensation in the form of underwriting discounts or commissions and may also

15

TABLE OF CONTENTS

receive commissions from purchasers of Class A ordinary shares for whom they may act as agent. Underwriters may sell to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agent.

Any underwriters, broker/dealers or agents participating in the distribution of the Class A ordinary shares covered by this prospectus may be deemed to be underwriters within the meaning of the Securities Act, and any commissions received by any of those underwriters, broker/dealers or agents may be deemed to be underwriting commissions under the Securities Act.

We and the selling shareholder may agree to indemnify underwriters, broker/dealers or agents against certain liabilities, including liabilities under the Securities Act, and may also agree to contribute to payments which the underwriters, broker/dealers or agents may be required to make.

Certain of the underwriters, broker/dealers or agents who may become involved in the sale of the Class A ordinary shares may engage in transactions with and perform other services for us in the ordinary course of their business for which they receive customary compensation.

Some of the Class A ordinary shares covered by this prospectus may be sold by the selling shareholder in private transactions or under Rule 144 under the Securities Act rather than pursuant to this prospectus.

TABLE OF CONTENTS

LEGAL MATTERS

Unless otherwise indicated in any accompanying prospectus supplement, Ashurst Australia will provide opinions regarding the validity of the securities. Skadden, Arps, Slate, Meagher & Flom LLP may also provide opinions regarding certain other matters. Any underwriters will be advised about legal matters by their own counsel, which will be named in an accompanying prospectus supplement. Certain legal matters with respect to the selling shareholder will be passed upon by their own counsel, which will be named in an accompanying prospectus supplement.

TABLE OF CONTENTS

EXPERTS

The financial statements and management s assessment of the effectiveness of internal control over financial reporting of Tronox Limited (which is included in Management s Report on Internal Controls over Financial Reporting) incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2016 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

BDO Dr. Mohamed Al-Amri & Co., Ernst & Young (Jeddah) and Deloitte & Touche Bakr Abulkhair & Co., each of which is an independent auditor, have audited Cristal s consolidated financial statements for the years ended December 31, 2016, 2015 and 2014, respectively, as set forth in their reports, which express unqualified opinions on the financial statements for the respective periods and include emphasis of matter paragraphs in their respective reports, which are incorporated by reference in this prospectus from Tronox Limited s Definitive Proxy Statement on Schedule 14A, filed with the SEC on August 31, 2017. Cristal s financial statements are incorporated by reference in reliance on BDO Dr. Mohamed Al-Amri & Co., Ernst & Young (Jeddah) and Deloitte & Touche Bakr Abulkhair & Co. reports, given on their authority as experts in accounting and auditing.

TABLE OF CONTENTS

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy any of this information at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers, including Tronox, who file electronically with the SEC. The address of that site is *www.sec.gov*. The information contained on the SEC s website is expressly not incorporated by reference in this prospectus or any accompanying prospectus supplement.

The SEC allows us to incorporate by reference information into this prospectus and any accompanying prospectus supplement, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus and any accompanying prospectus supplement, except for any information superseded by information contained directly in this prospectus, any accompanying prospectus supplement, any subsequently filed document deemed incorporated by reference or any free writing prospectus prepared by or on behalf of us. This prospectus and any accompanying prospectus supplement incorporate by reference the documents set forth below that we have previously filed with the SEC (other than information deemed furnished and not filed in accordance with SEC rules, including Items 2.02 and 7.01 of Form 8-K):

- our Definitive Proxy Statement on Schedule 14A, filed with the SEC on August 31, 2017 (excluding the selected historical financial data for the years ended December 31, 2013 and 2012 contained therein, and the sections captioned Questions and Answers About Voting Procedures for the Special Meeting, Summary—The Transaction—Recommendations of the Tronox Board of Directors, Summary—The Transaction—Opinion of Tronox's Financial Advisor, Summary—The Special Meeting, Selected Historical and Pro Forma Combined Financial Data—Selected Unaudited Pro Forma Condensed Combined Financial Data of Tronox and Cristal, The Special Meeting, Proposal Submitted to Shareholders, The Transaction—Background of the Transaction, The Transaction—Reasons for the Transaction; Recommendation of the Tronox Board of Directors to Approve the Issuance of Class A Shares in the Transaction, The Transaction—Opinion of Tronox's Financial Advisor, The Transaction—Financial Projections, Additional Information Relating to Australia's Takeover Laws, Unaudited Pro Forma Condensed Combined Financial Information, Shareholder Proposals—2018 Annual Meeting, Annex C and any incorporated document therein, and such information is not incorporated by reference in this prospectus or any accompanying prospectus supplement);
- our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on February 24, 2017;
- our Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 16, 2017 (solely to the extent specifically incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2016);
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017, filed with the SEC on May 4, 2017 and August 9, 2017, respectively;
-

our Current Reports on Form 8-K, filed with the SEC on February 21, 2017 (excluding Items 2.02 and 7.01 and exhibits 99.1, 99.2 and 99.3), February 27, 2017, April 13, 2017, April 24, 2017, May 10, 2017 (as amended on May 18, 2017), May 26, 2017, June 2, 2017, June 28, 2017, August 3, 2017 (excluding Item 7.01 and exhibit 99.1), August 7, 2017, September 7, 2017 (Film No.: 171074204), September 12, 2017 (excluding the section captioned Summary Historical and Pro Forma Financial Data in exhibit 99.1), September 25, 2017 and October 2, 2017; and

- the registration statement on Form 8-A, filed with the SEC on June 14, 2012, which incorporates by reference the description of the Class A ordinary shares under the caption Governance of Tronox Limited—Ordinary Shares in the prospectus forming a part of the registration statement on Form S-4, filed with the SEC on December 30, 2011.

19

TABLE OF CONTENTS

All documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and before the termination of the offering also shall be deemed to be incorporated herein by reference. We are not, however, incorporating by reference any documents or portions thereof that are not deemed filed with the SEC, including any information furnished pursuant to Items 2.02 or 7.01 of Form 8-K.

You can obtain any of the documents listed above from the SEC, through the SEC s website at the address described above or from Tronox, without cost, by requesting them in writing or telephoning at the following address and telephone number:

Tronox Limited
263 Tresser Boulevard, Suite 1100
Stamford, CT 06901, U.S.A.
Attn: Investor Relations
(203) 705-3800

TABLE OF CONTENTS

19,500,000 Class A Ordinary Shares

TRONOX LIMITED

PROSPECTUS SUPPLEMENT

J.P. Morgan Barclays Morgan Stanley

The date of this prospectus supplement is October 4, 2017