

SECURITY NATIONAL FINANCIAL CORP
Form 10-K
March 31, 2011

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

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010, or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934f
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 Act: None

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, \$2.00 Par Value	Nasdaq National Market
Class C Common Stock, \$0.20 Par Value	None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

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

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]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and ask price of such common equity, as of the last business date of the registrant's most recently completed second fiscal quarter. \$13,582,000

As of March 29, 2011, there were outstanding 9,179,226 shares of Class A Common Stock, \$2.00 par value per share, and 9,658,443 shares of Class C Common Stock, \$.20 par value per share.

Documents Incorporated by Reference

Certain information is incorporated into Part III of this report by reference to the Proxy Statement for the registrant's annual meeting of stockholders to be held on July 8, 2011 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 1. Business

Security National Financial Corporation (the “Company”) operates in three main business segments: life insurance, cemetery and mortuary, and mortgage loans. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products and accident and health insurance. These products are marketed in 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 of the Company consists of five cemeteries in the state of Utah and one cemetery in the state of California, and seven mortuaries in the state of Utah and three mortuaries in the state of Arizona. The Company also engages in pre-need selling of funeral, cemetery, mortuary and cremation services through its Utah, Arizona and California operations. Many of the insurance agents also sell pre-need funeral, cemetery and cremation services. The mortgage loan 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. The mortgage loan segment operates through 45 wholesale and retail offices in eleven states, and is an approved mortgage lender in several other states.

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

The Company was organized as a holding company in 1979, when Security National Life Insurance Company (“Security National Life”) became a wholly owned subsidiary of the Company and the former stockholders of Security National Life became stockholders of the Company. Security National Life was formed in 1965 and has grown through the direct sales of life insurance and annuities and through the acquisition of other insurance companies.

The cemetery and mortuary operations have also grown through the acquisition of other cemetery and mortuary companies. In 1989, the Company acquired Paradise Chapel Funeral Home, Inc. and, in 1991, it acquired Holladay Memorial Park, Inc., Cottonwood Mortuary, Inc. and Deseret Memorial, Inc. In 1994, the Company acquired Sunset Funeral Home. In 1995, the Company acquired Greer-Wilson Funeral Home, Inc. and, in 1997, it acquired Crystal Rose Funeral Home. In 1993, the Company formed SecurityNational Mortgage Company (“SecurityNational Mortgage”) to originate and refinance mortgage loans. Since the beginning of business in 1993, SecurityNational Mortgage has now grown to 45 branches in eleven states. See Notes to Consolidated Financial Statements for additional disclosure and discussion regarding segments of the business.

Life Insurance

Products

The Company, through Security National Life and its insurance subsidiaries, Memorial Insurance Company of America (“Memorial Insurance Company”) and Southern Security Life Insurance Company (“Southern Security”), 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 and accident and health insurance products.

The Company places specific marketing emphasis on funeral plans through pre-need planning.

A funeral plan is a small face value life insurance policy that generally has face coverage of up to \$15,000. 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. A “niche” market is an identifiable market that the Company believes is not emphasized by most insurers. Funeral plan policies are sold primarily to persons who range in age from 45 to 85. Even though people of all ages and income levels purchase funeral plans, the Company believes that the highest percentage of funeral plan purchasers are individuals who are older than 45 and have low to moderate income.

A majority of the Company’s funeral plan premiums come from the states of Arizona, Arkansas, California, Idaho, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, 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 10% 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. The incentive for such businesses to share the costs is that these businesses are usually made the beneficiary of the policy. The following table summarizes the life insurance business for the five years ended December 31, 2010:

	2010	2009	2008	2007	2006
Life Insurance					
Policy/Cert. Count					
as of December 31	398,774	407,673	415,656	(2) 405,224	(1) 401,441
Insurance in force as of					
December 31					
(omitted 000)	\$ 3,003,622	\$ 2,617,946	\$ 2,454,409	(2) \$ 2,434,733	(1) \$ 2,620,694
Premiums Collected					
(omitted 000)	\$ 38,579	\$ 38,399	(2) \$ 36,063	(1) \$ 32,173	\$ 31,619

(1) Includes the purchase of Capital Reserve Life Insurance Company on December 17, 2007.

(2) Includes the purchase of Southern Security Life Insurance Company on December 18, 2008.

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 writes insurance based upon its medical limits and requirements subject to the following general non-medical limits:

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

Annuities

Products

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

Annuities have guaranteed interest rates of 3% to 6.5% per annum. Above that, the interest rate credited is periodically determined by the Board of Directors at their discretion. An immediate annuity is a contract in which the individual remits to the Company a sum of money in return for the Company's obligation to pay a series of payments on a periodic basis over a designated period of time, such as an individual's life, or for such other period as may be designated.

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

Markets and Distribution

The general market for the Company's annuities is middle to older age individuals who wish to save or invest their money in a tax-deferred environment, having relatively high yields. The major source of annuity considerations comes from direct agents. Annuities are also sold in conjunction with other insurance sales. If an individual does not qualify for a funeral plan due to health considerations, the agent will often sell that individual an annuity to fund those final expenses. The commission rates on annuities are up to 10%.

The following table summarizes the annuity business for the five years ended December 31, 2010:

	2010	2009	2008		2007		2006
Annuities Policy/Cert. Count as of December 31	12,344	12,366	11,411	(2)	11,175	(1)	8,475
Deposits Collected (omitted 000)	\$ 6,166	\$ 6,737	\$ 8,959	(1)(2)	\$ 4,080		\$ 3,977

(1) Includes the purchase of Capital Reserve Life Insurance Company on December 17, 2007.

(2) Includes the purchase of Southern Security Life Insurance Company on December 18, 2008.

Accident and Health

Products

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

Markets and Distribution

The Company currently markets its accident policies through web marketing.

The following table summarizes the accident and health insurance business for the five years ended December 31, 2010:

	2010	2009	2008	2007	2006
Accident and Health Policy/Cert. Count as of December 31	9,269	13,436	14,060	14,845	15,340
Premiums Collected (omitted 000)	\$203	\$219	\$232	\$257	\$274

Reinsurance

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

The Company's policy is to retain no more than \$100,000 of ordinary insurance per insured life. Excess risk is reinsured. The total amount of life insurance in force at December 31, 2010, reinsured by other companies, aggregated \$81,280,000, representing approximately 3.0% of the Company's life insurance in force on that date.

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

On December 31, 2008, the Company entered into a Coinsurance Funds Withheld Reinsurance Agreement with Continental American Insurance Company ("Continental American"), a South Carolina domiciled insurance company. This agreement was effective November 30, 2008. Under the terms of the agreement, the Company ceded to Continental American a block of deferred annuities in the amount of \$4,828,487 as of December 31, 2008 and retained the assets and recorded a funds held under coinsurance liability for the same amount. Continental American agreed to pay the Company an initial ceding commission of \$60,000 and a quarterly management fee of \$16,500 per quarter to administer the policies. The Company will also receive a 90% experience refund for any profits from the business. The Company has the right to recapture the business on each January 1 following December 31, 2008, or any other date if mutually agreed and with at least 90 days' prior written notice to Continental American. The Company and Continental American terminated this agreement on March 31, 2010.

On June 4, 2010, the Company entered into an Indemnity Coinsurance Reinsurance Agreement with American Life and Security Corporation ("American Life"), a Nebraska domiciled insurance company, effective January 1, 2010. Under the terms of the agreement, the Company ceded to American Life a block of deferred annuities in the amount of \$2,678,931 and a block of whole life policies in the amount of \$1,048,134, together with net due and deferred premiums in the amount of \$12,305, advance premiums in the amount of \$353, claims liability in the amount of \$14,486, and net policy loans in the amount of \$128,487. The total initial consideration of \$3,601,112 in cash was transferred to Wells Fargo as custodian of the assets. American Life has control of the assets subject to the terms of a custodial agreement. American Life agreed to pay the Company an initial ceding commission of \$375,000 and a management fee of \$3,500 per quarter to administer the policies. American Life agreed to indemnify the Company for these contracts and risks. The initial term on this agreement will be for a period of one year. After the initial one year term, this agreement will be automatically renewed unless American Life notifies the Company in writing of its intention not to renew no less than 180 days prior to the expiration of the then current agreement. Each automatic renewal period of this agreement will be for a term of one year. The accounting and settlement of this agreement will be on a quarterly basis and calculated pursuant to the terms thereof.

Investments

The investments that support the Company's life insurance and annuity obligations are determined by the Investment Committee of the Board of Directors of the various subsidiaries and ratified by the full Board of Directors of the respective subsidiaries. A significant portion of the investments must meet statutory requirements governing the nature and quality of permitted investments by insurance companies. The Company's interest-sensitive type products, primarily annuities and interest-sensitive whole life, compete with other financial products such as bank certificates of

deposit, and brokerage sponsored money market funds as well as competing life insurance company products. Although it is not the Company's policy to offer the highest yield in this economic climate, in order to offer what the Company considers to be a competitive yield, it maintains a diversified portfolio consisting of common stocks, preferred stocks, municipal bonds, investment and non-investment grade bonds, 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

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

Markets and Distribution

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

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

The sales representatives of the Company's cemetery and mortuary operations are split into two groups. The pre planning consultants are commissioned and receive no salary. The sales commissions range from 4% to 25% for cemetery products and services and 10% to 100% of first year premiums for funeral plan insurance. Potential customers are located via telephone sales prospecting, responses to letters mailed by the pre planning consultants, newspaper inserts, referrals, and door-to-door canvassing. If a customer comes to one of the Company's cemeteries, the cemetery directors are compensated on a base wage plus volume bonus ranging from 3% to 6%. The Company trains its sales representatives and generates leads for them.

Mortgage Loans

Products

Beginning in 1993, the Company, through its wholly owned subsidiary, SecurityNational Mortgage Company ("SecurityNational Mortgage") has been active in both the residential as well as commercial real estate markets. The Company has current approvals through HUD, Fannie Mae, Freddie Mac and other substantial secondary market investors, which enable it to originate a variety of residential mortgage loan products that are subsequently sold to investors. The Company uses internal and external funding sources with unaffiliated financial institutions. The Company also originates residential construction loans.

Security National Capital, a subsidiary of SecurityNational Mortgage, originates commercial real estate loans both for internal investment as well as for sale to unaffiliated investors.

Markets and Distribution

The Company's residential mortgage lending services are marketed primarily to mortgage originators. SecurityNational Mortgage maintains a retail origination presence in the Utah, California, Illinois and Texas markets in addition to nine wholesale branch offices located in Arizona, California, Florida, Hawaii, Indiana, Kansas, Oklahoma, 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

Transaction to Liquidate Security National Life Insurance Company of Louisiana

On December 31, 2009, Security National Life Insurance Company of Louisiana ("Security National Life of Louisiana") entered into an Assumption Reinsurance Agreement with Security National Life Insurance Company ("Security National Life") to reinsure the remaining in force business of Security National Life of Louisiana with Security National Life to the extent permitted by the Louisiana Department of Insurance. The Louisiana Department of Insurance approved the Assumption Reinsurance Agreement on December 2, 2009.

As a result of the Assumption Reinsurance Agreement, all of the insurance business and operations of Security National Life of Louisiana, including assets and liabilities, were transferred to Security National Life, as reinsurer, as of December 31, 2009. Thus, \$3,189,000 in statutory assets and liabilities were transferred from Security National Life of Louisiana to Security National Life pursuant to the Assumption Reinsurance Agreement. In addition, Security National Life of Louisiana entered into an Assignment dated December 31, 2009 with Security National Life to assign and transfer to Security National Life all of the assets and liabilities that remained following the transfer of assets and liabilities pursuant to the Assumption Reinsurance Agreement.

The liquidation of Security National Life of Louisiana was completed as of December 31, 2009 in accordance with the terms and conditions of the Agreement and Plan of Complete Liquidation to liquidate Security National Life of Louisiana into Security National Life. The Board of Directors of both Security National Life of Louisiana and Security National Life approved a plan of liquidation as of September 18, 2009. Under the terms of the Agreement and Plan of Complete Liquidation, Security National Life of Louisiana was liquidated into Security National Life in essentially the same manner as the liquidation described in Private Letter Ruling 9847027 in order to achieve the same tax treatment and consequences under Section 332 of the Internal Revenue Code of 1986, as amended, and other applicable provisions described in such Letter Ruling.

Transaction to Liquidate Capital Reserve Life Insurance Company

Effective as of December 31, 2009, Security National Life exercised its right of recapture pursuant to the Reinsurance Agreement effective as of November 30, 2008, between Capital Reserve Life Insurance Company ("Capital Reserve") and Security National Life in which Security National Life recaptured all of the previously reinsured liabilities under the Reinsurance Agreement. As a result of the recapture, Security National Life is primarily liable for the liabilities on the insurance contracts and annuities originally issued by Capital Reserve to its policyholders. The assets transferred by Capital Reserve to Security National Life pursuant to such recapture have a fair market value of \$4,895,000, which was equal to the assumed liabilities.

The purpose of Security National Life exercising its right of recapture pursuant to the 2008 Reinsurance Agreement was so that the \$4,895,000 in statutory assets and liabilities of Capital Reserve could be transferred to Security National Life by December 31, 2009 in accordance with the terms of the plan of liquidation between Capital Reserve and Security National Life. On December 4, 2009, Capital Reserve and Security National Life entered into an Agreement and Plan of Complete Liquidation to liquidate Capital Reserve into Security National Life in the same manner as the liquidation described in Private Letter Ruling 9847027 in order to achieve the same tax treatment and consequences under Section 332 of the Internal Revenue code of 1986, as amended, and other applicable provisions described in such Letter Ruling.

In addition, Capital Reserve entered into an Assignment dated December 31, 2009 with Security National Life to assign and transfer to Security National Life all of the assets and liabilities that remained following the recapture, except for Capital Reserve's corporate charter, insurance licenses, and \$1,681,000 in statutory capital and surplus, which will allow Capital Reserve to preserve its corporate existence in Missouri.

On May 24, 2010, the Company completed a stock purchase transaction with American Life and Security Corporation ("American Life") a Nebraska domiciled insurance company, to sell all the outstanding shares of common stock of Capital Reserve to American Life and its shareholders. Under the terms of the Stock Purchase Agreement among the Company, American Life, and the shareholders of the Company, American Life paid the Company at closing purchase consideration equal to the capital and surplus of Capital Reserve as of May 24, 2010 in the amount of \$1,692,576, plus additional consideration in the amount of \$105,000 for a total of \$1,797,576. This sale is in accordance with the Agreement and Plan of Complete Liquidation to liquidate Capital Reserve into the Company in the same manner as the liquidation described in Private Letter Ruling 9847027 in order to achieve the same tax treatment and

consequences under Section 332 of the Internal Revenue code of 1986, as amended, and other applicable provisions described in such Letter Ruling. American Life obtained approvals from the Nebraska and Missouri insurance departments in order to complete this transaction.

Regulation

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

The Company is currently subject to regulation in Utah, Arkansas and Mississippi 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 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, Arizona and California. Reports are required to be kept on file on a yearly basis which include financial information concerning the number of spaces sold and, where applicable, funds provided to the Endowment Care Trust Fund. Licenses are issued annually on the basis of such reports. The cemeteries maintain city or county licenses where they conduct business.

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

Income Taxes

The Company's insurance subsidiaries, Security National Life, Memorial Insurance Company and Southern Security 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). The exposure to AMT is primarily a result of the small life insurance company deduction. Also, under the Tax Reform Act of 1986, distributions in excess of stockholders' surplus account or a significant decrease in life reserves will result in taxable income.

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

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

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

Competition

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

The cemetery and mortuary industry is also highly competitive. In Salt Lake City, Phoenix and San Diego areas 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 loan industry is highly competitive with a number of mortgage companies and banks in the same geographic area in which the Company is operating. The mortgage market in general is sensitive to changes in interest rates and the refinancing market is particularly vulnerable to changes in interest rates.

Employees

As of December 31, 2010, the Company had 607 full-time and 233 part-time employees.

Item 2. Properties

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

Location	Function	Owned Leased	Approximate Square Footage
5300 South 360 West Salt Lake City, Utah	Corporate Headquarters	Owned	30,200
755 Rinehart Road Lake Mary, Florida	Mortgage Sales	Owned (1)	5,000
3935 I-55 South, Frontage Road Jackson, Mississippi	Insurance Operations	Owned (2)	12,000
497-A Sutton Bridge Road Rainbow City, Alabama	Fast Funding Operations	Leased (3)	5,500
5701 West Talavi Boulevard Glendale, Arizona	Mortgage Sales	Leased (4)	2,200
4634 Town Center Blvd., Suite 314 Eldorado Hills, California	Mortgage Sales	Leased (5)	700
12150 Tributary Point Dr., Suite 160 Gold River, California	Mortgage Sales	Leased (6)	2,400
16835 West Bernardo Drive, Suite 150 San Diego, California	Mortgage Sales	Leased (7)	2,500
27451 Tourney Road Santa Clarita, California	Mortgage Sales	Leased (8)	1,200
27433 Tourney Road, Suite #220 Santa Clarita, California	Mortgage Sales	Leased (9)	3,100
550 West Cienega, Suite G&H San Dimas, California	Mortgage Sales	Leased (10)	2,600

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8950 Dr. MLK St. N., Suite 103 St. Petersburg, Florida	Mortgage Sales	Leased (11)	3,500
970 No. Kalaheo Ave, Suite A-214 Kailua, Hawaii	Mortgage Sales	Leased (12)	700
45 South Park Blvd., Suite 45 Greenwood, Indiana	Mortgage Sales	Leased (13)	4,800
6900 College Blvd., Suite 950 Overland Park, Kansas	Mortgage Sales	Leased (14)	2,800
150 A Andover Street Danvers, Massachusetts	Mortgage Sales	Leased (15)	2,100

Item 2. Properties (Continued)

Location	Function	Owned Leased	Approximate Square Footage
111 West Port Plaza, Suite 600 St. Louis, Missouri	Mortgage Sales	Leased (16)	300
999 Southwest Disk Drive, Suite 104 Bend, Oregon	Mortgage Sales	Leased (17)	1,800
4915 SW Griffith Drive Portland, Oregon	Mortgage Sales	Leased (18)	2,600
5000 Plaza on the Lake Drive, Suite 250 Austin, Texas	Mortgage Sales	Leased (19)	9,500
6805 Capitol of Texas Highway, Suite 315 Austin, Texas 78731	Mortgage Sales	Leased (20)	2,300
12201 Merit Drive, Suite 400 Dallas, Texas	Mortgage Sales	Leased (21)	4,600
5353 W. Sam Houston Parkway N., Suite 170 Houston, Texas	Mortgage Sales	Leased (22)	5,400
800 E. Campbell Road Richardson, Texas	Mortgage Sales	Leased (23)	2,300
613 Northwest Loop 410, Suite 685 San Antonio, Texas	Mortgage Sales	Leased (24)	1,170
6965 South Union Park Suites 200, 470 and 480 Midvale, Utah	Mortgage Sales	Leased (25)	12,300
9815 S. Monroe Street Sandy, Utah	Mortgage Sales	Leased (26)	2,800

5247 Greenpine Drive Murray, Utah	Insurance Operations	Owned (27)	13,400
5251 Green Street, Suite 350 Salt Lake City, Utah	Insurance Operations	Owned (28)	30,000
6740 South 1300 East, Suite 100 Salt Lake City, Utah	Mortgage Sales	Leased (29)	3,200
970 East Murray-Holladay Rd., Suite 603 Salt Lake City, Utah	Mortgage Sales	L e a s e d (30)	6,400
5525 South 900 East, Suite 210 Salt Lake City, Utah	Mortgage Sales	Leased (31)	2,000
6584 North Creekside Lane, Suite 150 Park City, Utah	Mortgage Sales	L e a s e d (32)	200
1244 North Main Street, Suite 203 Tooele, Utah	Mortgage Sales	L e a s e d (33)	1,200

Item 2. Properties (Continued)

- (1) The Company leases an additional 11,400 square feet of the facility to unrelated third parties for approximately \$269,000 per year, under leases expiring at various dates after 2010.
- (2) The building is located on 104 undeveloped acres.
- (3) The Company leases this facility for \$26,400 per year. The lease expires in June 2014.
- (4) The Company leases this facility for \$44,300 per year. The lease expires in May 2015.
- (5) The Company leases this facility for \$27,000 per year. The lease expires in July 2011.
- (6) The Company leases this facility for \$49,400 per year. The lease expires in June 2012.
- (7) The Company leases this facility for \$70,500 per year. The lease expires in October 2011.
- (8) The Company leases this facility for \$37,900 per year. The lease expires in April 2012.
- (9) The Company leases this facility for \$106,600 per year. The lease expires in February 2011.
- (10) The Company leases this facility for \$33,000 per year. The lease expires in February 2011.
- (11) The Company leases this facility for \$69,400 per year. The lease expires in March 2011.
- (12) The Company leases this facility for \$18,500 per year. The lease expires in September 2012.
- (13) The Company leases this facility for \$69,700 per year, but subleases approximately half for \$30,000 per year. The lease expires in March 2012.
- (14) The Company leases this facility for \$55,100 per year. The lease expires in January 2013.
- (15) The Company leases this facility for \$28,900 per year. The lease expires in May 2013.
- (16) The Company leases this facility for \$7,600 per year. The lease expires in August 2011.
- (17) The Company leases this facility for \$42,100 per year. The lease expires in May 2012.
- (18) The Company leases this facility for \$41,600 per year. The lease expires in May 2012.
- (19) The Company leases this facility for \$12,800 per year. The lease expires in July 2011.
- (20) The Company leases this facility for \$51,300 per year. The lease expires in September 2011.
- (21) The Company leases this facility for \$44,700 per year. The lease expires in June 2012.
- (22) The Company leases this facility for \$64,300 per year. The lease expires in April 2013.
- (23) The Company leases this facility for \$54,000 per year, with a month-to-month lease.
- (24) The Company leases this facility for \$48,500 per year. The lease expires in October 2012.
- (25) The Company leases this facility for \$272,200 per year. The lease expires in July 2015.
- (26) The Company leases this facility for \$60,000 per year. The lease expires in October 2015.
- (27) The Company leases an additional 122,300 square feet of the facility to unrelated third parties for approximately \$680,000 per year, under leases expiring at various dates after December 2010.
- (28) The Company leases the facility to unrelated third parties for approximately \$188,000 per year, under leases expiring at various dates after December 2010.
- (29) The Company leases this facility for \$79,800 per year. The lease expires in April 2012.
- (30) The Company leases this facility for \$41,500 per year, with a month-to-month lease.
- (31) The Company leases this facility for \$37,000 per year, with a month-to-month lease.
- (32) The Company leases this facility for \$4,800 per year, with a month-to-month lease.
- (33) The Company leases this facility for \$26,400 per year. The lease expires in October 2013.

Item 2. Properties (Continued)

The Company believes the office facilities it occupies are in good operating condition and adequate for current operations, and has no plans to build or acquire additional office facilities. The Company believes its office facilities are adequate for handling its business in the foreseeable future. As leases expire the Company will either renew or find comparable leases or acquire additional office space.

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	15	54	14	40
Redwood Cemetery (4)	6500 South Redwood Road West Jordan, Utah	1973	27	78	28	50
Cottonwood Mortuary, Inc.						
Deseret Memorial Inc. Lake Hills Cemetery (3)	10055 South State Street Sandy, Utah	1991	9	41	4	37
Holladay Memorial Park (3)(4)	4900 South Memory Lane Holladay, Utah	1991	5	14	4	10
California Memorial Estates						
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, 2010, there were mortgages of approximately \$998,000 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 eleven Company owned mortuaries:

Name of Mortuary	Location	Date Acquired	Viewing Room(s)	Chapel(s)	Square Footage
Memorial Mortuary	5850 South 900 East Murray, Utah	1973	3	1	20,000
Memorial Estates, Inc.:					
Redwood Mortuary(3)	6500 South Redwood Rd. West Jordan, Utah	1973	2	1	10,000
Mountain View Mortuary(3)	3115 East 7800 South Salt Lake City, Utah	1973	2	1	16,000
Lakeview Mortuary(3)	1640 East Lakeview Dr. Bountiful, Utah	1973	0	1	5,500
Paradise Chapel Funeral Home	3934 East Indian School Road Phoenix, Arizona	1989	2	1	9,800
Deseret Memorial, Inc.:					
Deseret Mortuary(1)	36 East 700 South Salt Lake City, Utah	1991	2	2	36,300
Lakehills Mortuary(3)	10055 South State St. Sandy, Utah	1991	2	1	18,000
Cottonwood Mortuary(1)(3)	4670 South Highland Dr. Holladay, Utah	1991	2	1	14,500
Greer-Wilson Funeral Home	5921 West Thomas Road Phoenix, Arizona	1995	2	2	25,000
Crystal Rose Funeral Home(2)	9155 W. VanBuren Tolleson, Arizona	1997	0	1	9,000

(1) As of December 31, 2010, there were mortgages of approximately \$998,000 collateralized by the property and facilities at Deseret Mortuary, Cottonwood Mortuary, Holladay Memorial Park and Lake Hills Cemetery.

(2) As of December 31, 2010, there was a mortgage of approximately \$68,000, collateralized by the property and facilities of Crystal Rose Funeral Home.

(3) These funeral homes also provide burial niches at their respective locations.

Item 3. Legal Proceedings

The Company is not a party to any material 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. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company's shareholders during the quarter ended December 31, 2010.

PART II

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

The Company's Class A Common Stock trades on the Nasdaq National Market under the symbol "SNFCA." Prior to August 13, 1987, there was no active public market for the Class A and Class C Common Stock. As of March 29, 2011, the closing sales price of the Class A Common Stock was \$1.68 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, 2009:

Period (Calendar Year)	Price Range (1)	
	High	Low
2009		
First Quarter	\$ 2.12	\$ 1.19
Second Quarter	\$ 3.51	\$ 1.14
Third Quarter	\$ 3.76	\$ 2.16
Fourth Quarter	\$ 3.79	\$ 2.86
2010		
First Quarter	\$ 3.75	\$ 3.00
Second Quarter	\$ 3.25	\$ 1.94
Third Quarter	\$ 2.13	\$ 1.73
Fourth Quarter	\$ 2.03	\$ 1.72
2011		
First Quarter (through March 29, 2011)	\$ 2.13	\$ 1.65

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

The Class C Common Stock is not actively traded, although there are occasional transactions in such stock by brokerage firms. See footnote 13 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 2010.

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, 2005 through December 31, 2010. 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, 2005 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.

	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
SNFC	100	152	118	53	115	67
S & P 500	100	114	118	72	89	101
S & P Insurance	100	109	101	41	46	52

The 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 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, 2010, there were 3,887 record holders of Class A Common Stock and 104 record holders of Class C Common Stock.

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

The following selected financial data is for each of the five years ended December 31, 2010, and is derived from the audited consolidated financial statements. The data as of December 31, 2010 and 2009, and for the three years ended December 31, 2010, should be read in conjunction with the consolidated financial statements, related notes and other financial information.

Consolidated Statement of Earnings Data:

	Year Ended December 31,				
	2010	2009	2008(1)	2007(2)	2006
Revenue					
Premiums	\$38,528,000	\$38,413,000	\$35,981,000	\$32,263,000	\$30,776,000
Net investment income	17,794,000	19,329,000	28,047,000	33,227,000	24,472,000
Net mortuary and cemetery sales	11,520,000	11,974,000	12,726,000	13,189,000	12,123,000
Realized gains on investments	1,615,000	1,223,000	1,018,000	1,008,000	891,000
Other than temporary impairments	(674,000)	(326,000)	(2,752,000)	-	-
Mortgage fee income	98,165,000	144,861,000	143,413,000	130,472,000	85,113,000
Other	1,582,000	1,415,000	1,015,000	860,000	381,000
Total revenue	168,530,000	216,889,000	219,448,000	211,019,000	153,756,000
Expenses					
Policyholder benefits	36,452,000	35,920,000	32,904,000	29,742,000	27,319,000
Amortization of deferred policy acquisition costs	5,945,000	7,161,000	6,010,000	5,571,000	4,125,000
Selling, general and administrative expenses	122,217,000	161,785,000	169,917,000	156,775,000	106,954,000
Interest expense	2,779,000	3,326,000	7,449,000	13,271,000	6,141,000
Cost of goods and services of the mortuaries and cemeteries	2,226,000	2,349,000	2,437,000	2,537,000	2,322,000
Total benefits and expenses	169,619,000	210,541,000	218,717,000	207,896,000	146,861,000
Income before income tax expense	(1,089,000)	6,348,000	731,000	3,123,000	6,895,000
Income tax expense	658,000	(2,574,000)	(156,000)	(858,000)	(1,771,000)
Net earnings (loss)	\$(431,000)	\$3,774,000	\$575,000	\$2,265,000	\$5,124,000
Net earnings (loss) per common share (3)	\$(0.05)	\$0.43	\$0.06	\$0.27	\$0.62
Weighted average outstanding common shares (3)	8,717,000	8,697,000	9,103,000	8,470,000	8,268,000
Net earnings (loss) per common share-assuming dilution (3)	\$(0.05)	\$0.43	\$0.06	\$0.26	\$0.61
Weighted average outstanding common shares-assuming dilution (3)	8,717,000	8,700,000	9,103,000	8,669,000	8,443,000

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

Balance Sheet Data:

	December 31,				
	2010	2009	2008(1)	2007(2)	2006
Assets					
Investments and restricted assets	\$278,949,000	\$302,915,000	\$309,142,000	\$258,242,000	\$223,515,000
Cash	39,557,000	39,464,000	19,914,000	5,203,000	10,377,000
Receivables	71,054,000	50,143,000	33,021,000	80,445,000	74,695,000
Other assets	76,075,000	78,055,000	79,728,000	74,273,000	68,808,000
Total assets	\$465,635,000	\$470,577,000	\$441,805,000	\$418,163,000	\$377,395,000
Liabilities					
Policyholder benefits	\$350,186,000	\$341,124,000	\$330,533,000	\$301,064,000	\$272,923,000
Notes & contracts payable	7,066,000	8,940,000	6,640,000	13,372,000	7,671,000
Cemetery & mortuary liabilities	13,192,000	13,382,000	13,467,000	12,643,000	11,534,000
Cemetery perpetual care obligation	2,854,000	2,756,000	2,648,000	2,474,000	2,278,000
Other liabilities	32,408,000	44,570,000	34,605,000	32,826,000	30,018,000
Total liabilities	405,706,000	410,772,000	387,893,000	362,379,000	324,424,000
Stockholders' equity	59,929,000	59,805,000	53,912,000	55,784,000	52,971,000
Total liabilities and stockholders' equity	\$465,635,000	\$470,577,000	\$441,805,000	\$418,163,000	\$377,395,000

(1) Includes the purchase of Southern Security Life Insurance Company, effective December 18, 2008.

(2) Includes the purchase of C & J Financial on July 16, 2007 and the purchase of Capital Reserve Life Insurance Company on December 17, 2007.

(3) Earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends.

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

Overview

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

Mortgage Operations

Over 50% of the Company's revenues and expenses are through its wholly owned subsidiary, SecurityNational Mortgage. SecurityNational Mortgage is a mortgage lender incorporated under the laws of the State of Utah. SecurityNational Mortgage is approved and regulated by the Federal Housing Administration (FHA), a department of the U.S. Department of Housing and Urban Development (HUD), to originate mortgage loans that qualify for government insurance in the event of default by the borrower. SecurityNational Mortgage obtains loans primarily from its retail offices and independent brokers. SecurityNational Mortgage funds the loans from internal cash flows, including loan purchase agreements from Security National Life, and with unaffiliated financial institutions.

SecurityNational Mortgage receives fees from the borrowers and other secondary fees from third party investors that purchase its loans. SecurityNational Mortgage sells its loans to third party investors and does not retain servicing of these loans. SecurityNational Mortgage pays the brokers and retail loan officers a commission for loans that are brokered through SecurityNational Mortgage. For the twelve months ended December 31, 2010, 2009, and 2008, SecurityNational Mortgage originated and sold 11,251 loans (\$2,094,738,000 total volume), 17,797 loans (\$3,243,734,000 total volume), and 19,321 loans (\$3,680,015,000 total volume), respectively.

The loan volume in 2010 was lower than 2009 primarily due to reduced refinancing activity in 2010. For the first six months of 2010, the loan volume was primarily from home purchases and was lower from the same period in 2009 due to the slow-down in the economy, the reduced demand in the housing sector, and new regulations affecting mortgage origination and lending activities. For the third and fourth quarters of 2010, the loan volume increased from the previous two quarters due to an increase in refinancing activity. SecurityNational Mortgage anticipates the loan volume for 2011 to be at the \$80,000,000 to \$150,000,000 per month range compared to \$125,000,000 to \$200,000,000 per month range in 2010. As a result, SecurityNational Mortgage has taken steps to reduce staff and funding costs to adjust to these reduced levels of production. The reason for the anticipated reduction in loan volume in 2011 is due to the low demand in the housing sector and rising interest rates that adversely impacts the refinancing markets.

SecurityNational Mortgage has entered into a loan purchase agreement to originate and sell mortgage loans to an unaffiliated warehouse bank. The amount available to originate loans under this agreement at December 31, 2010 was \$55,000,000. SecurityNational Mortgage originates the loans and immediately sells them to the warehouse bank. Generally, when mortgage loans are sold to warehouse banks, SecurityNational Mortgage is no longer obligated, except in certain circumstances, to pay the amounts outstanding on the mortgage loans, but is required to pay a fee in the form of interest on a portion of the mortgage loans between the date that the loans are sold to warehouse banks and the date of settlement with third party investors. The terms of the loan purchase agreements are typically for one year, with interest rates on a portion of the mortgage loans ranging from 2.5% to 2.75% over the 30 day Libor rate. SecurityNational Mortgage renewed its loan purchase agreement with Wells Fargo Securities that expired on June 30, 2010 for an additional one year term.

The following table shows the condensed financial results for the year 2010, 2009 and 2008. See footnote 16 of the Notes to Consolidated Financial Statements.

	Years ended December 31 (in thousands of dollars)				
	2010	2009	2010 vs 2009 % Increase (Decrease)	2008	2009 vs 2008 % Increase (Decrease)
Revenues from external customers					
Income from loan originations	\$79,272	\$107,438	(26%)	\$127,260	(16%)
Secondary gains from investors	18,892	37,422	(50%)	16,152	132%
Total	\$98,164	\$144,860	(32%)	\$143,412	1%
Earnings (Losses) before income taxes	\$(1,964)	\$6,910	(128%)	\$2,796	147%

Overall, this decrease in profitability for the twelve months ended December 31, 2010 is due to the lower loan volume and lower secondary gains from investors. However, profitability improved in the third and fourth quarters for 2010 due to increased loan volume during that period.

Mortgage Accounting Policy

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 generally accepted accounting principles 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. The Company must determine that all three criteria are met at the time a loan is funded. All rights and title to the mortgage loans are assigned to unrelated financial institution investors, including investor commitments for the loans, prior to warehouse banks purchasing the loans under the purchase commitments. As of December 31, 2010, there were \$68,120,000 in mortgage loans in which settlements with third party investors were still pending.

The Company, through SecurityNational Mortgage, sells all 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.
 - 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. Generally, a ten day extension will cost .125% (12.5 basis points) of the loan amount. The Company's historical data shows that 99% of all loans originated by SecurityNational Mortgage are generally settled by the investors as agreed within 16 days after delivery. There are situations, however, when the Company determines that it is unable to enforce the settlement of loans rejected by the third-party investors and that it is in its best interest to repurchase those loans from the warehouse banks. 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.
- 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 market value and previously recorded sales revenue is reversed. 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 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.

For mortgages originated and held for investment, mortgage fee income and related expenses are recognized when the loan is originated.

Mortgage Loan Repurchases and Delinquencies

The mortgage industry is still experiencing substantial change due to higher than expected delinquencies from subprime loans. The market for new subprime loans has been substantially reduced and several mortgage companies whose primary product was subprime mortgage originations have ceased operations. The Company funded \$5,505,000 (0.14% of its production) in subprime loans during the twelve months ending December 31, 2007 and eliminated subprime loans from its product offerings in August 2007. The Company believes that its potential losses from subprime loans are minimal.

The industry problem with subprime mortgages has created a volatile secondary market for other products, especially alternative documentation (Alt A) loans. Alt A loans are typically offered to qualified borrowers who have relatively high credit scores but are not required to provide full documentation to support personal income and assets owned. Alt A loans can have a loan to value ratio as high as 100%. As a result of these changes, the Company discontinued offering these loans in September 2007.

As a result of the volatile secondary market for mortgage loans, the Company sold mortgage loans in 2007 and 2008 to certain third party investors, including Lehman Brothers-Aurora Loan Services and Bear Stearns-EMC Mortgage Corp., that experienced financial difficulties and were not able to settle the loans. The total amount of such loans was \$52,556,000, of which \$36,499,000 were loans in which the secondary market no longer existed. Due to these changes in circumstances, the Company regained control of the mortgages and, in accordance with generally accepted accounting principles, accounted for the loans retained in the same manner as a purchase of assets from former transferees in exchange for liabilities assumed. At the time of repurchase, the loans were determined to be held for investment purposes, and the fair value of the loans was determined to approximate the unpaid principal balances adjusted for chargeoffs, the related allowance for loan losses, and net deferred fees or costs on originated loans. The 2008, 2009 and 2010 financial statements reflect the transfer of mortgage loans from "Mortgage Loans Sold to Investors" to "Mortgage Loans on Real Estate". The loan sale revenue recorded on the sale of the mortgage loans was reversed on the date the loans were repurchased.

As standard in the industry, the Company received payments on the mortgage loans during the time period between the sale date and settlement or repurchase date. During this period, the Company services these loans through SecurityNational Mortgage.

As of December 31, 2010, the Company's long term mortgage loan portfolio consisted of \$14,293,000 in mortgage loans with delinquencies more than 90 days. Of this amount, \$9,761,000 of the loans were in foreclosure proceedings. The Company has not received or recognized any interest income on the \$14,293,000 in mortgage loans with delinquencies more than 90 days. During the twelve months ended December 31, 2010 and 2009, the Company increased its allowance for mortgage losses by \$630,000 and \$3,166,000, respectively, which was charged to loan loss expense and included in selling, general and administrative expenses for the period. The allowances for mortgage loan losses as of December 31, 2010 and 2009 were \$7,070,000 and \$6,809,000, respectively.

Also at December 31, 2010, the Company had foreclosed on a total of \$49,509,000 in long term mortgage loans, of which \$12,985,000 of the loans foreclosed were reclassified as other real estate held for investment or sale during 2010. The Company carries the foreclosed properties in Security National Life, Memorial Estates, and SecurityNational Mortgage, its respective life, cemeteries and mortuaries, and mortgage subsidiaries, and will rent the properties until it is deemed economically desirable to sell them.

Mortgage Loan Loss Settlements

The mortgage industry has seen potential loan losses increase. Future loan losses are extremely difficult to estimate, especially in the current market. However, management believes that the Company's reserve methodology and its current practice of property preservation allow it to estimate its losses on loans sold. The amounts accrued for loan losses in years ended December 31, 2010 and 2009 were \$4,534,231 and \$17,306,471, respectively. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2010 and 2009, the balances were \$5,899,025 and \$11,662,897, respectively.

Aurora Loan Services

On April 15, 2005, SecurityNational Mortgage entered into a Loan Purchase Agreement with Lehman Brothers Bank ("Lehman Brothers"). Under the terms of the Loan Purchase Agreement, Lehman Brothers agreed to purchase mortgage loans from time to time from SecurityNational Mortgage. During 2007, Lehman Brothers and its wholly owned subsidiary, Aurora Loan Services LLC, purchased a total of 1,490 mortgage loans in the aggregate amount of \$352,774,000 from SecurityNational Mortgage. On January 17, 2008 Aurora Loan Services announced it was suspending all wholesale and correspondent mortgage originations. As a result of this policy change, Lehman Brothers and Aurora Loan Services discontinued purchasing mortgage loans from mortgage brokers and lenders, including SecurityNational Mortgage.

During 2007, Aurora Loan Services maintained that as part of its quality control efforts it reviewed mortgage loans purchased from SecurityNational Mortgage and determined that certain of the loans contained alleged misrepresentations and early payment defaults. Aurora Loan Services further maintained that these alleged breaches in the purchased mortgage loans provide Lehman Brothers and Aurora Loan Services with the right to require SecurityNational Mortgage to immediately repurchase the mortgage loans containing the alleged breaches in accordance with the terms of the Loan Purchase Agreement. In order for Lehman Brothers and Aurora Loan Services to refrain from demanding immediate repurchase of the mortgage loans by SecurityNational Mortgage, SecurityNational Mortgage was willing to enter into an agreement to indemnify Lehman Brothers and Aurora Loan Services for any losses incurred in connection with certain mortgage loans with alleged breaches that were purchased from SecurityNational Mortgage.

On December 17, 2007, SecurityNational Mortgage entered into an Indemnification Agreement with Lehman Brothers and Aurora Loan Services. Under the terms of the Indemnification Agreement, SecurityNational Mortgage agrees to indemnify Lehman Brothers and Aurora Loan Services for 75% of all losses that Lehman Brothers and Aurora Loan Services may have as a result of any current or future defaults by mortgagors on 54 mortgage loans that were purchased from SecurityNational Mortgage and listed as an attachment to the Indemnification Agreement. SecurityNational Mortgage is released from any obligation to pay the remaining 25% of such losses. The Indemnification Agreement also requires SecurityNational Mortgage to indemnify Lehman Brothers and Aurora Loan Services for 100% of any future losses incurred on mortgage loans with alleged breaches that are not listed on the attachment to the agreement.

Concurrently with the execution of the Indemnification Agreement, SecurityNational Mortgage paid \$395,000 to Aurora Loan Services as a deposit into a reserve account to secure the obligations of SecurityNational Mortgage under the Indemnification Agreement. This deposit is in addition to a \$250,000 deposit that SecurityNational Mortgage made to Lehman Brothers and Aurora Loan Services on December 10, 2007, for a total of \$645,000. Losses from mortgage loans with alleged breaches are payable by SecurityNational Mortgage from the reserve account. However, Lehman Brothers and Aurora Loan Services are not to apply any funds from the reserve account to a particular mortgage loan until an actual loss has occurred.

The Indemnification Agreement further provides that Aurora Loan Services will be entitled to have hold back 25 basis points on any mortgage loans that Lehman Brothers or Aurora Loan Services purchases from SecurityNational Mortgage and to add the amount of the basis point holdbacks to the reserve account. SecurityNational Mortgage agreed to deliver to Aurora Loan Services at least \$300,000,000 in mortgage loans on an annual basis or at least \$600,000,000 in 24 months. These provisions may not be effective, however, because Lehman Brothers and Aurora Loan Services have discontinued purchasing mortgage loans from SecurityNational Mortgage. SecurityNational Mortgage also agrees to pay to Aurora Loan Services the difference between the reserve account balance and \$645,000, but in no event will SecurityNational Mortgage be required to pay any amount into the reserve account that would result in a total contribution, including both the basis point holdbacks and cash payments, in excess of \$125,000 for any calendar month.

During 2008 and 2009, SecurityNational Mortgage made \$2,261,000 in total payments to Aurora Loan Services pursuant to the Indemnification Agreement. During 2010, SecurityNational Mortgage made payments to Aurora Loan Services of \$1,375,000. When SecurityNational Mortgage entered into the Indemnification Agreement, it anticipated using basis point holdbacks from loan production credits toward satisfying the \$125,000 monthly obligations. Because Lehman Brothers and Aurora Loan Services discontinued purchasing mortgage loans from SecurityNational Mortgage shortly after the Indemnification Agreement was executed, SecurityNational Mortgage has not had the benefit of using the basis point holdbacks toward payment of the \$125,000 monthly obligations.

Since the reserve account was established in 2007, funds have been paid out of the account to indemnify \$4,269,000 in losses from 31 mortgage loans that were among the 54 mortgage loans with alleged breaches which were listed on the attachment to the Indemnification Agreement and ten other mortgage loans with alleged breaches which were not listed on the attachment. The estimated potential loss from 17 of the remaining mortgage loans, which would allegedly require indemnification by SecurityNational Mortgage for such losses, is \$2,826,000. An additional six mortgage loans listed on the attachment to the Indemnification Agreement are not included among the 17 remaining loans because SecurityNational Mortgage has not yet received repurchase demands in regards to such loans.

During 2008, 2009 and 2010, the Company recognized alleged losses of \$1,636,000, \$1,032,000 and \$1,289,000, respectively. However, management cannot fully determine the total losses because there are losses concerning the rights of the Company that need to be determined, including the rights that the Company may have as a result of Lehman Brothers' and Aurora Loan Services' refusal to purchase subsequent loans from SecurityNational Mortgage

soon after the Indemnification Agreement was executed. The Company has not accrued for losses under the Indemnification Agreement as of December 31, 2010. The Company is currently involved in discussions with Lehman Brothers as to issues under the Indemnification Agreement. During the discussions, the monthly payments for December 2010 and January, February, March and April 2011 totaling \$625,000 have been abated or deferred, as the case may be, with the consent of Lehman Brothers.

CitiMortgage

On November 24, 2009, a complaint was filed in the United States District Court, Eastern District of Missouri, by CitiMortgage, Inc. against SecurityNational Mortgage Company. The complaint claimed that at various times since May 3, 2004 SecurityNational Mortgage sold mortgage loans to CitiMortgage that did not meet requirements under certain agreements between CitiMortgage and SecurityNational Mortgage, the complaint specifically addressing 19 mortgage loans. The complaint further alleged that with respect to the 19 mortgage loans, SecurityNational Mortgage refused to cure these alleged nonconforming mortgage loans or to repurchase such loans. Because of SecurityNational Mortgage's alleged failure to comply with its repurchase obligations in such agreements, the complaint contended that SecurityNational Mortgage owed CitiMortgage in excess of \$3,226,000. The complaint also requested an order requiring SecurityNational Mortgage to perform its obligations under the agreements with CitiMortgage, including to repurchase the defective mortgage loans.

SecurityNational Mortgage disputed the claims that CitiMortgage asserted in the complaint. On February 15, 2010, SecurityNational Mortgage and CitiMortgage reached a settlement on the disputed claims. The settlement covered the 19 mortgage loans in the complaint and, in addition, other mortgage loans that CitiMortgage purchased from SecurityNational Mortgage. Under the terms of the Settlement Agreement and Release, SecurityNational Mortgage paid a settlement amount to CitiMortgage. The Company reserved a sufficient amount to cover the settlement payment in its consolidated financial statements at December 31, 2009.

The Settlement Agreement and Release specifically provides that SecurityNational Mortgage and CitiMortgage fully release each other from any and all claims, liabilities and causes of action that each had or may have had against the other concerning the 19 mortgage loans identified in the complaint and the other mortgage loans that CitiMortgage purchased from SecurityNational Mortgage prior to the date of the agreement. The agreement does not extend to any mortgage loans purchased by CitiMortgage after the effective date of the settlement agreement nor to claims by borrowers.

Mortgage Loan Loss Settlement Discussions

Bank of America, Wells Fargo and JP Morgan Chase

There have been assertions in third party investor correspondence that SecurityNational Mortgage sold mortgage loans that allegedly contained misrepresentations or experienced early payment defaults, or that were otherwise allegedly defective or not in compliance with agreements between SecurityNational Mortgage and the third party investors. As a result of these claims, third party investors, including Bank of America – Countrywide Home Loans, Inc. (“Bank of America”), Wells Fargo Funding, Inc. (“Wells Fargo”) and JP Morgan Chase Bank – EMC Mortgage Corp. (“JP Morgan Chase”), have made demands 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.

As of December 31, 2010, Bank of America, Wells Fargo and JP Morgan Chase have asserted estimated potential claims of \$32,000,000 relating to loan repurchases, loan indemnifications and other loan issues. The Company has estimated the potential losses for the asserted claims by these banks to be less. The Company has reserved and accrued \$5,899,027 as of December 31, 2010 to settle all such investor related claims. The Company believes this amount is adequate to resolve these claims and the amount represents the Company's estimate of possible losses relating to any outstanding claims by these banks.

These claims are greater than the net asset value of SecurityNational Mortgage, which was \$17,935,000 on December 31, 2010, and its reserve for mortgage loan loss, which was \$5,899,027 on December 31, 2010. The Company disagrees with the claims asserted by Bank of America, Wells Fargo and JP Morgan Chase against SecurityNational

Mortgage and believes it has significant defenses to these claims.

SecurityNational Mortgage was involved in settlement discussions with Bank of America during the second and third quarters of 2010, and is currently involved in settlement discussions with Wells Fargo in an attempt to settle the claims asserted by the banks. On March 24, 2011, SecurityNational Mortgage received a proposed settlement agreement and release from Wells Fargo. SecurityNational Mortgage is currently evaluating the terms of the proposed agreement. The proposed settlement was considered in the Company's determination of its loan loss reserve. Any additional loss in excess of the current loan loss reserve cannot be estimated as negotiations are still in progress. It is possible that the negotiations could result in a change in the estimate of the loan loss reserve.

If SecurityNational Mortgage is unable to negotiate acceptable terms with Bank of America, Wells Fargo and JP Morgan Chase, legal action may ensue in an effort to obtain amounts that the banks claim are allegedly due. In the event of legal action, if SecurityNational Mortgage is not successful in its defenses against claims asserted by these banks to the extent that a substantial judgment was entered against SecurityNational Mortgage that is beyond its capacity to pay, SecurityNational Mortgage may be required to curtail or cease operations.

Termination of Business Relationship with Bank of America

During settlement discussions with Bank of America during the second and third quarters of 2010, Bank of America made a settlement proposal to SecurityNational Mortgage. When SecurityNational Mortgage declined to accept the settlement proposal, which it regarded as unreasonable and onerous, Bank of America notified SecurityNational Mortgage by letter dated October 20, 2010, of its decision to terminate its business relationship with SecurityNational Mortgage. In particular, the letter provided notice of termination of the Loan Purchase Agreement, dated September 27, 1994, between SecurityNational Mortgage and Countrywide Funding Corporation. As a result, Bank of America is no longer accepting any new commitments for mortgage loans from SecurityNational Mortgage. However, Bank of America completed the purchase of mortgage loans from SecurityNational Mortgage involving mortgage loan commitments that had been made before October 20, 2010.

Bank of America also stated in the October 20, 2010 letter that termination of its business relationship with SecurityNational Mortgage would not affect the obligations, representations, warranties or indemnifications by SecurityNational Mortgage under mortgage loans previously sold to Bank of America under the Loan Purchase Agreement. Accompanying the termination letter to SecurityNational Mortgage was a notice letter from Bank of America, also dated October 20, 2010. In the notice letter Bank of America stated that it was withdrawing all prior and pending settlement proposals involving SecurityNational Mortgage and the Company. Bank of America further stated that it intended to exercise certain rights under the Loan Purchase Agreement by debiting \$5,970,941 from amounts in the over/under account that it had been holding for the benefit of SecurityNational Mortgage. Bank of America also maintained it had the right to debit additional amounts credited to the over/under account for payment of additional obligations that SecurityNational Mortgage allegedly owed to Bank of America.

The Company believes that Bank of America wrongfully applied the \$5,970,941 from the over/under account toward payment of outstanding obligations that SecurityNational Mortgage allegedly owed to Bank of America. In a letter dated October 22, 2010 to Bank of America, SecurityNational Mortgage stated, without waiving any of its rights against Bank of America, that it objected to Bank of America debiting \$5,970,941 from the over/under account, as well as any amount attempted to be debited thereafter without specific written approval of SecurityNational Mortgage. SecurityNational Mortgage had sent letters to Bank of America requesting a withdrawal of funds from the over/under account before Bank of America had debited the \$5,970,941 from the account. SecurityNational Mortgage recognized this withdrawal of funds by Bank of America by reducing the balance of SecurityNational Mortgage's accrued losses on loans sold (a liability account) and its restricted cash held by Bank of America. SecurityNational Mortgage is currently determining what action to take against Bank of America for wrongfully debiting the funds from the over/under account. As a result of the termination of the business relationship with Bank of America, SecurityNational Mortgage will have less flexibility on pricing when selling mortgage loans to third party investors. In addition, with the loss of Bank of America's Early Purchase Program for mortgage loans sold to Bank of America, it will take longer for SecurityNational Mortgage to sell its mortgage loans to third party investors.

Life Insurance Acquisitions, Mergers and Reinsurance

On December 18, 2008, the Company, through its wholly owned subsidiary, Security National Life, completed a stock purchase transaction with Southern Security Life Insurance Company, a Mississippi domiciled insurance company ("Southern Security"), and its shareholders to purchase all of the outstanding shares of common stock of Southern

Security from its shareholders. Under the terms of the transaction as set forth in the Stock Purchase Agreement among Security National Life, Southern Security and the shareholders of Southern Security, Security National Life paid to the shareholders of Southern Security purchase consideration equal to \$1,352,134, representing the capital and surplus, interest maintenance reserve, and asset valuation reserve of Southern Security as of September 1, 2008, the date that Security National Life assumed administrative control over Southern Security, plus \$1,500,000, representing the ceding commission that had been paid on August 29, 2008, plus \$75,883, representing an allowance for the actual losses experienced by Southern Security in the second quarter ended June 30, 2008, less certain adjustments. Thus, the total purchase price before adjustments was \$2,928,022.

On December 31, 2008, the Company entered into a Coinsurance Funds Withheld Reinsurance Agreement with Continental American Insurance Company ("Continental American"), a South Carolina domiciled insurance company. This agreement was effective November 30, 2008. Under the terms of the agreement, the Company ceded to Continental American a block of deferred annuities in the amount of \$4,828,487 as of December 31, 2008 and retained the assets and recorded a funds held under coinsurance liability for the same amount. Continental American agreed to pay the Company an initial ceding commission of \$60,000 and a quarterly management fee of \$16,500 per quarter to administer the policies. The Company will also receive a 90% experience refund for any profits from the business. The Company has the right to recapture the business on each January 1 following December 31, 2008, or any other date if mutually agreed and with at least 90 days' prior written notice to Continental American. The Company and Continental American terminated this agreement on March 31, 2010.

On December 31, 2009, Security National Life Insurance Company of Louisiana ("Security National Life of Louisiana") entered into an Assumption Reinsurance Agreement with Security National Life Insurance Company ("Security National Life") to reinsure the remaining in force business of Security National Life of Louisiana with Security National Life to the extent permitted by the Louisiana Department of Insurance. The Louisiana Department of Insurance approved the Assumption Reinsurance Agreement on December 2, 2009.

As a result of the Assumption Reinsurance Agreement, all of the insurance business and operations of Security National Life of Louisiana, including assets and liabilities, were transferred to Security National Life, as reinsurer, as of December 31, 2009. Thus, \$3,189,000 in statutory assets and liabilities were transferred from Security National Life of Louisiana to Security National Life pursuant to the Assumption Reinsurance Agreement. In addition, Security National Life of Louisiana entered into an Assignment dated December 31, 2009 with Security National Life to assign and transfer to Security National Life all of the assets and liabilities that remained following the transfer of assets and liabilities pursuant to the Assumption Reinsurance Agreement.

The liquidation of Security National Life of Louisiana was completed as of December 31, 2009 in accordance with the terms and conditions of the Agreement and Plan of Complete Liquidation to liquidate Security National Life of Louisiana into Security National Life. The Board of Directors of both Security National Life of Louisiana and Security National Life approved a plan of liquidation as of September 18, 2009. Under the terms of the Agreement and Plan of Complete Liquidation, Security National Life of Louisiana was liquidated into Security National Life in essentially the same manner as the liquidation described in Private Letter Ruling 9847027 in order to achieve the same tax treatment and consequences under Section 332 of the Internal Revenue Code of 1986, as amended, and other applicable provisions described in such Letter Ruling. During 2010, Security National Life took appropriate legal action and dissolved Security National Life of Louisiana in accordance with Louisiana law.

Effective as of December 31, 2009, Security National Life exercised its right of recapture pursuant to the Reinsurance Agreement effective as of November 30, 2008, between Capital Reserve Life Insurance Company ("Capital Reserve") and Security National Life in which Security National Life recaptured all of the previously reinsured liabilities under the Reinsurance Agreement. As a result of the recapture, Security National Life is primarily liable for the liabilities on the insurance contracts and annuities originally issued by Capital Reserve to its policyholders. The assets transferred by Capital Reserve to Security National Life pursuant to such recapture have a fair market value of \$4,895,000, which was equal to the assumed liabilities.

The purpose of Security National Life exercising its right of recapture pursuant to the 2008 Reinsurance Agreement was so that the \$4,895,000 in statutory assets and liabilities of Capital Reserve could be transferred to Security National Life by December 31, 2009 in accordance with the terms of the plan of liquidation between Capital Reserve and Security National Life. On December 4, 2009, Capital Reserve and Security National Life entered into an Agreement and Plan of Complete Liquidation to liquidate Capital Reserve into Security National Life in the same manner as the liquidation described in Private Letter Ruling 9847027 in order to achieve the same tax treatment and

consequences under Section 332 of the Internal Revenue code of 1986, as amended, and other applicable provisions described in such Letter Ruling.

In addition, Capital Reserve entered into an Assignment dated December 31, 2009 with Security National Life to assign and transfer to Security National Life all of the assets and liabilities that remained following the recapture, except for Capital Reserve's corporate charter, insurance licenses, and \$1,681,000 in statutory capital and surplus, which will allow Capital Reserve to preserve its corporate existence in Missouri.

On May 24, 2010, the Company completed a stock purchase transaction with American Life and Security Corporation ("American Life"), a Nebraska domiciled insurance company to sell all the outstanding shares of common stock of Capital Reserve to American Life and its shareholders. Under the terms of the Stock Purchase Agreement among the Company, American Life, and the shareholders of the Company, American Life paid the Company at closing purchase consideration equal to the capital and surplus of Capital Reserve as of May 24, 2010 in the amount of \$1,692,576, plus additional consideration in the amount of \$105,000 for a total of \$1,797,576. This sale is in accordance with the Agreement and Plan of Complete Liquidation to liquidate Capital Reserve into the Company in the same manner as the liquidation described in Private Letter Ruling 9847027 in order to achieve the same tax treatment and consequences under Section 332 of the Internal Revenue code of 1986, as amended, and other applicable provisions described in such Letter Ruling. American Life obtained approvals from the Nebraska and Missouri insurance departments in order to complete this transaction.

On June 4, 2010, the Company entered into an Indemnity Coinsurance Reinsurance Agreement with American Life and Security Corporation ("American Life"), a Nebraska domiciled insurance company, effective January 1, 2010. Under the terms of the agreement, the Company ceded to American Life a block of deferred annuities in the amount of \$2,678,931 and a block of whole life policies in the amount of \$1,048,134, together with net due and deferred premiums in the amount of \$12,305, advance premiums in the amount of \$353, claims liability in the amount of \$14,486, and net policy loans in the amount of \$128,487. The total initial consideration of \$3,601,112 in cash was transferred to Wells Fargo as custodian of the assets. American Life has control of the assets subject to the terms of a custodial agreement. American Life agreed to pay the Company an initial ceding commission of \$375,000 and a management fee of \$3,500 per quarter to administer the policies. American Life agreed to indemnify the Company for these contracts and risks. The initial term on this agreement will be for a period of one year. After the initial one year term, this agreement will be automatically renewed unless American Life notifies the Company in writing of its intention not to renew no less than 180 days prior to the expiration of the then current agreement. Each automatic renewal period of this agreement will be for a term of one year. The accounting and settlement of this agreement will be on a quarterly basis and calculated pursuant to the terms thereof.

Insurance Operations

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

A funeral plan is a small face value life insurance policy that generally has face coverage of up to \$15,000. The Company believes that funeral plans represents 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 the person's death. On a per thousand dollar cost of insurance basis these policies can be more expensive to the policy holder than many types of non-burial insurance due to their low face amount, requiring the fixed cost of the policy administration be distributed over a smaller policy size, and the simplified underwriting practices that result in higher mortality costs.

The following table shows the financial results for the years ended December 31, 2010, 2009 and 2008. See footnote 16 of the Notes to Consolidated Financial Statements.

	Years ended December 31 (in thousands of dollars)				
	2010	2009	2010 vs 2009 % Increase (Decrease)	2008	2009 vs 2008 % Increase (Decrease)
Revenues from external customers					
Insurance premiums	\$38,528	\$38,413	0%	\$35,981	7%
Net investment income	14,738	15,869	(7%)	16,744	(5%)
Other	2,008	1,676	20%	(1,256)	(233%)
Total	\$55,274	\$55,958	(1%)	\$51,469	9%
Intersegment revenue	\$6,817	\$5,041	35%	\$4,819	5%
Earnings before income taxes	\$1,860	\$(434)	529%	\$(1,941)	(78%)

Intersegment revenues are primarily interest income from the warehouse line provided to SecurityNational Mortgage Company. Profitability in 2010 has improved due to increases in net realized gains and losses including intersegment revenues, and insurance premiums and \$350,000 ceding commission from American Life in connection with the

reinsurance agreement entered into during June 2010.

Cemetery and Mortuary Operations

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

The following table shows the condensed financial results for the years ended December 31, 2010, 2009 and 2008. See footnote 16 of the Notes to Consolidated Financial Statements.

	Years ended December 31 (in thousands of dollars)				
	2010	2009	2010 vs 2009 % Increase (Decrease)	2008	2009 vs 2008 % Increase (Decrease)
Revenues from external customers					
Mortuary revenues	\$6,211	\$6,368	(2%)	\$6,481	(2%)
Cemetery revenues	5,309	5,605	(5%)	6,245	(10%)
Other	294	247	47%	691	(64%)
Total	\$11,814	\$12,220	1%	\$13,417	(9%)
Earnings (Losses) before income taxes	\$(986)	\$(128)	670%	\$(124)	3%

Included in other revenue is rental income from residential and commercial properties purchased from Security National Life. Memorial Estates purchased these properties from financing provided by Security National Life. The rental income is offset by property insurance, taxes, maintenance expenses and interest payments made to Security National Life. Memorial Estates has recorded depreciation on these properties of \$841,000 and \$443,000 for the twelve months ended December 31, 2010 and 2009, respectively. Due to the economy, commercial leasing activity is down and Memorial Estates has incurred an operating (loss) and gain before depreciation of \$(128,000) and \$30,000 for the twelve months ended December 31, 2010 and 2009, respectively.

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

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

financial statements.

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

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

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

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) - revenue and costs associated with the sales of pre-need cemetery interment rights are recognized in accordance with the retail land sales provisions of accounting principles generally accepted in the United States (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 FASB Codification Topic 360-20, described above.

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

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

Prearranged funeral and pre-need cemetery customer obtaining costs - costs incurred related to obtaining new pre-need cemetery and prearranged funeral business are accounted for under the guidance of the provisions of 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 is generated through the origination and refinancing of mortgage loans and is realized in accordance with GAAP related to sales of financial assets.

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

Use of Significant Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect 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:

Fixed Maturities and Equity Securities Available for Sale

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

When the value of a security declines and the decline is determined to be other than temporary, the carrying value of the investment is reduced to its fair value and a realized loss is recorded to the extent of the decline.

Deferred Acquisition Costs

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

Allowance for Doubtful Accounts

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

Future Policy Benefits

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

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

Unearned Revenue

The universal life products the Company sells have 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/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 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. Once a loan is past due more than 90 days the Company does not accrue any interest income and proceeds to foreclose on the real estate. All expenses for foreclosure are expensed as incurred. Once foreclosed the carrying value will approximate its fair value and the amount will be classified as real estate. The Company carries the foreclosed property in Security National Life, Memorial Estates and SecurityNational Mortgage, its life, cemeteries and mortuaries and mortgage subsidiaries, and will rent the properties until it is deemed desirable to sell them. The Company is currently able to rent properties at a 3% to 6% 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. The amount accrued for and the charge to expense is included 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 Doubtful Accounts and the Loan Loss Reserve represent probable loan losses incurred as of the balance sheet date.

Deferred Compensation

The Company has deferred compensation agreements with several of its current and past executive officers. The deferred compensation is payable upon retirement or death of these individuals either in annual installments (ten years) or lump sum settlement, if approved by the Board of Directors. The Company has accrued the present value of these benefits based upon their future retirement dates and other factors, on its consolidated financial statements.

Depreciation

Depreciation is calculated principally on the straight-line-method over the estimated useful lives of the assets, which range from 3 to 40 years. Leasehold improvements are amortized over the lesser of the useful life or remaining lease terms.

Self-Insurance

The Company is self insured for certain casualty insurance, workers compensation and liability programs. Self-Insurance reserves are maintained relative to these programs. The level of exposure from catastrophic events is limited by the purchase of stop-loss and aggregate liability reinsurance coverages. When estimating the self-insurance liabilities and related reserves, management considers a number of factors, which include historical claims experience, demographic factors, severity factors and valuations provided independent third-party actuaries. Management reviews its assumptions with its independent third-party administrators and actuaries to evaluate whether the self-insurance reserves are adequate. If actual claims or adverse development of loss reserves occurs and exceed these estimates, additional reserves may be required. The estimation process contains uncertainty since management must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and unreported claims for incidents incurred but not reported as of the balance sheet date.

Results of Consolidated Operations

2010 Compared to 2009

Total revenues decreased by \$48,359,000, or 22%, to \$168,530,000 for fiscal year 2010 from \$216,888,000 for the fiscal year 2009. Contributing to this decrease in total revenues was a decrease of \$46,696,000 in mortgage fee income, a \$1,535,000 decrease in net investment income, and a \$453,000 decrease in net cemetery and mortuary sales. This decrease in total revenues was partially offset by a \$44,000 increase in realized gains (losses) on investments and other assets, a \$115,000 increase in insurance premiums and other considerations, and a \$166,000 increase in other revenue.

Insurance premiums and other consideration increased by \$115,000, or 0.3%, to \$38,528,000 for 2010, from \$38,413,000 for the comparable period in 2009. This increase was primarily the result of an increase in renewal premiums offset by a decrease in insurance sales causing a decrease in first year premiums.

Net investment income decreased by \$1,535,000, or 7.9%, to \$17,794,000 for 2010, from \$19,329,000 for the comparable period in 2009. This reduction was primarily attributable to reduced interest income due to lower interest rates from mortgage loans on real estate (mortgages held for long-term and mortgages sold to investors) and an increase in investment expenses.

Net cemetery and mortuary sales decreased by \$453,000, or 3.8%, to \$11,520,000 for 2010, from \$11,974,000 for the comparable period in 2009. This reduction was primarily due to a decline in pre-need land sales of burial spaces in the cemetery and mortuary operations and a decline in at-need sales of mortuary operations.

Realized gains (losses) on investments and other assets increased by \$392,000, or 32.1%, to a \$1,615,000 realized gain for 2010, from a \$1,223,000 realized gain for the comparable period in 2009. This increase in realized gains on investments was due to gains from the sale of fixed maturity securities.

Other than temporary impairments on investments increased by \$348,000, or 106.7%, to \$674,000 for 2010, from \$326,000 for the comparable period in 2009. This increase is due to impairments on other real estate owned held for investment offset by a decrease in impairments on fixed maturity securities, held-to-maturity.

Mortgage fee income decreased by \$46,696,000, or 32.2%, to \$98,164,000 for 2010, from \$144,861,000 for the comparable period in 2009. This decrease was primarily attributable to a decrease in secondary gains on mortgage loans sold to investors, a decrease in loan volume due to a reduced demand in the housing sector and rising interest rates that adversely impacted the refinancing markets.

Other revenues increased by \$166,000, or 11.8%, to \$1,581,000 for 2010 from \$1,415,000 for the comparable period in 2009. This increase was due to additional miscellaneous revenues throughout the Company's operations.

Total benefits and expenses were \$169,619,000, or 100.6% of total revenues, for 2010, as compared to \$210,541,000, or 97.1% of total revenues, for the comparable period in 2009.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of \$532,000 or 1.5%, to \$36,452,000 for 2010, from \$35,920,000 for the comparable period in 2009. This increase was primarily the result of increased future policy benefits, and increased death benefits that were partially offset by decreases in surrender and other policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired decreased by \$1,216,000, or 17.0%, to \$5,945,000 for 2010, from \$7,161,000 for the comparable period in 2009. This decrease was primarily due to a decrease in business in force.

Selling, general and administrative expenses decreased by \$39,567,000, or 24.5%, to \$122,218,000 for 2010, from \$161,785,000 for the comparable period in 2009. This decrease was the result of a reduction in commission expenses of \$21,070,000, from \$79,510,000 in 2009 to \$58,440,000 in 2010, due to reduced mortgage loan origination costs made by SecurityNational Mortgage, a decrease in sales at the cemetery operations, and a decrease in life insurance first year and renewal commissions during 2010. Salaries decreased by \$945,000 from \$27,352,000 in 2009 to \$26,406,000 in 2010, primarily due to a reduction in the number of employees. Provision for loan losses decreased by \$14,143,000 from \$19,547,000 in 2009 to \$5,405,000 in 2010 due primarily to a decreased loan loss reserve and loan allowance balances at SecurityNational Mortgage. Costs related to funding mortgage loans decreased by \$3,998,000 from \$10,042,000 in 2009 to \$6,044,000 in 2010 due primarily to a decrease in loans funded. Other expenses increased by \$589,000 from \$25,335,000 in 2009 to \$25,923,000 in 2010 due to an increase in bank charges, rent, advertising, legal fees, insurance, and other fees and taxes other than income taxes offset by decreases in accounting fees, travel expenses, general supplies, and training and seminars.

Interest expense decreased by \$547,000, or 16.5%, to \$2,779,000 for 2010, from \$3,326,000 for the comparable period in 2009. This reduction was primarily due to decreased borrowing rates on warehouse lines.

Cost of goods and services sold of the cemeteries and mortuaries decreased by \$123,000, or 5.3%, to \$2,226,000 for 2010, from \$2,349,000 for the comparable period in 2009. This decrease was primarily due to decreased at-need cemetery sales and mortuary sales.

Comprehensive income for the years ended December 31, 2010 and December 31, 2009 amounted to a loss of \$836,000 and a gain of \$4,950,000, respectively. This decrease of \$5,786,000 in 2010 was primarily the result of a \$4,204,000 decrease in net income, a \$344,000 decrease in unrealized gains in securities available for sale, and a loss of \$1,237,000 in derivatives related to mortgage loans.

2009 Compared to 2008

Total revenues decreased by \$2,559,000, or 1.2%, to \$216,889,000 for fiscal year 2009 from \$219,448,000 for the fiscal year 2008. Contributing to this decrease in total revenues was a decrease of \$8,718,000 in net investment income and a \$752,000 decrease in net cemetery and mortuary sales. This decrease in total revenues was partially offset by a \$2,631,000 increase in realized gains (losses) on investments and other assets, a \$2,432,000 increase in insurance premiums and other consideration, a \$1,448,000 increase in mortgage fee income and a \$400,000 increase in other revenue.

Insurance premiums and other consideration increased by \$2,432,000, or 6.8%, to \$38,413,000 for 2009, from \$35,981,000 for the comparable period in 2008. This increase was primarily the result of additional premiums realized from new insurance sales, and the acquisition of Southern Security Life Insurance Company on December 18, 2008, which contributed additional insurance premiums.

Net investment income decreased by \$8,718,000, or 31.1%, to \$19,329,000 for 2009, from \$28,047,000 for the comparable period in 2008. This reduction was primarily attributable to reduced interest income due to lower interest rates from mortgage loans on real estate (mortgages held for long-term and mortgages sold to investors) and construction lending.

Net cemetery and mortuary sales decreased by \$753,000, or 5.9%, to \$11,973,000 for 2009, from \$12,726,000 for the comparable period in 2008. This reduction was primarily due to a decline in pre-need land sales of burial spaces in the cemetery and mortuary operations and a decline in at-need sales of mortuary operations.

Realized gains (losses) on investments and other assets increased by \$205,000, or 20.1%, to a \$1,223,000 realized gain for 2009, from a \$1,018,000 realized gain for the comparable period in 2008. This increase in realized gains on investments was due to gains from the sale of equity securities.

Other than temporary impairments on investments decreased by \$2,476,000, or 88.2%, to \$326,000 for 2009, from \$2,752,000 for the comparable period in 2008. This decrease is due to a decrease in impairments on fixed maturity securities, held-to-maturity and available for sale.

Mortgage fee income increased by \$1,448,000, or 1.0%, to \$144,861,000 for 2009, from \$143,413,000 for the comparable period in 2008. This increase was primarily attributable to an increase in secondary gains on mortgage loans sold to investors.

Other revenues increased by \$400,000, or 39.4%, to \$1,415,000 for 2009 from \$1,015,000 for the comparable period in 2008. This increase was due to additional miscellaneous revenues throughout the Company's operations.

Total benefits and expenses were \$210,541,000, or 97.1% of total revenues, for 2009, as compared to \$218,717,000, or 99.7% of total revenues, for the comparable period in 2008.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of \$3,016,000, or 9.2%, to \$35,920,000 for 2009, from \$32,904,000 for the comparable period in 2008. This increase was primarily the result of increased insurance business, and increased death benefits that were partially offset by decreases in surrender and other policy benefits.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired increased by \$1,151,000, or 19.2%, to \$7,161,000 for 2009, from \$6,010,000 for the comparable period in 2008. This increase was primarily due to an increase in business in force as a result of the purchase of Southern Security Life Insurance Company on December 18, 2008.

Selling, general and administrative expenses decreased by \$8,132,000, or 4.8%, to \$161,785,000 for 2009, from \$169,917,000 for the comparable period in 2008. This decrease was the result of a reduction in commission expenses of \$19,453,000, from \$98,963,000 in 2008 to \$79,510,000 in 2009, due to reduced mortgage loan origination costs made by SecurityNational Mortgage, a decrease in sales at the cemetery operations, and a decrease in life insurance renewal commissions during 2009. This decrease was partially offset by an increase in salaries of \$1,913,000 from \$25,439,000 in 2008 to \$27,352,000 in 2009, primarily due to merit increases in salaries of existing employees. Provision for loan losses increased by \$8,995,000 from \$10,552,000 in 2008 to \$19,547,000 in 2009 due primarily to increased loan loss reserve and loan allowance balances at SecurityNational Mortgage Company. Costs related to funding mortgage loans increased by \$1,097,000 from \$8,945,000 in 2008 to \$10,042,000 in 2009 due to an increase in loans funded. Other expenses decreased by \$683,000 from \$26,018,000 in 2008 to \$25,335,000 in 2009 due to an increase in rent, training and seminars, advertising, accounting fees, legal fees and insurance, fees and taxes other than income taxes offset by decreases in bad debt expense, travel expenses, general supplies, and telephone expenses.

Interest expense decreased by \$4,123,000, or 55.3%, to \$3,326,000 for 2009, from \$7,449,000 for the comparable period in 2008. This reduction was primarily due to decreased borrowing rates on warehouse lines.

Cost of goods and services sold of the cemeteries and mortuaries decreased by \$88,000, or 3.6%, to \$2,349,000 for 2009, from \$2,437,000 for the comparable period in 2008. This increase was primarily due to decreased at-need cemetery sales and mortuary sales.

Comprehensive income for the years ended December 31, 2009 and December 31, 2008 amounted to \$4,950,000 and a loss of \$605,000, respectively. This increase of \$5,555,000 was primarily the result of a \$3,199,000 increase in net income and a \$1,288,000 increase in unrealized gains in securities available for sale, and a gain of \$1,068,000 in derivatives related to mortgage loans.

Risks

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

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

Mortgage Industry Risks - Developments in the mortgage industry and credit markets adversely affected the Company's ability to sell certain of its mortgage loans to investors, which impacted the Company's financial results by requiring it to assume the risk of holding and servicing many of these loans.

As a result of the volatile secondary market, for mortgage loans, the Company sold mortgage loans in 2007 and 2008 to certain third party investors, including Lehman Brothers-Aurora Loan Services and Bear Stearns-EMC Mortgage Corp., that experienced financial difficulties and were not able to settle the loans. The total amount of such loans was \$52,556,000, of which \$36,499,000 were loans in which the secondary market no longer exists. Due to these changes in circumstances, the Company regained control of the mortgages and, in accordance with generally accepted accounting principles, accounted for the loans retained in the same manner as a purchase of assets from former transferees in exchange for liabilities assumed. At the time of repurchase, the loans were determined to be held for investment purposes, and the fair value of the loans was determined to approximate the unpaid principal balances adjusted for chargeoffs, the related allowance for loan losses, and net deferred fees or costs on originated loans. The 2008, 2009 and 2010 financial statements reflect the transfer of the mortgage loans from “Mortgage Loans Sold to Investors” to “Mortgage Loans on Real Estate”. The loan sale revenue recorded on the sale of the mortgage loans was reversed on the date the loans were repurchased.

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 the Company's historical experience. The amounts accrued for loan losses in years ended December 31, 2010, 2009 and 2008 were \$4,534,231, \$17,306,471 and \$7,140,270, respectively, and the charge to expense 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, 2010 and 2009, the balances were \$5,899,027 and \$11,662,897, respectively. The Company believes the allowance for loan losses and the loan loss reserve represent probable loan losses incurred as of December 31, 2010. However, there is a risk that future loan losses may exceed the loan loss reserves and allowances.

As of December 31, 2010, the Company's long term mortgage loan portfolio consisted of \$14,293,000 in mortgage loans with delinquencies more than 90 days. Of this amount, \$9,761,000 of the loans were in foreclosure proceedings. The Company has not received or recognized any interest income on the \$14,293,000 in mortgage loans with delinquencies more than 90 days. During the twelve months ended December 31, 2010 and 2009, the Company increased its allowance for mortgage losses by \$630,000 and \$3,166,000, respectively, which was charged to loan loss expense and included in selling, general and administrative expenses for the period. The allowances for mortgage loan losses as of December 31, 2010 and 2009 were \$7,070,000 and \$6,809,000, respectively. See footnote 3 in the consolidated financial statement for schedule of mortgage loan loss reserves.

Also at December 31, 2010, the Company had foreclosed on a total of \$49,509,000 in long term mortgage loans, of which \$12,985,000 of the loans foreclosed were reclassified as other real estate held for investment or sale during 2010. The Company carries the foreclosed properties in Security National Life, Memorial Estates, and SecurityNational Mortgage, its respective life, cemeteries and mortuaries, and mortgage subsidiaries, and will rent the properties until it is deemed economically desirable to sell them.

The Company is exposed to the risk that certain third party purchasers could have claims against the Company requiring it to repurchase alleged defective mortgage loans or to indemnify such purchasers against any losses related to such loans. In particular, there have been assertions in third party purchaser correspondence that SecurityNational Mortgage sold mortgage loans that contained alleged misrepresentations or that experienced early payment defaults, or that were otherwise defective or not in compliance with agreements between SecurityNational Mortgage and the third party investors. As a result of these claims, certain third party investors, including Bank of America – Countrywide Home Loans, Inc., Wells Fargo Funding, Inc., and JP Morgan Chase-EMC Mortgage Corp., have made demands 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.

As of December 31, 2010, Bank of America, Wells Fargo and JP Morgan Chase have asserted estimated potential claims of \$32,000,000 relating to loan repurchases, loan indemnifications and other loan issues. The Company has estimated the potential losses for the asserted claims by these banks to be less. The Company has reserved and accrued \$5,899,027 as of December 31, 2010 to settle all such investor related claims. The Company believes this amount is adequate to resolve these claims and the amount represents the Company's estimate of possible losses relating to any outstanding claims by these banks.

These claims are greater than the net asset value of SecurityNational Mortgage, which was \$17,935,000 on December 31, 2010, and its reserve for mortgage loan loss, which was \$5,899,027 on December 31, 2010. The Company disagrees with the claims asserted by Bank of America, Wells Fargo and JP Morgan Chase against SecurityNational Mortgage and believes it has significant defenses to these claims.

SecurityNational Mortgage was involved in settlement discussions with Bank of America during the second and third quarters of 2010, and is currently involved in settlement discussions with Wells Fargo in an attempt to settle the claims asserted by the banks. On March 24, 2011, SecurityNational Mortgage received a proposed settlement agreement and release from Wells Fargo. SecurityNational Mortgage is currently evaluating the terms of the proposed agreement. The proposed settlement was considered in the Company's determination of its loan loss reserve. Any additional loss in excess of the current loan loss reserve cannot be estimated as negotiations are still in progress. It is possible that the negotiations could result in a change in the estimate of the loan loss reserve.

If SecurityNational Mortgage is unable to negotiate acceptable terms with Bank of America, Wells Fargo and JP Morgan Chase, legal action may ensue in an effort to obtain amounts that the banks claim are allegedly due. In the event of legal action, if SecurityNational Mortgage is not successful in its defenses against claims asserted by these banks to the extent that a substantial judgment was entered against SecurityNational Mortgage that is beyond its capacity to pay, SecurityNational Mortgage may be required to curtail or cease operations.

Florida Insurance Business - After several months of discussions with the Florida Office of Insurance Regulation concerning the categorization of certain admitted assets, Security National Life received a letter dated June 17, 2009, in which Florida indicated its rejection of Security National Life's position and requested that Security National Life either infuse additional capital or cease writing new business in the State of Florida. Florida's decision was based upon excess investments in subsidiaries by Security National Life and Florida's determination to classify as property acquired and held for the purposes of investment, certain real property that Security National Life acquired in satisfaction of creditor rights and subsequently rented to tenants. These determinations resulted in Security National Life exceeding certain investment limitations under Florida law and in a corresponding capital and surplus deficiency as of March 31, 2009. Florida has acknowledged that the deficiency may be cured by the infusion of additional capital in the amount of the excess investments.

Security National Life strongly disagrees with Florida's interpretation of the Florida statutes, including Florida's opinion that \$21,672,000 of real property that Security National Life acquired in satisfaction of creditor rights as of March 31, 2009 must be included in an investment category that is subject to a limitation of only 5% of admitted assets (which category consists of real estate acquired and held for investment purposes) rather than in the investment category that is subject to a limitation of 15% of admitted assets (which category includes real estate acquired in satisfaction of loans, mortgages, or debts). In rendering its opinion, Florida did not suggest that the real property assets of Security National Life are not fairly stated. The letter further stated that Security National Life may not resume writing insurance in Florida until such time as it regains full compliance with Florida law and receives written approval from Florida authorizing it to resume writing insurance.

On June 18, 2009, Security National Life responded by letter to Florida and expressed its disagreement with Florida's interpretation of the Florida statutes but, for practical purposes, agreed, beginning as of June 30, 2009 and continuing until Florida determines that Security National Life has attained full compliance with the Florida statutes, to cease originating new insurance policies in Florida and not to enter into any new reinsurance agreements with any Florida domiciled insurance company. The State of Utah, Security National Life's state of domicile, has not determined Security National Life to have a capital and surplus deficiency, nor is Security National Life aware of any state, other than Florida, in which Security National Life is determined to have a capital and surplus deficiency.

During 2008, the annualized premiums for new insurance policies written by Security National Life in Florida were \$464,000, or 4.7% of the total amount of \$9,901,000 in annualized premiums for new insurance policies written by Security National Life during the same period. Security National Life is considering preparing an application to be submitted to Florida for approval of a Florida only subsidiary for all new insurance business written in Florida. Security National Life believes that if Florida were to approve a Florida only subsidiary, Security National Life would be able to resume writing new insurance policies in Florida in full compliance with the Florida statutes relating to investments in real estate and subsidiaries.

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

Company might have to borrow funds or sell assets prior to maturity and potentially recognize a loss on the sale.

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

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

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

Liquidity and Capital Resources

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

During the twelve months ended December 31, 2010, the Company's operations used cash of \$14,251,000, while cash totaling \$17,172,000 was provided by operations during the twelve months ended December 31, 2009. This was due primarily to a \$23,957,000 increase in 2010 and an increase of \$19,383,000 in 2009 in the balance of mortgage loans sold to investors and a \$10,317,000 decrease in 2010 and an increase of \$7,224,000 in 2009 in the balance of other liabilities and accrued expenses, a \$46,000 increase in 2010 and an increase of \$2,805,000 in 2009 in the provision for losses on accounts receivable and loans.

The Company's liability for future life, annuity and other benefits is expected to be paid out over 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 to invest predominantly in fixed maturity securities, 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 \$96,453,000 as of December 31, 2010 compared to \$115,417,000 as of December 31, 2009. This represents 35.0% and 38.4% of the total investments as of December 31, 2010, and December 31, 2009, 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, 2010, 6.2% (or \$6,019,000) and at December 31, 2009, 6.9% (or \$7,930,000) 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. However, in accordance with Company policy, any such securities purchased in the future will be classified as held-to-maturity. Business conditions, however, may develop in the future which may indicate a need for a higher level of liquidity in the investment portfolio. In that event the Company believes it could sell short-term investment grade securities before liquidating higher-yielding longer-term securities.

See footnote 3 of the Notes to Consolidated Financial Statements for the schedule of the maturity of fixed maturity securities.

The amortized cost and contractual payments on mortgage loans on real estate and construction loans held for investment by category as of December 31, 2010 are shown below. Expected principal payments may differ from contractual obligations because certain borrowers may elect to pay off mortgage obligations with or without early payment penalties.

	Total	Principal Amounts Due in 2011	Principal Amounts Due in 2012-2015	Principal Amounts Due Thereafter
Residential	\$ 60,285,273	\$ 1,210,596	\$ 8,702,114	\$ 50,372,563
Residential Construction	18,436,495	18,436,495	-	-
Commercial	24,502,781	13,940,886	7,217,681	3,344,214
Total	\$ 103,224,549	\$ 33,587,977	\$ 15,919,795	\$ 53,716,777

If market conditions were to cause interest rates to change, the market value of the fixed income portfolio (of approximately \$207,193,000) could change by the following amounts based on the respective basis point swing (the change in the market values were calculated using a modeling technique):

	-200 bps	-100 bps	+100 bps	+200 bps
Change in Market Value (in thousands)	\$ 17,118	\$ 8,522	\$ (10,967)	\$ (20,061)

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, 2010, and December 31, 2009, the life insurance subsidiary exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity, and bank debt and notes payable were \$66,994,000 as of December 31, 2010, as compared to \$68,745,000 as of December 31, 2009. Stockholders' equity as a percent of total capitalization was 89.5% and 87.0% as of December 31, 2010 and December 31, 2009, respectively. Bank debt and notes payable decreased \$1,874,000 for the twelve months ended December 31, 2010 when compared to December 31, 2009, thus increasing the stockholders equity percentage.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2010 was 8.0% as compared to a rate of 9.0% for 2009.

At December 31, 2010, \$23,826,000 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 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 of Form 10-K contains forward-looking statements, together with related data and projections, about the Company’s projected financial results and its future plans and strategies. However, actual results and needs of the Company may vary materially from forward-looking statements and projections made from time to time by the Company on the basis of management’s then-current expectations. The business in which the Company is engaged involves changing and competitive markets, which may involve a high degree of risk, and there can be no assurance that forward-looking statements and projections will prove accurate.

Factors that may cause the Company's actual results to differ materially from those contemplated or projected, forecast, estimated or budgeted in such forward looking statements include among others, the following possibilities: (i) heightened competition, including the intensification of price competition, the entry of new competitors, and the introduction of new products by new and existing competitors; (ii) adverse state and federal legislation or regulation, including decreases in rates, limitations on premium levels, increases in minimum capital and reserve requirements, benefit mandates and tax treatment of insurance products; (iii) fluctuations in interest rates causing a reduction of investment income or increase in interest expense and in the market value of interest rate sensitive investment; (iv) failure to obtain new 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, 2010, the Company was contingently liable under a standby letter of credit aggregating \$383,114, to be used as collateral to cover any contingency related to additional risk assessments pertaining to the Company's self-insurance casualty 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 these instruments is zero.

At December 31, 2010, SecurityNational Mortgage was contingently liable under a standby letter of credit aggregating \$1,250,000, to be used as collateral to cover any contingency related to claims filed in states where SecurityNational Mortgage is licensed. SecurityNational Mortgage does not expect any material losses to result from the issuance of the standby letter of credit. Accordingly, the estimated fair value of these instruments is zero.

SecurityNational Mortgage has entered into a loan purchase agreement to originate and sell mortgage loans to an unaffiliated warehouse bank. The total amount available to originate loans under this agreement at December 31, 2010 was \$55,000,000. SecurityNational Mortgage originates the loans and immediately sells them to warehouse banks. Generally, when certain mortgage loans are sold to warehouse banks, SecurityNational Mortgage is no longer obligated, except in certain circumstances, to pay the amounts outstanding on the mortgage loans, but is required to pay a fee in the form of interest on a portion of the mortgage loans between the date that the loans are sold to warehouse banks and the date of settlement with third party investors. The terms of the loan purchase agreements are typically for one year, with interest rates on a portion of the mortgage loans ranging from 2.5% to 2.75% over the 30 day Libor rate. SecurityNational Mortgage renewed its loan purchase agreement with Wells Fargo Securities that expired on June 30, 2010 for an additional one year term.

As of December 31, 2010, there was \$68,120,000 in mortgage loans in which settlements with third party investors were still pending.

The total of the Company unfunded residential construction loan commitments as of December 31, 2010 was \$1,604,000.

Contractual Obligations

The Company's contractual obligations as of December 31, 2010 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	\$1,042,612	\$1,200,572	\$102,776	\$-	\$2,345,960
Notes and contracts payable	1,777,967	4,553,630	403,771	330,607	7,065,975
	\$2,820,579	\$5,754,202	\$506,547	\$330,607	\$9,411,935

Variable Interest Entities

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. This entity meets the definition of a variable interest entity (VIE); however, under generally accepted accounting principles, "there is not a requirement to include this entity in the consolidated financial statements." The maximum exposure to loss related to the Company's involvement with this entity is limited to approximately \$383,114, a majority of which is collateralized under a standby letter of credit issued on the insurance entity's behalf. See Note 11, "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. As of December 31, 2010, there are no other entities that met the definition of a variable interest entity.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company has no activities in derivative financial or commodity instruments other than those recorded and disclosed in the financial statements. See note 20 of the consolidated financial statements included elsewhere in this Form 10-K. The Company's exposure to market risks (i.e., interest rate risk, foreign currency exchange rate risk and equity price risk) through other financial instruments, including cash equivalents, accounts receivable and lines of credit, is not material.

Item 8. Financial Statements and Supplementary Data

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

REPORT OF INDEPENDENT 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, 2010 and 2009 and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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 audit 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, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Supplemental Schedules II, IV and V, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
March 31, 2011

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Assets	2010	December 31, 2009
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	\$98,048,016	\$ 115,832,300
Fixed maturity securities, available for sale, at estimated fair value	-	1,149,523
Equity securities, available for sale, at estimated fair value	6,784,643	5,786,614
Mortgage loans on real estate and construction loans held for investment, net of allowances for losses of \$7,070,442 and \$6,808,803 for 2010 and 2009	96,154,107	103,290,076
Real estate held for investment, net of accumulated depreciation of \$3,849,695 and \$3,515,527 for 2010 and 2009	3,996,777	4,080,033
Other real estate owned held for investment, net of accumulated depreciation of \$1,090,532 and \$423,746 for 2010 and 2009	44,422,829	38,979,999
Other real estate owned held for sale	5,086,400	3,841,800
Policy, student and other loans net of allowance for doubtful accounts of \$380,506 and \$652,498 for 2010 and 2009	17,044,897	18,145,029
Short-term investments	2,618,349	7,144,319
Accrued investment income	1,726,854	2,072,495
Total investments	275,882,872	300,322,188
Cash and cash equivalents	39,556,503	39,463,803
Mortgage loans sold to investors	63,226,686	39,269,598
Receivables, net	7,827,114	10,873,207
Restricted assets of cemeteries and mortuaries	3,066,379	2,593,413
Cemetery perpetual care trust investments	1,454,694	1,104,046
Receivable from reinsurers	4,476,237	5,776,780
Cemetery land and improvements	11,096,129	10,987,833
Deferred policy and pre-need contract acquisition costs	35,767,101	34,087,951
Property and equipment, net	11,111,059	11,994,284
Value of business acquired	9,017,696	10,252,670
Goodwill	1,075,039	1,075,039
Other	2,077,396	2,776,086
Total Assets	\$465,634,905	\$470,576,898

See accompanying notes to consolidated financial statements.

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

	December 31,	
	2010	2009
Liabilities and Stockholders' Equity		
Liabilities		
Future life, annuity, and other benefits	\$344,972,099	\$336,343,433
Unearned premium reserve	5,213,948	4,780,645
Bank loans payable	6,866,438	8,656,245
Notes and contracts payable	199,537	283,744
Deferred pre-need cemetery and mortuary contract revenues	13,192,499	13,381,662
Cemetery perpetual care obligation	2,853,727	2,756,174
Accounts payable	2,472,996	2,601,149
Other liabilities and accrued expenses	14,579,008	24,623,535
Income taxes	15,356,185	17,344,869
Total liabilities	405,706,437	410,771,456
Commitments and Contingencies	--	--
Stockholders' Equity		
Common Stock:		
Class A: common stock - \$2.00 par value; 20,000,000 shares authorized; issued 9,178,945 shares in 2010 and 8,730,227 shares in 2009	18,357,890	17,460,454
Class B: non-voting common stock - \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	--	--
Class C: convertible common stock - \$0.20 par value; 15,000,000 shares authorized; issued 9,660,152 shares in 2010 and 9,214,211 shares in 2009	1,932,031	1,842,842
Additional paid-in capital	19,689,993	19,191,606
Accumulated other comprehensive income, net of taxes	1,188,246	1,593,327
Retained earnings	21,907,579	23,178,944
Treasury stock, at cost - 1,322,074 Class A shares and -0- Class C shares in 2010; 1,454,974 Class A shares and -0- Class C shares in 2009	(3,147,271)	(3,461,731)
Total stockholders' equity	59,928,468	59,805,442
Total Liabilities and Stockholders' Equity	\$465,634,905	\$470,576,898

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended December 31,		
	2010	2009	2008
Revenues:			
Insurance premiums and other consideration	\$38,528,437	\$38,413,329	\$35,981,297
Net investment income	17,794,086	19,328,900	28,047,162
Net mortuary and cemetery sales	11,520,369	11,973,676	12,725,930
Realized gains on investments and other assets	1,615,418	1,223,312	1,018,189
Other than temporary impairments	(673,981)	(326,000)	(2,751,904)
Mortgage fee income	98,164,113	144,860,399	143,411,459
Other	1,581,115	1,414,680	1,015,370
Total revenues	168,529,557	216,888,296	219,447,503
Benefits and expenses:			
Death benefits	19,350,176	19,003,933	17,100,688
Surrenders and other policy benefits	1,575,812	1,677,335	2,094,482
Increase in future policy benefits	15,525,542	15,238,380	13,709,135
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	5,944,859	7,160,488	6,010,273
Selling, general and administrative expenses:			
Commissions	58,439,664	79,509,946	98,962,941
Salaries	26,406,153	27,351,618	25,438,793
Provision for loan losses and loss reserve	5,404,645	19,547,162	10,552,074
Costs related to funding mortgage loans	6,044,020	10,041,731	8,944,945
Other	25,923,413	25,334,654	26,017,754
Interest expense	2,778,920	3,326,161	7,448,454
Cost of goods and services sold – mortuaries and cemeteries	2,225,773	2,349,230	2,437,453
Total benefits and expenses	169,618,977	210,540,638	218,716,992
Earnings (loss) before income taxes	(1,089,420)	6,347,658	730,511
Income tax benefit (expense)	658,796	(2,573,778)	(155,658)
Net earnings (loss)	\$(430,624)	\$3,773,880	\$574,853
Net earnings (loss) per Class A equivalent common share (1)	\$(0.05)	\$0.43	\$0.06
Net earnings (loss) per Class A equivalent common share - assuming dilution(1)	\$(0.05)	\$0.43	\$0.06
Weighted average Class A equivalent common shares outstanding (1)	8,716,921	8,697,222	9,103,118
Weighted average Class A equivalent common shares outstanding - assuming dilution (1)	8,716,921	8,699,590	9,103,118

(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. Net earnings per common share represent net earnings per equivalent Class A common share. Net earnings per Class C common share is equal to one-tenth (1/10) of such amount or \$0.00, \$0.05 and \$0.01 per share for 2010, 2009 and 2008, respectively, and \$0.00, \$0.05 and \$0.01 per share-assuming dilution for 2010, 2009 and 2008, respectively.

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2008, 2009 and 2010

	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, 2008	\$ 15,770,458	\$ 1,706,140	\$ 17,737,172	\$ 1,596,791	\$ 21,104,156	\$ (2,130,565)	\$ 55,784,152
Comprehensive income:							
Net earnings	—	—	—	—	574,853	—	574,853
Unrealized gains (losses)	—	—	—	(3,162,279)	—	—	(3,162,279)
Reclass of treasury stock	—	—	—	1,982,589	—	(1,982,589)	—
Total comprehensive income	—	—	—	—	—	—	(2,587,426)
Grant of stock options	—	—	466,929	—	—	—	466,929
Sale of treasury stock	—	—	—	—	—	248,624	248,624
Stock dividends	789,354	84,727	(218,251)	—	(655,830)	—	—
Conversion Class C to Class A	8,406	(8,404)	(2)	—	—	—	—
Balance at December 31, 2008	16,568,218	1,782,463	17,985,848	417,101	21,023,179	(3,864,530)	53,912,279
Comprehensive income:							
Net earnings	—	—	—	—	3,773,880	—	3,773,880
Unrealized gains (losses)	—	—	—	1,176,226	—	—	1,176,226
Total comprehensive income	—	—	—	—	—	—	4,950,106
Grant of stock options	—	—	485,986	—	—	—	485,986
Exercise stock options	32,962	—	(32,962)	—	—	—	—
Sale of treasury stock	—	—	54,271	—	—	402,799	457,070

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Stock dividends	831,736	87,755	698,524	—	(1,618,015)	—	—
Odd lot purchase	160	—	(60)	—	(100)	—	—
Conversion Class C to Class A	27,377	(27,376)	(1)	—	—	—	—
Balance at December 31, 2009	17,460,454	1,842,842	19,191,606	1,593,327	23,178,944	(3,461,731)	59,805,442
Comprehensive income:							
Net loss	—	—	—	—	(430,624)	—	(430,624)
Unrealized gains (losses)	—	—	—	(405,081)	—	—	(405,081)
Total comprehensive income	—	—	—	—	—	—	(835,705)
Grant of stock options	—	—	520,457	—	—	—	520,457
Exercise of stock options	20,348	—	(20,348)	—	—	—	—
Sale of treasury stock	—	—	123,814	—	—	314,460	438,274
Stock dividends	874,276	92,002	(125,537)	—	(840,741)	—	—
Conversion Class C to Class A	2,812	(2,813)	1	—	—	—	—
Balance at December 31, 2010	\$ 18,357,890	\$ 1,932,031	\$ 19,689,993	\$ 1,188,246	\$ 21,907,579	\$ (3,147,271)	\$ 59,928,468

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2010	2009	2008
Cash flows from operating activities:			
Net earnings (loss)	\$(430,624)	\$3,773,880	\$574,853
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Realized gains on investments and other assets	(1,615,418)	(1,223,312)	(1,018,189)
Other than temporary impairments	673,981	326,000	2,751,904
Depreciation	2,917,513	2,801,417	2,471,201
Provision for losses on real estate accounts and loans receivable	(198,062)	2,804,620	4,586,501
Amortization of premiums and discounts	(19,505)	(740,124)	(65,224)
Provision for deferred and other income taxes	(1,197,023)	1,570,989	(59,230)
Policy and pre-need acquisition costs deferred	(6,956,154)	(7,754,706)	(6,946,317)
Policy and pre-need acquisition costs amortized	5,225,032	6,035,882	5,110,519
Value of business acquired amortized	719,827	1,124,606	899,754
Change in assets and liabilities:			
Land and improvements held for sale	(108,296)	(361,537)	(866,255)
Future life and other benefits	16,843,261	15,423,587	9,508,769
Receivables for mortgage loans held for sale	(23,957,088)	(19,383,604)	35,366,791
Stock based compensation expense	520,457	485,986	466,929
Benefit plans funded with treasury stock	438,274	457,070	248,624
Other operating assets and liabilities	(7,107,055)	11,831,350	4,088,477
Net cash provided by (used in) operating activities	(14,250,880)	17,172,104	57,119,107
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(8,251,365)	(12,897,225)	(15,667,595)
Calls and maturities - fixed maturity securities	27,878,797	22,610,141	25,384,510
Securities available for sale:			
Purchase - equity securities	(5,462,028)	(5,640,738)	(1,740,077)
Sales - equity securities	5,014,194	5,788,996	3,600,641
Purchases of short-term investments	(9,590,929)	(20,784,977)	(30,339,562)
Sales of short-term investments	14,115,870	18,923,574	32,012,283
Sales (purchases) of restricted assets	(441,441)	1,552,830	1,528,071
Change in assets for perpetual care trusts	(282,605)	(230,498)	(291,870)
Amount received for perpetual care trusts	97,553	108,190	174,226
Mortgage, policy, and other loans made	(102,328,203)	(89,298,195)	(121,760,048)
Payments received for mortgage, policy, and other loans	97,675,289	83,312,074	82,123,102
Purchases of property and equipment	(859,988)	(736,210)	(1,323,849)
Disposal of property and equipment	-	2,749	81,352
Purchases of real estate	(1,813,784)	(801,297)	(379,738)
Cash paid for purchase of subsidiaries, net of cash acquired	-	-	(2,928,022)
Sale of real estate	6,424,961	1,965,740	1,438,796
Net cash provided by (used in) investing activities	22,176,321	3,875,154	(28,087,780)

See accompanying notes to consolidated financial statements

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

	Years Ended December 31,		
	2010	2009	2008
Cash flows from financing activities:			
Annuity contract receipts	\$8,428,798	\$9,101,675	\$10,578,845
Annuity contract withdrawals	(14,372,244)	(13,920,526)	(18,006,929)
Repayment of bank loans and notes and contracts payable	(1,889,295)	(1,633,714)	(1,840,193)
Proceeds from borrowing on notes and contracts	-	4,955,000	1,698,000
Change in line of credit borrowings	-	-	(6,750,000)
Net cash used in financing activities	(7,832,741)	(1,497,565)	(14,320,277)
Net change in cash and cash equivalents	92,700	19,549,693	14,711,050
Cash and cash equivalents at beginning of year	39,463,803	19,914,110	5,203,060
Cash and cash equivalents at end of year	\$39,556,503	\$39,463,803	\$19,914,110
Non Cash Investing and Financing Activities			
Mortgage loans foreclosed into real estate	\$12,985,041	\$24,441,490	\$16,449,451

Supplemental Schedule of Cash Flow Information:

The following information shows the non-cash items in connection with the purchase of Southern Security Life Insurance Company, a Mississippi domiciled corporation effective September 1, 2008.

	Year ended December 31, 2008
Fair value of assets acquired	\$ (26,193,020)
Fair value of liabilities assumed	23,264,998
Cash paid	\$ (2,928,022)

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

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 mortgage loans. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products and accident and health insurance marketed primarily in the intermountain west, California and eleven southern states. The cemetery and mortuary segment of the Company consists of five cemeteries in Utah, one cemetery in California, seven mortuaries in Utah and three mortuaries in Arizona. The mortgage loan 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 Arizona, California, Florida, Hawaii, Indiana, Kansas, Oklahoma, Oregon, Texas, Utah, and Washington.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The presentation of certain amounts in prior years has been reclassified to conform to the 2010 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.

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.

Fixed maturity and 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 are carried at their principal balances adjusted for chargeoffs, the related allowance for loan losses, and net deferred fees or costs on originated loans. 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.

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 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.

Mortgage loans sold to investors are carried at the amount due from third party investors, which is the estimated fair value at the balance sheet date since these amounts are generally collected within a short period of time.

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1) Significant Accounting Policies (Continued)

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.

Other real estate owned held for investment are foreclosed properties which the Company intends to hold for investment purposes. These properties are recorded at the lower of cost or market value upon foreclosure. Deprecation is provided on a straight line basis over the estimated useful life of the properties. These properties are analyzed for impairment periodically in accordance with our policy for long-lived assets.

Other real estate owned held for sale are foreclosed properties which the Company intends to sell. These properties are carried at the lower of cost or fair value, less cost to sell.

Policy, student, and other loans 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.

Restricted assets of cemeteries and mortuaries 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.

Cemetery and mortuary perpetual care trust business segment contains six wholly owned cemeteries. 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.

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.

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

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1) Significant Accounting Policies (Continued)

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.

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 ASC 450.

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 footnote 3 for additional information. In addition, when a mortgage loan is past due more than 90 days, the Company, does not accrue any interest income and proceeds to foreclose on

the real estate. All expenses for foreclosure are expensed as incurred. Once foreclosed, the carrying value will approximate its fair value and the amount is classified as other real estate owned held for investment or sale. The Company will rent the properties until it is deemed desirable to sell them.

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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 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 footnote 3.

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 4% to 6.5%.

Participating Insurance

Participating business constituted 2%, 2%, and 2% of insurance in force for 2010, 2009 and 2008, respectively. The provision for policyholders' dividends included in policyholder obligations is based on dividend scales anticipated by

management. Amounts to be paid are determined by the Board of Directors.

Reinsurance

The Company follows the procedure of reinsuring risks in excess of \$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.

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.

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1) Significant Accounting Policies (Continued)

Cemetery and Mortuary Operations

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 accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, 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 accounting principles generally accepted in the United States of America. 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 Operations

Over 50% of the Company's revenue and expenses are through its wholly owned subsidiary, SecurityNational Mortgage. SecurityNational Mortgage is a mortgage lender incorporated under the laws of the State of Utah. SecurityNational Mortgage is approved and regulated by the Federal Housing Administration (FHA), a department of the U.S. Department of Housing and Urban Development (HUD), to originate mortgage loans that qualify for government insurance in the event of default by the borrower. SecurityNational Mortgage obtains loans primarily

from its retail offices and independent brokers. SecurityNational Mortgage funds the loans from internal cash flows, including loan purchase agreements from Security National Life, and with unaffiliated financial institutions. SecurityNational Mortgage receives fees from the borrowers and other secondary fees from third party investors that purchase its loans. SecurityNational Mortgage sells its loans to third party investors and does not retain servicing of these loans. SecurityNational Mortgage pays the brokers and retail loan officers a commission for loans that are brokered through SecurityNational Mortgage. For the twelve months ended December 31, 2010, 2009, and 2008, SecurityNational Mortgage originated and sold 11,251 loans (\$2,094,738,000 total volume), 17,797 loans (\$3,243,734,000 total volume), and 19,321 loans (\$3,680,015,000 total volume), respectively.

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1) Significant Accounting Policies (Continued)

SecurityNational Mortgage has entered into loan purchase agreements to originate and sell mortgage loans to an unaffiliated warehouse bank. The total amount available to originate loans under the loan purchase agreements at December 31, 2010 was \$55,000,000. SecurityNational Mortgage originates the loans and immediately sells them to warehouse banks. As of December 31, 2010, there were \$68,120,000 in mortgage loans in which settlements with third party investors were still pending. Generally when certain mortgage loans are sold to warehouse banks, SecurityNational Mortgage is no longer obligated, except in certain circumstances, to pay the amounts outstanding on the mortgage loans, but is required to pay a fee in the form of interest on a portion of the mortgage loans between the date that the loans are sold to warehouse banks and the date of settlement with third party investors. The terms of the loan purchase agreements are typically for one year, with interest rates on a portion of the mortgage loans ranging from 2.5% to 2.75% over the 30 day Libor rate. SecurityNational Mortgage renewed one of its loan purchase agreements that expired on June 30, 2010 for an additional one year term.

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 generally accepted accounting principles 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. The Company must determine that all three criteria are met at the time a loan is funded. All rights and title to the mortgage loans are assigned to unrelated financial institution investors, including investor commitments for the loans, prior to warehouse banks purchasing the loans under the purchase commitments.

The Company, through SecurityNational Mortgage, sells all 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.
 - 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. Generally, a ten day extension will cost .125% (12.5 basis points) of the loan amount. The Company's historical data shows that 99% of all loans originated by SecurityNational Mortgage are generally settled by the investors as agreed within 16 days after delivery. There are situations, however, when the Company determines that it is unable to enforce the settlement of loans rejected by the third-party investors and that it is in its best interest to repurchase those loans from the warehouse banks. 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.
- Commit to secondary investors.

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1) Significant Accounting Policies (Continued)

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 market value and previously recorded sales revenue is reversed. 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 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.

For mortgages originated and held for investment, mortgage fee income and related expenses are recognized when the loan is originated.

The Company's current policy is to not lend more than 80% of the appraised market value at the time of funding unless third party mortgage insurance is obtained to insure the amount in excess of the 80% limitation. New appraisals are not obtained on mortgages in a current payment status. The average age of appraisals obtained at time of funding for impaired mortgage loans at December 31, 2010 was 2.3 years.

On a quarterly and annual basis the Company does an analysis on property classified as Other Real Estate Owned. This analysis compares national home selling indexes at the time of original appraisal to the comparable index at time of foreclosure. The percentage change in the index is applied to the original appraised value and compared to the current book value of the property. For any significant decrease in property values, the Company normally obtains a new appraisal. Any impairment identified by the comparison analysis is recorded during the quarter of identification.

In addition to the write down to 80% of the original appraised value and the index comparison analysis performed by the Company, the Company depreciates Other Real Estate Owned Held for Investment. This depreciation reduces the book value of these properties and lessens the exposure to the Company from further deterioration in real estate values.

As a result of the volatile secondary market for mortgage loans, the Company sold mortgage loans in 2007 and 2008 to certain third party investors, including Lehman Brothers-Aurora Loan Services and Bear Stearns-EMC Mortgage Corp., that experienced financial difficulties and were not able to settle the loans. The total amount of such loans was

\$52,556,000, of which \$36,499,000 were loans in which the secondary market no longer existed. Due to these changes in circumstances, the Company regained control of the mortgages and, in accordance with generally accepted accounting principles, accounted for the loans retained in the same manner as a purchase of assets from former transferees in exchange for liabilities assumed. At the time of repurchase, the loans were determined to be held for investment purposes, and the fair value of the loans was determined to approximate the unpaid principal balances adjusted for chargeoffs, the related allowance for loan losses, and net deferred fees or costs on originated loans. The 2008, 2009 and 2010 financial statements reflect the transfer of mortgage loans from “Mortgage Loans Sold to Investors” to “Mortgage Loans on Real Estate”. The loan sale revenue recorded on the sale of the mortgage loans was reversed on the date the loans were repurchased.

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1) Significant Accounting Policies (Continued)

As standard in the industry, the Company received payments on the mortgage loans during the time period between the sale date and settlement or repurchase date. During the period, the Company will service these loans through Security National Life, its life insurance subsidiary.

As of December 31, 2010, the Company's long term mortgage loan portfolio consisted of \$14,293,000 in mortgage loans with delinquencies more than 90 days. Of this amount, \$9,761,000 of the loans were in foreclosure proceedings. The Company has not received or recognized any interest income on the \$14,293,000 in mortgage loans with delinquencies more than 90 days. During the twelve months ended December 31, 2010 and 2009, the Company increased its allowance for mortgage losses by \$630,000 and \$3,166,000, respectively, which was charged to loan loss expense and included in selling, general and administrative expenses for the period. The allowances for mortgage loan losses as of December 31, 2010 and 2009 were \$7,070,000 and \$6,809,000, respectively.

Also at December 31, 2010, the Company had foreclosed on a total of \$49,509,000 in long term mortgage loans, of which \$12,985,000 of the loans foreclosed were reclassified as other real estate held for investment or sale during 2010. The Company carries the foreclosed properties in Security National Life, Memorial Estates, and SecurityNational Mortgage, its respective life, cemeteries and mortuaries, and mortgage subsidiaries, and will rent the properties until it is deemed economically desirable to sell them.

Self Insurance

The Company is self insured for certain casualty insurance, workers compensation and liability programs. Self-Insurance reserves are maintained relative to these programs. The level of exposure from catastrophic events is limited by the purchase of stop-loss and aggregate liability reinsurance coverages. When estimating the self-insurance liabilities and related reserves, management considers a number of factors, which include historical claims experience, demographic factors, severity factors and valuations provided by independent third-party actuaries. Management reviews its assumptions with its independent third-party administrators and actuaries to evaluate whether the self-insurance reserves are adequate. If actual claims or adverse development of loss reserves occurs and exceed these estimates, additional reserves may be required. The estimation process contains uncertainty since management must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and unreported claims for incidents incurred but not reported as of the balance sheet date.

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.

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.

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1) Significant Accounting Policies (Continued)

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 accounting principles generally accepted in the United States of America 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.

Options to purchase 539,158 shares of Common Stock were outstanding during 2010, but were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive.

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

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.

Advertising Expense

The Company expenses advertising costs as incurred. The total amount charged to advertising expense for 2010, 2009 and 2008 was \$2,122,000 \$1,532,000 and \$1,192,000, respectively.

Recent Accounting Pronouncements

Fair Value Measurements and Disclosure – In January 2010, the FASB issued guidance requiring that for each class of assets and liabilities measured at fair value, reporting entities provide additional disclosures describing the reasons for transfers of assets in and out of Levels 1 and 2 of the three-tier fair value hierarchy. For assets valued using the Level 3 method, entities will be required to separately present purchases, sales, issuances, and settlements in the

reconciliation for fair value measurements. The guidance also states that an entity should provide fair value measurements for each class of asset or liability, and explain the inputs and techniques used in calculating Levels 2 and 3 fair value measurements. This guidance is effective for interim and annual filings for fiscal years beginning after December 15, 2010. The adoption of this guidance is not expected to have a material impact on the Company's results of operations or financial position.

Consolidation Analysis Considering Investments Held through Separate Accounts – In April 2010, the FASB issued guidance clarifying that an insurer is not required to combine interests in investments held in a qualifying separate account with its interests in the same investments held in the general account when performing a consolidation evaluation. The guidance is effective for fiscal years and interim periods beginning after December 15, 2010 with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's results of operations or financial position.

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1) Significant Accounting Policies (Continued)

When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts – In December 2010, the FASB issued accounting guidance which modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts by requiring an entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more than likely than not that goodwill impairment exists, an entity should consider whether any adverse qualitative factors indicate that impairment may exist. The qualitative factors are consistent with existing guidance which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below carrying value. This guidance is effective for fiscal years, and interim periods within those years beginning after December 15, 2010. Early adoption is not permitted. The adoption of this guidance is not expected to have a material impact on the Company's results of operations or financial position.

Disclosure of Supplementary Pro Forma Information for Business Combinations – In December 2010, the FASB issued accounting guidance which specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This guidance also expands supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in reported pro forma revenue and earnings. This guidance will be effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's results of operations or financial position.

2) Acquisitions

Southern Security Life Insurance Company

On September 1, 2008, the Company, through Security National Life, entered into a reinsurance agreement with Southern Security Life Insurance Company, a Mississippi domiciled insurance company ("Southern Security"), whereby the Company became secondarily liable for \$22,788,693 of liability under contracts for future life, annuity and other benefits in exchange for the transfer from Southern Security of \$22,788,693 of assets, which was short of the required assets by \$1,468,348. This shortage was offset against a \$1,500,000 ceding commission payable to Southern Security on the transaction. Southern Security remained primarily liable under the contracts and recognized a \$22,235,131 receivable from Security National Life. However, if the acquisition described in the following paragraphs had not occurred, Security National Life would have had to assume the insurance contracts and become primarily liable thereunder because Southern Security had ceased operations and the transfer of the insurance contracts was irreversible.

Then on December 18, 2008, the Company acquired all of the outstanding common stock of Southern Security. The results of Southern Security's operations have been included in the consolidated financial statements from December 23, 2008. Southern Security sells and services life insurance, annuity products, accident and health insurance, and funeral plan insurance, all of which are consistent with and expanded the Company's insurance business. The total

purchase price was \$2,664,323 and consisted of \$1,920,700 paid in cash at closing to the selling shareholders, \$443,500 placed into escrow accounts with the Company's law firm, the settlement of an \$84,081 receivable from Southern Security and the incurrence of \$216,042 of acquisition costs. In addition, Southern Security distributed \$479,742 of assets to the selling shareholders, including \$163,715 of notes receivable from the selling shareholders.

Included in the escrow accounts is \$175,000 (the "Deposit Amount") and \$268,500 (the "Real Estate Deposit Amount"). The Deposit Amount is to be used to pay any adjustments that may be required under the terms of the purchase agreement and any remaining portion of the Deposit Amount is to be transferred into the Real Estate Deposit Amount. The Real Estate Deposit Amount that was placed into the escrow account is to be released to the selling shareholders as the Company collects the principal portion of a loan in the form of a promissory note that Southern Security had made to an entity that is related to the selling shareholders. However, no payments will be made to the selling shareholders if the promissory note is in default. As of December 31, 2010 the escrow agent has determined that adjustments in the amount of \$126,315 is due to the Company from the Deposit Amount and has rolled the remaining balance of \$48,685 into the Real Estate Deposit Amount.

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2) Acquisitions (Continued)

The \$443,500 of funds held in escrow by the Company's law firm have been included in the accompanying consolidated balance sheet at December 31, 2010 and December 31, 2009 in receivables with the liability payable to the selling shareholders of an equal amount included in other liabilities and accrued expenses. The assets acquired and the liabilities assumed were recognized at their fair values with the excess of the purchase price allocated to value of business acquired. The value of business acquired is being amortized over the estimated period premiums will be received under the insurance policies of 14.3 years. The estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition were as follows:

Investment in securities	\$1,200,865
Policy and mortgage loans	1,050,028
Cash	392,785
Receivable from reinsurer - Security National Life	22,235,131
Other assets	49,369
Deferred tax asset	298,418
Value of business acquired	227,573
Total assets acquired	25,454,169
Future life, annuity and other benefits	(22,789,846)
Fair Value of Net Assets Acquired	\$2,664,323

The following unaudited pro forma information has been prepared to present the results of operations of the Company assuming the acquisition of Southern Security had occurred at the beginning of the year ended December 31, 2008. This pro forma information is supplemental and does not necessarily present the operations of the Company that would have occurred had the acquisitions occurred on those dates and may not reflect the operations that will occur in the future:

	For the Year Ended December 31, (unaudited) 2008
Total revenues	\$ 221,348,000
Net earnings	\$ 717,000
Net earnings per Class A equivalent common share	\$ 0.09
Net earnings per Class A equivalent common share assuming dilution	\$ 0.09

SECURITY NATIONAL FINANCIAL CORPORATION
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Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

3) Investments

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2010 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2010:				
Fixed maturity securities held to maturity carried at amortized cost:				
Bonds:				
U.S. Treasury securities and obligations of U.S Government agencies	\$ 2,855,303	\$ 325,935	\$ -	\$ 3,181,238
Obligations of states and political subdivisions	1,773,904	122,565	(18,574)	1,877,895
Corporate securities including public utilities	85,354,245	6,626,582	(716,007)	91,264,820
Mortgage-backed securities	6,469,942	239,719	(654,959)	6,054,702
Redeemable preferred stock	1,594,622	27,158	(32,171)	1,589,609
Total fixed maturity securities held to maturity	\$ 98,048,016	\$ 7,341,959	\$ (1,421,711)	\$ 103,968,264

SECURITY NATIONAL FINANCIAL CORPORATION
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Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

3) Investments (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2010:				
Equity securities available for sale at estimated fair value:				
Non-redeemable preferred stock	\$ 20,282	\$ -	\$ (4,224)	\$ 16,058
Common stock:				
Industrial, miscellaneous and all other	6,418,151	707,798	(357,364)	6,768,585
Total equity securities available for sale at estimated fair value	\$ 6,438,433	\$ 707,798	\$ (361,588)	\$ 6,784,643
Total securities available for sale carried at estimated fair value	\$ 6,438,433	\$ 707,798	\$ (361,588)	\$ 6,784,643
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	\$ 60,285,273			
Residential construction	18,436,495			
Commercial	24,502,781			
Less: Allowance for loan losses	(7,070,442)			
Total mortgage loans on real estate and construction loans held for investment	\$ 96,154,107			
Real estate held for investment - net of depreciation				
Other real estate owned held for investment - net of depreciation	\$ 3,996,777			
Other real estate owned held for sale	44,422,829			
Total real estate	\$ 53,506,006			
Policy, student and other loans at amortized cost - net of allowance for doubtful accounts				
	\$ 17,044,897			
Short-term investments at amortized cost				
	\$ 2,618,349			

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Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

3) Investments (Continued)

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2009 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2009:				
Fixed maturity securities held to maturity carried at amortized cost:				
Bonds:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 9,477,032	\$ 430,783	\$ (6,389)	\$ 9,901,426
Obligations of states and political subdivisions	2,034,784	95,333	(20,722)	2,109,395
Corporate securities including public utilities	95,903,129	3,927,607	(2,763,448)	97,067,288
Mortgage-backed securities	6,852,072	182,932	(1,338,817)	5,696,187
Redeemable preferred stock	1,565,283	-	(109,832)	1,455,451
Total fixed maturity securities held to maturity	\$ 115,832,300	\$ 4,636,655	\$ (4,239,208)	\$ 116,229,747
Securities available for sale carried at estimated fair value:				
Fixed maturity securities available for sale:				
U.S. Treasury securities and obligations of U.S. Government agencies	\$ 98,280	\$ 21,158	\$ -	\$ 119,438
Corporate securities including public utilities	1,012,458	17,627	-	1,030,085
Total fixed maturity securities available for sale	\$ 1,110,738	\$ 38,785	\$ -	\$ 1,149,523

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Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

3) Investments (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2009:				
Equity securities available for sale at estimated fair value:				
Non-redeemable preferred stock	\$ 20,281	\$ -	\$ (5,061)	\$ 15,220
Common stock:				
Industrial, miscellaneous and all other	5,398,320	682,075	(309,001)	5,771,394
Total equity securities available for sale at estimated fair value	\$ 5,418,601	\$ 682,075	\$ (314,062)	\$ 5,786,614
Total securities available for sale carried at estimated fair value	\$ 6,529,339	\$ 720,860	\$ (314,062)	\$ 6,936,137
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	\$ 60,863,842			
Residential construction	25,028,081			
Commercial	24,206,956			
Less: Allowance for loan losses	(6,808,803)			
Total mortgage loans on real estate and construction loans held for investment	\$ 103,290,076			
Real estate held for investment - net of depreciation				
Real estate held for investment - net of depreciation	\$ 4,080,033			
Other real estate owned held for investment - net of depreciation	38,979,999			
Other real estate owned held for sale	3,841,800			
Total real estate	\$ 46,901,832			
Policy, student and other loans at amortized cost - net of allowance for doubtful accounts				
Policy, student and other loans at amortized cost - net of allowance for doubtful accounts	\$ 18,145,029			
Short-term investments at amortized cost	\$ 7,144,319			

SECURITY NATIONAL FINANCIAL CORPORATION
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3) Investments (Continued)

Fixed Maturity Securities

The following tables summarize unrealized losses on fixed-maturities securities, which are carried at amortized cost, at December 31, 2010 and 2009. The unrealized losses were primarily related to interest rate fluctuations or spread-widening. The tables set forth unrealized losses by duration and number of investment positions, together with the fair value of the related fixed-maturity securities:

	Unrealized Losses for Less than Twelve Months	No. of Investment Positions	Unrealized Losses for More than Twelve Months	No. of Investment Positions	Total Unrealized Loss
At December 31, 2010					
Redeemable Preferred Stock	\$4,022	4	\$ 28,149	1	\$ 32,171
Obligations of States and Political Subdivisions	-	0	18,574	3	18,574
Corporate Securities	70,934	10	645,073	25	716,007
Mortgage and other asset-backed securities	8,971	2	645,988	3	654,959
Total unrealized losses	\$83,927	16	\$ 1,337,784	32	\$ 1,421,711
Fair Value	\$4,527,041		\$ 10,037,150		\$ 14,564,191
At December 31, 2009					
Redeemable Preferred Stock	\$-	0	\$ 109,832	11	\$ 109,832
U.S. Treasury Securities and Obligations of U.S. Government Agencies	6,389	2	-	0	6,389
Obligations of States and Political Subdivisions	9,678	3	11,044	3	20,722
Corporate Securities	564,177	36	2,199,271	57	2,763,448
Mortgage and other asset-backed securities	31,337	3	1,307,480	5	1,338,817
Total unrealized losses	\$611,581	44	\$ 3,627,627	76	\$ 4,239,208
Fair Value	\$17,777,172		\$ 22,641,536		\$ 40,418,708

As of December 31, 2010, the average market value of the related fixed maturities was 91.1% of amortized cost and the average market value was 90.5% of amortized cost as of December 31, 2009. During 2010, 2009 and 2008, an other-than-temporary decline in market value resulted in the recognition of an impairment loss on fixed maturity securities of \$150,059, \$326,000 and \$2,343,000, respectively. No other-than-temporary impairment loss was considered to exist for these fixed maturities as of December 31, 2010.

SECURITY NATIONAL FINANCIAL CORPORATION
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Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

3) Investments (Continued)

Equity Securities

The following tables summarize unrealized losses on equity securities that were carried at estimated fair value based on quoted trading prices at December 31, 2010 and 2009. 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, 2010					
Non-redeemable preferred stock	\$-	-	\$4,224	2	\$4,224
Industrial, miscellaneous and all other	192,742	42	164,622	13	357,364
Total unrealized losses	\$192,742	42	\$168,846	15	\$361,588
Fair Value	\$1,895,632		\$530,253		\$2,425,885
At December 31, 2009					
Non-redeemable preferred stock	\$-	-	\$5,061	2	\$5,061
Industrial, miscellaneous and all other	55,287	23	253,714	16	309,001
Total unrealized losses	\$55,287	23	\$258,775	18	\$314,062
Fair Value	\$1,007,525		\$660,809		\$1,668,334

As of December 31, 2010, the average market value of the equity securities available for sale was 87.0% of the original investment and the average market value was 84.2% of the original investment as of December 31, 2009. 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 2010, 2009, and 2008, an other-than-temporary decline in the market value resulted in the recognition of an impairment loss on equity securities of \$23,922, \$-0-, and \$408,640, respectively. No other-than-temporary impairment loss on equity securities was determined to exist as of December 31, 2010.

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
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Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

3) Investments (Continued)

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2010, 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 2011	\$ 2,557,045	\$ 2,621,118
Due in 2012 through 2015	19,581,108	21,276,237
Due in 2016 through 2020	29,862,779	32,727,472
Due after 2020	37,982,520	39,699,126
Mortgage-backed securities	6,469,942	6,054,702
Redeemable preferred stock	1,594,622	1,589,609
Total held to maturity	\$ 98,048,016	\$ 103,968,264

The amortized cost and estimated fair value of available-for-sale securities at December 31, 2010, 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.

	Amortized Cost	Estimated Fair Value
Available for Sale:		
Due in 2011	\$ -	\$ -
Due in 2012 through 2015	-	-
Due in 2016 through 2020	-	-
Due after 2020	-	-
Non-redeemable preferred stock	20,282	16,058
Common stock	6,418,151	6,768,585
Total available for sale	\$ 6,438,433	\$ 6,784,643

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

	2010	2009	2008

Fixed maturity securities held to maturity:			
Gross realized gains	\$ 1,300,187	\$ 500,795	\$ 90,243
Gross realized losses	(494,678)	(151,069)	-
Other than temporary impairments	(150,059)	(326,000)	(2,343,264)
Securities available for sale:			
Gross realized gains	686,788	1,018,217	1,211,932
Gross realized losses	(61,530)	(152,757)	(152,213)
Other than temporary impairments	(23,922)	-	(408,640)
Other assets:			
Gross realized gains	393,943	8,126	-
Gross realized losses	(209,292)	-	(131,773)
Other than temporary impairments	(500,000)	-	-
Total	\$ 941,437	\$ 897,312	\$ (1,733,715)

SECURITY NATIONAL FINANCIAL CORPORATION
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Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

3) Investments (Continued)

Generally gains and losses from held to maturity securities are a result of early calls and related amortization of premiums or discounts. However, credit losses of \$150,059, \$326,000 and \$2,343,264 were recognized during the year ended December 31, 2010, 2009 and 2008, respectively, from other-than-temporary declines in market value of held to maturity securities.

The net carrying amount for sales of securities classified as held to maturity was \$16,220,943, \$1,700,388 and \$0, for the years ended December 31, 2010, 2009 and 2008, respectively. The net realized gain related to these sales was \$346,225, \$181,285 and \$0, for the years ended December 31, 2010, 2009 and 2008, respectively. Certain circumstances lead to these decisions to sell. The Company sold held to maturity securities in 2009 that experienced significant deterioration in their value and were liquidated to avoid a potential complete loss in the bond investments of Lehman Brothers and General Motors. Bonds categorized as held to maturity and sold in 2010 were liquidated in order to meet an unexpected increase in mortgage funding demand and the non-renewal of an expired loan purchase agreement with a warehouse bank by SecurityNational Mortgage during the latter part of 2010. The expired loan purchase agreement was renewed in December 2010 for a one year term. This was a rare and unusual event in the history of the Company.

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, 2010, other than investments issued or guaranteed by the United States Government.

Major categories of net investment income are as follows:

	2010	2009	2008
Fixed maturity securities	\$ 6,761,254	\$ 7,140,920	\$ 7,167,007
Equity securities	238,928	794,845	266,533
Mortgage loans on real estate	6,154,760	5,462,533	6,857,757
Real estate	1,686,844	1,561,809	1,563,134
Policy, student and other loans	891,546	811,684	699,592
Short-term investments, principally gains on sale of mortgage loans and other	7,215,926	7,896,518	14,265,269
Gross investment income	22,949,258	23,668,309	30,819,292
Investment expenses	(5,155,172)	(4,339,409)	(2,772,130)
Net investment income	\$ 17,794,086	\$ 19,328,900	\$ 28,047,162

Net investment income includes net investment income earned by the restricted assets of the cemeteries and mortuaries of \$635,652, \$576,689, and \$565,057 for 2010, 2009 and 2008, 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 \$9,302,578 at December 31, 2010 and \$10,614,292 at December 31, 2009. The restricted securities are included in various assets under investments on the accompanying consolidated balance sheets.

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, 2010, the Company has 29%, 16% and 17% of its mortgage loans from borrowers located in the states of Utah, Florida and California, respectively. The mortgage loans on real estate balances on the consolidated balance sheet are reflected net of an allowance for loan losses of \$7,070,442 and \$6,808,803 at December 31, 2010 and 2009, respectively.

SECURITY NATIONAL FINANCIAL CORPORATION
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Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

3) Investments (Continued)

The Company establishes a valuation allowance for credit losses in its portfolio as further described in Note 1.

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
For the Years Ended December 31, 2010, and 2009

	Commercial	Residential	Residential Construction	Total
2010				
Allowance for credit losses:				
Beginning balance	\$-	\$5,917,792	\$891,011	\$6,808,803
Charge-offs	-	(335,853)	(32,641)	(368,494)
Provision	-	630,133	-	630,133
Ending balance	\$-	\$6,212,072	\$858,370	\$7,070,442
Ending balance: individually evaluated for impairment				
	\$-	\$5,131,779	\$740,000	\$5,871,779
Ending balance: collectively evaluated for impairment				
	\$-	\$1,080,293	\$118,370	\$1,198,663
Ending balance: loans acquired with deteriorated credit quality				
	\$-	\$-	\$-	\$-
Mortgage loans:				
Ending balance	\$24,502,781	\$60,285,273	\$18,436,495	\$103,224,549
Ending balance: individually evaluated for impairment				
	\$-	\$7,236,095	\$2,085,467	\$9,321,562
Ending balance: collectively evaluated for impairment				
	\$24,502,781	\$53,049,178	\$16,351,028	\$93,902,987
Ending balance: loans acquired with deteriorated credit quality				
	\$-	\$-	\$-	\$-
2009				
Allowance for credit losses:				
Beginning balance	\$-	\$4,139,456	\$641,011	\$4,780,467
Charge-offs	-	(1,137,707)	-	(1,137,707)

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Provision	-	2,916,043	250,000	3,166,043
Ending balance	\$-	\$5,917,792	\$ 891,011	\$6,808,803
Ending balance: individually evaluated for impairment	\$-	\$4,851,669	\$ 740,000	\$5,591,669
Ending balance: collectively evaluated for impairment	\$-	\$1,066,123	\$ 151,011	\$1,217,134
Ending balance: loans acquired with deteriorated credit quality	\$-	\$-	\$-	\$-
Mortgage loans:				
Ending balance	\$24,206,957	\$60,863,841	\$25,028,081	\$110,098,879
Ending balance: individually evaluated for impairment	\$-	\$9,218,615	\$2,889,184	\$12,107,799
Ending balance: collectively evaluated for impairment	\$24,206,957	\$51,645,226	\$22,138,897	\$97,991,080
Ending balance: loans acquired with deteriorated credit quality	\$-	\$-	\$-	\$-

SECURITY NATIONAL FINANCIAL CORPORATION
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Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

3) Investments (Continued)

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

Age Analysis of Past Due Mortgage Loans
Years Ended December 31, 2010 and 2009

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days 1)	In Foreclosure 1)	Total Past Due	Current	Total Mortgage Loans	Allowance for Loan Losses	Net Mortgage Loans
Commercial	\$-	\$734,756	\$-	\$439,794	\$1,174,550	\$23,328,231	\$24,502,781	\$-	\$24,502,781
Residential	767,970	782,174	3,537,616	7,236,095	12,323,855	47,961,418	60,285,273	(6,212,072)	54,454,801
Residential Construction	849,375	1,543,593	994,046	2,085,467	5,472,481	12,964,014	18,436,495	(858,370)	17,196,425
Total	\$1,617,345	\$3,060,523	\$4,531,662	\$9,761,356	\$18,970,886	\$84,253,663	\$103,224,549	\$(7,070,442)	\$96,154,107
Commercial	\$1,523,707	\$-	\$-	\$-	\$1,523,707	\$22,683,250	\$24,206,957	\$-	\$24,206,957
Residential	1,392,842	800,508	5,331,782	9,218,615	16,743,747	44,120,094	60,863,841	(5,917,792)	55,295,049
Residential Construction	1,684,277	834,469	2,098,554	2,889,184	7,506,484	17,521,597	25,028,081	(891,011)	23,788,070
Total	\$4,600,826	\$1,634,977	\$7,430,336	\$12,107,799	\$25,773,938	\$84,324,941	\$110,098,879	\$(6,808,803)	\$103,290,076

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

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:

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Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

3) Investments (Continued)

Impaired Loans
For the Years Ended December 31, 2010, and 2009

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
2010					
With no related allowance recorded:					
Commercial	\$439,794	\$439,794		\$439,794	\$ -
Residential	3,537,616	3,537,616		3,537,616	-
Residential construction	994,046	994,046		994,046	-
With an allowance recorded:					
Commercial	\$-	\$-	\$-	\$-	\$ -
Residential	7,236,095	7,236,095	5,131,779	7,236,095	-
Residential construction	2,085,467	2,085,467	740,000	2,085,467	-
Total:					
Commercial	\$439,794	\$439,794	\$-	\$439,794	\$ -
Residential	10,773,711	10,773,711	5,131,779	10,773,711	-
Residential construction	3,079,513	3,079,513	740,000	3,079,513	-
2009					
With no related allowance recorded:					
Commercial	\$-	\$-		\$-	\$ -
Residential	5,331,782	5,331,782		5,331,782	-
Residential construction	2,098,554	2,098,554		2,098,554	-
With an allowance recorded:					
Commercial	\$-	\$-	\$-	\$-	\$ -
Residential	9,218,615	9,218,615	4,851,669	9,218,615	-
Residential construction	2,889,184	2,889,184	740,000	2,889,184	-
Total:					
Commercial	\$-	\$-	\$-	\$-	\$ -
Residential	14,550,397	14,550,397	4,851,669	14,550,397	-
Residential construction	4,987,738	4,987,738	740,000	4,987,738	-

Credit Risk Profile Based on Performance Status

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

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

Mortgage Loan Credit Exposure
Credit Risk Profile Based on Payment Activity
As of December 31, 2010, and 2009

	Commercial		Residential		Residential Construction		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Performing	\$24,062,987	\$24,206,957	\$49,511,562	\$46,313,444	\$15,356,982	\$20,040,343	\$88,931,531	\$90,560,744
Nonperforming	439,794	-	10,773,711	14,550,397	3,079,513	4,987,738	14,293,018	19,538,135
Total	\$24,502,781	\$24,206,957	\$60,285,273	\$60,863,841	\$18,436,495	\$25,028,081	\$103,224,549	\$110,098,879

SECURITY NATIONAL FINANCIAL CORPORATION
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Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009, and 2008

3) Investments (Continued)

Non-Accrual Mortgage Loans

Once a loan is past due 90 days, it is the policy of the Company to end the accrual of interest income on the loan and write off any income that had been accrued. Interest not accrued on these loans totals \$1,852,000 and \$1,545,000 as of December 31, 2010 and 2009, respectively.

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

	Mortgage Loans on Nonaccrual Status As of December 31, 2010, and 2009	
	2010	2009
Commercial	\$ 439,794	\$ -
Residential	10,773,711	14,550,397
Residential construction	3,079,513	4,987,738
Total	\$ 14,293,018	\$ 19,538,135

Loan Loss Reserve

As described in footnote 1 when a repurchase demand is received, the relevant data is reviewed and captured so that an estimated future loss can be calculated. The key factors that are used in the estimated loss calculation are as follows: (i) lien position, (ii) payment status, (iii) claim type, (iv) unpaid principal balance, (v) interest rate, and (vi) validity of the demand. Other data is captured and is useful for management purposes, the actual estimated loss is generally based on these key factors. The Company conducts its own review upon the receipt of a repurchase demand. In many instances, the Company is able to resolve the issues relating to the repurchase demand by the third party investor without having to make any payments to the investor.

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

	Years Ended December 31,	
	2010	2009
Balance, beginning of period	\$ 11,662,897	\$ 2,775,452
Provisions for losses	4,534,231	17,306,471
Charge-offs	(10,298,103)	(8,419,026)
Balance, at December 31	\$ 5,899,025	\$ 11,662,897

The Company believes the allowance for loan losses and the loan loss reserve represent probable loan losses incurred as of the balance sheet date. There was a significant increase in the loan loss reserve in 2009 when the settlement for CitiMortgage was accrued and a subsequent significant decrease in the first quarter 2010 when the settlement payment to CitiMortgage was actually made. The loan loss reserve may not be adequate, however, for claims asserted by Bank of America, Wells Fargo and JP Morgan Chase if SecurityNational Mortgage is unable to negotiate acceptable

settlement agreements with these banks, litigation ensues, and SecurityNational Mortgage is not successful in what it believes are its significant defenses to these claims. In such event, a substantial judgment could be entered against SecurityNational Mortgage that exceeds the amount of the loan loss reserve.

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4) Receivables

Receivables consist of the following:

	December 31,	
	2010	2009
Trade contracts	\$ 5,447,268	\$ 8,039,501
Advances receivables from sales agents	1,766,823	2,282,899
Held in Escrow – Capital Reserve Life/Southern Security	616,383	616,383
Other	1,991,987	2,117,480
Total receivables	9,822,461	13,056,263
Allowance for doubtful accounts	(1,995,347)	(2,183,056)
Net receivables	\$ 7,827,114	\$ 10,873,207

5) Value of Business Acquired

Information with regard to value of business acquired is as follows:

	December 31,		
	2010	2009	2008
Balance at beginning of year	\$ 10,252,670	\$ 11,377,276	\$ 11,686,080
Value of business acquired	(515,147)	246,838	590,950
Imputed interest at 7%	674,463	757,048	807,217
Amortization	(1,394,290)	(2,128,492)	(1,706,971)
Net amortization charged to income	(719,827)	(1,371,444)	(899,754)
Balance at end of year	\$ 9,017,696	\$ 10,252,670	\$ 11,377,276

Presuming no additional acquisitions, net amortization charged to income is expected to approximate \$804,000, \$767,000, \$688,000, \$657,000, and \$508,000 for the years 2011 through 2015. Actual amortization may vary based on changes in assumptions or experience. As of December 31, 2010, value of business acquired is being amortized over a weighted average life of 8.3 years.

6) Property and Equipment

The cost of property and equipment is summarized below:

	December 31,	
	2010	2009
Land and buildings	\$ 14,344,140	\$ 15,069,284
Furniture and equipment	13,002,174	16,058,583
	27,346,314	31,127,867

Less accumulated		
depreciation	(16,235,255)	(19,133,583)
Total	\$ 11,111,059	\$ 11,994,284

Depreciation expense for the years ended December 31, 2010 and 2009 was \$1,811,931 and \$1,956,215, respectively.

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7) Bank Loans Payable

Bank loans payable are summarized as follows:

	2010	December 31, 2009
6% note payable in monthly installments of \$5,693 including principal and interest, collateralized by real property, with a book value of approximately \$518,000, due September 2015.	\$ 412,860	\$ 457,420
6.34% note payable in monthly installments of \$13,556 including principal and interest, collateralized by real property with a book value of approximately \$520,000, due November 2017.	997,546	1,109,975
Bank prime rate less .28% (2.97% at December 31, 2010) collateralized by shares of Security National Life Insurance Company Stock, due June 2011.	357,336	1,192,820
5.75% note payable in monthly installments of \$28,271 including principal and interest, collateralized by real property with a book value of approximately \$6,311,000 due December 2014.	3,887,818	4,000,000
Bank prime rate less .75% (2.50% at December 31, 2010) collateralized by shares of Security National Life Insurance Company Stock, due June 2011.	825,000	1,375,000
Mark to market of interest rate swaps (discussed below) adjustment	116,533	101,251
Other collateralized bank loans payable	269,345	419,779
Total bank loans	6,866,438	8,656,245
Less current installments	1,708,819	2,319,017
Bank loans, excluding current installments	\$ 5,157,619	\$ 6,337,228

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7) Bank Loans Payable (Continued)

During 2001, the Company entered into a \$2,000,000 note payable to a bank with interest due at a variable interest rate of the Libor rate plus 1.65%. During 2001, the Company also entered into an interest rate swap instrument that effectively fixed the interest rate on the note payable at 6.34% per annum. Management considers the interest rate swap instrument an effective cash flow hedge against the variable interest rate on the bank note since the interest rate swap mirrors the term of the note payable and expires on the maturity date of the bank loan it hedges. The interest rate swap is a derivative financial instrument carried at its fair value.

In the event the swap is terminated, any resulting gain or loss would be deferred and amortized to interest expense over the remaining life of the bank loan it hedged. In the event of early extinguishment the hedged bank loan, any realized or unrealized gain or loss from the hedging swap would be recognized in income coincident with the extinguishment.

At December 31, 2010, the fair value of the interest rate swap was an unrealized loss of \$116,533 and was computed based on the underlying variable Libor rate plus 1.65%, or 2.65% per annum. The unrealized loss resulted in a derivative liability of \$116,533 and has been reflected in accumulated other comprehensive income. The change in accumulated other comprehensive income from the interest rate swap in 2010 was \$15,281. The fair value of the interest rate swap was derived from a proprietary model of the bank from whom the interest rate swap was purchased and to whom the note is payable.

At December 31, 2009, the fair value of the interest rate swap was an unrealized loss of \$101,251 and was computed based on the underlying variable Libor rate plus 1.65%, or 2.65% per annum. The unrealized loss resulted in a derivative liability of \$101,251 and has been reflected in accumulated other comprehensive income. The change in accumulated other comprehensive income from the interest rate swap in 2009 was \$66,277. The fair value of the interest rate swap was derived from a proprietary model of the bank from whom the interest rate swap was purchased and to whom the note is payable.

See Note 8 for summary of maturities in subsequent years.

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8) Notes and Contracts Payable

Notes and contracts payable are summarized as follows:

	2010	December 31, 2009
Unsecured note payable due to former stockholders of Deseret Memorial, Inc. resulting from the acquisition of such entity. Amount represents the present value, discounted at 8%, of monthly annuity payments of \$5,900, due September 2011.	\$ 45,752	\$ 109,366
Other notes payable	153,785	174,378
Total notes and contracts payable	199,537	283,744
Less current installments	69,148	85,168
Notes and contracts, excluding current installments	\$ 130,389	\$ 198,576

The Company has a \$2,000,000 revolving line-of-credit with a bank with interest payable at the variable overnight Libor rate plus 2.25% (2.51% for December 2010), secured by the capital stock of the Security National Life and maturing June 30, 2012. As of December 31, 2010, there were no amounts outstanding under the revolving line-of-credit.

The Company has a \$6,000,000 revolving line-of-credit with a bank with interest payable at the prime rate minus .75% (2.50% at December 31, 2010), secured by the capital stock of Security National Life and maturing June 15, 2011, renewable annually. As of December 31, 2010, there were no amounts outstanding under the revolving line-of-credit. As of December 31, 2010, \$3,485,886 was available and \$1,689,114 was reserved for three outstanding letters of credit. \$1,500,000 was carved out for a loan in September 2008 that as of December 31, 2010 has a balance of \$825,000 (refer to note 7). As the principal payments on the loan are made the line of credit amount increases in availability.

The Company has a \$15,000,000 revolving line-of-credit with a bank with interest payable at the variable overnight Libor rate plus 2% (2.26% for December 2010), secured by bond investments of the Company and maturing April 15, 2011. As of December 31, 2010, there were no amounts outstanding under the revolving line-of-credit.

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8) Notes and Contracts Payable (Continued)

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

2011	\$1,777,967
2012	409,999
2013	402,837
2014	3,740,794
2015	403,771
Thereafter	330,607
Total	\$7,065,975

Interest paid approximated interest expense in 2010, 2009 and 2008 which was \$2,778,920, \$3,326,161 and \$7,448,454, respectively.

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

The Company is required by state law to pay into perpetual care trusts a portion of the proceeds from the sale of cemetery property interment rights. The related cemetery perpetual care trusts are defined as variable interest entities pursuant to generally accepted accounting principles. Also, management has determined that the Company is the primary beneficiary of these trusts, as it absorbs both a majority of the losses and returns associated with the trusts. The Company has consolidated cemetery perpetual care trust investments with a corresponding amount recorded as Cemetery Perpetual Care Obligation in the accompanying consolidated balance sheets.

The components of the cemetery perpetual care obligation are as follows:

	December 31,	
	2010	2009
Trust investments, at market value	\$ 1,454,694	\$ 1,104,046
Note receivables from Cottonwood Mortuary Singing Hills Cemetery and Memorial Estates - Pinehill eliminated in consolidation	2,013,174	2,052,331
Total trust assets	3,467,868	3,156,377
Cemetery perpetual care obligation	(2,853,727)	(2,756,174)
Fair value of trust assets in excess of trust obligations	\$ 614,141	\$ 400,203

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

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

Assets in the restricted asset account are summarized as follows:

	December 31,	
	2010	2009
Cash and cash equivalents	\$ 1,522,295	\$ 1,175,646
Mutual funds	467,413	416,002
Fixed maturity securities	8,775	8,775
Equity securities	78,020	76,850
Participating in Mortgage loans with Security National Life	989,876	916,141
Total	\$ 3,066,379	\$ 2,593,414

A surplus note receivable and interest in the amount of \$4,000,000 from Security National Life was eliminated in consolidation.

10) Income Taxes

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

	December 31,	
	2010	2009
Current	\$ 21,224	\$ 608,060
Deferred	15,334,961	16,736,809
Total	\$ 15,356,185	\$ 17,344,869

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

	December 31,	
	2010	2009
Assets		
Future policy benefits	\$ (6,195,069)	\$ (6,140,507)
Loan loss reserve	(2,005,669)	(2,679,449)
Unearned premium	(1,929,161)	(1,768,838)
Other	(1,064,441)	(1,296,635)
Less: Valuation allowance	6,105,175	6,727,260
Total deferred tax assets	(5,089,165)	(5,158,169)
Liabilities		
	9,503,086	9,146,293

Deferred policy acquisition costs		
Basis difference in property and equipment	2,873,142	4,018,057
Value of business acquired	3,336,548	3,793,488
Installment sales	2,172,164	2,356,322
Trusts	2,014,812	1,908,905
Available for sale securities	24,632	6,147
Tax on unrealized appreciation	499,742	665,766
Total deferred tax liabilities	20,424,126	21,894,978
Net deferred tax liability	\$ 15,334,961	\$ 16,736,809

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10) Income Taxes (Continued)

Insurance companies with total assets less than \$500 million receive a special deduction that lowers their effective tax rate. The Company's valuation allowance relates to differences created by the small life insurance company deduction. If the Company exceeds \$500 million in consolidated tax assets, for tax purposes, this valuation allowance would diminish.

The increase in the valuation allowance was \$152,792 and \$715,562 during 2010 and 2009, respectively.

The Company paid \$108,522, \$750,844, and \$505,962 in income taxes for 2010, 2009 and 2008, respectively. The Company's income tax expense (benefit) is summarized as follows for the year ended December 31:

	2010	2009	2008
Current	\$ 171,133	\$ 1,002,789	\$ 214,888
Deferred	(829,929)	1,366,336	(234,338)
Other	-	204,653	175,108
Total	\$ (658,796)	\$ 2,573,778	\$ 155,658

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

	2010	2009	2008
Computed expense at statutory rate	\$(370,403)	\$2,158,204	\$248,374
Special deductions allowed small life insurance companies	(351,847)	(50,983)	(20,918)
Other, net	63,454	466,557	(71,798)
Tax expense	\$(658,796)	\$2,573,778	\$155,658

At December 31, 2010, the Company had \$516,401 of unrecognized tax benefits principally relating to tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. At December 31, 2010, the Company had \$22,123 in interest and penalties related to unrecognized tax benefits. The Company accounts for interest expense and penalties for unrecognized tax benefits as part of its income tax provision. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. As of December 31, 2010, the Company does not expect any material changes to the estimated amount of unrecognized tax benefits in the next twelve months. Federal and state income tax returns for 2007 through 2010 are open tax years.

11) Reinsurance, Commitments and Contingencies

Reinsurance

The Company follows the procedure of reinsuring risks in excess of a specified limit, which ranged from \$25,000 to \$100,000 during the years 2010 and 2009. The Company is liable for these amounts in the event such reinsurers are unable to pay their portion of the claims. The Company has also assumed insurance from other companies having insurance in force amounting to approximately \$1,801,414,000 (unaudited) at December 31, 2010 and approximately \$1,346,932,000 (unaudited) at December 31, 2009.

On December 31, 2008, the Company entered into a Coinsurance Funds Withheld Reinsurance Agreement with Continental American Insurance Company (“Continental American”), a South Carolina domiciled insurance company. This agreement was effective November 30, 2008. Under the terms of the agreement, the Company ceded to Continental American a block of deferred annuities in the amount of \$4,828,487 as of December 31, 2008 and retained the assets and recorded a funds held under coinsurance liability for the same amount. Continental American agreed to pay the Company an initial ceding commission of \$60,000 and a quarterly management fee of \$16,500 per quarter to administer the policies. The Company will also receive a 90% experience refund for any profits from the business. The Company has the right to recapture the business on each January 1 following December 31, 2008, or any other date if mutually agreed and with at least 90 days’ prior written notice to Continental American. The Company and Continental American terminated this agreement on March 31, 2010.

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11) Reinsurance, Commitments and Contingencies (Continued)

On June 4, 2010, the Company entered into an Indemnity Coinsurance Reinsurance Agreement with American Life and Security Corporation ("American Life"), a Nebraska domiciled insurance company, effective January 1, 2010. Under the terms of the agreement, the Company ceded to American Life a block of deferred annuities in the amount of \$2,678,931 and a block of whole life policies in the amount of \$1,048,134, together with net due and deferred premiums in the amount of \$12,305, advance premiums in the amount of \$353, claims liability in the amount of \$14,486, and net policy loans in the amount of \$128,487. The total initial consideration of \$3,601,112 in cash was transferred to Wells Fargo as custodian of the assets. American Life has control of the assets subject to the terms of a custodial agreement. American Life agreed to pay the Company an initial ceding commission of \$375,000 and a management fee of \$3,500 per quarter to administer the policies. American Life agreed to indemnify the Company for these contracts and risks. The initial term on this agreement will be for a period of one year. After the initial one year term, this agreement will be automatically renewed unless American Life notifies the Company in writing of its intention not to renew no less than 180 days prior to the expiration of the then current agreement. Each automatic renewal period of this agreement will be for a term of one year. The accounting and settlement of this agreement will be on a quarterly basis and calculated pursuant to the terms thereof.

Sale of Colonial Funeral Home

In June 2007, the Company completed the sale of the Colonial Funeral Home property to the Utopia Station Development Corp. for \$730,242, net of selling costs of \$44,758. The Colonial Funeral Home ceased operations in July 2006 and has been inactive since that date. The carrying amount on the Company's financial statements on June 20, 2007 was \$148,777. As a result of the sale, including payment of selling expenses, the Company recognized a gain of \$581,465. The Company received an initial payment of \$15,242, with the remaining amount due of \$715,000 to be paid in a lump sum within a year from the date of sale. The gain was included as a part of realized gains on investments and other assets in the Company's condensed consolidated statement of earnings for the year ended December 31, 2007. In September of 2008, the Company foreclosed on the Utopia Development Corp. In October 2008, the Colonial Property was sold to RTTTA, LLC for \$650,000 less selling costs of \$26,079. The reduction of the 2007 gain by \$91,079 was recorded as a loss in 2008.

Non-Cancelable Leases

The Company leases office space and equipment under various non-cancelable agreements, with remaining terms up to five years. Minimum lease payments under these non-cancelable operating leases as of December 31, 2010, are approximately as follows:

	Years Ending December 31
2011	\$ 1,042,612
2012	675,530
2013	307,604
2014	217,438

2015	102,776
Total	\$2,345,960

Total rent expense related to non-cancelable operating leases for the years ended December 31, 2010, 2009, and 2008 was approximately \$2,086,000, \$2,134,000, and \$2,074,000, respectively.

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11) Reinsurance, Commitments and Contingencies (Continued)

Mortgage Loan Loss Settlements

Aurora Loan Services

On April 15, 2005, SecurityNational Mortgage entered into a Loan Purchase Agreement with Lehman Brothers Bank (“Lehman Brothers”). Under the terms of the Loan Purchase Agreement, Lehman Brothers agreed to purchase mortgage loans from time to time from SecurityNational Mortgage. During 2007, Lehman Brothers and its wholly owned subsidiary, Aurora Loan Services LLC, purchased a total of 1,490 mortgage loans in the aggregate amount of \$352,774,000 from SecurityNational Mortgage. On January 17, 2008 Aurora Loan Services announced it was suspending all wholesale and correspondent mortgage originations. As a result of this policy change, Lehman Brothers and Aurora Loan Services discontinued purchasing mortgage loans from mortgage brokers and lenders, including SecurityNational Mortgage.

During 2007, Aurora Loan Services maintained that as part of its quality control efforts it reviewed mortgage loans purchased from SecurityNational Mortgage and determined that certain of the loans contained alleged misrepresentations and early payment defaults. Aurora Loan Services further maintained that these alleged breaches in the purchased mortgage loans provide Lehman Brothers and Aurora Loan Services with the right to require SecurityNational Mortgage to immediately repurchase the mortgage loans containing the alleged breaches in accordance with the terms of the Loan Purchase Agreement. In order for Lehman Brothers and Aurora Loan Services to refrain from demanding immediate repurchase of the mortgage loans by SecurityNational Mortgage, SecurityNational Mortgage was willing to enter into an agreement to indemnify Lehman Brothers and Aurora Loan Services for any losses incurred in connection with certain mortgage loans with alleged breaches that were purchased from SecurityNational Mortgage.

On December 17, 2007, SecurityNational Mortgage entered into an Indemnification Agreement with Lehman Brothers and Aurora Loan Services. Under the terms of the Indemnification Agreement, SecurityNational Mortgage agrees to indemnify Lehman Brothers and Aurora Loan Services for 75% of all losses that Lehman Brothers and Aurora Loan Services may have as a result of any current or future defaults by mortgagors on 54 mortgage loans that were purchased from SecurityNational Mortgage and listed as an attachment to the Indemnification Agreement. SecurityNational Mortgage is released from any obligation to pay the remaining 25% of such losses. The Indemnification Agreement also requires SecurityNational Mortgage to indemnify Lehman Brothers and Aurora Loan Services for 100% of any future losses incurred on mortgage loans with alleged breaches that are not listed on the attachment to the agreement.

Concurrently with the execution of the Indemnification Agreement, SecurityNational Mortgage paid \$395,000 to Aurora Loan Services as a deposit into a reserve account to secure the obligations of SecurityNational Mortgage under the Indemnification Agreement. This deposit is in addition to a \$250,000 deposit that SecurityNational Mortgage made to Lehman Brothers and Aurora Loan Services on December 10, 2007, for a total of \$645,000. Losses from mortgage loans with alleged breaches are payable by SecurityNational Mortgage from the reserve account. However, Lehman Brothers and Aurora Loan Services are not to apply any funds from the reserve account to a particular mortgage loan until an actual loss has occurred.

The Indemnification Agreement further provides that Aurora Loan Services will be entitled to have hold back 25 basis points on any mortgage loans that Lehman Brothers or Aurora Loan Services purchases from SecurityNational Mortgage and to add the amount of the basis point holdbacks to the reserve account. SecurityNational Mortgage agreed to deliver to Aurora Loan Services at least \$300,000,000 in mortgage loans on an annual basis or at least \$600,000,000 in 24 months. These provisions may not be effective, however, because Lehman Brothers and Aurora Loan Services have discontinued purchasing mortgage loans from SecurityNational Mortgage. SecurityNational Mortgage also agrees to pay to Aurora Loan Services the difference between the reserve account balance and \$645,000, but in no event will SecurityNational Mortgage be required to pay any amount into the reserve account that would result in a total contribution, including both the basis point holdbacks and cash payments, in excess of \$125,000 for any calendar month.

During 2008 and 2009, SecurityNational Mortgage made \$2,261,000 in total payments to Aurora Loan Services pursuant to the Indemnification Agreement. During 2010, SecurityNational Mortgage made payments to Aurora Loan Services of \$1,375,000. When SecurityNational Mortgage entered into the Indemnification Agreement, it anticipated using basis point holdbacks from loan production credits toward satisfying the \$125,000 monthly obligations. Because Lehman Brothers and Aurora Loan Services discontinued purchasing mortgage loans from SecurityNational Mortgage shortly after the Indemnification Agreement was executed, SecurityNational Mortgage has not had the benefit of using the basis point holdbacks toward payment of the \$125,000 monthly obligations.

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11) Reinsurance, Commitments and Contingencies (Continued)

Since the reserve account was established in 2007, funds have been paid out of the account to indemnify \$4,269,000 in losses from 31 mortgage loans that were among the 54 mortgage loans with alleged breaches which were listed on the attachment to the Indemnification Agreement and ten other mortgage loans with alleged breaches which were not listed on the attachment. The estimated potential loss from 17 of the remaining mortgage loans, which would allegedly require indemnification by SecurityNational Mortgage for such losses, is \$2,826,000. An additional six mortgage loans listed on the attachment to the Indemnification Agreement are not included among the 17 remaining loans because SecurityNational Mortgage has not yet received repurchase demands in regards to such loans.

During 2008, 2009 and 2010, the Company recognized alleged losses of \$1,636,000, \$1,032,000 and \$1,289,000, respectively. However, management cannot fully determine the total losses because there are losses concerning the rights of the Company that need to be determined, including the rights that the Company may have as a result of Lehman Brothers' and Aurora Loan Services' refusal to purchase subsequent loans from SecurityNational Mortgage soon after the Indemnification Agreement was executed. The Company has not accrued for losses under the Indemnification Agreement as of December 31, 2010. The Company is currently involved in discussions with Lehman Brothers as to issues under the Indemnification Agreement. During the discussions, the monthly payments for December 2010 and January, February, March and April 2011 totaling \$625,000 have been abated or deferred, as the case may be, with the consent of Lehman Brothers.

CitiMortgage

On November 24, 2009, a complaint was filed in the United States District Court, Eastern District of Missouri, by CitiMortgage, Inc. against SecurityNational Mortgage Company. The complaint claimed that at various times since May 3, 2004 SecurityNational Mortgage sold mortgage loans to CitiMortgage that did not meet requirements under certain agreements between CitiMortgage and SecurityNational Mortgage, the complaint specifically addressing 19 mortgage loans. The complaint further alleged that with respect to the 19 mortgage loans, SecurityNational Mortgage refused to cure these alleged nonconforming mortgage loans or to repurchase such loans. Because of SecurityNational Mortgage's alleged failure to comply with its repurchase obligations in such agreements, the complaint contended that SecurityNational Mortgage owed CitiMortgage in excess of \$3,226,000. The complaint also requested an order requiring SecurityNational Mortgage to perform its obligations under the agreements with CitiMortgage, including to repurchase the defective mortgage loans.

SecurityNational Mortgage disputed the claims that CitiMortgage asserted in the complaint. On February 15, 2010, SecurityNational Mortgage and CitiMortgage reached a settlement on the disputed claims. The settlement covered the 19 mortgage loans in the complaint and, in addition, other mortgage loans that CitiMortgage purchased from SecurityNational Mortgage. Under the terms of the Settlement Agreement and Release, SecurityNational Mortgage paid a settlement amount to CitiMortgage. The Company reserved a sufficient amount to cover the settlement payment in its consolidated financial statements at December 31, 2009.

The Settlement Agreement and Release specifically provides that SecurityNational Mortgage and CitiMortgage fully release each other from any and all claims, liabilities and causes of action that each had or may have had against the other concerning the 19 mortgage loans identified in the complaint and the other mortgage loans that CitiMortgage purchased from SecurityNational Mortgage prior to the date of the agreement. The agreement does not extend to any

mortgage loans purchased by CitiMortgage after the effective date of the settlement agreement nor to claims by borrowers.

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11) Reinsurance, Commitments and Contingencies (Continued)

Mortgage Loan Loss Settlement Discussions

Bank of America, Wells Fargo and JP Morgan Chase

There have been assertions in third party investor correspondence that SecurityNational Mortgage sold mortgage loans that allegedly contained misrepresentations or experienced early payment defaults, or that were otherwise allegedly defective or not in compliance with agreements between SecurityNational Mortgage and the third party investors. As a result of these claims, third party investors, including Bank of America – Countrywide Home Loans, Inc. (“Bank of America”), Wells Fargo Funding, Inc. (“Wells Fargo”) and JP Morgan Chase Bank – EMC Mortgage Corp. (“JP Morgan Chase”), have made demands 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.

As of December 31, 2010, Bank of America, Wells Fargo and JP Morgan Chase have asserted estimated potential claims of \$32,000,000 relating to loan repurchases, loan indemnifications and other loan issues. The Company has estimated the potential losses for the asserted claims by these banks to be less. The Company has reserved and accrued \$5,899,027 as of December 31, 2010 to settle all such investor related claims. The Company believes this amount is adequate to resolve the claims and the amount represents the Company’s estimate of possible losses relating to any outstanding claims by these banks.

These claims are greater than the net asset value of SecurityNational Mortgage, which was \$17,935,000 on December 31, 2010, and its reserve for mortgage loan loss, which was \$5,899,027 on December 31, 2010. The Company disagrees with the claims asserted by Bank of America, Wells Fargo and JP Morgan Chase against SecurityNational Mortgage and believes it has significant defenses to these claims.

SecurityNational Mortgage was involved in settlement discussions with Bank of America during the second and third quarters of 2010, and is currently involved in settlement discussions with Wells Fargo in an attempt to settle the claims asserted by the banks. On March 24, 2011, SecurityNational Mortgage received a proposed settlement agreement and release from Wells Fargo. SecurityNational Mortgage is currently evaluating the terms of the proposed agreement. The proposed settlement was considered in the Company’s determination of its loan loss reserve. Any additional loss in excess of the current loan loss reserve cannot be estimated as negotiations are still in progress. It is possible that the negotiations could result in a change in the estimate of the loan loss reserve.

If SecurityNational Mortgage is unable to negotiate acceptable terms with Bank of America, Wells Fargo and JP Morgan Chase, legal action may ensue in an effort to obtain amounts that the banks claim are allegedly due. In the event of legal action, if SecurityNational Mortgage is not successful in its defenses against claims asserted by these banks to the extent that a substantial judgment was entered against SecurityNational Mortgage that is beyond its capacity to pay, SecurityNational Mortgage may be required to curtail or cease operations.

Termination of Business Relationship with Bank of America

During settlement discussions with Bank of America during the second and third quarters of 2010, Bank of America made a settlement proposal to SecurityNational Mortgage. When SecurityNational Mortgage declined to accept the

settlement proposal, which it regarded as unreasonable and onerous, Bank of America notified SecurityNational Mortgage by letter dated October 20, 2010, of its decision to terminate its business relationship with SecurityNational Mortgage. In particular, the letter provided notice of termination of the Loan Purchase Agreement, dated September 27, 1994, between SecurityNational Mortgage and Countrywide Funding Corporation. As a result, Bank of America is no longer accepting any new commitments for mortgage loans from SecurityNational Mortgage. However, Bank of America completed the purchase of mortgage loans from SecurityNational Mortgage involving mortgage loan commitments that had been made before October 20, 2010.

Bank of America also stated in the October 20, 2010 letter that termination of its business relationship with SecurityNational Mortgage would not affect the obligations, representations, warranties or indemnifications by SecurityNational Mortgage under mortgage loans previously sold to Bank of America under the Loan Purchase Agreement. Accompanying the termination letter to SecurityNational Mortgage was a notice letter from Bank of America, also dated October 20, 2010. In the notice letter Bank of America stated that it was withdrawing all prior and pending settlement proposals involving SecurityNational Mortgage and the Company. Bank of America further stated that it intended to exercise certain rights under the Loan Purchase Agreement by debiting \$5,970,941 from amounts in the over/under Account that it had been holding for the benefit of SecurityNational Mortgage. Bank of America also maintained it had the right to debit additional amounts credited to the over/under Account for payment of additional obligations that SecurityNational Mortgage allegedly owed to Bank of America.

SECURITY NATIONAL FINANCIAL CORPORATION
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Years Ended December 31, 2010, 2009, and 2008

11) Reinsurance, Commitments and Contingencies (Continued)

The Company believes that Bank of America wrongfully applied the \$5,970,941 from the over/under Account toward payment of outstanding obligations that SecurityNational Mortgage allegedly owed to Bank of America. In a letter dated October 22, 2010 to Bank of America, SecurityNational Mortgage stated, without waiving any of its rights against Bank of America, that it objected to Bank of America debiting \$5,970,941 from the over/under Account, as well as any amount attempted to be debited thereafter without specific written approval of SecurityNational Mortgage. SecurityNational Mortgage had sent letters to Bank of America requesting a withdrawal of funds from the over/under Account before Bank of America had debited the \$5,970,941 from the account. SecurityNational Mortgage recognized this withdrawal of funds by Bank of America by reducing the balance of SecurityNational Mortgage's accrued losses on loans sold (a liability account) and its restricted cash held by Bank of America. SecurityNational Mortgage is currently determining what action to take against Bank of America for wrongfully debiting the funds from the over/under Account. As a result of the termination of the business relationship with Bank of America, SecurityNational Mortgage will have less flexibility on pricing when selling mortgage loans to third party investors. In addition, with the loss of Bank of America's Early Purchase Program for mortgage loans sold to Bank of America, it will take longer for SecurityNational Mortgage to sell its mortgage loans to third party investors.

Other Contingencies and Commitments

The Company has entered into commitments to fund new residential construction loans. As of December 31, 2010 the Company's commitments are \$20,056,362 for these loans of which \$18,452,037 had been funded. The Company will advance funds once the work has been completed and an independent inspection is made. The maximum loan commitment ranges between 50% to 80% of appraised value. The Company receives fees from the borrowers and the interest rate is generally 2% to 6.75% over the bank prime rate (3.25% as of December 31, 2010). Maturities range between six and twelve months.

At December 31, 2010, SecurityNational Mortgage was contingently liable under a standby letter of credit aggregating \$1,250,000, to be used as collateral to cover any contingency relating to claims filed in states where SecurityNational Mortgage is licensed. SecurityNational Mortgage does not expect any material losses to result from the issuance of the standby letter of credit. Accordingly, the estimated fair value of these instruments is zero.

At December 31, 2010, the Company was contingently liable under a standby letter of credit aggregating \$383,114, to be used as collateral to cover any contingency related to additional risk assessments pertaining to the Company's self-insurance casualty 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 these instruments is zero.

The Company is self insured for certain casualty insurance, worker compensation and liability programs. Self-Insurance reserves are maintained relative to these programs. The level of exposure from catastrophic events is limited by the purchase of stop-loss and aggregate liability reinsurance coverages. When estimating the self-insurance liabilities and related reserves, management considers a number of factors, which include historical claims experience, demographic factors, severity factors and valuations provided by independent third-party actuaries. Management reviews its assumptions with its independent third-party administrators and actuaries to evaluate whether the self-insurance reserves are adequate. If actual claims or adverse development of loss reserves occurs and exceed these

estimates, additional reserves may be required. The estimation process contains uncertainty since management must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and unreported claims for incidents incurred but not reported as of the balance sheet date. At December 31, 2010, \$655,996 of reserves was established related to such insurance programs versus \$694,738 at December 31, 2009.

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Notes to Consolidated Financial Statements
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11) Reinsurance, Commitments and Contingencies (Continued)

The Company is a defendant in various other legal actions arising from the normal conduct of business. Management believes that none of the actions will have a material effect on the Company's financial position or results of operations. Based on management's assessment and legal counsel's representations concerning the likelihood of unfavorable outcomes, no amounts have been accrued for the above claims in the consolidated financial statements.

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

The Company and its subsidiaries have a noncontributory Employee Stock Ownership Plan (ESOP) for all eligible employees. Eligible employees are primarily those with more than one year of service, who work in excess of 1,000 hours per year. Contributions, which may be in cash or stock of the Company, are determined annually by the Board of Directors.

The Company's contributions are allocated to eligible employees based on the ratio of each eligible employee's compensation to total compensation for all eligible employees during each year. The Company did not make any contributions for 2010, 2009 and 2008. At December 31, 2010 the ESOP held 628,337 shares of Class A and 1,982,118 shares of Class C common stock of the Company. All shares held by the ESOP have been allocated to the participating employees and all shares held by the ESOP are considered outstanding for purposes of computing earnings per share.

The Company has three 401(k) savings plans covering all eligible employees, as defined above, which includes employer participation in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plans allow participants to make pretax contributions up to a maximum of \$16,500, \$16,500 and \$15,500 for the years 2010, 2009 and 2008, respectively or the statutory limits.

Beginning January 1, 2008, the Company elected to be a "Safe Harbor" Plan for its matching 401(k) contributions. The Company matched 100% of up to 3% of an employee's total annual compensation and matched 50% of 4% to 5% of an employee's annual compensation. The match was in Company Stock. The Company's contribution for 2010, 2009 and 2008 was \$344,772, \$341,360 and \$365,925, respectively under the "Safe Harbor" plan.

In 2001, the Company's Board of Directors adopted a Deferred Compensation Plan. Under the terms of the Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The Board has appointed a Committee of the Company to be the Plan Administrator and to determine the employees who are eligible to participate in the plan. The employees who participate may elect to defer a portion of their compensation into the plan. The Company may contribute into the plan at the discretion of the Company's Board of Directors. The Company did not make any contributions for 2010, 2009 and 2008.

The Company has deferred compensation agreements with its Chief Executive Officer and its past Senior Vice President. The deferred compensation is payable on the retirement or death of these individuals either in annual installments over 10 years or in a lump sum settlement, if approved by the Board of Directors. The amount payable is

\$75,184 per year with cost of living adjustments each anniversary. The compensation agreements also provide that any remaining balance will be payable to their heirs in the event of their death. In addition, the agreements provide that the Company will pay the Group Health coverage for these individuals and/or their spouses. In 2010, the Company decreased its liability for these future obligations by \$37,352 and in 2009 decreased its liability by \$32,777. The current balance as of December 31, 2010 is \$656,900.

SECURITY NATIONAL FINANCIAL CORPORATION
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12) Retirement Plans

On July 16, 2004, the Company entered into an employment agreement with Scott M. Quist, its President and Chief Operating Officer. The agreement is effective as of December 4, 2003 and has a five-year term, but the Company has agreed to renew the agreement on December 4, 2008 and 2013 for additional five-year terms, provided Mr. Quist performs his duties with usual and customary care and diligence. Under the terms of the agreement, Mr. Quist is to devote his full time to the Company serving as its President, and Chief Operating Officer at not less than his current salary and benefits. The Company also agrees to maintain a group term life insurance policy of not less than \$1,000,000 on Mr. Quist's life and a whole life insurance policy in the amount of \$500,000 on Mr. Quist's life. In the event of disability, Mr. Quist's salary would be continued for up to five years at 75% of its current level.

In the event of a sale or merger of the Company and Mr. Quist is not retained in his current position, the Company would be obligated to continue Mr. Quist's current compensation and benefits for seven years following the merger or sale. The agreement further provides that Mr. Quist is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 65), (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to 75% of his then current rate of compensation. However, in the event that Mr. Quist dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company expensed \$144,935 and \$127,290 in fiscal 2010 and 2009, respectively, to cover the present value of anticipated retirement benefits under the employment agreement. The liability accrued is \$976,126 and \$831,170 as of December 31, 2010 and 2009, respectively.

On December 4, 2003, the Company, through its subsidiary SecurityNational Mortgage Company, entered into an employment agreement with J. Lynn Beckstead, Jr., Vice President of Mortgage Operations and President of SecurityNational Mortgage Company. The agreement has a five-year term, but the Company has agreed to renew the agreement on December 4, 2008 and 2013 for additional five-year terms, provided Mr. Beckstead performs his duties with usual and customary care and diligence. Under the terms of the agreement, Mr. Beckstead is to devote his full time to the Company serving as President of SecurityNational Mortgage Company at not less than his current salary and benefits, and to include \$350,000 of life insurance protection. In the event of disability, Mr. Beckstead's salary would be continued for up to five years at 50% of its current level.

In the event of a sale or merger of the Company and Mr. Beckstead is not retained in his current position, the Company would be obligated to continue Mr. Beckstead's current compensation and benefits for five years following the merger or sale. The agreement further provides that Mr. Beckstead is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 62½) (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to one-half of his then current annual salary. However, in the event that Mr. Beckstead dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company expensed in 2010 and 2009 approximately \$58,923 and \$52,295, respectively, to cover the present value of the retirement benefit of the agreement. The liability accrued is \$474,519 and \$415,595, as of December 31, 2010 and 2009, respectively.

13) Capital Stock

The Company has two classes of common stock with shares outstanding, Class A and Class C. Class C shares vote share for share with the Class A shares on all matters except election of one third of the directors who are elected

solely by the Class A shares, but generally are entitled to a lower dividend participation rate. Class C shares are convertible into Class A shares at any time on a ten to one ratio.

Stockholders of both classes of common stock have received 5% stock dividends in the years 1990 through 2010, as authorized by the Company's Board of Directors.

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13) Capital Stock (Continued)

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

The following table summarizes the activity in shares of capital stock for the three-year period ended December 31, 2010:

	Class A	Class C
Balance at December 31, 2007	7,885,229	8,530,699
Exercise of stock options	--	--
Stock dividends	394,677	423,635
Conversion of Class C to Class A	4,203	(42,019)
Balance at December 31, 2008	8,284,109	8,912,315
Exercise of stock options	16,481	--
Stock dividends	415,868	438,776
Conversion of Class C to Class A	13,689	(136,880)
Reinstatement	80	--
Balance at December 31, 2009	8,730,227	9,214,211
Exercise of stock options	10,174	--
Stock dividends	437,138	460,005
Conversion of Class C to Class A	1,406	(14,064)
Reinstatement	-	--
Balance at December 31, 2010	9,178,945	9,660,152

Earnings per share amounts have been retroactively adjusted for the effect of annual stock dividends. In accordance with accounting principles generally accepted in the United States of America, the basic and diluted earnings per share amounts were calculated as follows:

	2010	2009	2008
Numerator:			
Net earnings (loss)	\$ (430,624)	\$ 3,773,880	\$ 574,853
Denominator:			
Denominator for basic earnings per share-weighted-average shares	8,716,921	8,697,222	9,103,118

Effect of dilutive securities			
Employee stock options	-	2,368	--
Dilutive potential common shares	-	2,368	--
Denominator for diluted earnings (loss) per share-adjusted weighted-average shares and assumed conversions			
	8,716,921	8,699,590	9,103,118
Basic earnings (loss) per share	\$ (0.05)	\$ 0.43	\$ 0.06
Diluted earnings (loss) per share	\$ (0.05)	\$ 0.43	\$ 0.06

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14) Stock Compensation Plans

The Company has four fixed option plans (the “1993 Plan,” the “2000 Plan”, the “2003 Plan” and the “2006 Plan”) Compensation expense for options issued of \$520,457 and \$485,986 has been recognized under these plans for 2010 and 2009, respectively, and \$375,046 has been recognized for 2008. Deferred tax credit has been recognized related to compensation expense of \$176,955, \$165,235 and \$127,516 for years 2010, 2009 and 2008, respectively.

The weighted-average fair value of each option granted during 2010 under the 2003 Plan and the 2006 Plan, is estimated at \$0.77 and \$0.71 for the December 3, 2010 options as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 65%, risk-free interest rate of 3.4%, and an expected life of five to ten years.

The weighted-average fair value of each option granted in 2009 under the 2003 Plan and the 2006 Plan, is estimated at \$1.55 and \$1.70 for the December 4, 2009 options as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 72%, risk-free interest rate of 3.4%, and an expected life of five to ten years.

The weighted-average fair value of each option granted in 2008 under the 2003 Plan and the 2006 Plan, is estimated at \$2.15 for the March 31, 2008 options and \$1.10 for the December 5, 2008 options as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 63%, risk-free interest rate of 3.4%, and an expected life of five to ten years.

The Company generally estimates the expected life of the options based upon the contractual term of the options. Future volatility is estimated based upon the historical volatility of the Company’s Class A common stock over a period equal to the estimated life of the options. Common stock issued upon exercise of stock options are generally new share issuances rather than from treasury shares. Future compensation relating to non-vested stock options at December 31, 2010 is not material.

Description and activity for each Plan is summarized as follows:

1993 Stock Incentive Plan

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

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

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

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

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14) Stock Compensation Plans (Continued)

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

On October 14, 1999, the Company amended the 1993 Plan to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 600,000 Class A shares to 1,046,126 Class A shares. The Plan had a term of ten years and was terminated in 2003 and options granted thereunder are non-transferable.

The aggregated intrinsic value of the options outstanding is zero because the strike price is greater than the market price.

Activity of the 1993 Plan is summarized as follows:

	Number of Class A Shares	Option Price
Outstanding at December 31, 2007	291,703	\$1.71 - \$4.62
Adjustment for the effect of stock dividends	13,466	
Exercised	--	
Cancelled	(22,402)	
Outstanding at December 31, 2008	282,767	\$1.62 - \$4.40
Adjustment for the effect of stock dividends	13,902	
Exercised	--	
Cancelled	(4,719)	
Outstanding at December 31, 2009	291,950	\$1.54 - \$4.19
Adjustment for the effect of stock dividends	14,598	
Exercised	--	
Cancelled	--	
Outstanding at December 31, 2010	306,548	\$1.47 - \$3.99
Exercisable at end of year	306,548	\$1.47 - \$3.99

Available options for future grant 1993 Stock Incentive Plan	-0-
Weighted average contractual term of options outstanding at December 31, 2010	2.1 years
Aggregated intrinsic value of options outstanding at December 31, 2010	\$ -0-

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

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14) Stock Compensation Plans (Continued)

2000 Director Stock Option Plan

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

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

The 2000 Plan terminated in 2006 and options granted are non-transferable. Options granted and outstanding under the 2000 Plan include Stock Appreciation Rights which permit the holder of the option to elect to receive cash, amounting to the difference between the option price and the fair market value of the stock at the time of the exercise, or a lesser amount of stock without payment, upon exercise of the option.

The aggregated intrinsic value of the options outstanding is zero because the strike price is greater than the market price.

Activity of the 2000 Plan is summarized as follows:

	Number of Class A Shares	Option Price
Outstanding at December 31, 2007	14,600	\$2.70 - \$4.71
Adjustment for the effect of stock dividends	474	
Granted	--	
Cancelled	(5,104)	
Outstanding at December 31, 2008	9,970	\$2.58 - \$3.02
Adjustment for the effect of stock dividends	244	
Granted	--	
Cancelled	(5,110)	
Outstanding at December 31, 2009	5,104	\$2.45
Adjustment for the effect of stock dividends	--	
Granted	--	
Cancelled	(5,104)	
Outstanding at December 31, 2010	-	\$0.00
Exercisable at end of year	-	\$0.00

Available options for future grant 2000 Director Plan	-0-
Weighted average contractual term of options outstanding at December 31, 2010	0
Aggregated intrinsic value of options outstanding at December 31, 2010	\$ -0-

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14) Stock Compensation Plans (Continued)

2003 Stock Option Plan

On July 11, 2003, the Company adopted the Security National Financial Corporation 2003 Stock Option Plan (the “2003 Plan”), which reserved 500,000 shares of Class A Common Stock and 1,000,000 shares of Class C Common Stock for issuance thereunder. On July 13, 2007, the Company amended the 2003 Plan to authorize an additional 400,000 shares of Class A Common Stock and an additional 1,000,000 shares of Class C common stock to be made available for issuance under the Plan. On July 10, 2009 the Company amended the 2003 Plan to authorize an additional 500,000 shares of Class A common stock and an additional 1,000,000 share of Class C common stock to be made available for issuance under the Plan. On July 9, 2010 the Company amended the 2003 Plan authorizing an additional 500,000 shares of Class A common stock and an additional 1,000,000 shares of Class C common stock to be made available for issuance under the Plan. The 2003 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress.

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

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

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

The aggregated intrinsic value of the options outstanding is zero because the strike price is greater than the market price.

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14) Stock Compensation Plans (Continued)

Activity of the 2003 Plan is summarized as follows:

	Number of Class A Shares	Number of Class C Shares(1)	Option Price(1)
Outstanding at December 31, 2007	455,162	--	\$2.66 - \$3.33
Adjustment for the effect of stock dividends	41,952	55,538	
Granted	389,923	1,110,770	
Exercised	--	--	
Cancelled	(6,032)	--	
Outstanding at December 31, 2008	881,005	1,166,308	\$1.43 - \$4.03
Adjustment for the effect of stock dividends	48,094	108,316	
Granted	206,500	1,000,000	
Exercised	(63,814)	--	
Cancelled	(63,814)	--	
Outstanding at December 31, 2009	1,007,971	2,274,624	\$1.36 - \$3.84
Adjustment for the effect of stock dividends	56,598	163,731	
Granted	221,600	1,000,000	
Exercised	(97,609)	--	
Cancelled	-	--	
Outstanding at December 31, 2010	1,188,560	3,438,355	\$1.30 - \$3.66
Exercisable at end of year	952,980	2,438,355	\$1.30 - \$3.66
Available options for future grant 2003 Stock Incentive Plan	817,478	5	
Weighted average contractual term of options outstanding at December 31, 2010	5.3 years		

Aggregated intrinsic value of options outstanding at December 31, 2010	\$ -0-
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(1) Class "C" shares are converted to Class "A" shares on a 10 to 1 ratio. The Option Price is based on Class A Common shares.

2006 Director Stock Option Plan

On December 7, 2006, the Company adopted the 2006 Director Stock Option Plan (the "Director Plan") effective December 7, 2006. The Director Plan provides for the grant by the Company of options to purchase up to an aggregate of 100,000 shares of Class A Common Stock for issuance thereunder and adjusted for stock dividends if any. The Director Plan provides that each member of the Company's Board of Directors who is not an employee or paid consultant of the Company automatically is eligible to receive options to purchase the Company's Class A Common Stock under the Director Plan.

Effective as of December 7, 2006, and on each anniversary date thereof during the term of the Director Plan, each outside director shall automatically receive an option to purchase 1,000 shares of Class A Common Stock. In addition, each new outside director who shall first join the Board after the effective date shall be granted an option to purchase 1,000 shares upon the date which such person first becomes an outside director and an annual grant of an option to purchase 1,000 shares on each anniversary date thereof during the term of the Director Plan. The options granted to outside directors shall vest in four equal quarterly installments over a one year period from the date of grant, until such shares are fully vested. The primary purposes of the Director Plan are to enhance the Company's ability to attract and retain well-qualified persons for service as directors and to provide incentives to such directors to continue their association with the Company.

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14) Stock Compensation Plans (Continued)

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

The aggregated intrinsic value of the options outstanding is zero because the strike price is greater than the market price.

Activity of the 2006 Plan is summarized as follows:

	Number of Class A Shares	Option Price
		\$3.57 -
Outstanding at December 31, 2007	8,610	\$4.82
Granted	34,000	
Adjustment for the effect of stock dividends	2,131	
		\$1.34 -
Outstanding at December 31, 2008	44,741	\$4.59
Granted	24,000	
Adjustment for the effect of stock dividends	3,437	
		\$1.28 -
Outstanding at December 31, 2009	72,178	\$4.37
Granted	24,000	
Adjustment for the effect of stock dividends	4,809	
		\$1.22 -
Outstanding at December 31, 2010	100,987	\$4.16
		\$1.22 -
Exercisable at end of year	75,786	\$4.16
Available options for future grant 2006 Stock Incentive Plan	26,642	
Weighted average contractual term of options outstanding at December 31, 2010	8.5 years	
Aggregated intrinsic value of options outstanding at December 31, 2010	\$	-0-

15) Statutory Surplus from Statutory Reserves

Generally, the net assets of the life insurance subsidiaries available for transfer to the Company are limited to the amounts of the life insurance subsidiaries net assets, as determined in accordance with statutory accounting practices, which were \$23,826,050 at December 31, 2010, exceed minimum statutory capital requirements; however, payments of such amounts as dividends are subject to approval by regulatory authorities.

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

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16) Business Segment Information

Description of Products and Services by Segment

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

Measurement of Segment Profit or Loss and Segment Assets

The accounting policies of the reportable segments are the same as those described in the Significant Accounting Principles. Intersegment revenues are recorded at cost plus an agreed upon intercompany profit.

Factors Management Used to Identify the Enterprise's Reportable Segments

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

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16) Business Segment Information (Continued)

	2010				
	Life	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
	Insurance				
Revenues:					
From external sources:					
Revenue from customers	\$ 38,528,437	\$ 11,520,369	\$ 98,164,113	\$ --	\$ 148,212,919
Net investment income	14,738,200	63,574	2,992,312	--	17,794,086
Realized gains (losses) on investments and other assets	1,642,174	(26,756)	--	--	1,615,418
Other than temporary impairments	(673,981)	--	--	--	(673,981)
Other revenues	1,039,016	256,862	285,237	--	1,581,115
Intersegment revenues:					
Net investment income	6,817,008	1,678,096	244,578	(8,739,682)	--
Total revenues	62,090,854	13,492,145	101,686,240	(8,739,682)	168,529,557
Expenses:					
Death and other policy benefits	20,925,988	--	--	--	20,925,988
Increase in future policy benefits	15,525,542	--	--	--	15,525,542
Amortization of deferred policy and preneed acquisition costs and value of business acquired	5,572,297	372,562	--	--	5,944,859
Depreciation	559,999	631,281	620,652	--	1,811,932
General, administrative and other costs:					
Intersegment	24,000	109,128	185,147	(318,275)	--
Provision for loan losses	--	--	5,404,645	--	5,404,645
Costs related to funding mortgage loans	--	--	6,044,020	--	6,044,020
Other	16,756,255	11,097,302	83,329,514	--	111,183,071
Interest expense:					
Intersegment	686,384	1,792,479	5,942,544	(8,421,407)	--
Other	179,891	475,372	2,123,657	--	2,778,920
Total benefits and expenses	60,230,356	14,478,124	103,650,179	(8,739,682)	169,618,977
Earnings (losses) before income taxes	\$ 1,860,498	\$ (985,979)	\$ (1,963,939)	\$ --	\$ (1,089,420)
	(97,410)	--	756,206	--	658,796

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Income tax (expense)
benefit

Net earnings (losses)	\$ 1,763,088	\$ (985,979)	\$ (1,207,733)	\$ --	\$ (430,624)
Identifiable assets	\$ 440,374,068	\$ 111,798,118	\$ 30,078,996	\$ (116,860,777)	\$ 465,390,405
Goodwill	\$ 391,848	\$ 683,191	\$ --	\$ --	\$ 1,075,039
Expenditures for long-lived assets	\$ 220,417	\$ 275,904	\$ 363,667	\$ --	\$ 859,988

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16) Business Segment Information (Continued)

	2009				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	\$38,413,329	\$11,973,676	\$144,860,399	\$--	\$195,247,404
Net investment income	15,869,380	72,833	3,386,687	--	19,328,900
Realized gains on investments and other assets	1,223,312	--	--	--	1,223,312
Other than temporary impairments	(326,000)	--	--	--	(326,000)
Other revenues	778,107	174,357	462,216	--	1,414,680
Intersegment revenues:					
Net investment income	5,040,934	1,092,056	216,110	(6,349,100)	--
Total revenues	60,999,062	13,312,922	148,925,412	(6,349,100)	216,888,296
Expenses:					
Death and other policy benefits	20,681,268	--	--	--	20,681,268
Increase in future policy benefits	15,238,380	--	--	--	15,238,380
Amortization of deferred policy and preneed acquisition costs and value of business acquired	6,756,531	403,957	--	--	7,160,488
Depreciation	628,783	780,253	547,179	--	1,956,215
General, administrative and other costs:					
Intersegment	24,000	65,064	236,487	(325,551)	--
Provision for loan losses	--	--	19,547,162	--	19,547,162
Costs related to funding mortgage loans	--	--	10,041,731	--	10,041,731
Other	16,939,350	10,923,612	104,726,271	--	132,589,233
Interest expense:					
Intersegment	764,554	1,019,828	4,239,167	(6,023,549)	--
Other	400,299	247,954	2,677,908	--	3,326,161
Total benefits and expenses	61,433,165	13,440,668	142,015,905	(6,349,100)	210,540,638
Earnings (losses) before income taxes	\$(434,103)	\$(127,746)	\$6,909,507	\$--	\$6,347,658
Income tax (expense) benefit	125,408	--	(2,699,186)	--	(2,573,778)
Net earnings (losses)	\$(308,695)	\$(127,746)	\$4,210,321	\$--	\$3,773,880
Identifiable assets	\$435,412,810	\$101,357,826	\$39,480,787	\$(105,674,525)	\$470,576,898
Goodwill	\$391,848	\$683,191	\$--	\$--	\$1,075,039
	\$134,948	\$139,259	\$462,003	\$--	\$736,210

Expenditures for long-lived
assets

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16) Business Segment Information (Continued)

	2008				
	Life	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
	Insurance				
Revenues:					
From external sources:					
Revenue from customers	\$35,981,297	\$12,725,930	\$143,411,459	\$--	\$192,118,686
Net investment income	16,743,849	603,959	10,699,354	--	28,047,162
Realized gains (losses) on investments and other assets	1,109,268	(91,079)	--	--	1,018,189
Other than temporary impairments	(2,751,904)	--	--	--	(2,751,904)
Other revenues	386,354	177,997	451,019	--	1,015,370
Intersegment revenues:					
Net investment income	4,818,907	120,771	358,455	(5,298,133)	--
Total revenues	56,287,771	13,537,578	154,920,287	(5,298,133)	219,447,503
Expenses:					
Death and other policy benefits	19,195,170	--	--	--	19,195,170
Increase in future policy benefits	13,709,135	--	--	--	13,709,135
Amortization of deferred policy and preneed acquisition costs and value of business acquired	5,586,848	423,425	--	--	6,010,273
Depreciation	663,600	863,163	534,539	--	2,061,302
General, administrative and other costs:					
Intersegment	24,000	65,064	257,409	(346,473)	--
Provision for loan losses	--	--	10,552,074	--	10,552,074
Costs related to funding mortgage loans	--	--	8,944,945	--	8,944,945
Other	18,578,435	11,882,328	120,334,876	--	150,795,639
Interest expense:					
Intersegment	279,489	171,057	4,501,114	(4,951,660)	--
Other	191,927	256,728	6,999,799	--	7,448,454
Total benefits and expenses	58,228,604	13,661,765	152,124,756	(5,298,133)	218,716,992
Earnings (losses) before income taxes	\$(1,940,833)	\$(124,187)	\$2,795,531	\$--	\$730,511
Income tax (expense) benefit	976,659	6,829	(1,139,146)	--	(155,658)
Net earnings (losses)	\$(964,174)	\$(117,358)	\$1,656,385	\$--	\$574,853
Identifiable assets	\$421,550,749	\$64,737,730	\$26,145,713	\$(70,629,667)	\$441,804,525
Goodwill	\$391,848	\$683,191	\$--	\$--	\$1,075,039
Expenditures for long-lived assets	\$308,226	\$372,511	\$643,112	\$--	\$1,323,849

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17) Related Party Transactions

On November 19, 2007, Security National Life and Scott M. Quist entered into a Use and Buy Sale Agreement to jointly purchase a condominium located in St. George, Utah. Mr. Quist is the Company's President and Chief Operating Officer. The condominium is to be used for the entertainment of Security National Life's executive officers and employees, outside vendors and prospective customers. The purchase price of the condominium, including improvements and furnishings, was \$538,962. Mr. Quist paid \$286,207 of that amount and Security National Life paid \$252,755.

Under the terms of the agreement, Security National Life and Mr. Quist have the right to use the condominium in proportion to their respective contributions towards the purchase price, including furnishings and fixtures. Mr. Quist is responsible for the care and maintenance of the condominium. The payment of taxes, insurance, utilities and homeowners' fees is to be divided between Security National Life and Mr. Quist according to their respective ownership percentages.

Upon the death, disability or retirement of Mr. Quist or his separation from employment with the Company, Mr. Quist or his estate, as the case may be, shall have the right to purchase Security National Life's interest in the condominium at the original purchase price or fair market value, whichever is less. Security National Life's contribution to the purchase price of the condominium was equal to an amount of accrued but unpaid bonuses owed to Mr. Quist, which he agreed to continue to defer for the option that would allow him or his estate to purchase Security National Life's interest in the condominium upon his death, disability or retirement at the lesser of the original purchase price or fair market value.

18) Fair Value of Financial Instruments

The fair values of investments in fixed maturity and equity securities along with methods used to estimate such values are disclosed in Note 3. The following methods and assumptions were used by the Company in estimating the "fair value" disclosures related to other significant financial instruments:

Restricted Assets of the Cemeteries and Mortuaries: The carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values. Included in these assets are mutual funds and equity securities.

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

Investment Contracts: The fair values for the Company's liabilities under investment-type insurance contracts (policyholder account balances and future policy benefits – annuities) are estimated based on the contracts' cash surrender values.

The fair values for the Company's insurance contracts other than investment-type contracts are not required to be disclosed. However, the fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk, such that the Company's exposure to changing interest rates is

minimized through the matching of investment maturities with amounts due under insurance contracts.

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

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18) Fair Value of Financial Instruments (Continued)

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

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

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

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

We utilize a combination of third party valuation service providers, brokers, and internal valuation models to determine fair value.

The items shown under Level 1 are valued as follows:

On a quarterly basis, the Company reviews its available-for-sale 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.

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 items shown under Level 3 are valued as follows:

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

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

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

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18) Fair Value of Financial Instruments (Continued)

The following table summarizes Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the consolidated balance sheet at December 31, 2010.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Non-redeemable preferred stock	\$ 16,058	\$ 16,058	\$ -	\$ -
Common stock	6,768,585	6,768,585	-	-
Total securities available for sale	6,784,643	6,784,643	-	-
Restricted assets of cemeteries and mortuaries	545,433	545,433		
Cemetery perpetual care trust investments	1,454,694	1,454,694	-	-
Derivatives - interest rate lock commitments	1,024,587	-	-	1,024,587
Total assets accounted for at fair value on a recurring basis	\$ 9,809,357	\$ 8,784,770	\$ -	\$ 1,024,587
Liabilities accounted for at fair value on a recurring basis				
Policyholder account balances	\$ (52,340,807)	\$ -	\$ -	\$ (52,340,807)
Future policy benefits - annuities	(65,936,445)	-	-	(65,936,445)
Derivatives - bank loan interest rate swaps	(116,533)	-	-	(116,533)
- call options	(157,319)	(157,319)	-	-
- interest rate lock commitments	(151,528)	-	-	(151,528)
Total liabilities accounted for at fair value on a recurring basis	\$ (118,702,632)	\$ (157,319)	\$ -	\$ (118,545,313)

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

	Policyholder Account Balances	Future Policy Benefits - Annuities	Interest Rate Lock Commitments	Bank Loan Interest Rate Swaps
Balance - December 31, 2009	\$ (54,356,491)	\$ (61,407,257)	\$ 1,554,711	\$ (101,206)
Total Losses (Gains):				
Included in earnings	2,015,684	(4,529,188)	-	-

Included in other comprehensive income (loss)	-	-	(681,652)	(15,327)
Balance - December 31, 2010	\$ (52,340,807)	\$ (65,936,445)	\$ 873,059	\$ (116,533)

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18) Fair Value of Financial Instruments (Continued)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a nonrecurring basis by their classification in the consolidated balance sheet at December 31, 2010.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a nonrecurring basis				
Investment in securities held-to-maturity	\$ 346,219	\$ -	\$ 346,219	\$ -
Mortgage loans on real estate	523,971	-	-	523,971
Other real estate owned held for investment	2,158,110	-	-	2,158,110
Other real estate owned held for sale	1,444,000	-	-	1,444,000
Total assets accounted for at fair value on a nonrecurring basis	\$ 4,472,300	\$ -	\$ 346,219	\$ 4,126,081

The following table summarizes Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a recurring basis by their classification in the consolidated balance sheet at December 31, 2009.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Non-redeemable preferred stock	\$ 15,220	\$ 15,220	\$ -	\$ -
Common stock	5,771,394	5,771,394	-	-
Bonds	1,149,523	1,149,523	-	-
Total securities available for sale	6,936,137	6,936,137	-	-
Restricted assets of cemeteries and mortuaries	492,852	492,852	-	-
Cemetery perpetual care trust investments	1,104,046	1,104,046	-	-
Derivative-interest rate lock commitments	1,770,173	-	-	1,770,173
Total assets accounted for at fair value on a recurring basis	\$ 10,303,208	\$ 8,533,035	\$ -	\$ 1,770,173

Liabilities accounted for at fair value				
on a recurring basis				
Policyholder account balances	\$ (54,356,491)	\$ -	\$ -	\$ (54,356,491)
Future policy benefits - annuities	(61,407,257)	-	-	(61,407,257)
Derivative - bank loan interest rate swaps	(101,251)	-	-	(101,251)
- call options	(134,492)	(134,492)	-	-
- interest rate lock commitments	(215,481)	-	-	(215,481)
Total liabilities accounted for at fair value on a recurring basis	\$ (116,214,972)	\$ (134,492)	\$ -	\$ (116,080,480)

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18) Fair Value of Financial Instruments (Continued)

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

	Policyholder Account Balances	Future Policy Benefits - Annuities	Interest Rate Lock Commitments	Bank Loan Interest Rate Swaps
Balance - December 31, 2008	\$ (50,306,536)	\$ (62,045,380)	\$ 362,231	\$ (167,483)
Total Losses (Gains):				
Included in earnings	(4,049,955)	638,123	-	-
Included in other comprehensive income (loss)	-	-	1,192,480	66,277
Balance - December 31, 2009	\$ (54,356,491)	\$ (61,407,257)	\$ 1,554,711	\$ (101,206)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities measured at fair value on a nonrecurring basis by their classification in the consolidated balance sheet at December 31, 2009.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a nonrecurring basis				
Investment in securities held-to-maturity	\$2,618,744	\$ 2,111,967	\$ 506,777	\$ -
Mortgage loans on real estate	1,003,624	-	-	1,003,624
Other real estate owned held for investment	2,712,537	-	-	2,712,537
Other real estate owned held for sale	1,712,900	-	-	1,712,900
Total assets accounted for at fair value on a nonrecurring basis	\$8,047,805	\$ 2,111,967	\$ 506,777	\$ 5,429,061

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19) Accumulated Other Comprehensive Income

The following summarizes the changes in accumulated other comprehensive income:

	2010	December 31, 2009
Unrealized gains (losses) on available for-sale securities	\$ (514,307)	\$ (154,317)
Reclassification adjustment for net realized gains in net income	601,336	539,460
Net unrealized gains (losses) before taxes	87,029	385,143
Tax (expense) benefit	(32,132)	(39,697)
Net	54,897	345,446
Potential unrealized gains (losses) for derivative bank loans (interest rate swaps) before taxes	(15,281)	66,277
Tax (expense) benefit	5,195	(22,534)
Net	(10,086)	43,743
Potential unrealized gains (losses) for derivative mortgage loans before taxes	(681,652)	1,192,481
Tax (expense) benefit	231,762	(405,444)
Net	(449,890)	787,037
Other comprehensive income	\$ (405,079)	\$ 1,176,226

The following is the accumulated balances of other comprehensive income as of December 31, 2010:

	Beginning Balance December 31, 2009	Change for the period	Ending Balance December 31, 2010
Unrealized net gains on available- for-sale securities and trust investments	\$ 634,029	\$ 54,911	\$ 688,940
Unrealized gains on derivative mortgage loans	1,026,109	(449,891)	576,218
Unrealized gains (losses) on derivative bank loan interest rate swaps	(66,811)	(10,101)	(76,912)
Other comprehensive income	\$ 1,593,327	\$ (405,081)	\$ 1,188,246

The following is the accumulated balances of other comprehensive income as of December 31, 2009:

	Beginning Balance December 31, 2008	Change for the period	Ending Balance December 31, 2009
Unrealized net gains on available- for-sale securities and trust investments	\$ 288,583	\$ 345,446	\$ 634,029
Unrealized gains on derivative mortgage loans	239,072	787,037	1,026,109
Unrealized gains (losses) on derivative bank loan interest rate swaps	(110,554)	43,743	(66,811)
Other comprehensive income	\$ 417,101	\$ 1,176,226	\$ 1,593,327

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20) Derivative Commitments

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

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

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

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

The Company has adopted a strategy of selling "out of the money" call options on its available for sale equity securities as a source of revenue. The options give the purchaser the right to buy from the Company specified equity securities at a set price up to a pre-determined date in the future. The Company receives an immediate payment of cash for the value of the option and establishes a liability for the market value of the option. The liability for call options is adjusted to market value at each reporting date. The market value of outstanding call options as of December 31, 2010 was \$157,319. In the event an option is exercised, the Company recognizes a gain on the sale of the equity security and a gain from the sale of the option. If the option expires unexercised, the Company recognizes a gain from the sale of the option and retains the underlying equity security.

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20) Derivative Commitments (Continued)

The following table shows the fair value of derivatives as of December 31, 2010 and December 31, 2009.

Fair Value of Derivative Instruments								
Asset Derivatives					Liability Derivatives			
December 31, 2010			December 31, 2009		December 31, 2010		December 31, 2009	
Balance	Fair		Balance	Fair		Balance	Fair	
Sheet	Value	Location	Sheet	Value	Location	Sheet	Value	Location
Derivatives designated as hedging instruments:								
Interest rate lock and forward sales commitments								
other assets	\$1,024,587		other assets	\$ 1,770,193		Other liabilities	\$ 151,528	
Call Options	--		Call Options	--		Other liabilities	157,319	
Interest rate swaps								
Interest rate swaps	--		Interest rate swaps	--		Bank loans payable	116,532	
Total	\$1,024,587		Total	\$ 1,770,193		Total	\$ 425,379	
						Other liabilities	134,492	
						Bank loans payable	101,206	
						Total	\$ 451,179	

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

Gross Amount Gain (Loss) Recognized in OCI		
Years ended December 31,		
Derivative - Cash Flow Hedging Relationships:	2010	2009
Interest Rate Lock Commitments	\$ 681,652	\$ 1,192,481
Interest Rate Swaps	(15,281)	66,277
Call Options	42,999	(42,999)
Total	\$ 709,370	\$ 1,215,759

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21) Quarterly Financial Data (Unaudited)

	2010			
	March 31	Three Months Ended		
	March 31	June 30	September 30	December 31
Revenues	\$ 37,971,547	\$ 43,044,567	\$ 45,974,697	\$ 41,538,745
Benefits and expenses	39,644,461	42,959,786	45,161,511	41,853,218
Earnings before income taxes	(1,672,914)	84,781	813,186	(314,473)
Income tax expense	721,681	334,638	(309,757)	(87,766)
Net earnings (loss)	(951,233)	419,419	503,429	(402,239)
Net earnings (loss) per common share	\$ (0.12)	\$ 0.05	\$ 0.06	\$ (0.05)
Net earnings (loss) per common share assuming dilution	\$ (0.11)	\$ 0.05	\$ 0.06	\$ (0.05)
	2009			
	Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	\$ 59,283,642	\$ 57,618,727	\$ 48,246,597	\$ 51,739,330
Benefits and expenses	54,343,739	53,134,358	48,180,111	54,882,430
Earnings before income taxes	4,939,903	4,484,369	66,486	(3,143,100)
Income tax expense	1,706,893	1,393,980	3,437	(530,532)
Net earnings (loss)	3,233,010	3,090,389	63,049	(2,612,568)
Net earnings (loss) per common share	\$ 0.40	\$ 0.38	\$ 0.01	\$ (0.33)
Net earnings (loss) per common share assuming dilution	\$ 0.40	\$ 0.38	\$ 0.01	\$ (0.33)
	2008			
	Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	\$ 53,288,946	\$ 60,373,128	\$ 53,084,962	\$ 52,700,468
Benefits and expenses	51,344,011	57,285,880	53,813,127	56,273,975
Earnings before income taxes	1,944,935	3,087,248	(728,165)	(3,573,507)
Income tax expense	569,479	986,615	39,877	(1,440,313)
Net earnings (loss)	1,375,456	2,100,633	(768,042)	(2,133,194)
Net earnings (loss) per common share	\$ 0.17	\$ 0.26	\$ (0.09)	\$ (0.27)
Net earnings (loss) per common share assuming dilution	\$ 0.17	\$ 0.26	\$ (0.09)	\$ (0.27)

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

None

Item 9A. Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

(a) Management's annual report on internal control over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company,
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the board of directors of the Company, and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2010 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether the Company's internal control over financial reporting was effective as of December 31, 2010. Based on that assessment the Company believes that, at December 31, 2010, its internal control over financial reporting was effective.

This annual report on internal control over financial reporting does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities Exchange Commission that permit the Company to provide only management's report in this annual report.

(b) Changes in internal control over financial reporting.

There was no change in our internal control over financial reporting that occurred in the fourth quarter of 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers

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

Name	Age	Position with the Company
George R. Quist	90	Chairman of the Board and Chief Executive Officer
Scott M. Quist	57	President, Chief Operation Officer and Director
Stephen M. Sill	65	Vice President, Treasurer and Chief Financial Officer
J. Lynn Beckstead, Jr.	57	Vice President Mortgage Operations and Director
Christie Q. Overbaugh	62	Senior Vice President of Internal Operations
Jeffrey R. Stephens	57	General Counsel and Corporate Secretary
Charles L. Crittenden	90	Director
Robert G. Hunter	51	Director
H. Craig Moody	59	Director
Norman G. Wilbur	72	Director

Directors

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

George R. Quist has been Chairman of the Board and Chief Executive Officer of the Company since 1979. Mr. Quist served as President of the Company from 1979 until 2002. From 1960 to 1964, Mr. Quist was Executive Vice President and Treasurer of Pacific Guardian Life Insurance Company. From 1946 to 1960, he was an agent, District Manager and Associate General Agent for various insurance companies. Mr. Quist also served from 1981 to 1982 as the President of The National Association of Life Companies, a trade association of 642 life insurance companies, and from 1982 to 1983 as its Chairman of the Board. Mr. Quist attended the University of Utah. Mr. Quist's status as one of the Company's founders, his deep expertise and experience in all aspects of the insurance industry, his management expertise, his ability to provide valuable insight to the Board of Directors, and his significant business and leadership experience led the Board of Directors to conclude that he should serve as Chairman of the Board and Chief Executive Officer of the Company.

Scott M. Quist has been President of the Company since 2002, its Chief Operating Officer since 2001, and a director since 1986. Mr. Quist served as First Vice President of the Company from 1986 to 2002. From 1980 to 1982, Mr. Quist was a tax specialist with Peat, Marwick, Mitchell, & Co., in Dallas, Texas. From 1986 to 1991, he was Treasurer and a director of The National Association of Life Companies, a trade association of 642 insurance companies until its merger with the American Council of Life Companies. Mr. Quist has been a member of the Board of Governors of the Forum 500 Section (representing small insurance companies) of the American Council of Life Insurance. He has also served as a regional director of Key Bank of Utah since November 1993. Mr. Quist is currently a director and a past president of the National Alliance of Life Companies, a trade association of over 200 life companies. Mr. Quist holds a B.S. in Accounting from Brigham Young University and received his law degree also from Brigham Young University. Mr. Quist's significant expertise and deep understanding of the technical, organizational and strategic business aspects of the insurance industry, his management expertise, his eight year tenure as President of the Company and twenty-four year tenure as a director, and his years of business and leadership experience led the Board of Directors to conclude that he should serve as President and a director of the Company.

J. Lynn Beckstead, Jr. has been Vice President of Mortgage Operations and a director of the Company since 2002. In addition, Mr. Beckstead is President of SecurityNational Mortgage Company, a wholly owned subsidiary of the Company, having served in this position since 1993. From 1990 to 1993, Mr. Beckstead was Vice President and a director of Republic Mortgage Corporation. From 1983 to 1990, Mr. Beckstead was Vice President and a director of Richards Woodbury Mortgage Corporation. From 1980 to 1983, he was a principal broker for Boardwalk Properties. From 1978 to 1980, Mr. Beckstead was a residential loan officer for Medallion Mortgage Company. From 1977 to 1978, he was a residential construction loan manager of Citizens Bank. Mr. Beckstead's expertise in real estate, his seventeen year tenure serving as President of SecurityNational Mortgage Company, and his business and leadership experience led the Board of Directors to conclude that he should serve as a director.

Charles L. Crittenden has been a director of the Company since 1979. Mr. Crittenden has been sole stockholder of Crittenden Paint & Glass Company since 1958. He is also an owner of Crittenden Enterprises, a real estate development company, and Chairman of the Board of Linco, Inc. Mr. Crittenden's status as one of the Company's founders, his thirty-one year long tenure on the Company's Board of Directors, and his years of business experience led the Board of Directors to conclude that he should serve as a director.

Robert G. Hunter, M.D. has been a director of the Company since 1998. Dr. Hunter is currently a practicing physician in private practice. Dr. Hunter created the statewide E.N.T. Organization (Rocky Mountain E.N.T., Inc.) where he is currently a member of the Executive Committee. Dr. Hunter is Department Head of Otolaryngology, Head and Neck Surgery at Intermountain Medical Center and a past President of the medical staff of the Intermountain Medical Center. He is also a delegate to the Utah Medical Association and has served as a delegate representing the State of Utah to the American Medical Association, and a member of several medical advisory boards. Dr. Hunter holds a B.S. in Microbiology from the University of Utah and received his medical degree from the University of Utah College of Medicine. Dr. Hunter's medical expertise and experience, and his administrative and leadership experience from serving in a number of administrative positions in the medical profession led the Board of Directors to conclude that he should serve as a director.

H. Craig Moody has been a director of the Company since 1995. Mr. Moody is owner of Moody & Associates, a political consulting and real estate company. He is a former Speaker and House Majority Leader of the House of Representatives of the State of Utah. Mr. Moody holds a B.S. in Political Science from the University of Utah. Mr. Moody's real estate and governmental affairs expertise and years of business and leadership experience led the Board of Directors to conclude he should serve as a director.

Norman G. Wilbur has been a director of the Company since 1998. Mr. Wilbur worked for J.C. Penny's regional offices in budget and analysis. His final position was Manager of Planning and Reporting for J.C. Penny's stores. After 36 years with J.C. Penny's, Mr. Wilbur opted for early retirement in 1997. Mr. Wilbur holds a B.S. in Accounting from the University of Utah. Mr. Wilbur is a past board member of Habitat for Humanity in Plano, Texas. Mr. Wilbur's financial expertise and business experience from a successful career at JC Penny's led the Board of Directors to conclude he should serve as a director. In addition, the Board of Directors' determination that Mr. Wilbur is the Audit Committee "financial expert" lends further support to his financial acumen and qualification for serving as a director.

The Board of Directors, Board Committees and Meetings

The Company's Bylaws provide that the Board of Directors shall consist of not less than three nor more than eleven members. The term of office of each director is for a period of one year or until the election and qualification of his successor. A director is not required to be a resident of the State of Utah but must be a stockholder of the Company. The Board of Directors held a total of five meetings during the fiscal year ended December 31, 2010. No directors attended fewer than 75% of all meetings of the Board of Directors during the 2010 fiscal year.

The size of the Board of Directors of the Company for the coming year is seven members. A majority of the Board of Directors must qualify as "independent" as that term is defined in Rule 4200 of the listing standards of the Nasdaq Stock Market. The Board of Directors has affirmatively determined that four of the seven members of the Board of Directors, Messrs. Charles L. Crittenden, Robert G. Hunter, M.D., H. Craig Moody and Norman G. Wilbur, are independent under the listing standards of the Nasdaq Stock Market.

There are four committees of the Board of Directors, which meet periodically during the year: the Audit Committee, the Compensation Committee, the Executive Committee, and the Nominating and Corporate Governance Committee.

The Audit Committee directs the auditing activities of the Company's internal auditors and outside public accounting firm and approves the services of the outside public accounting firm. The Audit Committee consists of Messrs. Charles L. Crittenden, H. Craig Moody and Norman G. Wilbur (Chairman of the committee). During 2010, the Audit Committee met on three occasions.

The Compensation Committee is responsible for recommending to the Board of Directors for approval the annual compensation of each executive officer of the Company and the executive officers of the Company's subsidiaries, developing policy in the areas of compensation and fringe benefits, contributions under the Employee Stock Ownership Plan, contributions under the 401(k) Retirement Savings Plans, Deferred Compensation Plan, granting of options under the stock option plans, and creating other employee compensation plans. The Compensation Committee consists of Messrs. Charles L. Crittenden (Chairman of the committee), Robert G. Hunter, M.D., H. Craig Moody and Norman G. Wilbur. During 2010, the Compensation Committee met on one occasion.

The Executive Committee reviews Company policy, major investment activities and other pertinent transactions of the Company. The Executive Committee consists of Messrs. George R. Quist, Scott M. Quist, J. Lynn Beckstead, Jr., and H. Craig Moody. During 2010, the Executive Committee met on one occasion.

The Nominating and Corporate Governance Committee identifies individuals qualified to become board members consistent with criteria approved by the board, recommends to the board the persons to be nominated by the board for election as directors at a meeting of stockholders, and develops and recommends to the board a set of corporate governance principles. The Nominating and Corporate Governance Committee consists of Messrs. Charles L. Crittenden, Robert G. Hunter, M.D., H. Craig Moody (Chairman of the committee), and Norman G. Wilbur. The Nominating and Corporate Governance Committee is composed solely of independent directors, as defined in the listing standards of the Nasdaq Stock Market. During 2010, the Nominating and Corporate Governance Committee met on one occasion.

Director Nominating Process

The process for identifying and evaluating nominees for directors include the following steps: (1) the Nominating and Corporate Governance Committee, Chairman of the Board or other board members identify a need to fill vacancies or add newly created directorships; (2) the Chairman of the Nominating and Corporate Governance Committee initiates a search and seeks input from board members and senior management and, if necessary, obtains advice from legal or other advisors (but does not hire an outside search firm); (3) director candidates, including any candidates properly proposed by stockholders in accordance with the Company's Bylaws, are identified and presented to the Nominating and Corporate Governance Committee; (4) initial interviews with candidates are conducted by the Chairman of the Nominating and Corporate Governance Committee; (5) the Nominating and Corporate Governance Committee meets to consider and approve final candidate(s) and conduct further interviews as necessary; and (6) the Nominating and Corporate Governance Committee makes recommendations to the board for inclusion in the slate of directors at the annual meeting. The evaluation process will be the same whether the nominee is recommended by a stockholder or by a member of the Board of Directors.

Meetings of Non-Management Directors

The Company's independent directors meet regularly in executive session without management. The Board of Directors has designated a lead director to preside at executive sessions of independent directors. Mr. H. Craig Moody is currently the lead director.

Executive Officers

Stephen M. Sill has been Vice President, Treasurer and Chief Financial Officer of the Company since 2002. From 1997 to 2002, Mr. Sill was Vice President and Controller of the Company. From 1994 to 1997, Mr. Sill was Vice President and Controller of Security National Life Insurance Company. From 1989 to 1993, he was Controller of Flying J. Inc. From 1978 to 1989, Mr. Sill was Senior Vice President and Controller of Surety Life Insurance Company. From 1975 to 1978, he was Vice President and Controller of Sambo's Restaurant, Inc. From 1974 to 1975, Mr. Sill was Director of Reporting for Northwest Pipeline Corporation. From 1970 to 1974, he was an auditor with Arthur Andersen & Co. Mr. Sill is a past president and a former director of the Insurance Accounting and Systems Association, a national association of over 1,300 insurance companies and associate members. Mr. Sill holds a B.S. in Accounting from Weber State University. In addition, he is a certified public accountant and a member of the Utah Association of CPA's and the American Institute of CPA's.

Christie Q. Overbaugh has been Senior Vice President of Internal Operations of the Company since June 2006, and a Vice President of the Company from 1998 to June 2006. Ms. Overbaugh has also served as Vice President of Underwriting for Security National Life Insurance Company since 1998. From 1986 to 1991, she was Chief Underwriter for Investors Equity Life Insurance Company of Hawaii and Security National Life Insurance Company. From 1990 to 1991, Ms. Overbaugh was President of the Utah Home Office Underwriters Association. Ms. Overbaugh is currently a member of the Utah Home Office Underwriters Association and an Associate Member of LOMA (Life Office Management Association).

Jeffrey R. Stephens was appointed General Counsel and Corporate Secretary of the Company in December 2008. Mr. Stephens had served as General Counsel for the Company from November 2006 to December 2008. He was in private practice from 1981 to 2006 in the states of Washington and Utah. Mr. Stephens holds a B.S. in Geography from the University of Utah and received his law degree from Brigham Young University. He is a member of the Utah State Bar and the Washington State Bar Association.

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

No director, officer or 5% stockholder of the Company or its subsidiaries or any affiliate thereof has had any transactions with the Company or its subsidiaries during 2010 or 2009.

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

Corporate Governance

Corporate Governance Guidelines. The Board of Directors has adopted the Security National Financial Corporation Corporate Governance Guidelines. These guidelines outline the functions of the board, director qualifications and responsibilities, and various processes and procedures designed to insure effective and responsive governance. The guidelines are reviewed from time to time in response to regulatory requirements and best practices and are revised accordingly. The full text of the guidelines is published on the Company's website at www.securitynational.com. A copy of the Corporate Governance Guidelines may also be obtained at no charge by written request to the attention of Jeffrey R. Stephens, Secretary, Security National Financial Corporation, 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123.

Code of Business Conduct. All of the Company's officers, employees and directors are required to comply with the Company's Code of Business Conduct and Ethics to help insure that the Company's business is conducted in accordance with appropriate standards of ethical behavior. The Company's Code of Business Conduct and Ethics covers all areas of professional conduct, including customer relationships, conflicts of interest, insider trading, financial disclosures, intellectual property and confidential information, as well as requiring adherence to all laws and regulations applicable to the Company's business. Employees are required to report any violations or suspected violations of the Code. The Code includes an anti-retaliation statement. The full text of the Code of Business Conduct and Ethics is published on the Company's website at www.securitynational.com. A copy of the Code of Business Conduct and Ethics may also be obtained at no charge by written request to the attention of Jeffrey R. Stephens, Secretary, Security National Financial Corporation, 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123.

Item 11. Executive Officer Compensation

The following table sets forth, for each of the last three fiscal years, the compensation received by the named executive officers comprised of all individuals who served as the Company's Chief Executive Officer or Chief Financial Officer at any time during 2010, and the Company's three other most highly compensated executive officers who were serving as executive officers at the end of 2010 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Options Awards (\$)	Plan Compen-sation (\$)	Change in Pension Value Non-qualified Non-Equity Deferred Incentive Compensation		All Other Compen-sation (\$)	Total (\$)
						(2) (\$)	(3) (\$)		
George R. Quist(1) Chairman of the Board and Chief Executive Officer	2010	\$ 269,013	\$ 52,405	--	--	\$ -	\$ 11,307	\$ 332,725	
	2009	252,513	51,580	--	--	-	11,252	315,345	
	2008	236,013	50,755	--	--	-	10,959	297,727	
-									
Scott M. Quist(1) President and Chief Operating Officer	2010	\$ 383,317	\$ 93,950	--	--	\$ -	\$ 33,860	\$ 511,127	
	2009	357,317	92,650	--	--	-	32,846	482,813	
	2008	332,400	91,350	--	--	-	32,791	456,541	
Stephen M. Sill Vice President, Treasurer and Chief Financial Officer	2010	\$ 144,000	\$ 13,213	--	--	\$ -	\$ 17,064	\$ 174,277	
	2009	138,000	11,413	--	--	-	17,074	166,487	
	2008	131,969	11,113	--	--	-	17,074	160,156	
J. Lynn Beckstead, Jr. Vice President of Mortgage Operations	2010	\$ 237,583	\$ 21,900	--	--	\$ -	\$ 22,699	\$ 282,182	
	2009	227,583	137,221	--	--	-	21,667	386,471	
	2008	217,583	119,741	--	--	-	21,528	358,852	
Jeffrey R. Stephens General Counsel and Corporate Secretary	2010	\$ 147,708	\$ 8,000	--	--	\$ -	\$ 11,117	\$ 166,825	
	2009	140,708	8,000	--	--	-	11,235	159,943	
	2008	133,417	8,000	--	--	-	11,335	152,752	

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

(2) The amounts indicated under "Change in Pension Value and Non-qualified Deferred Compensation Earnings" consist of amounts contributed by the Company into a trust for the benefit of the Named Executive Officers under the Company's Deferred Compensation Plan.

(3)

The amounts indicated under “All Other Compensation” consist of the following amounts paid by the Company for the benefit of the named executive officers:

- a) payments related to the operation of automobiles were for George R. Quist (\$2,400 for each of the years 2010, 2009 and 2008); Scott M. Quist (\$7,200 for each of the years 2010, 2009 and 2008); Stephen M. Sill (\$5,700 for 2010, 2009 and 2008); and Jeffrey R. Stephens (\$-0- for each of the years 2010, 2009 and 2008). However, such payments do not include the furnishing of an automobile by the Company to George R. Quist, Scott M. Quist and J. Lynn Beckstead Jr., nor the payment of insurance and property taxes with respect to the automobiles operated by the such executive officers;
- b) group life insurance premiums paid by the Company to a group life insurance plan for George R. Quist (\$9, \$125, and \$154 for 2010, 2009 and 2008, respectively); Scott M. Quist, Stephen M. Sill, and J. Lynn Beckstead Jr. (\$223, \$211 and \$218 each for 2010, 2009 and 2008, respectively); and Jeffrey R. Stephens (\$115, \$109 and \$99 for 2010, 2009 and 2008, respectively);
- c) life insurance premiums paid by the Company for the benefit of George R. Quist (\$4,644 for each of the years 2010, 2009 and 2008); Scott M. Quist (\$15,016 for 2010, \$14,056 for 2009 and 2008); Stephen M. Sill (\$2,976 for each of the years 2010, 2009 and 2008); J. Lynn Beckstead Jr. (\$4,200 for each of the years 2010, 2009 and 2008); and Jeffrey R. Stephens (\$-0- for each of the years 2010, 2009 and 2008);
- d) medical insurance premiums paid by the Company to a medical insurance plan; George R. Quist (\$3,990 for 2010, \$3,795 for 2009, and \$3,491 for 2008); Scott M. Quist and J. Lynn Beckstead Jr. (\$11,157 each for 2010, \$11,091 each for 2009, and \$11,047 each for 2008); Stephen M. Sill (\$7,901 for 2010, \$7,860 for 2009 and \$7,910 for 2008); and Jeffrey R. Stephens (\$10,738 for 2010, \$11,838 for 2009, and \$10,047 for 2008);
- e) long term disability insurance paid by the Company to a provider of such insurance; George R. Quist, Scott M. Quist, Stephen M, Sill, J. Lynn Beckstead Jr., and Jeffrey R. Stephens (\$264 for 2010 and \$288 for each of years 2009 and 2008);
- f) membership dues paid by the Company to Alpine Country Club for the benefit of J. Lynn Beckstead Jr. (\$6,855 for 2010, \$5,877 for 2009, and \$5,793 for 2008);

SUPPLEMENTAL ALL OTHER COMPENSATION TABLE

The following table sets forth all other compensation provided the Named Executive Officers for fiscal years 2010, 2009 and 2008.

Name of Executive Officer	Year	Perks and Other	Tax	Discounted	Accruals	Registrant Contributions to Defined	Insurance	Dividends or Earnings on Stock or Option	Other(1)
		Personal	Reimburse- ments	Securities Purchases	Termin- ation Plans	Contribu- tion Plans		Awards	
George R. Quist	2010	\$ 2,400	--	--	--	--	\$ 8,907	--	--
	2009	2,400	--	--	--	--	8,852	--	--
	2008	2,400	--	--	--	--	8,559	--	--
Scott M. Quist	2010	\$ 7,200	--	--	--	--	\$ 26,660	--	--
	2009	7,200	--	--	--	--	25,646	--	--
	2008	7,200	--	--	--	--	25,591	--	--
Stephen M. Sill	2010	\$ 5,700	--	--	--	--	\$ 11,364	--	--
	2009	5,700	--	--	--	--	11,335	--	--
	2008	5,700	--	--	--	--	11,374	--	--
J. Lynn Beckstead Jr.	2010	\$ 6,855	--	--	--	--	\$ 15,844	--	--
	2009	5,877	--	--	--	--	15,790	--	--
	2008	5,793	--	--	--	--	15,735	--	--
Jeffrey R. Stephens	2010	\$ -	--	--	--	--	\$ 11,117	--	--
	2009	-	--	--	--	--	11,235	--	--
	2008	-	--	--	--	--	11,335	--	--

GRANTS OF PLAN-BASED AWARDS

The following table sets forth certain information regarding options granted to the named Executive Officers during the fiscal year ended December 31, 2010.

Name of Executive Officer	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Awards: Number of Securities Underlying	Exercise or Base Price of Option	Closing Price on Grant Date	Grant Date Fair Value of Stock and Option
		Threshold (\$)	Target (\$)	Maximum (\$)				
George R. Quist	12/3/10	--	--	--	105,000 (2)	\$ 1.917	\$ 1.830	\$ 77,000
Scott M. Quist	12/3/10	--	--	--	105,000 (1) (2)	1.917	1.830	77,000
Stephen M. Sill	12/3/10	--	--	--	7,875 (2)	1.740	1.830	5,325
J. Lynn Beckstead, Jr.	12/3/10	--	--	--	21,000 (2)	1.740	1.830	14,200
Jeffrey R. Stephens	12/3/10	--	--	--	5,250 (2)	1.740	1.830	3,550

(1) This reflects the equivalent of Class A common shares. On December 3, 2010, Mr. Quist was granted stock options to purchase 1,000,000 shares of Class C common stock at an exercise price of \$.1917 per share which is equivalent to options to purchase 100,000 shares of Class A common stock at an exercise price of \$1.917 per share.

(2) The stock options have been adjusted for the 5% annual stock dividend declared December 31, 2010.

OUTSTANDING EQUITY AWARDS AT FISCAL 2010 YEAR END

The following table sets forth information concerning outstanding equity awards held by Named Executive Officers at December 31, 2010.

Name of Executive Officer	Option Awards					Stock Awards			
	Option Grant Date	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Stock Award Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)
George R. Quist	03/31/08	57,881 (5)	--	\$ 3.66	03/31/13	--	--	--	--
	12/05/08	115,763 (6)	--	1.43	12/05/13	--	--	--	--
	12/04/09	110,250 (7)	--	3.51	12/04/14	--	--	--	--
	12/03/10	--	105,000 (8)	1.92	12/03/15	--	--	--	--
Scott M. Quist	03/31/03	103,422 (2)	--	\$ 3.99	03/21/13	--	--	--	--
	03/25/05	93,807 (4)	--	2.62	03/25/15	--	--	--	--
	03/31/08	57,881 (9)	--	3.66	03/31/13	--	--	--	--
	12/05/08	115,763 (6) (10)	--	1.43	12/05/13	--	--	--	--
	12/04/09	110,250 (7) (11)	--	3.51	12/04/14	--	--	--	--
	12/03/10	--	105,000 (8) (12)	1.92	12/03/15	--	--	--	--
Stephen M. Sill	03/21/08	8,682 (5)	--	\$ 3.33	03/31/18	--	--	--	--
	12/04/09	8,269 (7)	--	3.19	12/04/19	--	--	--	--
	12/03/10	--	7,875 (8)	1.74	12/03/20	--	--	--	--
J. Lynn Beckstead Jr.	03/21/03	22,162 (2)	--	\$ 3.99	03/21/13	--	--	--	--
	12/10/04	7,036 (3)	--	2.30	12/10/14	--	--	--	--
	03/25/05	46,903 (4)	--	2.62	03/25/15	--	--	--	--
	03/31/08	9,261 (5)	--	3.33	03/31/18	--	--	--	--
	12/05/08	23,153 (6)	--	1.30	12/05/18	--	--	--	--
	12/04/09	22,050 (7)	--	3.19	12/04/19	--	--	--	--
	12/03/10	--	21,000 (8)	1.74	12/03/20	--	--	--	--
Jeffrey R. Stephens	12/05/08	1,158 (6)	--	\$ 1.30	12/05/18	--	--	--	--
	12/04/09	5,513 (7)	--	3.19	12/04/19	--	--	--	--

12/03/10	--	5,250	(8)	1.74	12/03/20	--	--	--	--
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(1) Except for option granted George R. Quist and options granted to Scott M. Quist after May 31, 2007, which have a five year term, such grants have ten year terms. The vesting of any unvested shares is subject to the recipient's continuous employment. This reflects the equivalent of Class A common shares.

(2) Stock options vested on the grant date on March 21, 2003.

- (3) Stock options vested on the grant date on December 10, 2004.
- (4) Stock options vested on the grant date on March 25, 2005.
- (5) Stock options vested at the rate of 25% of the total number of shares subject to the options on June 30, 2008 and 25% of the total number of shares on the last day of each three month period thereafter.
- (6) Stock options vested at the rate of 25% of the total number of shares subject to the options on March 5, 2009 and 25% of the total number of shares on the last day of each three month period thereafter.
- (7) Stock options vested at the rate of 25% of the total number of shares subject to the options on March 4, 2010 and 25% of the total number of shares on the last day of each three month period thereafter.
- (8) Stock options vested at the rate of 25% of the total number of shares subject to the options on March 3, 2011 and 25% of the total number of shares on the last day of each three month period thereafter.
- (9) On March 31, 2008, Scott M. Quist was granted stock options to purchase 500,000 shares of Class c common stock at an exercise price of \$.424 per share, which is equivalent to options to purchase 50,000 shares of Class A common stock at an exercise price of \$4.24 per share.
- (10) On December 5, 2008, Mr. Quist was granted stock options to purchase 610,770 shares of Class C common stock at an exercise price of \$.165 per share, which is equivalent to options to purchase 61,077 shares of Class A common stock at an exercise price of \$1.65 per share, and to purchase 38,923 shares of Class A common stock at an exercise price of \$1.65 per share.
- (11) On December 4, 2009, Mr. Quist was granted stock options to purchase 1,000,000 shares of Class C common stock at an exercise price of \$.3872 per share, which is equivalent to options to purchase 100,000 shares of Class A common stock at an exercise price of \$3.872 per share.
- (12) On December 3, 2010, Mr. Quist was granted stock options to purchase 1,000,000 shares of Class C common stock at an exercise price of \$.1917 per share, which is equivalent to options to purchase 100,000 shares of Class A common stock at an exercise price of \$1.917 per share.

OPTION AWARDS VESTING SCHEDULE

The following table sets forth the vesting schedule of unexercisable options reported in the “Number of Securities Underlying Unexercised Options – Unexercisable” column of the table above.

Grant Date	Vesting
03/21/03	These options vested on the grant date.
12/10/04	These options vested on the grant date.
03/25/05	These options vested on the grant date.
03/31/08	These options vested 25% per quarter over a one year period after the grant date.
12/05/08	These options vested 25% per quarter over a one year period after the grant date.
12/04/09	These options vested 25% per quarter over a one year period after the grant date.
12/03/10	These options vest 25% per quarter over a one year period after the grant date.

OPTION EXERCISES AND STOCK VESTED FOR FISCAL 2010

The following table sets forth all stock options exercised and value received upon exercise, and all stock awards vested and value realized upon vesting, by the Named Executive Officers during the year ended December 31, 2010.

Name of Executive Officer	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
George R. Quist	89,340	\$ 286,781	--	--
Scott M. Quist	--	--	--	--
Stephen M. Sill	8,269	28,528	--	--
J. Lynn Beckstead, Jr.	--	--	--	--
Jeffrey R. Stephens	--	--	--	--

PENSION BENEFITS FOR FISCAL 2010

The following table sets forth the present value as of December 31, 2010 of the benefit of the Named Executive Officers under the defined benefit pension plan.

Name of Executive Officer	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
George R. Quist	None	--	--	--
Scott M. Quist	None	--	--	--
Stephen M. Sill	None	--	--	--
J. Lynn Beckstead, Jr.	None	--	--	--
Jeffrey R. Stephens	None	--	--	--

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information as of December 31, 2010 with respect to compensation plans (including individual compensation arrangements) under which the Company's equity securities are authorized for issuance, aggregated as follows:

- All compensation plans previously approved by security holders; and
- All compensation plans not previously approved by security holders.

Plan Category	A	B	C
	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column A)
Equity compensation plans approved by stockholders[1]	1,914,730[2]	\$2.69[3]	844,125[4]
Equity compensation plans not approved by stockholders	0	-	0

[1] This reflects the 1993 Stock Option Plan (the "1993 Plan"), the 2000 Director Stock Option Plan (the "2000 Director Plan"), the 2003 Stock Option Plan (the "2003 Plan"), and the 2006 Director Stock Option Plan (the "2006 Director Plan"). The 2003 Plan was approved by stockholders at the annual stockholders meeting held on July 11, 2003, which reserved 500,000 shares of Class A common stock and 1,000,000 shares of Class C common stock for issuance thereunder. As a result of the stockholder approval of the 2003 Plan, the Company terminated the 1993 Plan. The 2006 Director Plan was approved by stockholders at the annual stockholders meeting held on December 7, 2006, which reserved 100,000 shares of Class A common stock for issuance thereunder. As a result of the stockholder approval of the 2006 Director Plan, the Company terminated the 2000 Director Plan.

[2] Assumes that 3,438,355 shares of Class C common stock issuable upon the exercise of certain outstanding options are converted into 343,835 shares of Class A common stock.

[3] The weighted average exercise prices reflect solely the shares of Class A common stock that will be issued upon exercise of outstanding options.

[4] This number includes 817,478 shares of Class A common stock and 5 shares of Class C common stock available for future issuance under the 2003 Plan, and 26,642 shares of Class A common stock available for future issuance under the 2006 Director Plan.

Retirement Plans

On December 8, 1988, the Company entered into a deferred compensation plan with George R. Quist, the Chairman and Chief Executive Officer of the Company. The plan was later amended on three occasions with the third amendment effective February 1, 2001. Under the terms of the plan as amended, upon the retirement of Mr. Quist, the Company is required to pay him ten annual installments in the amount of \$50,000. Retirement is defined in the plan as the age of 70, or a later retirement age, as specified by the Board of Directors. The \$50,000 annual payments are to be adjusted for inflation in accordance with the United States Consumer Price Index for each year after January 1, 2002. If Mr. Quist's employment is terminated by reason of disability or death before he reaches retirement age, the Company is to make the ten annual payments to Mr. Quist, in the event of disability, or to his designated beneficiary, in the event of death.

The plan also provides that the Board of Directors may, in its discretion, pay the amounts due under the plan in a single, lump-sum payment. In the event that Mr. Quist dies before the ten annual payments are made, the unpaid balance will continue to be paid to his designated beneficiary. The plan further requires the Company to furnish an automobile for Mr. Quist's use and to pay all reasonable expenses incurred in connection with its use for a ten year period, and to provide Mr. Quist with a hospitalization policy with similar benefits to those provided to him the day before his retirement or disability. However, in the event Mr. Quist's employment with the Company is terminated for any reason other than retirement, death, or disability, the entire amount of deferred compensation payments under the plan shall be forfeited by him. The Company accrued \$31,000 and \$31,300 in fiscal 2010 and 2009, respectively, to cover the present value of anticipated retirement benefits under the employment agreement of \$567,900 as of December 31, 2010.

Employment Agreements

On July 16, 2004, the Company entered into an employment agreement with Scott M. Quist, its President and Chief Operating Officer. The agreement is effective as of December 4, 2003 and has a five-year term, but the Company has agreed to renew the agreement on December 4, 2008 and 2013 for additional five-year terms, provided Mr. Quist performs his duties with usual and customary care and diligence. Under the terms of the agreement, Mr. Quist is to devote his full time to the Company serving as its President, and Chief Operating Officer at not less than his current salary and benefits. The Company also agrees to maintain a group term life insurance policy of not less than \$1,000,000 on Mr. Quist's life and a whole life insurance policy in the amount of \$500,000 on Mr. Quist's life. In the event of disability, Mr. Quist's salary would be continued for up to five years at 75% of its current level.

In the event of a sale or merger of the Company and Mr. Quist is not retained in his current position, the Company would be obligated to continue paying Mr. Quist's current compensation and benefits for seven years following the merger or sale. The agreement further provides that Mr. Quist is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 65), (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to 75% of his then current rate of compensation. However, in the event that Mr. Quist dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company accrued \$144,935 and \$127,290 in fiscal 2010 and 2009, respectively, to cover the present value of anticipated retirement benefits under the employment agreement. The liability accrued is \$976,126 and \$831,170 as of December 31, 2010 and 2009, respectively.

On December 4, 2003, the Company, through its subsidiary SecurityNational Mortgage Company, entered into an employment agreement with J. Lynn Beckstead, Jr., Vice President of Mortgage Operations and President of SecurityNational Mortgage Company. The agreement has a five-year term, but the Company has agreed to renew the agreement on December 4, 2008 and 2013 for additional five-year terms, provided Mr. Beckstead performs his duties

with usual and customary care and diligence. Under the terms of the agreement, Mr. Beckstead is to devote his full time to the Company serving as President of SecurityNational Mortgage Company at not less than his current salary and benefits, and to include \$350,000 of life insurance protection. In the event of disability, Mr. Beckstead's salary would be continued for up to five years at 50% of its current level.

In the event of a sale or merger of the Company, and Mr. Beckstead was not retained in his current position, the Company would be obligated to continue paying Mr. Beckstead's current compensation and benefits for five years following the merger or sale. The agreement further provides that Mr. Beckstead is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 62½) (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to one-half of his then current annual salary. However, in the event that Mr. Beckstead dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company accrued \$58,923 and \$52,295 in 2010 and 2009, respectively, to cover the present value of the retirement benefit of the employment agreement, which was \$474,519 at December 31, 2010.

Director Compensation

Directors of the Company (but not including directors who are employees) are currently paid a director's fee of \$16,800 per year by the Company for their services and are reimbursed for their expenses in attending board and committee meetings. An additional fee of \$750 is paid to each audit committee member for each audit committee meeting attended. Each director is provided with an annual grant of stock options to purchase 1,000 shares of Class A Common Stock, which occurred under the 2000 Director Stock Option Plan for years 2000 to 2005 and under the 2006 Director Stock Option Plan for years 2006 to 2010. During 2010 and 2009 each director was granted an additional 5,000 and 5,000, respectively, stock options to purchase Class A Common Stock.

DIRECTOR COMPENSATION

The following table sets forth the compensation of the Company's non-employee directors for fiscal 2010.

Name	Fees Earned or		Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)	Total (\$)
	Paid In Cash (\$)	Stock Awards (\$)					
Charles L. Crittenden	\$19,050	--	\$4,467	--	--	--	\$23,517
Robert G. Hunter	16,800	--	4,467	--	--	--	21,267
H. Craig Moody	19,050	--	4,467	--	--	--	23,517
Norman G. Wilbur	19,050	--	4,467	--	--	--	23,517

Employee 401(k) Retirement Savings Plan

In 1995, the Company's Board of Directors adopted a 401(k) Retirement Savings Plan. Under the terms of the 401(k) plan, effective as of January 1, 1995, the Company made discretionary employer matching contributions to its employees who choose to participate in the plan. The plan allowed the board to determine the amount of the contribution at the end of each year. During the period from January 1, 1995 to December 31, 2007 the Board had adopted a contribution formula specifying that such discretionary employer matching contributions would equal 50% of the participating employee's contribution to the plan to purchase Company's stock up to a maximum discretionary employee contribution of 1/2 of 1% of participating employees' compensation, as defined by the plan.

All persons who have completed at least one year's service with the Company and satisfy other plan requirements are eligible to participate in the 401(k) plan. All Company matching contributions are invested in the Company's Class A common stock. The Company's matching contributions for 2007 was \$10,001. Also, the Company may contribute at the discretion of the Company's Board of Directors an Employer Profit Sharing Contribution to the 401(k) plan. The Employer Profit Sharing Contribution is to be divided among three different classes of participants in the plan based upon the participant's title in the Company. All amounts contributed to the plan are deposited into a trust fund

administered by an independent trustee. The Company's contribution to the plan for 2007 was \$198,022.

Beginning January 1, 2008, the Company elected to be a "Safe Harbor" Plan for its matching 401(k) contributions. The Company will match 100% of up to 3% of an employee's total annual compensation and 50% of 4% to 5% of an employee's annual compensation. The match is in shares of the Company's Class A Common Stock. The Company's contribution for 2010 and 2009 was \$344,772 and \$341,360, respectively, under the "Safe Harbor" Plan.

Employee Stock Ownership Plan

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

Under the Ownership Plan, the Company has discretionary power to make contributions on behalf of all eligible employees into a trust created under the Ownership Plan. Employees become eligible to participate in the Ownership Plan when they have attained the age of 19 and have completed one year of service (a twelve-month period in which the Employee completes at least 1,040 hours of service). The Company's contributions under the Ownership Plan are allocated to eligible employees on the same ratio that each eligible employee's compensation bears to total compensation for all eligible employees during each year. To date, the Ownership Plan has approximately 376 participants and had \$-0- contributions payable to the Plan in 2010. Benefits under the Ownership Plan vest as follows: 20% after the third year of eligible service by an employee, an additional 20% in the fourth, fifth, sixth and seventh years of eligible service by an employee.

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

Deferred Compensation Plan

In 2001, the Company's Board of Directors adopted a Deferred Compensation Plan. Under the terms of the Deferred Compensation Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The board has appointed a committee of the Company to be the plan administrator and to determine the employees who are eligible to participate in the plan. The employees who participate may elect to defer a portion of their compensation into the plan. The Company may contribute into the plan at the discretion of the Company's Board of Directors. The Company did not make any contributions for 2010, 2009 and 2008.

NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL 2010

The following table sets forth contributions to the deferred compensation account of the Named Executive Officers in fiscal 2010 and the aggregate balance of deferred compensation of the Named Executive Officers at December 31, 2010.

Name	Executive Contributions In Last FY (\$)	Registrant Contributions In Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals Distributions (\$)	Aggregate Balance at Last FYE (\$)
George R. Quist	--	--	--	--	\$ 118,430

Scott M. Quist	--	--	--	--	131,058
Stephen M. Sill	--	--	--	--	41,442
J. Lynn					
Beckstead, Jr.	--	--	--	--	66,326
Jeffrey R.					
Stephens	--	--	--	--	-

2003 Stock Option Plan

On July 11, 2003, the Company adopted the Security National Financial Corporation 2003 Stock Incentive Plan (the "2003 Plan"), which reserved 500,000 shares of Class A common stock and 1,000,000 shares of Class C common stock for issuance thereunder. The 2003 Plan was approved by the Board of Directors on May 9, 2003, and by the stockholders at the annual meeting of the stockholders held on July 11, 2003. The 2003 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress. On July 13, 2007, the stockholders approved an amendment to the 2003 Plan to increase the number of shares of Class A and Class C common stock reserved for issuance thereunder to 978,528 shares of Class A common stock and 2,110,775 shares of Class C common stock. On July 10, 2010, the stockholders approved an amendment to the 2003 plan to increase the number of shares of Class A and Class C common stock reserved for issuance thereunder to 1,478,528 shares of Class A common stock and 3,110,775 shares of Class C common stock.

The 2003 Plan provides for the grant of options and the award or sale of stock to officers, directors, and employees of the Company. Both “incentive stock options”, as defined under Section 422A of the Internal Revenue Code of 1986 (the “Code”) and “non-qualified options” may be granted under the 2003 Plan. The exercise prices for the options granted are equal to or greater than the fair market value of the stock subject to such options as of the date of grant, as determined by the Company’s Board of Directors. The options granted under the 2003 Plan are to reward certain officers and key employees who have been employed by the Company for a number of years and to help the Company retain these officers by providing them with an additional incentive to contribute to the success of the Company.

The 2003 Plan is to be administered by the Board of Directors or by a committee designated by the board. The terms of options granted or stock awards or sales affected under the 2003 Plan are to be determined by the Board of Directors or its committee. The options shall be either fully exercisable on the date of grant or shall become exercisable thereafter in such installments as the board of the committee may specify. The Plan provides that if the shares of common stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of common stock as a stock dividend on its outstanding common stock, the number of shares of common stock deliverable upon the exercise of options shall be increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price to reflect such subdivision, combination or stock dividend. In addition, the number of shares of common stock reserved for purposes of the plan shall be adjusted by the same proportion. No options may be exercised for a term of more than ten years from the date of grant.

Options intended as incentive stock options may be issued only to employees, and must meet certain conditions imposed by the code, including a requirement that the option exercise price be no less than then fair market value of the option shares on the date of grant. The 2003 Plan provides that the exercise price for non-qualified options will not be less than at least 50% of the fair market value of the stock subject to such option as of the date of grant of such options, as determined by the Company’s Board of Directors.

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

2006 Director Stock Option Plan

On December 7, 2006, the Company adopted the 2006 Director Stock Option Plan (the “Director Plan”) effective December 7, 2006. The Director Plan provides for the grant by the Company of options to purchase up to an aggregate of 100,000 shares of Class A common stock for issuance thereunder. The Director Plan provides that each member of the Company’s Board of Directors who is not an employee or paid consultant of the Company is automatically eligible to receive options to purchase the Company’s Class A common stock under the Director Plan.

Effective as of December 7, 2006, and on each anniversary date thereof during the term of the Director Plan, each outside director shall automatically receive an option to purchase 1,000 shares of Class A common stock. In addition, each new outside director who shall first join the Board after the effective date shall be granted an option to purchase 1,000 shares upon the date which such person first becomes an outside director and an annual grant of an option to purchase 1,000 shares on each anniversary date thereof during the term of the Director Plan. The options granted to outside directors shall vest in four equal quarterly installments over a one year period from the date of grant, until such shares are fully vested. The primary purposes of the Director Plan are to enhance the Company’s ability to attract and retain well-qualified persons for service as directors and to provide incentives to such directors to continue their association with the Company.

In the event of a merger of the Company with or into another company, or a consolidation, acquisition of stock or assets or other change in control transaction involving the Company, each option becomes exercisable in full, unless

such option is assumed by the successor corporation. In the event the transaction is not approved by a majority of the “Continuing Directors” (as defined in the Director Plan), each option becomes fully vested and exercisable in full immediately prior to the consummation of such transaction, whether or not assumed by the successor corporation.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's executive officers, directors and persons who own more than 10% of a registered class of the Company's equity securities to file reports of ownership and periodic changes in ownership of the Company's common stock with the Securities and Exchange Commission. Such persons are also required to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on its review of the copies of stock reports received by it with respect to fiscal 2010, or written representations from certain reporting persons, the Company believes that its directors, executive officers and greater than 10% beneficial owners complied with all Section 16(a) filing requirements applicable to them, except each of the Company's executive officers and directors, through an oversight, filed a late Form 4 report reporting the granting of stock options in December 2010.

Item 12 - Security Ownership of Certain Beneficial Owners and Management

The following table sets forth security ownership information of the Company's Class A and Class C common stock as of March 29, 2011, (i) for persons who own beneficially more than 5% of the Company's outstanding Class A or Class C common stock, (ii) each director of the Company, and (iii) for all executive officers, and directors of the Company as a group.

Name and Address (1)	Class A Common Stock		Class C Common Stock		Class A and Class C Common Stock	
	Amount Beneficially Owned	Percent of Class	Amount Beneficially Owned	Percent of Class	Amount Beneficially Owned	Percent of Class
George R. and Shirley C. Quist Family Partnership, Ltd. (2)	650,607	7.0%	4,496,896	34.5%	5,147,503	32.0%
Scott M. Quist (3)(6)(7)(9)	607,489	6.5%	4,441,520	34.1%	5,049,009	31.4%
Employee Stock						
Ownership Plan (4)	659,754	7.1%	2,081,224	16.0%	2,740,978	17.0%
George R. Quist (3)(5)(7)(8)	742,126	8.0%	577,359	4.4%	1,319,485	8.2%
Associated Investors (10)	94,880	1.0%	878,583	6.7%	973,463	6.1%
J. Lynn Beckstead, Jr., (6)(12)	315,965	3.4%	-	-	315,965	2.0%
Christie Q. Overbaugh (13)	173,761	1.9%	151,284	1.2%	325,045	2.0%
Stephen M. Sill (6)(14)	113,659	1.2%	-	-	113,659	*
Jeffrey R. Stephens (11)	25,702	*	-	-	25,702	*
Robert G. Hunter, M.D., (4)(15)	27,230	*	-	-	27,230	*
Charles L. Crittenden (16)	26,980	*	-	-	26,980	*
Norman G. Wilbur (17)	24,575	*	-	-	24,575	*
H. Craig Moody (18)	24,206	*	-	-	24,206	*
All directors and executive officers (10 persons) (3)(5)(6)(7)	2,732,300	29.3%	9,667,059	74.2%	12,399,359	55.5%

* Less than 1%

- (1) Unless otherwise indicated, the address of each listed stockholder is c/o Security National Financial Corporation, 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123.
- (2) This stock is owned by the George R. and Shirley C. Quist Family Partnership, Ltd., of which Scott M. Quist is the managing general partner.
- (3) Does not include 659,754 shares of Class A common stock and 2,081,224 shares of Class C common stock owned by the Company's Employee Stock Ownership Plan (ESOP), of which George R. Quist, Scott M. Quist and Robert G. Hunter are the trustees and accordingly, exercise shared voting and investment powers with respect to such shares.
- (4) The trustees of the Employee Stock Ownership Plan (ESOP) are George R. Quist, Scott M. Quist, and Robert G. Hunter who exercise shared voting and investment powers.
- (5) Does not include 94,880 shares of Class A common stock and 878,583 shares of Class C common stock owned by Associated Investors, a Utah general partnership, of which George R. Quist is the managing partner and, accordingly, exercises sole voting and investment powers with respect to such shares.
- (6)

Does not include 999,174 shares of Class A common stock owned by the Company's 401(k) Retirement Savings Plan, of which Scott M. Quist, J. Lynn Beckstead, and Stephen M. Sill are members of the Investment Committee and, accordingly, exercise shared voting and investment powers with respect to such shares.

- (7) Does not include 496,665 shares of Class A common stock owned by the Company's Deferred Compensation Plan, of which George R. Quist and Scott M. Quist are members of the Investment Committee and, accordingly, exercise shared voting and investment powers with respect to such shares.
- (8) Includes options to purchase 310,144 shares of Class A common stock granted to George R. Quist that are currently exercisable or will become exercisable within 60 days of March 31, 2011.
- (9) Includes options to purchase 242,287 shares of Class A common stock and 2,650,853 shares of Class C common stock granted to Scott M. Quist that are currently exercisable or will become exercisable within 60 days of March 31, 2011.
- (10) The managing partner of Associated Investors is George R. Quist, who exercises sole voting and investment powers.

- (11) Includes options to purchase 7,984 shares of Class A common stock granted to Jeffrey R. Stephens that are currently exercisable or will become exercisable within 60 days of March 31, 2011.
- (12) Includes options to purchase 135,815 shares of Class A common stock granted to Mr. Beckstead that are currently exercisable or will become exercisable within 60 days of March 31, 2011.
- (13) Includes options to purchase 74,157 shares of Class A common stock granted to Ms. Overbaugh that are currently exercisable or will become exercisable within 60 days of March 31, 2011.
- (14) Includes options to purchase 18,920 shares of Class A common stock grant to Mr. Sill that are currently exercisable or will become exercisable within 60 days of March 31, 2011.
- (15) Includes options to purchase 20,522 shares of Class A common stock granted to Mr. Hunter that are currently exercisable or will become exercisable within 60 days of March 31, 2011.
- (16) Includes options to purchase 20,522 shares of Class A common stock granted to Mr. Crittenden that are currently exercisable or will become exercisable within 60 days of March 31, 2011.
- (17) Includes options to purchase 20,522 shares of Class A common stock granted to Mr. Wilbur that are currently exercisable or will become exercisable within 60 days of March 31, 2011.
- (18) Includes options to purchase 20,522 shares of Class A common stock granted to Mr. Moody that are currently exercisable or will become exercisable within 60 days of March 31, 2011.

The Company's executive officers and directors, as a group, own beneficially approximately 55.5% of the outstanding shares of the Company's Class A and Class C common stock.

Item 13. Certain Relationships and Related Transactions

On November 19, 2007, Security National Life and Scott M. Quist entered into a Use and Buy Sale Agreement to jointly purchase a condominium located in St. George, Utah. Mr. Quist is the Company's President and Chief Operating Officer. The condominium is to be used for the entertainment of Security National Life's executive officers and employees, outside vendors and prospective customers. The purchase price of the condominium, including improvements and furnishings, was \$538,962. Mr. Quist paid \$286,207 of that amount and Security National Life paid \$252,755.

Under the terms of the agreement, Security National Life and Mr. Quist have the right to use the condominium in proportion to their respective contributions towards the purchase price, including furnishings and fixtures. Mr. Quist is responsible for the care and maintenance of the condominium. The payment of taxes, insurance, utilities and homeowners' fees is to be divided between Security National Life and Mr. Quist according to their respective ownership percentages.

Upon the death, disability or retirement of Mr. Quist or his separation from employment with the Company, Mr. Quist or his estate, as the case may be, shall have the right to purchase Security National Life's interest in the condominium at the original purchase price or fair market value, whichever is less. Security National Life's contribution to the purchase price of the condominium was equal to an amount of accrued but unpaid bonuses owed to Mr. Quist, which he agreed to continue to defer for the option that would allow him or his estate to purchase Security National Life's interest in the condominium upon his death, disability or retirement at the lesser of the original purchase price or fair market value.

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

Item 14. Principal Accounting Fees and Services

The following table summarizes the fees of the Company's current independent auditors, billed to the Company for each of the last two fiscal years and for audit and other services. All of these fees were reviewed and approved by the Audit Committee of the Board of Directors:

Fee Category	2010	2009
Audit Fees (1)	\$ 445,000	\$ 373,300
Audit-Related Fees (2)	18,400	53,700
Tax Fees (3)	70,800	80,400
All Other Fees (4)	16,100	24,000
	\$ 550,300	\$ 531,400

- (1) Audit fees consist of aggregate fees billed for professional services rendered for the audit of the Company's annual financial statements and review of the interim financial statements included in quarterly reports or services that are normally provided by the independent auditor in connection with statutory and regulatory filings for the years ended December 31, 2010 and 2009.
- (2) Audit related fees consist of aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees". These fees include review of registration statements, and audits of the Company's ESOP and 401(k) Plans.
- (3) Tax fees consist of aggregate fees billed for professional services for tax compliance, tax advice, and tax planning.
- (4) All other fees consist of aggregate fees billed for products and services by the independent auditor, other than those disclosed above.

PART IV

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

(a)(1) Financial Statements

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

(a)(2) Financial Statement Schedules

II. Condensed Balance Sheets as of December 31, 2010 and 2009 and Condensed Statement of Earnings and Cash Flows for the years ended 2010, 2009 and 2008

IV. Reinsurance

V. Valuation and Qualifying Accounts

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

(a)(3) Exhibits

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

- 3.1 Articles of Restatement of Articles of Incorporation (4)
- 3.2 Amended Bylaws (6)
- 4.1 Specimen Class A Stock Certificate (1)
- 4.2 Specimen Class C Stock Certificate (1)
- 4.3 Specimen Preferred Stock Certificate and Certificate of Designation of Preferred Stock (1)
- 10.1 Restated and Amended Employee Stock Ownership Plan and Trust Agreement (1)
- 10.2 2003 Stock Option Plan (5)
- 10.3 2006 Director Stock Option Plan (12)
- 10.4 Deferred Compensation Agreement with George R. Quist (2)
- 10.5 Deferred Compensation Plan (3)

- 10.6 Employment agreement with J. Lynn Beckstead, Jr. (7)
- 10.7 Employment agreement with Scott M. Quist (8)
- 10.8 Indemnification Agreement among Security National Life Insurance Company, Capital Reserve Life Insurance Company, and the shareholders of Capital Reserve Life Insurance Company (9)
- 10.9 Escrow Agreement among Security National Insurance Company, Capital Reserve Life Insurance Company, the shareholders of Capital Reserve Life Insurance Company, and Mackey Price Thompson & Ostler as Escrow Agent (9)
- 10.10 Reinsurance Agreement between Security National Life Insurance Company and Capital Reserve Life Insurance Company (9)
- 10.11 Stock Purchase Agreement among Security National Life Insurance Company, Southern Security Life Insurance Company, and the shareholders of Southern Security Life Insurance Company (10)
- 10.12 Reinsurance Agreement among Security National Life Insurance Company, Southern Security Life Insurance Company, and the shareholders of Southern Security Life Insurance Company (11)
- 10.13 Escrow Agreement among Security National Life Insurance Company, Southern Security Life Insurance Company, the shareholders of Southern Security Life Insurance Company, and Mackey Price Thompson & Ostler, as escrow agent (12)
- 10.14 Indemnification Agreement among Security National Mortgage Company, Lehman Brothers Bank, and Aurora Loan Services (13)
- 10.15 Agreement and Plan of Complete Liquidation of Security National Life Insurance Company of Louisiana into Security National Life Insurance Company (14)
- 10.16 Assumption Reinsurance Agreement between Security National Life Insurance Company of Louisiana and Security National Life Insurance Company (14)
- 10.17 Assignment between Security National Life Insurance Company of Louisiana and Security National Life Insurance Company (14)
- 10.18 Agreement and Plan of Complete Liquidation of Capital Reserve Life Insurance Company into Security National Life Insurance Company (14)
- 10.19 Assignment between Capital Reserve Life Insurance Company and Security National Life Insurance Company (14)
- 21 Subsidiaries of the Registrant
- 31.1 Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

-
- (1) Incorporated by reference from Registration Statement on Form S-1, as filed on September 29, 1987
 - (2) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1989
 - (3) Incorporated by reference from Annual Report on Form 10-K, as filed on April 3, 2002
 - (4) Incorporated by reference from Report on Form 8-K/A as filed on January 8, 2003
 - (5) Incorporated by reference from Schedule 14A Definitive Proxy Statement, Filed on September 5, 2003, relating to the Company's Annual Meeting of Shareholders Incorporated by reference from Report on Form 10-Q, as filed on November 14, 2003
 - (7) Incorporated by reference from Report on Form 10-K, as filed on March 30, 2004
 - (8) Incorporated by reference from Report on Form 10-Q, as filed on August 13, 2004
 - (9) Incorporated by reference from Report on Form 8-K, as filed on January 14, 2008
 - (10) Incorporated by reference from Report on Form 8-K, as filed on August 25, 2008
 - (11) Incorporated by reference from Report on Form 8-K/A, as filed on September 17, 2008
 - (12) Incorporated by reference from Report on Form 8-K, as filed on January 7, 2009

(13) Incorporated by reference from Report on Form 10-K, as filed on March 31, 2009

(14) Incorporated by reference from Report on Form 8-K, as filed on January 12, 2010

SIGNATURES

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

SECURITY NATIONAL FINANCIAL CORPORATION

Dated: March 31, 2011

By: / s / G e o r g e R .
 Quist
 George R. Quist
 Chairman of the Board and Chief Executive Officer

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

SIGNATURE	TITLE	DATE
/ s / G e o r g e R . Quist George R. Quist	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 31, 2011
/ s / S c o t t M . Quist Scott M. Quist	President, Chief Operating Officer and Director	March 31, 2011
/ s / S t e p h e n M . Sill Stephen M. Sill	Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2011
/ s / J . L y n n B e c k s t e a d , Jr. J. Lynn Beckstead, Jr.	Vice President and Director	March 31, 2011
/ s / C h a r l e s L . Crittenden Charles L. Crittenden	Director	March 31, 2011
/ s / H . C r a i g Moody H. Craig Moody	Director	March 31, 2011

/s/ Norman G. Director
Wilbur
Norman G. Wilbur

March 31,
2011

/s/ Robert G. Director
Hunter
Robert G. Hunter

March 31,
2011

Schedule II

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)
Condensed Financial Information

Condensed Balance Sheets

	2010	December 31, 2009
Assets		
Cash	\$ 1,305,956	\$ 1,712,983
Real estate net of accumulated depreciation of \$-0- for 2010 and \$-0- for 2009	--	--
Investment in subsidiaries (equity method)	72,846,102	73,617,659
Receivables:		
Receivable from affiliates	5,298,158	5,548,649
Other	349,056	93,597
Allowance for doubtful accounts	--	--
Total receivables	5,647,214	5,642,246
Property and equipment, at cost, net of accumulated depreciation of \$1,705,899 for 2010 and \$1,571,658 for 2009	111,206	245,449
Other assets	42,239	48,122
Total assets	\$ 79,952,717	\$ 81,266,459

See accompanying notes to condensed financial statements.

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)
Condensed Financial Information

Condensed Balance Sheets (Continued)

	2010	December 31, 2009
Liabilities and Stockholders' Equity Liabilities		
Bank loans payable:		
Current installments	\$ 1,182,336	\$ 1,385,698
Long-term	--	1,182,122
Notes and contracts payable:		
Current installments	961	961
Long-term	--	--
Advances from affiliated companies	8,989,597	9,006,276
Other liabilities and accrued expenses	1,490,269	1,438,175
Income taxes	8,361,086	8,447,785
Total liabilities	20,024,249	21,461,017
Stockholders' Equity		
Class A common stock \$2.00 par value; 20,000,000 shares authorized; issued 9,178,945 shares in 2010 8,730,227 shares in 2009	18,357,890	17,460,454
Class B non-voting common stock-\$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	--	--
Class C convertible common stock, \$0.20 par value; 15,000,000 shares authorized; issued 9,660,152 shares in 2010 and 9,214,211 shares in 2009	1,932,031	1,842,842
Additional paid-in capital	19,689,993	19,191,606
Accumulated other comprehensive income	1,188,246	1,593,327
Retained Earnings	21,907,579	23,178,944
Treasury stock at cost - (1,322,074 Class A shares and -0- Class C shares in 2010; 1,454,974 Class A shares and -0- Class C shares in 2009, held by affiliated companies)	(3,147,271)	(3,461,731)
Total stockholders' equity	59,928,468	59,805,442
Total Liabilities and Stockholders' Equity	\$ 79,952,717	\$ 81,266,459

See accompanying notes to condensed financial statements.

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)

Condensed Financial Information

Condensed Statements of Earnings

	Year Ended December 31,		
	2010	2009	2008
Revenue			
Net investment income	\$ 11,969	\$ 89,466	\$ 161
Fees from affiliates	835,172	867,859	2,543,907
Other Income	-	81,912	-
Net realized gains and losses	-	5,615	-
Total revenue	847,141	1,044,852	2,544,068
Benefits and Expenses:			
General and administrative expenses	943,723	946,476	2,253,673
Interest expense	54,260	105,144	149,355
Expenses to affiliates	-	-	61,204
Total benefits and expenses	997,983	1,051,620	2,464,232
Earnings (loss) before income taxes, and earnings of subsidiaries			
	(150,842)	(6,768)	79,836
Income tax expense	86,699	(253,667)	78,595
Equity in earnings (loss) of subsidiaries	(366,481)	4,034,315	416,422
Net earnings (loss)	\$ (430,624)	\$ 3,773,880	\$ 574,853

See accompanying notes to condensed financial statements.

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)
Condensed Financial Information

Condensed Statements of Cash Flow

	Year Ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Net earnings (loss)	\$ (430,624)	\$ 3,773,880	\$ 574,853
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	134,243	150,009	194,116
Undistributed earnings of affiliates	(366,481)	(4,034,315)	(1,406,214)
Provision for income taxes	(86,699)	253,667	918,044
Provision for losses on loans & real estate	--	--	500,000
Stock based compensation expense	520,457	485,986	378,227
Benefit plans funded with treasury stock	438,274	457,070	204,990
Change in assets and liabilities:			
Accrued Investment Income from affiliates	--	(655)	287,135
Accounts receivable	--	--	(187,000)
Other assets	5,883	5,699	(14,821)
Other liabilities	(123,207)	(340,600)	158,568
Net cash provided by operating activities	91,846	750,741	1,607,898
	-		
Cash flows from investing activities:			
Purchase of real estate	--	(186,271)	--
Sale of real estate	--	463,695	--
Purchase of equipment	--	(9,554)	(2,685)
Mortgage, policy loans made	(89,375)	(2,506,913)	(715,606)
Payments, mortgage loans	9,218	2,501,994	30,889
Dividend received from subsidiary	--	1,125,000	--
Investment in subsidiaries	732,956	(1,167,333)	--
Net cash provided by (used in) investing activities	652,799	220,618	(687,402)
Cash flows from financing activities:			
Advances from (to) affiliates	233,812	1,177,977	(187,341)
Payments of notes and contracts payable	(1,385,484)	(1,204,983)	(1,662,223)
Proceeds from borrowings on notes and contracts payable	--	--	1,500,000
Net cash used in financing activities	(1,151,672)	(27,006)	(349,564)
Net change in cash	(407,027)	944,353	570,932
Cash at beginning of year	1,712,983	768,630	197,698
Cash at end of year	\$ 1,305,956	\$ 1,712,983	\$ 768,630

See accompanying notes to condensed financial statements.

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)
Condensed Financial Information

Notes to Condensed Financial Statements

1) Bank Loans Payable

	2010	December 31, 2009
Bank prime rate less .28% (2.97% at December 31, 2010), collateralized by shares of Security National Life Insurance Company Stock, due June 2011	\$ 357,336	\$ 1,192,820
Bank prime rate less .75% (2.50% at December 31, 2010) collateralized by shares of Security National Life Insurance Company Stock, due June 2011	825,000	1,375,000
Total bank loans	1,182,336	2,567,820
	-	
Less current installments	1,182,336	1,385,698
Bank loans, excluding current installments	\$ -	\$ 1,182,122

2) Notes and Contracts Payable

Notes and contracts are summarized as follows:

	2010	December 31, 2009
Other notes and contracts payable	961	961
Total notes and contracts	961	961
Less current installments	961	961
Notes and contracts, excluding current installments	-	-

The Company has a \$6,000,000 revolving line-of-credit with a bank with interest payable at the prime rate minus .75% (2.50% at December 31, 2010), secured by the capital stock of Security National Life and maturing June 15, 2011, renewable annually. As of December 31, 2010, there were no amounts outstanding under the revolving line-of-credit. As of December 31, 2010, \$3,485,886 was available and \$1,689,114 was reserved for three outstanding letters of credit. \$1,500,000 was carved out for a loan in September 2008 that as of December 31, 2010 has a balance of \$825,000 (refer to note 1). As the principal payments on the loan are made the line of credit amount increases in availability.

Schedule II (Continued)

SECURITY NATIONAL FINANCIAL CORPORATION
(Parent Company Only)
Condensed Financial Information

Notes to Condensed Financial Statements

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

2011	\$1,183,297
2012	-
2013	-
2014	-
2015	-
Thereafter	-
Total	\$1,183,297

3) Advances from Affiliated Companies

	December 31,	
	2010	2009
Non-interest bearing advances from affiliates:		
Cemetery and Mortuary subsidiary	\$ 1,459,841	\$ 1,459,841
Life insurance subsidiaries	7,529,756	7,502,452
Mortgage subsidiary	-	43,983
	\$ 8,989,597	\$ 9,006,276

4) Dividends and Capital Contributions

In 2010, 2009 and 2008, SecurityNational Mortgage Company, a wholly owned subsidiary of the Registrant, paid to the registrant cash dividends of \$-0-, \$1,125,000, and \$- 0-, respectively.

In 2010, 2009 and 2008 the Registrant made a capital contribution to Security National Life Insurance Company, a wholly owned subsidiary of the Registrant, in the amount of \$-0-, \$1,125,000, and \$-0-, respectively.

Schedule IV

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Reinsurance

	Direct Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
2010					
Life Insurance in force (\$000)	\$1,202,208	\$76,042	\$1,801,414	\$2,927,580	61.5%
Premiums:					
Life Insurance	\$36,554,612	\$601,049	\$2,384,637	\$38,338,200	6.2%
Accident and Health Insurance	190,237	-	-	190,237	0.0%
Total premiums	\$36,744,849	\$601,049	\$2,384,637	\$38,528,437	6.2%
2009					
Life Insurance in force (\$000)	\$1,271,014	\$93,603	\$1,346,932	\$2,524,343	53.4%
Premiums:					
Life Insurance	\$37,410,889	\$646,318	\$1,418,707	\$38,183,278	3.7%
Accident and Health Insurance	231,386	1,335	-	230,051	0.0%
Total premiums	\$37,642,275	\$647,653	\$1,418,707	\$38,413,329	3.7%
2008					
Life Insurance in force (\$000)	\$1,303,722	\$125,065	\$1,150,687	\$2,329,344	49.4%
Premiums:					
Life Insurance	\$35,133,624	\$649,964	\$1,269,658	\$35,753,318	3.6%
Accident and Health Insurance	227,908	162	233	227,979	0.1%
Total premiums	\$35,361,532	\$650,126	\$1,269,891	\$35,981,297	3.5%

Schedule V

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES

Valuation and Qualifying Accounts

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions Disposals and Write-offs	Balance at End of Year
For the Year Ended December 31, 2010				
Accumulated depreciation on real estate	\$3,939,272	\$1,105,580	\$(104,625)	\$4,940,227
Allowance for losses on mortgage loans on real estate and construction loans held for investment.	6,808,803	630,133	(368,494)	7,070,442
Accumulated depreciation on property and equipment	19,133,583	1,811,931	(4,710,259)	16,235,255
Allowance for doubtful accounts on receivables	2,183,056	918,256	(1,105,965)	1,995,347
Allowance for doubtful accounts on collateral loans	652,498	120,000	(391,992)	380,506
For the Year Ended December 31, 2009				
Accumulated depreciation on real estate	\$5,009,571	\$842,641	\$(1,912,940)	\$3,939,272
Allowance for losses on mortgage loans on real estate and construction loans held for investment.	4,780,467	3,166,043	(1,137,707)	6,808,803
Accumulated depreciation on property and equipment	17,688,418	1,722,446	(277,281)	19,133,583
Allowance for doubtful accounts on receivables	1,983,293	1,229,668	(1,029,905)	2,183,056
Allowance for doubtful accounts on collateral loans	555,146	128,778	(31,426)	652,498
For the Year Ended December 31, 2008				
Accumulated depreciation on real estate	\$4,340,390	\$672,721	\$(3,540)	\$5,009,571
Allowance for losses on mortgage loans on real estate and construction loans held for investment.	1,435,131	4,338,553	(993,217)	4,780,467
Accumulated depreciation on property and equipment	15,664,046	2,052,019	(27,647)	17,688,418
Allowance for doubtful accounts on receivables	1,293,185	1,034,202	(344,094)	1,983,293
Allowance for doubtful accounts on collateral loans	492,089	166,000	(102,943)	555,146

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Year Ended December 31, 2010

SECURITY NATIONAL FINANCIAL CORPORATION

Commission File No. 0-9341

E X H I B I T S

Exhibit Index

Exhibit No.	Document Name
21	Subsidiaries of the Registrant
31.1	Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002