SECURITY NATIONAL FINANCIAL CORP
Form DEF 14A
June 02, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A
(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(3)(2))
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

SECURITY NATIONAL FINANCIAL CORPORATION
(Name of Registrant as Specified In Its Charter)

____
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the Appropriate box):

x	No fee required.
o	Fee computed on table below per Securities Exchange Act Rules 15a-6(i)(4) and 0-11.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

SECURITY NATIONAL FINANCIAL CORPORATION

5300 South 360 West, Suite 250
Salt Lake City, Utah 84123

June 4, 2010

Dear Stockholder:

On behalf of the Board of Directors, it is my pleasure to invite you to attend the Annual Meeting of Stockholders of Security National Financial Corporation (the "Company") to be held on Friday, July 9, 2010, at 10:00 a.m., Mountain Daylight Time, at Valley Center Towers, 5373 South Green Street, Conference Room 105, Salt Lake City, Utah.

The formal notice of the Annual Meeting and the Proxy Statement have been made a part of this invitation. Also, enclosed is a copy of the Company's Annual Report for the year ended December 31, 2009.

The matters to be addressed at the meeting will include (1) the election of seven directors; (2) the approval of the amendment to the 2003 Stock Option Plan to authorize an additional 500,000 shares of Class A common stock to be made available for issuance under the plan, of which up to 100,000 Class A common shares could be issued as up to 1,000,000 shares of Class C common stock; (3) the ratification of the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for the fiscal year ending December 31, 2010; and (4) the transaction of such other business as may properly come before the Annual Meeting or any adjournment thereof. I will also report on the Company's business activities and answer any stockholder questions.

The Board of Directors recommends that you vote FOR election of the director nominees, FOR approval of the amendment to the 2003 Stock Option Plan to authorize additional shares for issuance thereunder; and FOR ratification of appointment of the independent registered public accountants; and FOR the transaction of such other business as may properly come before the Annual Meeting or any adjournment thereof. Please refer to the Proxy Statement for detailed information on each of the proposals and the Annual Meeting.

Your vote is very important. We hope you will take a few minutes to review the Proxy Statement and complete, sign, date and return your Proxy Card in the envelope provided, even if you plan to attend the meeting. Please note that sending us your Proxy will not prevent you from voting in person at the meeting, should you wish to do so.

Thank you for your support of Security National Financial Corporation. We look forward to seeing you at the Annual Meeting.

Sincerely yours,

/s/ George R. Quist

George R. Quist
Chairman of the Board and

Chief Executive Officer

SECURITY NATIONAL FINANCIAL CORPORATION

5300 South 360 West, Suite 250
Salt Lake City, Utah 84123

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JULY 9, 2010

Dear Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Security National Financial Corporation (the "Company"), a Utah corporation, will be held on Friday, July 9, 2010, at Valley Center Towers, 5373 South Green Street, Conference Room 105, Salt Lake City, Utah, at 10:00 a.m., Mountain Daylight Time, to consider and act upon the following:

1. To elect a Board of Directors consisting of seven directors (two directors to be elected exclusively by the Class A common stockholders voting separately as a class and the remaining five directors to be elected by the Class A and Class C common stockholders voting together) to serve until the next Annual Meeting of Stockholders and until their successors are elected and qualified;

2. To amend the Company's Stock Option Plan to authorize an additional 500,000 shares of Class A common stock to be made available for issuance under the plan, of which up to 100,000 Class A common shares could be issued as up to 1,000,000 shares of Class C common stock;

3. To ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for the fiscal year ending December 31, 2010; and

4. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on May 21, 2010, as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. A list of such stockholders will be available for examination by a stockholder for any purpose relevant to the meeting during ordinary business hours at the offices of the Company at 5300 South 360 West, Suite 250, Salt Lake City, Utah during the 20 days prior to the meeting.

If you do not expect to attend the meeting in person, it is important that your shares be represented. Please use the enclosed proxy card to vote on the matters to be considered at the meeting, sign and date the proxy card and mail it promptly in the enclosed envelope, which requires no postage if mailed in the United States. You may revoke your proxy at any time before the meeting by written notice to such effect, by submitting a subsequently dated proxy or by attending the meeting and voting in person. If your shares are held in "street name," you should instruct your broker how to vote in accordance with your voting instruction form.

By order of the Board of Directors,

/s/ Jeffrey R. Stephens

Jeffrey R. Stephens
General Counsel and Corporate Secretary

June 4, 2010
Salt Lake City, Utah

SECURITY NATIONAL FINANCIAL CORPORATION

5300 South 360 West, Suite 250
Salt Lake City, Utah 84123

PROXY STATEMENT

For Annual Meeting of Stockholders
To Be Held on July 9, 2010

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Security National Financial Corporation (the "Company") for use at the Annual Meeting of Stockholders to be held on Friday, July 9, 2010 at Valley Center Towers, 5373 South Green Street, Conference Room 105, Salt Lake City, Utah, at 10:00 a.m., Mountain Daylight Time, or at any adjournment or postponements thereof (the "Annual Meeting"). The shares covered by the enclosed Proxy, if such is properly executed and received by the Board of Directors prior to the meeting, will be voted in favor of the proposals to be considered at the Annual Meeting, and in favor of the election of the nominees to the Board of Directors (two nominees to be elected by the Class A common stockholders voting separately as a class and five nominees to be elected by the Class A and Class C common stockholders voting together) as listed unless such Proxy specifies otherwise, or the authority to vote in the election of directors is withheld.

A Proxy may be revoked at any time before it is exercised by giving written notice to the Secretary of the Company at 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123, Attention: Jeffrey R. Stephens, by submitting in writing a Proxy bearing a later date, or by attending the Annual Meeting and voting in person. Stockholders may vote their shares in person if they attend the Annual Meeting, even if they have executed and returned a Proxy. This Proxy Statement and accompanying Proxy Card are being mailed to stockholders on or about June 4, 2010.

If a stockholder wishes to assign a proxy to someone other than the Directors' Proxy Committee, all three names appearing on the Proxy Card must be crossed out and the name(s) of another person or persons (not more than three) inserted. The signed card must be presented at the meeting by the person(s) representing the stockholder.

The cost of this solicitation will be borne by the Company. The Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers, and regular employees, without additional compensation.

The matters to be brought before the Annual Meeting are (1) to elect directors to serve for the ensuing year; (2) to approve the amendment to the 2003 Stock Option Plan to authorize an additional 500,000 shares of Class A common stock to be made available for issuance under the plan, of which up to 100,000 Class A common shares could be issued as up to 1,000,000 shares of Class C common stock; (3) to ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for the fiscal year ending December 31, 2010; and (4) to transact such other business as may properly come before the Annual Meeting.

RECORD DATE AND VOTING INFORMATION

Only holders of record of common stock at the close of business on May 21, 2010, will be entitled to vote at the Annual Meeting. As of May 12, 2010, there were issued and outstanding 8,740,727 shares of Class A common stock,

$2.00 par value per share and 9,211,399 shares of Class C common stock, $.20 par value per share, resulting in a total of 17,952,126 shares of both Class A and Class C common stock. A majority of the outstanding shares (or 8,976,064 shares) of common stock will constitute a quorum for the transaction of business at the meeting. A list of our stockholders will be available for review at the Company=s executive offices during regular business hours for a period of 20 days before the Annual Meeting.

The holders of each class of common stock of the Company are entitled to one vote per share. Cumulative voting is not permitted in the election of directors.

After carefully reading and considering the information contained in this Proxy Statement, each holder of the Company's common stock should complete, date and sign the Proxy Card and mail the Proxy Card in the enclosed return envelope as soon as possible so that those shares of the Company's common stock can be voted at the Annual Meeting, even if the holders plan to attend the Annual Meeting in person.

Proxies received at any time before the Annual Meeting, and not revoked or superseded before being voted, will be voted at the Annual Meeting. If a Proxy indicates a specification, it will be in accordance with the specification. If no specification is indicated, the Proxy will be voted for approval of the election of the directors recommended by the Board of Directors; for approval of the amendment to the 2003 Stock Option Plan to authorize an additional 500,000 shares of Class A common stock to be made available for issuance under the plan, of which up to 100,000 Class A common shares could be issued as up to 1,000,000 shares of Class C common stock; for the ratification of the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for the fiscal year ending December 31, 2010; and, in the discretion of the persons named in the Proxy, to transact such other business that may properly come before the meeting or any adjournments of the meeting. You may also vote in person by ballot at the Annual Meeting.

The Company's Articles of Incorporation provide that the Class A common stockholders and Class C common stockholders have different voting rights in the election of directors. The Class A common stockholders voting separately as a class will be entitled to vote for two of the seven directors to be elected (the nominees to be voted upon by the Class A common stockholders separately consist of Messrs. J. Lynn Beckstead, Jr. and H. Craig Moody).

The remaining five directors will be elected by the Class A and Class C common stockholders voting together (the nominees to be so voted upon consist of Messrs. Charles L. Crittenden, Robert G. Hunter, M.D., George R. Quist, Scott M. Quist, and Norman G. Wilbur). For the other business to be conducted at the Annual Meeting, the Class A and Class C common stockholders will vote together, one vote per share. The Class A common stockholders will receive a different form of Proxy than the Class C common stockholders.

Your vote is important. Please complete and return the Proxy Card so your shares can be represented at the Annual Meeting, even if you plan to attend in person.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE STOCKHOLDERS MEETING TO BE HELD ON JULY 9, 2010

This Proxy Statement, the Proxy Card and the 2009 Annual Report are available at www.securitynational.com/shareholders.asp

ELECTION OF DIRECTORS

PROPOSAL 1

The Nominees

The Company's Board of Directors consists of seven directors. All directors are elected annually to serve until the next annual meeting of the stockholders and until their respective successors are duly elected and qualified, or until their earlier resignation or removal. The nominees for the upcoming election of directors include four independent directors, as defined in the applicable rules for companies traded on the Nasdaq Stock Market, and three members of the Company's senior management. All of the nominees for director have served as directors since the 2009 Annual Meeting.

The nominees to be elected by the holders of Class A common stock are as follows:

Name	Age	Director Since	Position(s) with the Company
J. Lynn Beckstead, Jr.	56	2002	Vice President of Mortgage Operations and Director
H. Craig Moody	58	1995	Director

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The nominees for election by the holders of Class A and Class C common stock, voting together, are as follows:

Name	Age	Director Since	Position(s) with the Company
Charles L. Crittenden	90	1979	Director
Robert G. Hunter, M.D.	50	1998	Director
George R. Quist	89	1979	Chairman of the Board and Chief Executive Officer
Scott M. Quist	57	1986	President, Chief Operating Officer and Director
Norman G. Wilbur	71	1998	Director

The following is a description of the business experience of each of the nominees and 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.

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.

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.

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.

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.

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.

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 is a past board member of Habitat for Humanity in Plano, Texas.

The Board of Directors recommends that stockholders vote "FOR" the election of each of the director nominees.

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, 2009. No directors attended fewer than 75% of all meetings of the Board of Directors during the 2009 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.

Unless authority is withheld by your Proxy, it is intended that the common stock represented by your Proxy will be voted for the respective nominees listed above. If any nominee should not serve for any reason, the Proxy will be voted for such person as shall be designated by the Board of Directors to replace such nominee. The Board of Directors has no reason to expect that any nominee will be unable to serve. There is no arrangement between any of the nominees and any other person or persons pursuant to which he was or is to be selected as a director. There is no family relationship between or among any of the nominees, except that Scott M. Quist is the son of George R. Quist.

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 2009, 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 2009, 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 2009, 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 2009, the Nominating and Corporate Governance Committee met on one occasion.

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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.

The Nominating and Corporate Governance Committee will consider nominees proposed by stockholders. To recommend a perspective nominee for the Nominating and Corporate Governance Committee's consideration, stockholders may submit the candidate's name and qualifications to: Jeffrey R. Stephens, General Counsel and Secretary, Security National Financial Corporation, 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123. Recommendations from stockholders for nominees must be received by Mr. Stephens not later than the date set forth under "Deadline for Receipt of Stockholder's Proposals for Annual Meeting to be Held in July 2011" below.

The Nominating and Corporate Governance Committee operates pursuant to a written charter. The full text of the charter is published on the Company's website at www.securitynational.com. Stockholders may also obtain a copy of the charter without charge by writing to: Jeffrey R. Stephens, General Counsel and Corporate Secretary, Security National Financial Corporation, 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123.

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.

Stockholder Communications with the Board of Directors

Stockholders who wish to communicate with the Board of Directors or a particular director may send a letter to Jeffrey R. Stephens, General Counsel and Corporate Secretary, Security National Financial Corporation, 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123. The mailing envelope must contain a clear notation indicating that the enclosed letter is a "Stockholder-Board Communication" or "Stockholder-Director Communication." All such letters must identify the author as a stockholder and clearly state whether the intended recipients are all members of the board or just certain specified individual directors. The Secretary will make copies of all such letters and circulate them to the appropriate director or directors.

Executive Officers

The following table sets forth certain information with respect to the executive officers of the Company (the business biographies for George R. Quist, Scott M. Quist and J. Lynn Beckstead, Jr. are set forth above):

Name	Age	Title

George R. Quist[1]	89	Chairman of the Board and Chief Executive Officer
Scott M. Quist[1]	57	President, Chief Operating Officer and Director
Stephen M. Sill	64	Vice President, Treasurer and Chief Financial Officer
J. Lynn Beckstead, Jr.	56	Vice President of Mortgage Operations and Director
Jeffrey R. Stephens	56	General Counsel and Corporate Secretary
Christie Q. Overbaugh[1]	60	Senior Vice President of Internal Operations

1 George R. Quist is the father of Scott M. Quist and Christie Q. Overbaugh

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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. In addition, Mr. Sill 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 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 that 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 affiliates thereof has had any transactions with the Company or its subsidiaries during 2009 or 2008.

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, General Counsel and Corporate 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, General Counsel and Corporate Secretary, Security National Financial Corporation, 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

SUMMARY COMPENSATION TABLE

The following table sets forth compensation information for fiscal years 2009, 2008 and 2007 for (i) the Company's Chief Executive Officer, (ii) the Company's Chief Financial Officer, and (iii) the Company's three other executive officers, who, based on their total compensation, were the most highly compensated in 2009. The Company refers to them in this Proxy Statement collectively as the "Named Executive Officers."

Name and Principal Position	Year	Salary$	Bonus($)	Stock Awards($)	Option Awards($)	Non-Equity Incentive Plan Compensation($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings($)(2)	All Other Compensation($)(3)	Total($)
George R.	2009	$252,513	$ 51,580	--	--	--	$ --	$ 11,252	$315,345
Quist(1)	2008	236,013	50,755	--	--	--	--	10,959	297,727
Chairman	2007	219,513	--	--	--	--	24,200	10,760	254,473
of the Board and Chief Executive Officer									
Scott M.	2009		$ 92,650	--	--	--	$ --	$ 32,846	$482,813
Quist(1)	2008	$357,317	91,350	--	--	--	--	32,791	456,541
President	2007	332,400	--	--	--	--	25,300	33,172	362,372
and Chief		303,900							
Operating Officer									
Stephen M.	2009	$138,000	$ 11,413	--	--	--	$ --	$ 17,035	$166,448
Sill	2008	131,969	11,113	--	--	--	--	17,074	160,156
Vice	2007	125,292	6,000	--	--	--	14,179	15,878	161,349
President, Treasurer and Chief Financial Officer									
J. Lynn	2009	$227,583	$137,221	--	--	--	$ --	$ 21,667	$386,471
Beckstead,	2008	217,583	119,741	--	--	--	--	21,528	358,852
Jr.	2007	207,500	46,888	--	--	--	21,166	21,140	296,694
Vice President of									

Mortgage Operations									
Jeffrey R. Stephens General Counsel and Corporate Secretary	2009	$140,708	$ 8,000	--	--	--	--	$ 11,235	$159,943
	2008	133,417	8,000	--	--	--	--	11,335	152,752
	2007	120,000	--	--	--	--	--	10,202	130,202

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(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 for George R. Quist ($2,400 for each of the years 2009, 2008 and 2007); Scott M. Quist ($7,200 for each of the years 2009, 2008 and 2007); Stephen M. Sill ($5,700 for 2009 and 2008, and $4,275 for 2007); and Jeffrey R. Stephens ($0 for 2009, 2008 and 2007). 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 such executive officers;

(b) group life insurance premiums paid by the Company to a group life insurance plan for George R. Quist ($125, $154, and $9 for 2009, 2008 and 2007, respectively); Scott M. Quist, Stephen M. Sill, and J. Lynn Beckstead, Jr. ($211, $218 and $250 each for 2009, 2008 and 2007, respectively); and Jeffrey R. Stephens ($109, $99 and $42 for 2009, 2008 and 2007, respectively);

(c) life insurance premiums paid by the Company for the benefit of George R. Quist ($4,644 for each of the years 2009, 2008 and 2007); Scott M. Quist ($14,056 for 2009 and 2008, and $14,340 for 2007); Stephen M. Sill ($2,976 for each of the years 2009, 2008 and 2007); J. Lynn Beckstead, Jr. ($4,200 for each of the years 2009, 2008 and 2007); and Jeffrey R. Stephens ($0 for each of the years 2009, 2008 and 2007);

(d) medical insurance premiums paid by the Company to a medical insurance plan for George R. Quist ($3,795 for 2009, $3,491 for 2008, and $3,419 for 2007); Scott M. Quist and J. Lynn Beckstead, Jr. ($11,091 each for 2009, $11,047 each for 2008, and $11,094 each for 2007); Stephen M. Sill ($7,860 for 2009, $7,910 for 2008, and $8,089 for 2007); and Jeffrey R. Stephens ($10,838 for 2009, $11,047 for 2008, and $10,199 for 2007);

(e) long term disability insurance premiums paid by the Company to a provider of such insurance for George R. Quist, Scott M. Quist, Stephen M. Sill, J. Lynn Beckstead, Jr., and Jeffrey R. Stephens ($288 each for years 2009, 2008 and 2007); and

(f) membership dues paid by the Company to Alpine Country Club for the benefit of J. Lynn Beckstead, Jr. ($5,877 for 2009, $5,793 for 2008, and $5,308 for 2007).

SUPPLEMENTAL ALL OTHER COMPENSATION TABLE

The following table sets forth all other compensation provided to the Named Executive Officers for fiscal years 2009, 2008 and 2007.

Name of Executive Officer	Year	Perks and Other Personal Benefits	Tax Reimbursements	Discounted Securities Purchases	Payments/ Accruals on Termination Plans	Registrant Contribu- tions to Defined Contribu- tion Plans	Insurance Premiums	Dividends or Earnings on Stock or Option Awards	Other
George R.	2009	$2,400	--	--	--	--	$ 8,852	--	--
Quist	2008	2,400	--	--	--	--	8,559	--	--
	2007	2,400	--	--	--	--	8,360	--	--
Scott M. Quist	2009	$7,200	--	--	--	--	$25,646	--	--
	2008	7,200	--	--	--	--	25,591	--	--
	2007	7,200	--	--	--	--	25,972	--	--
Stephen M.	2009	$5,700	--	--	--	--		--	--
Sill	2008	5,700	--	--	--	--	$11,335	--	--
	2007	4,275	--	--	--	--	11,374	--	--
							11,603		
	2009	$5,877	--	--	--	--		--	--
J. Lynn	2008	5,793	--	--	--	--		--	--
Beckstead, Jr.	2007	5,308	--	--	--	--	$15,790	--	--
	2009	--	--	--	--	--	15,735	--	--
	2008	--	--	--	--	--		--	--

Jeffrey R. Stephens	2007	--	--	--	--	--	15,832	--	--

$11,235
11,335
10,202

8

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, 2009.

Name of Executive Officer	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)	All Other Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Closing Price on Grant Date ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
George R. Quist	12/4/09	--	--	--	100,000	$ 3.872	$3.520	$170,000
Scott M. Quist	12/4/09	--	--	--	100,000(1)	$3.872	$3.520	$170,000
Stephen M. Sill	12/4/09	--	--	--	7,500	$3.520	$3.520	$11,625
J. Lynn Beckstead, Jr	12/4/09	--	--	--	20,000	$3.520	$3.520	$31,000
Jeffrey R. Stephens	12/4/09	--	--	--	5,000	$3.520	$3.520	$ 7,750

(1) This reflects the equivalent of Class A common shares. On December 4, 2009, Scott M. 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.

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OUTSTANDING EQUITY AWARDS AT FISCAL 2009 YEAR END

The following table sets forth information concerning outstanding equity awards held by Named Executive Officers at December 31, 2009.

	Option Awards						Stock Awards		
Name of Executive Officer	Option Grant Date	Number of Securities Underlying Unexercised Options Exercisable (1) (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	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 Ince Plan Awards: Nu of Unearn Shares, Un Other Rights Have Not V (#)
George R. Quist	03/25/05	85,085	--	$ 3.18	03/25/10	03/25/05	--	--	--
	03/31/08	(4)	--	4.03	03/31/13	03/31/08	--	--	--
	12/05/08	52,500	--	1.57	12/05/13	12/05/08	--	--	--
	12/04/09	(5)	100,000 (7)	3.87	12/04/14	12/04/09	100,000	$358,900	--
		105,000							
		(6)							
		--							
Scott M. Quist	03/21/03	94,030	--	$ 4.40	03/21/13	03/21/03	--	--	--
	03/25/05	(2)	--	2.89	03/25/15	03/25/05	--	--	--
	03/31/08	85,086	--	4.03	03/31/13	03/31/08	--	--	--
	12/05/08	(4)	--	1.57	12/05/13	12/05/08	--	--	--
	12/04/09	52,500	100,000 (10)	3.87	12/04/14	12/04/09	100,000	$358,990	--
		(8)							
		105,000							
		(6) (9)							
		--							
Stephen M. Sill	03/31/08	7,875	--	$ 3.67	03/31/18	03/31/08	--	--	--
	12/05/08	(5)	--	1.43	12/05/18	12/05/08	--	--	--
	12/04/09	7,875	7,500 (7)	3.52	12/04/19	12/04/09	7,500	$ 26,924	--
		(6)							
		--							

J. Lynn	03/21/03		20,102	--	$ 4.40	03/21/13	03/21/03	--	--	--
Beckstead	12/10/04	(2)		--	2.53	12/10/14	12/10/04	--	--	--
Jr.	03/24/08		6,381	--	2.89	03/25/15	03/25/05	--	--	--
	12/05/08	(3)		--	3.67	03/31/18	03/31/08	--	--	--
	2/04/09		42,543	--	1.43	12/05/18	12/05/08	--	--	--
		(4)		20,000 (7)	3.52	12/04/19	12/04/09	20,000	$ 71,798	--
			8,400							
		(5)								
			21,000							
		(6)								
			--							
Jeffrey R.	12/05/08		1,050	--	$ 1.43	12/05/18	12/05/08	--	--	--
Stephens	12/04/09	(6)		5,000 (7)	3.52	12/04/19	12/04/09	5,000	$ 17,950	--
			--							

(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 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 vest at the rate of 25% of the total number of shares subject to the options on June 30, 2003 and 25% of the total number of shares on the last day of each three month period thereafter.

(3) Stock options vest at the rate of 25% of the total number of shares subject to the options on March 31, 2005 and 25% of the total number of shares on the last day of each three month period thereafter.

(4) Stock options vest at the rate of 25% of the total number of shares subject to the options on June 30, 2005 and 25% of the total number of shares on the last day of each three month period thereafter.

(5) Stock options vest 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 vest at the rate of 25% of the total number of shares subject to the options on March 31, 2009 and 25% of the total number of shares on the last day of each three month period thereafter.
(7) Stock options vest at the rate of 25% of the total number of shares subject to the options on March 31, 2010 and 25% of the total number of shares on the last day of each three month period thereafter.
(8) 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.
(9) 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.
(10) 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.

OPTION AWARDS VESTING SCHEDULE

The following table sets forth the vesting schedule of unexercisable options reported in the ANumber of Securities Underlying Unexercised Options B 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 vest 25% per quarter over a one year period after the grant date.

OPTION EXERCISES AND STOCK VESTED FOR FISCAL 2009

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, 2009.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
George R. Quist	16,481	$ 61,804	--	--
Scott M. Quist	--	--	--	--

Stephen M. Sill	--	--	--	--
J. Lynn Beckstead, Jr.	--	--	--	--
Jeffrey R. Stephens	--	--	--	--

PENSION BENEFITS FOR FISCAL 2009

The following table sets forth the present value as of December 31, 2009 of the benefit of the Named Executive Officers under a 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	--	--	--

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 $60,000. Retirement is defined in the plan as the age of 70, or a later retirement age, as specified by the Board of Directors. The $60,000 annual payments are to be adjusted for inflation in accordance with the United States Consumer Price Index for each year after January 1, 2002.

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 $31,300 and $49,000 in fiscal 2009 and 2008, respectively, to cover the present value of anticipated retirement benefits under the employment agreement of $536,900 as of December 31, 2009.

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 December 4, 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 $127,290 and $116,400 in fiscal 2009 and 2008, respectively, to cover the present value of anticipated retirement benefits under the employment agreement. The liability accrued is $831,170 and $703,900 as of December 31, 2009 and 2008, 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 December 4, 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 $52,295 and $46,400 in 2009 and 2008, respectively, to cover the present value of the retirement benefit of the employment agreement which was $415,595 as of December 31, 2009.

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 2009. During 2009 and 2008, each director was granted options to purchase an additional 5,000 shares and 7,500 shares, respectively, of Class A common stock.

DIRECTOR COMPENSATION FOR FISCAL 2009

The following table sets forth the compensation of the Company's non-employee directors for fiscal 2009.

Name	Fees Earned or Paid In Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Charles L.	$19,050	--	$ 8,148	--	--	--	$27,198
Crittenden	16,800	--	8,148	--	--	--	24,948
Robert G.	19,050	--	8,148	--	--	--	27,198
Hunter	19,050	--	8,148	--	--	--	27,198
H. Craig							
Moody							

Norman G.
Wilbur

Employee 401(k) Retirement Savings Plan

In 1995, the Company's Board of Directors adopted a 401(k) Retirement Savings Plan. Under the terms of the 401(k) plan, effective as of January 1, 1995, the Company may make discretionary employer matching contributions to its employees who choose to participate in the plan. The plan 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 the Company's stock up to a maximum discretionary employee contribution of ½ of 1% of a participating employee's compensation, as defined by the plan.

All persons who have completed at least one year's service with the Company and satisfy other plan requirements are eligible to participate in the 401(k) plan. All Company matching contributions are invested in the Company's Class A common stock. The Company's matching contributions for 2007 were $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 contributions to the plan for 2007 were $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 matching contributions for 2009 and 2008 were $341,360 and $365,925, 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 2009. Benefits under the Ownership Plan vest as follows: 20% after the third year of eligible service by an employee, and an additional 20% in the fourth, fifth, sixth and seventh years of eligible service by an employee.

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

Deferred Compensation Plan

In 2001, the Company's Board of Directors adopted a Deferred Compensation Plan. Under the terms of the Deferred Compensation Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The board has appointed a committee of the Company to be the plan administrator and to determine the employees who are eligible to participate in the plan. The employees who participate may elect to defer a portion of their compensation into the plan. The Company may contribute into the plan at the discretion of the Company's Board of Directors. The Company's contributions for 2009, 2008 and 2007 were $-0-, $-0- and $133,037, respectively.

NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL 2009

The following table sets forth contributions to the deferred compensation account of the Named Executive Officers in fiscal 2009 and the aggregate balance of deferred compensation of the Named Executive Officers at December 31, 2009.

Name	Executive Contributions In Last Fiscal Year ($)	Registrant Contributions In Last Fiscal Year ($)	Aggregate Earnings in Last Fiscal Year ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End ($)
George R. Quist	--	--	--	--	$192,819
Scott M. Quist	--	--	--	--	213,379
Stephen M. Sill	--	--	--	--	67,470
J. Lynn Beckstead, Jr.	--	--	--	--	107,987
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, 2009, 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 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 or 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 stockholders 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.

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, 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.

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 2009, or written representations from certain reporting persons, the Company believes that its directors, officers and greater than 10% beneficial owners complied with all Section 16(a) filing requirements applicable to them, except George R. Quist, Chairman and Chief Executive Officer through an oversight, filed one late Form 4 report reporting three transactions involving the purchase of shares of Class A common stock.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth security ownership information of the Company's Class A and Class C common stock as of March 31, 2010, (i) for persons who own beneficially more than 5% of the Company's outstanding Class A or Class C common stock, (ii) each director of the Company, and (iii) for all executive officers and directors of the Company as a group.

	Class A Common Stock		Class C Common Stock		Class A and Class C Common Stock	
Name and Address (1)	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)	614,556	8.1%	4,286,632	50.2%	4,901,188	30.5%
Scott M. Quist (3)(6)(7)(10)	565,729	7.5%	3,192,522	37.4%	3,758,251	23.4%
Employee Stock Ownership Plan (4)	633,809	8.4%	1,982,118	23.2%	2,615,927	16.3%
George R. Quist (3)(5)(6)(8)	671,738	8.9%	598,834	7.0%	1,270,572	7.9%
Associated Investors (9)	90,362	1.2%	836,746	9.8%	927,108	5.8%
Christie Q. Overbaugh (11)	148,441	2.0%	144,080	1.7%	292,521	1.8%
J. Lynn Beckstead, Jr. (10)(12)	270,293	3.6%	--	--	270,293	1.7%
Stephen M. Sill (10)(13)	98,234	1.3%	--	--	98,234	*
Robert G. Hunter, M.D. (3)(14)	20,986	*	--	--	20,986	*
Charles L. Crittenden (15)	20,747	*	--	--	20,747	*
H. Craig Moody (16)	19,681	*	--	--	19,681	*
Norman G. Wilbur (17)	18,457	*	--	--	18,457	*
Jeffrey R. Stephens (18)	14,500	*	--	--	14,500	*
All directors and executive officers (10 persons) (3)(5)(6)(10)	2,463,362	29.3%	8,222,068	76.8%	10,685,430	55.9%

* 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 633,809 shares of Class A common stock and 1,982,118 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 90,362 shares of Class A common stock and 836,746 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 427,988 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.
(7) Includes options to purchase 230,750 shares of Class A common stock and 1,487,124 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, 2010.
(8) Includes options to purchase 191,625 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, 2010.
(9) The managing general partner of Associated Investors is Scott M. Quist, who exercises sole voting and investment powers.
(10) Does not include 782,760 shares of Class A common stock owned by the Company's 401(k) Retirement Savings Plan, of which Scott M. Quist, J. Lynn Beckstead, Jr. and Stephen M. Sill are members of the investment committee and, accordingly, exercise shared voting and investment powers with respect to such shares.
(11) Includes options to purchase 60,252 shares of Class A common stock granted to Ms. Overbaugh that are currently exercisable or will become exercisable within 60 days of March 31, 2010.
(12) Includes options to purchase 108,597 shares of Class A common stock granted to Mr. Beckstead that are currently exercisable or will become exercisable within 60 days of March 31, 2010.
(13) Includes options to purchase 10,238 shares of Class A common stock granted to Mr. Sill that are currently exercisable or will become exercisable within 60 days of March 31, 2010.
(14) Includes options to purchase 14,597 shares of Class A common stock granted to Dr. Hunter that are currently exercisable or will become exercisable within 60 days of March 31, 2010.
(15) Includes options to purchase 14,597 shares of Class A common stock granted to Mr. Crittenden that are currently exercisable or will become exercisable within 60 days of March 31, 2010.
(16) Includes options to purchase 14,597 shares of Class A common stock granted to Mr. Moody that are currently exercisable or will become exercisable within 60 days of March 31, 2010.
(17) Includes options to purchase 14,597 shares of Class A common stock granted to Mr. Wilbur that are currently exercisable or will become exercisable within 60 days of March 31, 2010.
(18) Includes options to purchase 2,416 shares of Class A common stock granted to Mr. Stephens that are currently exercisable or will become exercisable within 60 days of March 31, 2010.

The Company=s officers and directors, as a group, own beneficially approximately 55.9% of the outstanding shares of the Company's Class A and Class C common stock.

REPORT OF THE COMPENSATION COMMITTEE

Under rules established by the Securities and Exchange Commission (the "Commission"), the Company is required to provide certain data and information in regard to the compensation and benefits provided to its Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers. In fulfillment of this requirement, the Compensation Committee, at the direction of the Board of Directors, has prepared the following report for inclusion in this Proxy Statement.

Executive Compensation Philosophy. The Compensation Committee of the Board of Directors is composed of four directors, all of whom are independent, outside directors. The Compensation Committee is responsible for setting and administering the policies and programs that govern both annual compensation and stock ownership programs for the executive officers of the Company. The Company's executive compensation policy is based on principles designed to ensure that an appropriate relationship exists between executive pay and corporate performance, while at the same time motivating and retaining executive officers.

Executive Compensation Components. The key components of the Company's compensation program are base salary, an annual incentive award, and equity participation. These components are administered with the goal of providing total compensation that is competitive in the marketplace, rewards successful financial performance and aligns executive officers= interests with those of stockholders. The Compensation Committee reviews each component of executive compensation on an annual basis.

Base Salary. Base salaries for executive officers are set at levels believed by the Compensation Committee to be sufficient to attract and retain qualified executive officers. Base pay increases are provided to executive officers based on an evaluation of each executive's performance, as well as the performance of the Company as a whole. In establishing base salaries, the Compensation Committee not only considers the financial performance of the Company, but also the success of the executive officers in developing and executing the Company's strategic plans, developing management employees and exercising leadership. The Compensation Committee believes that executive officer base salaries for 2009 were reasonable as compared to amounts paid by companies of similar size.

Annual Incentive. The Compensation Committee believes that a significant proportion of total cash compensation for executive officers should be subject to attainment of specific Company financial performance. This approach creates a direct incentive for executive officers to achieve desired performance goals and places a significant percentage of each executive officer's compensation at risk. Consequently, each year the Compensation Committee establishes potential bonuses for executive officers based on the Company=s achievement of certain financial performance. The Compensation Committee believes that executive officer annual bonuses for 2009 were reasonable as compared to amounts paid by companies of similar size.

Stock Options. The Compensation Committee believes that equity participation is a key component of its executive compensation program. Stock options are granted to executive officers primarily based on the officer's actual and potential contribution to the Company's growth and profitability and competitive marketplace practices. Option grants are designed to retain executive officers and motivate them to enhance stockholder value by aligning the financial interests of executive officers with those of stockholders. Stock options also provide an effective incentive for management to create stockholder value over the long term since the full benefit of the compensation package cannot be realized unless an appreciation in the price of the Company's Class A common stock occurs over a number of years.

Compensation of Chief Executive Officer. Consistent with the executive compensation policy and components described above, the Compensation Committee determined the salary, bonus and stock options received by George R. Quist, the Chairman of the Board and Chief Executive Officer of the Company, for services rendered in 2009. Mr. Quist received a base salary of $252,513 for 2009. Under the Compensation Committee's rules, the Chief Executive Officer may not be present during voting or deliberations related to his compensation.

COMPENSATION COMMITTEE

Charles L. Crittenden, Chairman
Robert G. Hunter, M.D.
H. Craig Moody
Norman G. Wilbur

REPORT OF THE AUDIT COMMITTEE

The Company has an Audit Committee consisting of three non-management directors, Charles L. Crittenden, H. Craig Moody and Norman G. Wilbur. Each member of the Audit Committee is considered independent and qualified in accordance with applicable independent director and audit committee listing standards. The Company's Board of Directors has adopted a written charter for the Audit Committee.

During the year 2009, the Audit Committee met three times. The Audit Committee has met with management and discussed the Company's internal controls, the quality of the Company's financial reporting, the results of internal and external audit examinations, and the audited financial statements. In addition, the Audit Committee met with the

Company's independent registered public accountants, Hansen, Barnett & Maxwell, P.C. and discussed all matters required to be discussed by the auditors with the Audit Committee under Statement on Auditing Standards No. 61 (communication with audit committees). The Audit Committee reviewed and discussed with the auditors their annual written report on their independence from the Company and its management, which is made under Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and Public Company Accounting Oversight Board Rule No. 3526 (Communication with Audit Committees Concerning Independence), and considered with the auditors whether the non-audit services provided by them to the Company during 2009 was compatible with the auditors' independence.

In performing these functions, the Audit Committee acts only in an oversight capacity. In its oversight role, the Audit Committee relies on the work and assurances of the Company's management, which is responsible for the integrity of the Company's internal controls and its financial statements and reports, and the Company's independent auditors, who are responsible for performing an independent audit of the Company's financial statements in accordance with generally accepted auditing standards and for issuing a report on these financial statements.

Pursuant to the reviews and discussions described above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

Norman G. Wilbur, Chairman
Charles L. Crittenden
H. Craig Moody

APPROVAL OF AMENDMENT TO THE 2003 STOCK OPTION PLAN

PROPOSAL 2

The Board of Directors adopted on May 14, 2010, subject to the approval by the shareholders, an amendment to the Company's 2003 Stock Option Plan. The amendment increases from 1,502,345 to 2,002,345 the number of shares of the Company's Class A common stock available for issuance under the 2003 Stock Option Plan if an additional 500,000 shares of Class A common stock are issued under the plan. However, if an additional 500,000 shares of Class A common stock are made available for issuance under the plan, of which up to 100,000 Class A common shares could be issued as up to 1,000,000 shares of Class C common stock, then the amendment would increase the number of Class A common stock available for issuance from 1,502,345 shares to 1,902,345, and increase the number of Class C common stock available for issuance under the plan from 3,110,775 to 4,110,775.

The Company has in the past used, and intends in the future to use, stock options as incentive devices to motivate and compensate its salaried officers and other key employees, and believes that equity incentives represented by stock options enhances the Company's ability in attracting and retaining the best possible persons for positions of significant responsibility by providing its officers and other key employees with additional incentives to contribute to the Company's success.

Management further believes that the availability of such equity incentives has served, and will continue to serve, an important part in the implementation of the Company's growth strategy. As of March 31, 2010, options to purchase 1,098,923 shares of Class A common stock and 3,110,770 shares of Class C common stock have been granted under the 2003 plan; as of such date and after the adjustments to reflect the annual 5% stock dividends, options to purchase 500,150 shares of Class A common stock and five shares of Class C common stock were outstanding under the 2003 Stock Option Plan. Accordingly, options to purchase only 500,150 shares of Class A common stock and five shares of Class C common stock remain available for future grants under the 2003 Stock Option Plan as of such date.

The Board of Directors recommends that the shareholders vote "FOR" approval of the amendment to the 2003 Stock Option Plan.

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

PROPOSAL 3

The independent public accounting firm of Hansen, Barnett & Maxwell, P.C. has been the Company's independent registered public accountants since May 20, 2005. The Audit Committee has recommended and the Board of Directors has appointed Hansen, Barnett & Maxwell, P.C. for purposes of auditing the consolidated financial statements of the Company for the fiscal year ending December 31, 2010. It is anticipated that representatives of Hansen, Barnett & Maxwell, P.C. will be present at the Annual Meeting and will be provided an opportunity to make a statement if they desire, and to be available to respond to appropriate questions.

The Board of Directors recommends that stockholders vote "FOR" ratification of the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for fiscal year ending December 31, 2010.

AUDIT FEES, FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES AND ALL OTHER FEES

Fees for the year 2009 for the annual audit of the financial statements and employee benefit plans and related quarterly reviews by the Company's independent registered public accountants were $427,000. In addition, there were $80,400 in tax preparation fees and $24,000 in other fees during 2009.

OTHER MATTERS

The Company knows of no other matters to be brought before the Annual Meeting, but if other matters properly come before the meeting, it is the intention of the persons named in the enclosed form of Proxy to vote the shares they represent in accordance with their judgment.

ANNUAL REPORT AND FINANCIAL STATEMENTS

Stockholders are referred to the Company's annual report, including financial statements, for the fiscal year ended December 31, 2009. The annual report is incorporated in this Proxy Statement and is not to be considered part of the soliciting material. The Company will provide, without charge to each stockholder upon written request, a copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2009. Such requests should be directed to Jeffrey R. Stephens, General Counsel and Corporate Secretary, P.O. Box 57250, Salt Lake City, Utah 84157-0250.

DEADLINE FOR RECEIPT OF STOCKHOLDER'S PROPOSALS FOR ANNUAL MEETING TO BE HELD IN JULY 2011

Any proposal by a stockholder to be presented at the Company's next Annual Meeting of Stockholders expected to be held in July 2011 must be received at the offices of the Company, P.O. Box 57250, Salt Lake City, Utah 84157-0250, no later than March 31, 2011.

By order of the Board of Directors,

/s/ Jeffrey R. Stephens

Jeffrey R. Stephens

General Counsel and Corporate Secretary

June 4, 2010
Salt Lake City, Utah

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PROXY - SECURITY NATIONAL FINANCIAL CORPORATION - PROXY
THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS
CLASS C COMMON STOCK

The undersigned Class C common stockholder of Security National Financial Corporation (the "Company") acknowledges receipt of the Notice of Annual Meeting of the Stockholders to be held on Friday, July 9, 2010, at Valley Center Towers, 5373 South Green Street, Conference Room 105, Salt Lake City, Utah, at 10:00 a.m., Mountain Daylight Time, and hereby appoints Messrs. George R. Quist, Scott M. Quist, and Jeffrey R. Stephens, or any of them, each with full power of substitution, as attorneys and proxies to vote all the shares of the undersigned at said Annual Meeting of Stockholders and at all adjournments or postponements thereof, hereby ratify and confirm all that said attorneys and proxies may do or cause to be done by virtue hereof. The above-named attorneys and proxies are instructed to vote all of the undersigned's shares as follows:

1. To elect five of the seven directors to be voted upon by Class A and Class C common stockholders together

[ ] FOR all nominees listed below (except as marked to the contrary below)
[ ] WITHHOLD AUTHORITY to vote for all nominees listed below

(INSTRUCTION: to withhold authority to vote for any individual nominee, strike a line through that nominee's name in the list below.)

Charles L. Crittenden, Robert G. Hunter, M.D., Scott M. Quist
George R. Quist and Norman G. Wilbur

2. To amend the Company's Stock Option Plan to authorize an additional 500,000 shares of Class A common stock to be made available for issuance under the plan, of which up to 100,000 Class A common shares could be issued as up to 1,000,000 shares of Class C common stock

[ ] FOR [ ] AGAINST

3. To ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for the fiscal year ending December 31, 2010

[ ] FOR [ ] AGAINST

4. To transact such other business as may properly come before the meeting or any adjournment thereof

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE NOMINEES LISTED IN PROPOSAL 1 ABOVE AND FOR PROPOSALS 2, 3 and 4.

Dated ____________________________________, 2010

____
Signature of Stockholder

____
Signature of Stockholder

Please sign your name exactly as it appears on your share certificate. If shares are held jointly, each holder should sign. Executors, trustees, and other fiduciaries should so indicate when signing. Please sign, date, and return this Proxy Card immediately.

NOTE: Securities dealers or other representatives please state the number of shares voted by this Proxy.

PROXY - SECURITY NATIONAL FINANCIAL CORPORATION - PROXY
THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS
CLASS A COMMON STOCK

The undersigned Class A common stockholder of Security National Financial Corporation (the "Company") acknowledges receipt of the Notice of Annual Meeting of the Stockholders to be held on Friday, July 9, 2010, at Valley Center Towers, 5373 South Green Street, Conference Room 105, Salt Lake City, Utah, at 10:00 a.m., Mountain Daylight Time, and hereby appoints Messrs. George R. Quist, Scott M. Quist, and Jeffrey R. Stephens, or any of them, each with full power of substitution, as attorneys and proxies to vote all the shares of the undersigned at said Annual Meeting of Stockholders and at all adjournments or postponements thereof, hereby ratify and confirming all that said attorneys and proxies may do or cause to be done by virtue hereof. The above-named attorneys and proxies are instructed to vote all of the undersigned's shares as follows:

1. To elect two directors to be voted upon by Class A common stockholders voting separately as a class

[ ] FOR all nominees listed below (except as marked to the contrary below)
[ ] WITHHOLD AUTHORITY to vote for all nominees listed below

(INSTRUCTION: to withhold authority to vote for any individual nominee, strike a line through that nominee's name in the list below.)
J. Lynn Beckstead, Jr. and H. Craig Moody

2. To elect the remaining five directors to be voted upon by Class A and Class C common stockholders together

[ ] FOR all nominees listed below (except as marked to the contrary below)
[ ] WITHHOLD AUTHORITY to vote for all nominees listed below

(INSTRUCTION: to withhold authority to vote for any individual nominee, strike a line through that nominee's name in the list below.)

Charles L. Crittenden, Robert G. Hunter, M.D., George R. Quist
Scott M. Quist, and Norman G. Wilbur

3. To amend the Company's Stock Option Plan to authorize an additional 500,000 shares of Class A common stock to be made available for issuance under the plan, of which up to 100,000 Class A common shares could be issued as up to 1,000,000 shares of Class C common stock

[ ] FOR [ ] AGAINST

4. To ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for the fiscal year ending December 31, 2010

[ ] FOR [ ] AGAINST

5. To transact such other business as may properly come before the meeting or any adjournment thereof

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE NOMINEES LISTED IN PROPOSALS 1 AND 2 ABOVE AND FOR PROPOSALS 3, 4 and 5.

Dated ________________________________, 2010

____
Signature of Stockholder

____
Signature of Stockholder

Please sign your name exactly as it appears on your share certificate. If shares are held jointly, each holder should sign. Executors, trustees, and other fiduciaries should so indicate when signing. Please sign, date, and return this Proxy Card immediately.

NOTE: Securities dealers or other representatives please state the number of shares voted by this Proxy.

2009 Annual Report

To Our Shareholders

My Fellow Shareholders:

I am pleased to report to you on the affairs of the Company for the year ended December 31, 2009, and invite you to attend the annual stockholders meeting to be held July 9, 2010, in Salt Lake City, Utah.

While Security National Financial Corporation experienced a .5% decline in revenues to $218,595,000 for 2009, its pre-tax earnings from operations increased 768% to $6,348,000. Net after tax earnings for the twelve-month period increased 556% from $575,000 in 2008 to $3,774,000 in 2009. The Company's asset base increased approximately 7% during the year to $471,000,000. This was an impressive performance in a difficult economy.

Despite the above accomplishments, the economic environment within which we must continue to operate remains very troubled. Of course we are gratified that we have maintained our revenues and increased our profitability during 2009. However, the current low interest rate environment continues to hamper our life segment profitability and, assuming stable to moderately rising interest rates in the near future, could hamper mortgage segment profitability. Furthermore, we continue to see credit losses in both the publicly traded securities and the residential mortgage sectors but hope that the worst of such losses are behind us. Such losses have been extremely difficult to accurately anticipate and predict.

To compensate for the decreased investment income attributable to low interest rates, our life segment has for the past several years attacked its costs of operation. Of worthy note, we have not seen any decline in our policy persistency and new policy sales, most notably in our funeral insurance segments which have continued to increase. Despite the difficult economic choices that I am sure many of our policyholders face, they continue to make our insurance one of their priorities.

The leveling off of rates has had a detrimental effect on revenues in our mortgage segment as the refinance market has shrunk. Overall, industry margins have decreased over the last year, but we are hopeful they will stabilize at current levels. Credit continues to be problematical from both the borrower's and the lender's point of view as lending criteria tighten and secondary markets remain shallow. We continue to maintain our focus on costs of operation but at some point revenue growth must take priority.

Our death-care segment performed well. We have not seen significant downward pressure on prices. At year end, we did undertake a restructure of our pre-need cemetery sales forces and we seem to be experiencing positive results.

We thank you for your continued support during these difficult times.

/s/ George R. Quist

Contact Information

SNFC Corporate Offices
Security National Financial Corporation
5300 South 360 West, Suite 250
Salt Lake City, UT 84123
P.O. Box 57250
Salt Lake City, UT 84157-0250
Telephone: (801) 264-1060
Toll Free: (800) 574-7117
Fax: (801) 265-9882

SNFC Corporate Officers
George R. Quist
Chairman of the Board

Scott M. Quist
President
Chief Operating Officer

Stephen M. Sill
Vice President
Treasurer
Chief Financial Officer

Jeffrey R. Stephens
Corporate Secretary
General Counsel

SNFC Corporate Directors
J. Lynn Beckstead, Jr.
President, SNMC, Director
Executive Committee

Charles L. Crittenden
President, Crittenden Paint & Glass
Owner, Crittenden Enterprises
Director, Compensation Committee
Audit Committee
Nominating & Corporate Governance Committee

Robert G. Hunter, M.D.
Past Medical Staff President

LifeInsurance Offices
Security National Life Insurance Company
5300 South 360 West, Suite 200
Salt Lake City, UT 84123
Telephone: (801) 264-1060

Jackson, MS Office
3935 I-55 South
Jackson, MS 39212
Telephone: (800) 826-6803

Fast Funding
C&J Financial, LLC
175 Jester Parkway
Rainbow City, AL 35906
Telephone: (800) 785-0003

Mortgage Locations

SecurityNational Mortgage Company
5300 South 360 West, Suite 150
Salt Lake City, Utah 84123
Telephone: (801) 264-8111

Security National Capital
5300 South 360 West Suite 350
Salt Lake City, UT 84123
Telephone: (801) 287-8316

Austin, TX
5000 Plaza on the Lake Dr., Suite 250
Austin, TX 78746
Telephone: (512) 306-1899

Bend, OR
999 SW Disk Drive, Suite 104
Bend, OR 97702
Telephone: (541) 382-9144

Chicago, IL

Murray, UT (Avalon)
5525 South 900 East, Suite 210
Murray, UT 84117
Telephone: (801) 327-0090

Orlando, FL
755 Rinehart Road, Suite 250
Lake Mary, FL 32746-8402
Telephone: (407) 321-7113

Orlando, FL
905 Lee Road
Orlando, FL 32810
Telephone: (407) 370-3800

Phoenix, AZ
5701 Talavi Blvd. Suite 155
Glendale, AZ 85306
Telephone: (602) 273-9610

Portland, OR
4800 SW Griffith Drive, Suite 250
Beaverton, OR 97005
Telephone: (503) 597-5656

Reading. MA
59 High Street
Reading, MA 01867
Telephone: (978) 223-2232

Sacramento, CA
12150 Tributary Point Drive #140
Gold River, CA 95670
Telephone: (916) 985-8806

Salt Lake City, UT
5251 South Green Street #350
Murray, UT 84123
Telephone: (801) 262-6033

San Antonio, TX

Greer-Wilson Funeral Home
5921 West Thomas Road
Phoenix, AZ 85033
Telephone: (623) 245-0994

Lake Hills Memorial Mortuary
10055 South State Street
Sandy, UT 84070
Telephone: (801) 566-1249

Lake View Memorial Mortuary
1640 East Lakeview Drive
Bountiful, UT 84010
Telephone: (801) 298-1564

Memorial Mortuary
5850 South 900 East
Murray, UT 84121
Telephone: (801) 262-4631

Mountain View Memorial Mortuary
3115 East 7800 South
Cottonwood Heights, UT 84121
Telephone: (801) 943-0831

Paradise Chapel Funeral Home
3934 East Indian School Road
Phoenix, AZ 85018
Telephone: (602) 955-1600

Redwood Memorial Mortuary
6500 South Redwood Road
West Jordan, UT 84123
Telephone: (801) 969-3456

Cemetery Locations

Holladay Memorial Park
4900 South Memory Lane

Department Head-Otolaryngology-Head & Neck Surgery
Intermountain Medical Center
Executive Committee Member
Director, Compensation Committee
Nominating & Corporate Governance Committee

H. Craig Moody
Director, Compensation Committee
Executive Committee, Audit Committee
Nominating & Corporate Governance Committee

George R. Quist
Founder, Chairman of the Board
Chief Executive Officer, Executive Committee

Scott M. Quist
President
Chief Operating Officer, Director
Executive Committee

Norman G. Wilbur
Former Manager of Planning & Reporting,
J.C. Penney Co., Inc.
Director, Compensation Committee
Audit Committee
Nominating & Corporate Governance Committee

Form 10-K Offer
If you are a holder or beneficial owner of the Company's stock, the Company will send you, upon request and at no charge, a copy of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the

1925 W. Irving Park, Suite 200
Chicago, IL 60613
Telephone: (773) 661-5938

Cottonwood Heights / Midvale, UT (Silver Ridge)
6965 Union Park Center, #470
Midvale, UT 84047
Telephone: (801) 545-7270

Cottonwood Heights, UT (Silver Ridge)
6740 South 1300 East, #100
Cottonwood Heights, UT 84121
Telephone: (801) 748-4888

Dallas, TX
12201 Merit Drive, Suite 400
Dallas, TX 75251
Telephone: (469) 374-9700

Dallas, TX
800 East Campbell Road, Suite 156
Richardson, TX 75081
Telephone: (972) 437-3000

Holladay, UT
970 East Murray-Holladay Road #4A
Salt Lake City, UT 84117
Telephone: (801) 262-3553

Houston, TX
5353 West Sam Houston Parkway North, Suite 160
Houston, TX 77041
Telephone: (281) 892-0400

Indianapolis, IN
Southpark Business Center, Suite 45
45 Southpark Boulevard
Greenwood, IN 46143
Telephone: (317) 883-5390

Ipswich, MA

613 NW Loop 410 Suite 685
San Antonio, TX 78216
Telephone: (210) 541-8080

San Diego, CA
16835 W. Bernardo Dr. Ste 150
San Diego, CA 92127
Telephone: (858) 676-9767

San Dimas, CA
550 W. Cienega Ave. Suite H
San Dimas, CA 91773
Telephone: (909) 394-3040

St. Louis, MO
111 West Port Plaza Dr. Suite 665
St. Louis, MO 63146
Telephone: (314) 542-3175

Tampa Bay, FL
8950 Martin Luther King Street, Suite 103
St. Petersburg, FL 33702
Telephone: (727) 577-5802

Tooele, UT (Silver Ridge)
1244 North Main Street # 203
Tooele, UT 84074
Telephone: (435) 843-5340

Tulsa, OK
3314 East 51st Street
Tulsa, OK 74135
Telephone: (918) 622-1297

Valencia, CA
27433 Tourney Road, Suite 220
Valencia, CA 91355
Telephone: (661) 799-0060

Wichita, KS
200 N. Broadway, Suite 100
Wichita, KS 67202
Telephone: (316) 771-5111

Holladay, UT 84117
Telephone: (801) 278-2803

Lake Hills Memorial Cemetery
10055 South State Street
Sandy, UT 84070
Telephone: (801) 566-1249

Lakeview Memorial Cemetery
1640 East Lakeview Drive
Bountiful, UT 84010
Telephone: (801) 298-1564

Mountain View Memorial Park
3115 East 7800 South
Salt Lake City, UT 84121
Telephone: (801) 943-0831

Redwood Memorial Cemetery
6500 South Redwood Road
West Jordan, UT 84123
Telephone: (801) 969-3456

Singing Hills Memorial Park
2800 Dehesa Road
El Cajon, CA 92019
Telephone: (619) 444-3000

year 2009 (including a list of exhibits). All requests must be made in writing to the Secretary, Security National Financial Corporation P.O. Box 57250 Salt Lake City, Utah 84157-0250.

Stock Transfer Agents
Zions First National Bank
P.O. Box 30880
Salt Lake City, UT 84130

Former Holders of Preferred Stock and/or Promissory Notes

Security National Financial Corporation
Attn: Stock Department
P.O. Box 57250
Salt Lake City, UT 84157-0250

Certified Public Accountants
Hansen, Barnett & Maxwell, P.C.
Salt Lake City, Utah

Legal Counsel
Mackey Price & Mecham
Salt Lake City, Utah

Company Email Address:
contact@securitynational.com

Company Internet Address:
www.securitynational.com

80 Labor In Vain Road
Ipswich, MA 01938
Telephone: (978) 356-8481

Kailua, Hawaii
970 North Kalaheo Avenue, Suite A-214
Kailua, HI 96734
Telephone: (808) 254-5312

Kansas City, KS
Financial Plaza III
6900 College Boulevard, Suite 950
Overland Park, KS 66211
Telephone: (913) 338-2929

McPherson, KS
822 North Main
McPherson, KS 67460
Telephone: (620) 241-3400

Midvale, UT (Silver Ridge)
6965 Union Park Center, #200
Midvale, UT 84047
Telephone: (801) 838-9808

Mortuary Locations

Cemetery & Mortuary Business Office
5300 South 360 West, Suite 200
Salt Lake City, UT 84123
Telephone: (801) 268-8771

Cottonwood Memorial Mortuary, Inc.
4670 South Highland Drive
Holladay, UT 84117
Telephone: (801) 278-2801

Crystal Rose Funeral Home
9155 West Van Buren
Tolleson, AZ 85353
Telephone: (623) 936-3637

Deseret Memorial Mortuary, Inc.
36 East 700 South
Salt Lake City, UT 84111
Telephone: (801) 364-6528

MANAGEMENT REPORT AND FINANCIAL INFORMATION

The consolidated financial statements of Security National Financial Corporation and all information in the annual report are the responsibility of management. The statements have been prepared in conformity with generally accepted accounting principles generally accepted in the United States of America. Financial information elsewhere in this report is consistent with that in the consolidated financial statements. The consolidated financial statements have been audited by the independent registered public accounting firm of Hansen, Barnett & Maxwell, P.C. for the years ended December 31, 2009, December 31, 2008 and December 31, 2007. Their role is to render independent professional opinions on Security National Financial Corporation's financial statements.

Management maintains a system of internal controls designed to meet its responsibilities for reliable financial statements. This system 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 acccepted accounting principles. Management performed an assessment of the Company's internal control over financial reporting as of December 31, 2009. Based on that assessment management believes that, as of December 31, 2009, the Company's internal control over financial reporting was effective.

The Board of Directors selects an Audit Committee from among its members. No member of the Audit Committee is an employee of the Company. The Audit Committee is responsible to the Board for reviewing the accounting and auditing procedures and financial practices of the Company and for recommending the appointment of the independent accountants. The Audit Committee meets periodically with management and the independent accountants to review the work of each and to satisfy itself that they are properly discharging their responsibilities. The independent accountants have free access to the Committee, without the presence of management, to discuss their opinions on the adequacy of internal controls and to review the quality of financial reporting.

5300 South 360 West – Suite 250 – Salt Lake City, Utah 84123 – P.O. Box 57220 – Salt Lake City, Utah 84157-0220
Phone: (801) 264-1060 – Fax: (801) 265-9882 – Toll Free: (800) 574-7117

HANSEN, BARNETT & MAXWELL, P.C.
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS
5 Triad Center, Suite 750
Salt Lake City, UT 84180-1128
Phone: (801) 532-2200
Fax: (801) 532-7944
www.hbmcpas.com

Registered with the Public Company Accounting Oversight Board

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Security National Financial Corporation and subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. 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, 2009 and 2008 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
March 31, 2010

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
Assets	2009	2008
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	$115,832,300	$125,346,194
Fixed maturity securities, available for sale, at estimated fair value	1,149,523	1,236,562
Equity securities, available for sale, at estimated fair value	5,786,614	4,617,675
Mortgage loans on real estate and construction loans held for investment, net of allowances for losses of $6,808,803 and $4,780,467 for 2009 and 2008	103,290,076	124,592,678
Real estate held for investment, net of accumulated depreciation and allowances for losses of $4,046,272 and $5,009,571 for 2009 and 2008	46,069,638	22,417,639
Policy, student and other loans net of allowance for doubtful accounts of $652,498 and $555,146 for 2009 and 2008	18,145,029	18,493,751
Short-term investments	7,144,319	5,282,986
Accrued investment income	2,072,495	2,245,201
Total investments	299,489,994	304,232,686
Cash and cash equivalents	39,463,803	19,914,110
Mortgage loans sold to investors	39,269,598	19,885,994
Receivables, net	10,873,207	13,135,080
Restricted assets of cemeteries and mortuaries	2,593,413	4,077,076
Cemetery perpetual care trust investments	1,104,046	1,840,119
Receivable from reinsurers	5,776,780	5,823,379
Cemetery land and improvements	10,987,833	10,626,296
Deferred policy and pre-need contract acquisition costs	34,087,951	32,424,512
Property and equipment, net	12,826,478	14,049,232
Value of business acquired	10,252,670	11,377,276
Goodwill	1,075,039	1,075,039
Other	2,776,086	3,343,726
Total Assets	$470,576,898	$441,804,525

See accompanying notes to consolidated financial statements.

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

	December 31,	
Liabilities and Stockholders' Equity	2009	2008
Liabilities		
Future life, annuity, and other benefits	$336,343,433	$325,668,454
Unearned premium reserve	4,780,645	4,863,919
Bank loans payable	8,656,245	6,138,202
Notes and contracts payable	283,744	501,778
Deferred pre-need cemetery and mortuary contract revenues	13,381,662	13,467,132
Cemetery perpetual care obligation	2,756,174	2,647,984
Accounts payable	2,601,149	1,941,777
Other liabilities and accrued expenses	24,623,535	17,688,756
Income taxes	17,344,869	14,974,244
Total liabilities	410,771,456	387,892,246
Commitments and Contingencies	--	--
Stockholders' Equity		
Common Stock:		
Class A: common stock - $2.00 par value; 20,000,000 shares authorized; issued 8,730,227 shares in 2009 and 8,284,109 shares in 2008	17,460,454	16,568,218
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 9,214,211 shares in 2009 and 8,912,315 shares in 2008	1,842,842	1,782,463
Additional paid-in capital	19,191,606	17,985,848
Accumulated other comprehensive income, net of taxes	1,593,327	417,101
Retained earnings	23,178,944	21,023,179
Treasury stock, at cost - 1,454,974 Class A shares and -0- Class C shares in 2009; 1,598,568 Class A shares and -0- Class C shares in 2008	(3,461,731)	(3,864,530)
Total stockholders' equity	59,805,442	53,912,279
Total Liabilities and Stockholders' Equity	$470,576,898	$441,804,525

See accompanying notes to consolidated financial statements.

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SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended December 31,		
	2009	2008	2007
Revenues:			
Insurance premiums and other consideration	$38,413,329	$35,981,297	$32,262,837
Net investment income	21,035,159	28,103,509	31,956,444
Net mortuary and cemetery sales	11,973,676	12,725,930	13,188,655
Realized gains (losses) on investments and other assets	897,312	(1,733,715)	1,007,574
Mortgage fee income	144,860,399	143,411,459	130,472,166
Other	1,414,680	1,015,370	860,406
Total revenues	218,594,555	219,503,850	209,748,082
Benefits and expenses:			
Death benefits	19,003,933	17,100,688	16,274,813
Surrenders and other policy benefits	1,677,335	2,094,482	2,078,415
Increase in future policy benefits	15,238,380	13,709,135	11,389,019
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	7,160,488	6,010,273	5,570,799
Selling, general and administrative expenses:			
Commissions	79,509,946	98,962,941	96,957,340
Salaries	28,069,907	26,206,331	23,944,999
Provision for loan losses and loss reserve	19,547,162	10,552,074	4,640,092
Other	36,364,355	34,251,508	29,961,459
Interest expense	3,326,161	7,448,454	13,270,871
Cost of goods and services sold – mortuaries and cemeteries	2,349,230	2,437,453	2,537,244
Total benefits and expenses	212,246,897	218,773,339	206,625,051
Earnings before income taxes	6,347,658	730,511	3,123,031
Income tax expense	(2,573,778)	(155,658)	(857,635)
Net earnings	$3,773,880	$574,853	$2,265,396
Net earnings per Class A equivalent common share (1)	$0.46	$0.07	$0.27
Net earnings per Class A equivalent common share - assuming dilution(1)	$0.46	$0.07	$0.26
Weighted average Class A equivalent common shares outstanding (1)	8,214,128	8,620,024	8,470,237
Weighted average Class A equivalent common shares outstanding-assuming dilution (1)	8,216,383	8,620,024	8,669,061

(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 $0.05, $0.01 and $0.03 per share for 2009, 2008 and 2007, respectively, and $0.05, $0.01 and $0.03 per share-assuming dilution for 2009, 2008 and 2007, 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, 2007, 2008 and 2009

	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, 2007	$15,066,460	$1,423,518	$17,064,488	$1,703,155	$20,495,063	$(2,781,988)	$52,970,696
Comprehensive income:							
Net earnings	—	—	—	—	2,265,396	—	2,265,396
Unrealized gains (losses)	—	—	—	(106,364)	—	—	(106,364)
Total comprehensive income							2,159,032
Exercise of stock options	(76,974)	231,525	(55,261)	—	(96,289)	—	3,001
Sale of Treasury stock	—	—	—	—	—	651,423	651,423
Stock dividends	750,826	81,244	727,944	—	(1,560,014)	—	-
Conversion Class C to Class A	30,146	(30,147)	1	—	—	—	-
Balance at December 31, 2007	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
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 as of December 31, 2009	$17,460,454	$1,842,842	$19,191,606	$1,593,327	$23,178,944	$(3,461,731)	$59,805,442

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2009	2008	2007
Cash flows from operating activities:			
Net earnings	$3,773,880	$574,853	$2,265,396
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Realized (gains) losses on investments and other assets	(897,312)	1,733,715	(1,007,574)
Depreciation	2,801,417	2,471,201	2,398,330
Provision for losses on real estate accounts and loans receivable	2,804,620	4,586,501	741,974
Amortization of premiums and discounts	(740,124)	(65,224)	8,411
Provision for deferred and other income taxes	1,570,989	(59,230)	481,810
Policy and pre-need acquisition costs deferred	(7,754,706)	(6,946,317)	(6,974,054)
Policy and pre-need acquisition costs amortized	6,035,882	5,110,519	4,609,045
Value of business acquired amortized	1,124,606	899,754	951,639
Change in assets and liabilities net of effects from land and improvements held for sale:	(361,537)	(866,255)	(781,617)
Future life and other benefits	15,423,587	9,508,769	13,131,652
Receivables for mortgage loans held for sale	(19,383,604)	35,366,791	(6,883,446)
Stock based compensation expense	485,986	466,929	3,000
Benefit plans funded with treasury stock	457,070	248,624	651,423
Other operating assets and liabilities	11,831,350	4,088,477	1,067,072
Net cash provided by operating activities	17,172,104	57,119,107	10,663,061
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(12,897,225)	(15,667,595)	(2,206,067)
Calls and maturities - fixed maturity securities	22,610,141	25,384,510	6,630,227
Securities available for sale:			
Purchase - equity securities	(5,640,738)	(1,740,077)	(179,630)
Sales - equity securities	5,788,996	3,600,641	868,371
Purchases of short-term investments	(20,784,977)	(30,339,562)	(16,946,889)
Sales of short-term investments	18,923,574	32,012,283	16,196,350
Sales (Purchases) of restricted assets	1,552,830	1,528,071	(302,114)
Change in assets for perpetual care trusts	(230,498)	(291,870)	(276,437)
Amount received for perpetual care trusts	108,190	174,226	195,248
Mortgage, policy, and other loans made	(27,691,403)	(79,563,741)	(114,782,049)
Payments received for mortgage, policy, and other loans	21,705,282	39,926,795	101,422,270
Purchases of property and equipment	(736,210)	(1,323,849)	(3,009,279)
Disposal of property and equipment	2,749	81,352	880,818
Purchases of real estate	(801,297)	(379,738)	(265,668)
Cash (paid) received for purchase of subsidiaries, net of cash acquired	-	(2,928,022)	(1,702,762)
Sale of real estate	1,965,740	1,438,796	1,375,183
Net cash used in investing activities	3,875,154	(28,087,780)	(12,102,428)

See accompanying notes to the consolidated financial statements

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

	Years Ended December 31		
	2009	2008	2007
Cash flows from financing activities:			
Annuity contract receipts	$9,101,675	$10,578,845	$6,039,988
Annuity contract withdrawals	(13,920,526)	(18,006,929)	(12,961,804)
Repayment of bank loans and notes and contracts payable	(3,685,330)	(11,276,120)	(47,751,447)
Proceeds from borrowing on notes and contracts	7,006,616	4,383,927	50,939,105
Net cash used in financing activities	(1,497,565)	(14,320,277)	(3,734,158)
Net change in cash and cash equivalents	19,549,693	14,711,050	(5,173,525)
Cash and cash equivalents at beginning of year	19,914,110	5,203,060	10,376,585
Cash and cash equivalents at end of year	$39,463,803	$19,914,110	$5,203,060
Non Cash Investing and Financing Activities			
Mortgage loans foreclosed into real estate	$24,441,490	$16,449,451	$4,368,646

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 the consolidated financial statements.

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SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2009, 2008, and 2007

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 2009 presentation.

Principles of Consolidation

These consolidated financial statements include the financial statements of Security National Financial Corporation 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, which is based upon quoted trading prices. Changes in fair values net of income taxes are reported as unrealized appreciation or depreciation and recorded as an adjustment directly to stockholders’ equity and, accordingly, have no effect on net income.

Mortgage loans on real estate, and construction loans are originated and held for investment and 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 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.

Real estate 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 from impairment in value, if any.

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

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2009, 2008, and 2007

1) Significant Accounting Policies (Continued)

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 Held for Sale

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, plant 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.

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.

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1) Significant Accounting Policies (Continued)

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 Loan Losses and Doubtful Accounts and Loan Loss Reserve

The Company records an estimate of the expense for potential losses from not collecting mortgage loans, other loans and receivables. Mortgage loans sold to investors and significant receivables are the result of cemetery and mortuary operations, mortgage loan operations and life insurance operations. The allowance is based upon the Company's experience. The critical issue that impacts recovery of the cemetery and mortuary receivables is the overall economy. The critical issues that impact recovery of mortgage loan operations are interest rate risk and 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 (a contra-asset account) and for mortgage loans sold to investors through the mortgage loan loss reserve (a liability account). The allowance for loan losses and doubtful accounts is an allowance for losses on the Company's mortgage loans held for investment. 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 is classified as real estate. The Company carries the foreclosed properties 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 following is a summary of the allowance for loan losses as a contra-asset account for the periods presented:

	Years Ended December 31,		
	2009	2008	2007
Balance, beginning of period	$ 4,780,467	$ 1,435,131	$ 1,027,564
Provisions for losses	3,166,043	4,338,553	420,000
Charge-offs	(1,137,707)	(993,217)	(12,433)
Balance, at December 31	$ 6,808,803	$ 4,780,467	$ 1,435,131

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1) Significant Accounting Policies (Continued)

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 amount accrued for the years ended December 31, 2009, 2008 and 2007 was $17,306,471, $7,140,270 and $4,129,301, 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, 2009, 2008 and 2007 the balance was $11,662,897, $2,775,452 and $2,356,308, respectively.

	Years Ended December 31,		
	2009	2008	2007
Balance, beginning of period	$ 2,775,452	$ 2,356,308	$ 2,712,997
Provisions for losses	17,306,471	7,140,270	4,129,301
Charge-offs	(8,419,026)	(6,721,126)	(4,485,990)
Balance, at December 31	$ 11,662,897	$ 2,775,452	$ 2,356,308

The Company believes the allowance for loan losses and the loan loss reserve represent probable loan losses incurred as of the balance sheet date.

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 2009, 2008 and 2007, 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.

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1) Significant Accounting Policies (Continued)

Reinsurance

The Company follows the procedure of reinsuring risks in excess of $75,000 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.

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 mortuary and cemetery 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.

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1) Significant Accounting Policies (Continued)

Mortgage Operations

Over fifty percent of revenue and expenses of the Company 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 and loan purchase agreements 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, 2009, 2008, and 2007, SecurityNational Mortgage originated and sold 17,797 loans ($3,243,734,000 total volume), 19,321 loans ($3,680,015,000 total volume), and 20,656 loans ($3,852,801,000 total volume), respectively.

SecurityNational Mortgage has entered into loan purchase agreements to originate and sell mortgage loans to unaffiliated warehouse banks. The total amount available to originate loans under these loan purchase agreements at December 31, 2009 was $230,000,000. SecurityNational Mortgage originates the loans and immediately sells them to warehouse banks. As of December 31, 2009, there were $152,560,000 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 is in the process of renewing one of its loan purchase agreements that expired on September 30, 2009 for an additional one year term. SecurityNational Mortgage continues to sell mortgage loans to such warehouse bank while negotiating the renewal of the loan purchase agreement. In addition, the Company has been successful in obtaining a loan purchase agreement with another warehouse bank.

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 meet 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 the loan is funded. All rights and title to the mortgage loans are assigned to unrelated financial institution investors, including any investor commitments for these 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 such as 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.

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1) Significant Accounting Policies (Continued)

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 the Company 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 the Company's best interest to repurchase those loans from the warehouse banks. It is the Company's policy to cure any documentation problems with respect to 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. Remedy methods include, but are not limited to:

- 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.

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 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 the former transferee(s) 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 2009 and 2008 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 a 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, 2009, the Company's long term mortgage loan portfolio contained mortgage loans of $19,538,135 in unpaid principal with delinquencies more than 90 days. Of this amount, $12,107,799 in mortgage loans were in foreclosure proceedings. The Company has not received any interest income on the $19,538,135 in mortgage loans with delinquencies more than 90 days. During the twelve months ended December 31, 2009 and 2008, the Company increased its allowance for mortgage losses by $3,166,043 and $4,338,553, respectively which was charged to loan loss expense and included in other selling, general and administrative expenses for the period. The allowance for mortgage loan losses as of December 31, 2009 and December 31, 2008 was $6,808,803 and $4,780,467, respectively.

Also at December 31, 2009, the Company has foreclosed on $44,250,819 in long term mortgage loans, of which $24,441,490 in loans were foreclosed on and reclassified as real estate during 2009. The foreclosed property was shown in 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.

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.

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1) Significant Accounting Policies (Continued)

Income Taxes

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

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

Earnings Per Common Share

The Company computes earnings per share in accordance with 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.

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.

Recent Accounting Pronouncements

Subsequent Events – In May 2009, the FASB issued guidance which establishes the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements and the circumstances under which an entity shall recognize events or transactions that occur after the balance sheet date. This guidance also requires disclosure of the date through which subsequent events have been evaluated. The Company adopted this standard for the interim period ended June 30, 2009. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations. We have evaluated subsequent events after the balance sheet date of December 31, 2009 through the time of filing with the Securities and Exchange Commission (SEC) on March 31, 2010 which is the date the financial statements were issued.

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1) Significant Accounting Policies (Continued)

Accounting for Transfers of Financial Assets and Consolidation of Variable Interest Entities - In June 2009, the FASB issued accounting guidance which revises existing sale accounting criteria for transfers of financial assets, including securitization transactions, and eliminates the concept of a "qualifying special-purpose entity." Simultaneously, the FASB issued accounting guidance which revises previous guidance for variable-interest entities (VIE) by establishing a new approach for determining who should consolidate a VIE and by changing when it is necessary to reassess who should consolidate a VIE. These new accounting standards updates are effective at the beginning of the first fiscal year beginning after November 15, 2009. Early application is not permitted. Because the revised sales accounting criteria do not change the Company's revenue recognition and because all mortgage loans originated by the Company are sold to outside third party investors, the adoption of these two accounting standards will not have a material impact on the Company's financial statements.

Disclosures about Fair Value Measurements – In January 2010, the FASB issued guidance requiring an entity to disclose the following:

- Separately disclose the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe reasons for the transfers.

- Present separately information about purchases, sales, issuances and settlements, on a gross basis, rather than on one net number, in the reconciliation for fair value measurements using significant unobservable inputs (Level 3).

- Provide fair value measurement disclosures for each class of assets and liabilities.

- Provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for fair value measurements that fall in either Level 2 or Level 3.

This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. The Company does not expect the adoption of this guidance to have a material impact on its financial statements.

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2) Acquisitions

C & J Financial, LLC

On July 16, 2007, the Company acquired all of the membership interests of C & J Financial, LLC. The results of C & J Financial's operations have been included in the consolidated financial statements from July 16, 2007. C & J Financial provides financing to funeral homes and mortuaries throughout the United States similar to the Company's Fast-Funding operations and the acquisition expanded the Company's Fast-Funding operations. The aggregate purchase price was $1,631,500 and consisted of the payment of $1,250,000 of cash at closing and the issuance of a $381,500 promissory note. The Company further agreed to cause C & J Financial to pay a $1,971,764 note payable to a bank that was guaranteed by the sellers. In addition, C & J Financial entered into an obligation payable to one of the sellers for an operating lease of office space for three years. The estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition were as follows:

Loans Receivable	$3,178,901
Other current assets	55,295
Office furniture and equipment	18,078
Goodwill	391,847
Total Assets	3,644,121
Note payable to bank, current	(1,971,764)
Other current liabilities	(40,857)
Net Assets Acquired	$1,631,500

The excess of the purchase price over the fair value of the identifiable assets of $391,847 was assigned to goodwill.

Capital Reserve Life Insurance Company

On December 20, 2007, the Company, through its wholly owned subsidiary, Security National Life, acquired all of the outstanding common stock of Capital Reserve Life Insurance Company, a Missouri domiciled insurance company. The results of Capital Reserve Life's operations have been included in the consolidated financial statements from December 17, 2007. Capital Reserve Life sells and services life insurance, annuity products, accident and health insurance, and funeral plan insurance, which are consistent with and expanded the Company's business. The aggregate original purchase price was $2,419,164, of which $452,404 was paid in cash at closing to the selling shareholders and $2,100,000 was placed into an escrow account with the Company's attorney to be disbursed upon resolution of contingencies.

Capital Reserve Life was a defendant in a lawsuit for unpaid bonuses allegedly due to a former employee in the amount of $1,486,045 (the "Russell Litigation"). The Russell Litigation was resolved during 2008 and resulted in the payment of $220,926 to the former employee and his attorney from the escrow account. The Company was refunded $146,225 from the escrow account that was recognized as a reduction of value of business acquired. The selling shareholders were paid $1,587,578, including interest, during 2008 from the escrow account. At December 31, 2008, $185,902 remained in the escrow account.

The $185,902 of funds held in escrow by the Company's attorney have been included in the accompanying consolidated balance sheet at December 31, 2009, in receivables with the liability of $185,902 payable to the shareholders, respectively, 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. Value of business acquired is being amortized over the estimated term premiums will be received under the insurance policies of 15 years.

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2) Acquisitions (Continued)

The estimated fair values of the assets acquired and the liabilities assumed, adjusted for the 2008 settlement of the Russell Litigation, were as follows:

Investment in securities	$23,146,994
Policy and other loans	573,821
Accrued investment income	274,370
Receivables	143,183
Furniture and equipment	112,324
Value of business acquired	619,562
Total assets acquired	24,870,254
Future life, annuity and other benefits	(21,888,930)
Checks written in excess of cash in bank	(524,528)
Other liabilities and accrued expenses	(183,857)
Total Liabilities Assumed	(22,597,315)
Fair Value of Net Assets Acquired	$2,272,939

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 that 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 $175,000 is to be distributed to the selling shareholders. The remaining $268,500 that was placed into the escrow accounts 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.

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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, 2009 and December 31, 2008 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 theacquisitions of C & J Financial and Capital Reserve Life had occurred at the beginning of the year ended December 31, 2007 and the acquisition of Southern Security had occurred at the beginning of the year ended December 31, 2007. 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 Years Ended December 31, (unaudited)	
	2008	2007
Total revenues	$ 221,348,000	$ 216,492,000
Net earnings	$ 717,000	$ 2,936,000
Net earnings per Class A equivalent common share	$ 0.09	$ 0.37
Net earnings per Class A equivalent common share assuming dilution	$ 0.09	$ 0.36

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3) Investments

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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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			