

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of Earliest Event Reported): December 20, 2007

SECURITY NATIONAL FINANCIAL CORPORATION
(Exact name of registrant as specified in this Charter)

Utah

(State or other jurisdiction of
incorporation)

0-9341

(Commission File Number)

87-0345941

(IRS Employer Identification No.)

5300 South 360 West, Salt Lake City, Utah
(Address of principal executive offices)

84123
(Zip Code)

Registrant's Telephone Number, Including Area Code: (801) 264-1060

Does Not Apply

(Former name or former address, if changed since last report)

ITEM 1.01. Other Events.

Completion of Acquisition of Capital Reserve Life Insurance Company

On December 20, 2007, Security National Financial Corporation, through its wholly owned subsidiary, Security National Life Insurance Company ("Security National Life"), completed a stock purchase transaction with Capital Reserve Life Insurance Company, a Missouri domiciled insurance company ("Capital Reserve"), and its shareholders to purchase all of the outstanding shares of common stock of Capital Reserve from its shareholders. Under the terms of the stock purchase agreement among Security National Life, Capital Reserve, and the shareholders of Capital Reserve, Security National Life paid the shareholders of Capital Reserve at closing purchase consideration equal to the capital and surplus of Capital Reserve as of September 30, 2007 in the amount of \$1,274,000, plus the interest maintenance reserve in the amount of \$31,000 and the asset valuation reserve in the amount of \$209,000 as of September 30, 2007, plus \$1,037,967, less certain adjustments. The adjustments consist of any losses related to two litigation matters involving Capital Reserve and the difference in the amount of Capital Reserve's adjusted capital and surplus at closing compared to the amount of Capital Reserve's adjusted capital and surplus on September 30, 2007.

At the closing of the transaction, the shareholders of Capital Reserve deposited \$2,100,000 of the purchase consideration into an escrow account. The funds are to remain in escrow until a lawsuit brought by Darlene Russell ("Russell"), a former employee of Capital Reserve, is resolved. The litigation involves an action by Russell against Capital Reserve in the Circuit Court of Cole County, Missouri (the "Russell Litigation") for unpaid bonuses allegedly due her in the amount of \$1,486,045. If Capital Reserve or any of its officers, directors, employees or agents is determined to be liable in the Russell Litigation or if Capital Reserve settles the Russell Litigation, the escrow agent shall pay from funds in the escrow account any amounts owing to Russell as a result of such judgment or settlement, including interest, attorney's fees, and related expenses.

Also at the closing, an escrow agreement was entered into among Security National Life, Capital Reserve, the shareholders of Capital Reserve, and Mackey Price Thompson & Ostler as escrow agent. Under the terms of the escrow agreement, the escrow agent is instructed to pay any remaining amounts from the \$2,100,000 deposit in the escrow account to the shareholders of Capital Reserve on a pro rata basis to the number of shares of Capital Reserve common stock held by the shareholders, after (i) the payment of any judgment or settlement in the Russell Litigation, (ii) the payment of the costs in defending Capital Reserve in the Russell Litigation, including attorney's fees and related expenses, and (iii) the payment of the amount in which Capital Reserve's adjusted capital and surplus on September 30, 2007 exceeds Capital Reserve's adjusted capital and surplus on the closing date of the transaction.

The shareholders of Capital Reserve also delivered a signed indemnification agreement to Security National Life and Capital Reserve at closing. Under the terms of the indemnification agreement, the shareholders agree to indemnify Security National Life and Capital Reserve (A) for any payments made by Capital Reserve following the closing relating to any judgment or settlement in the Russell Litigation, (B) for any attorney's fees and related expenses incurred by Capital Reserve in defending itself in the Russell Litigation, and (C) for the amount in which Capital Reserve's adjusted capital and surplus on September 30, 2007 exceeds the adjusted capital and surplus of Capital Reserve on the closing date. The shareholders additionally agree to be solely responsible for the Russell Litigation following the closing, including all decisions related to defending Capital Reserve in the litigation.

Moreover, an amount equal to \$316,649 of the purchase consideration was paid to the shareholders of Capital Reserve at closing in the form of real estate and improvements thereon located at 812 and 820 Madison Street, Jefferson City, Missouri, which is listed as an asset on Capital Reserve's financial statements. Title to the real estate was transferred to the shareholders at closing and the purchase consideration was reduced by \$316,649, the book value of the real estate as reflected on Capital Reserve's financial statements.

The shareholders of Capital Reserve represented and acknowledged in the stock purchase agreement that on October 31, 2005, Capital Reserve filed an action against James E. Warden, a former President and Chief Executive Officer of Capital Reserve, and his wife Linda Warden in the Circuit Court of Cole County, Missouri (the "Warden Litigation"). The complaint claims damages in excess of \$25,000 for breach of fiduciary duty by Joseph Warden and misappropriation of funds by Joseph Warden and Linda Warden. On July 9, 2007, a judgment was entered against Joseph and Linda Warden in the amount of \$551,342. At closing, Capital Reserve transferred and assigned to the shareholders of Capital Reserve all of the interest in and rights to the Warden Litigation, including the right to reserve the proceeds from the judgment, together with all payments of interest, attorney's fees and related expenses of the litigation, said proceeds to be paid to the shareholders on a pro rata basis to the number of shares of Capital Reserve common stock held by such shareholders. The shareholders further agreed to be responsible for the payment of any costs associated with legal representation of Capital Reserve in the Warden Litigation subsequent to the closing, including but not limited to any attorney's fees and related expenses.

As of December 31, 2006, Capital Reserve had 10,851 policies in force and approximately 30 agents. For the year ended December 31, 2006, Capital Reserve had revenues of \$5,663,000 and a net loss of \$244,000. As of December 31, 2006, the statutory assets and the capital and surplus of Capital Reserve were \$24,084,000 and \$1,960,000, respectively.

Finally, at closing, Security National Life and Capital Reserve entered into a reinsurance agreement to reinsure the majority of the in force business of Capital Reserve, as reinsurer, to the extent permitted by the Missouri Department of Insurance. Under the terms of the reinsurance agreement, Security National Life paid a ceding commission to Capital Reserve in the amount of \$1,738,000. In addition, following the payment of the ceding commission, Capital Reserve declared a dividend to Security National Life in the amount of \$1,738,000. The Missouri Insurance Department approved both the reinsurance agreement and the dividend payment. The dividend payment was approved subject to Capital Reserve maintaining capital and surplus of at least \$1,500,000.

As a result of the reinsurance agreement, certain insurance business and operations of Capital Reserve were transferred to Security National Life, including all policies in force as of the effective date thereof. Any future business by Capital Reserve is covered by this reinsurance agreement. Consequently, except for capital and surplus of \$1,500,000, \$23,500,000 in assets and liabilities were transferred from Capital Reserve to Security National Life pursuant to the reinsurance agreement. Following the closing of the transaction, Capital Reserve will continue to sell and service life insurance, annuity products, accident and health insurance, and funeral plan insurance.

ITEM 9.01. *Financial Statements and Exhibits*

(c) Exhibits

- 10.1 Stock Purchase Agreement among Security National Life Insurance Company, Capital Reserve Life Insurance Company, and the shareholders of Capital Reserve Life Insurance Company(1).
- 10.2 Indemnification Agreement among Security National Life Insurance Company, Capital Reserve Life Insurance Company, and the shareholders of Capital Reserve Life Insurance Company.
- 10.3 Escrow Agreement among Security National Life Insurance Company, Capital Reserve Life Insurance Company, the shareholders of Capital Reserve Life Insurance Company, and Mackey Price Thompson & Ostler as Escrow Agent.
- 10.4 Reinsurance Agreement between Security National Life Insurance Company and Capital Reserve Life Insurance Company.

(1) Incorporated by reference from Report in Form 8-K, as filed on November 2, 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SECURITY NATIONAL FINANCIAL CORPORATION
(Registrant)

Date: January 9, 2008

By: /s/ Scott M. Quist
Scott M. Quist, President

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "Agreement") is made and entered into this 17th day of December, 2007, by and among SECURITY NATIONAL LIFE INSURANCE COMPANY, a Utah corporation ("Security National"), CAPITAL RESERVE LIFE INSURANCE COMPANY, a Missouri corporation ("Capital Reserve"), and the shareholders of Capital Reserve that have executed the Agreement by Shareholders of Capital Reserve Life Insurance Company to Sell Shares in Stock Purchase Transaction (the "Shareholders") (each of the foregoing parties is referred to singly, as a "Party" and collectively, as the "Parties").

WITNESSETH:

WHEREAS, on October 9, 2007, Security National, Capital Reserve, and the Shareholders entered into a stock purchase agreement (the "Stock Purchase Agreement") in which the Shareholders agreed to sell to Security National and Security National agreed to purchase from the Shareholders all of the issued and outstanding shares of stock of Capital Reserve in consideration for purchase consideration payable to the Shareholders on a pro rata basis in an amount equal to the Capital and Surplus of Capital Reserve as of September 30, 2007, plus the interest maintenance reserve and the asset valuation reserve as set forth on the September 30, 2007 Statutory Quarterly Statement of Capital Reserve, plus \$1,037,967, less certain adjustments set forth in Section 1.2 of the Stock Purchase Agreement (the "Purchase Consideration"); and

WHEREAS, the Parties amended the Stock Purchase Agreement, effective November 26, 2007; and

WHEREAS, in Section 1.2 of the Stock Purchase Agreement, the Shareholders acknowledge that on June 8, 2007, Darlene Russell ("Russell"), a former employee of Capital Reserve, filed an action against Capital Reserve in the Circuit Court of Cole County, Missouri (Case No. 07ALCC00513) (the "Russell Litigation") for unpaid bonuses allegedly due her in the total amount of \$1,486,045, plus interest at the statutory rate of 9% per annum until the judgment is paid in full; and

WHEREAS, if the Russell Litigation is not completely resolved prior to the closing (the "Closing") of the transaction relating to the Stock Purchase Agreement, the Shareholders agree to deposit at Closing \$2,100,000 of the Purchase Consideration into an escrow account (the "Escrow Account") until the Russell Litigation has been completely resolved; and

WHEREAS, the Shareholders agree to deliver a signed indemnification agreement to Capital Reserve and Security National at Closing, in which the Shareholders each agree to indemnify and hold harmless Capital Reserve and Security National for any payments made, and any damages or losses incurred, by Capital Reserve following the Closing relating to a judgment or settlement in the Russell Litigation and for the amount in which the Adjusted Capital and Surplus on September 30, 2007 exceeds the Adjusted Capital and Surplus on the closing date to the extent that such payments have not been previously made or such damages or losses have not been previously satisfied by means of an adjustment in the Purchase Consideration at Closing or from funds in the Escrow Agreement;

NOW, THEREFORE, in consideration of the mutual promises, agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto hereby agree as follows:

1. Indemnification.

(a) Russell Litigation. The Shareholders agree, jointly, severally and individually, to be liable for and to pay to or reimburse Capital Reserve and Security National for any and all payments made, and any and all damages, obligations, expenses, or losses incurred, by Capital Reserve or Security National following the Closing by reason of or in any way arising out of a judgment or settlement in the Russell Litigation, including any attorney's fees and related expenses paid or incurred by Capital Reserve in defending itself in the Russell Litigation, provided that such payments have not been previously reimbursed or such damages, obligations, expenses, or losses have not been previously paid or satisfied from funds in the Escrow Account.

(b) Capital and Surplus. The Shareholders additionally agree, jointly, severally and individually, to be liable for and to pay to or reimburse Capital Reserve and Security National for any and all payments made, and any and all damages, obligations, expenses, or losses incurred, by Capital Reserve or Security National following the Closing by reason of or in any way arising out of the Shareholders' required payment to Security National under Section 1.2 of the Stock Purchase Agreement equal to the amount in which the Adjusted Capital and Surplus of Capital Reserve on September 30, 2007 exceeds the Adjusted Capital and Surplus at Closing, provided that such payments have not been previously made or such damages, obligations, expenses, or losses have not been previously satisfied through an adjustment in the amount of the Purchase Consideration at Closing or by means of payments or reimbursements to Security National or Capital Reserve from funds in the Escrow Account.

2. Indemnification Procedure.

(a) Notice. Capital Reserve and Security National shall, as a condition precedent to their right to be indemnified by the Shareholders under this Agreement, give the Shareholders notice in writing as soon as practicable pursuant to the notice provision in Section 4 of this Agreement of any claim made against the Shareholders for which indemnification will or could be sought under this Agreement. In addition, Capital Reserve and Security National shall give the Shareholders such information and cooperation as such Shareholders may reasonably require and as shall be within Capital Reserve's and Security National's power.

(b) Procedure. Any indemnification and advances provided for in Section 1 hereof shall be made no later than forty-five (45) days after receipt of written notice of Capital Reserve or Security National. If a claim under this Agreement for indemnification is not paid in full by the Shareholders, Capital Reserve and Security National may at any time thereafter bring an action against the Shareholders to recover the unpaid amount of the claim and, subject to Section 10 of this Agreement, Capital Reserve and Security National shall also be entitled to be paid for the expense (including attorneys' fees) of bringing such action.

3. Additional Indemnification Rights.

(a) Scope. Notwithstanding any other provision of this Agreement, the Shareholders hereby agree to indemnify Capital Reserve and Security National to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute, or rule which expands the rights of a Utah corporation or a Missouri corporation to be indemnified, such changes shall be within the purview of Capital Reserve's and Security National's rights and the Shareholders' obligations under this Agreement. In the event of any change in the applicable law, statute or rule which narrows the right of a Utah corporation or a Missouri corporation to be indemnified, such changes, to the extent not otherwise required by such law, statute, or rule to be applied to this Agreement shall have no affect on this Agreement or the Parties' rights and obligations hereunder.

(b) Nonexclusivity. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Capital Reserve and Security National may be entitled under any agreement, any vote of stockholders or disinterested directors, Utah or Missouri law, or otherwise.

4. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by courier, or mailed by registered or certified mail (return receipt requested) or if sent by facsimile, confirmation received, to the respective party at the following addresses and/or facsimile numbers, with the original thereof being mailed by registered or certified mail, return receipt requested (or at such other address or facsimile number for the parties hereto as shall be specified by like notice):

(a) If to Security National, to:

Security National Life Insurance Company
5300 South 360 West, Suite 250
Salt Lake City, Utah 84123
Attn: Scott M. Quist, President
Facsimile No.: (801) 264-1060
Telephone No.: (801) 265-9882

With a copy to:

Mackey Price Thompson & Ostler
57 West 200 South, Suite 350
Salt Lake City, Utah 84101
Attn: Randall A. Mackey, Esq.
Facsimile No.: (801) 575-5006
Telephone No.: (801) 575-5000

(b) If to Capital Reserve, to:

Capital Reserve Life Insurance Company
812 Madison Street
P.O. Box 896
Jefferson City, Missouri 65102
Attn: Tony Hutchinson, Vice President
Facsimile No.: (573) 636-3751
Telephone No.: (573) 636-3913

(c) If to Shareholders, to:

Shareholders of Capital Reserve Life Insurance Company
812 Madison Street
P.O. Box 896
Jefferson City, Missouri 65102
Attn: Jean Warden
Facsimile No.: (573) 636-3751
Telephone No.: (573) 636-3913

With a copy to:

J. Randy Snodgrass, CPA
1620 Southridge, Suite A
Jefferson City, Missouri 65109
Facsimile No.: (573) 893-2872
Telephone No.: (573) 635-0754

5. Costs. Each of the Parties to this Agreement agrees to bear its own costs, expenses and attorney's fees incurred in connection with or relating to this Agreement. No Party, therefore, has any claim against another Party hereto for costs, expenses and attorney's fees incurred in connection with or relating to the preparation and negotiation of this Agreement.

6. No Admission of Liability. This Agreement is not intended to be, and shall not be deemed, construed or treated in any respect as an admission of liability by any Party or entity for any purpose.

7. Authorized Representatives. Each Party that has signed this Agreement in a representative capacity for such Party hereby represents and warrants to the Parties hereto that such Party is duly authorized and empowered to bind the Party under this Agreement and to execute and enter into this Agreement on behalf of the Party.

8. Successors and Assigns. This Agreement shall be binding upon the Shareholders and their heirs, legal representatives and assigns, and shall inure to benefit of Capital Reserve and Security National and their successors and assigns.

9. Severability. If any term or provision of this Agreement shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the Agreement shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforceable to the fullest extent permitted by law.

10. Attorney's Fees. In the event any Party hereto commences a legal action or other proceeding for the enforcement of this Agreement or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing Party shall be entitled to recover reasonable attorney's fees and other costs and expenses incurred in the action or proceeding from the other Party, in addition to any other relief to which such Party may be entitled.

11. Entire Agreement. This Agreement constitutes the entire agreement among the Parties hereto and supersedes all prior agreements and understandings, oral and written, among the Parties hereto relating to the subject matter. No modification or amendment of this Agreement shall be of any force or effect unless in writing and executed by the Party against whom enforcement is sought.

12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah.

13. Counterparts. This Agreement may be executed in counterparts, either by original signature or by facsimile, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute one agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Agreement effective as of the day and year first above written.

SECURITY NATIONAL LIFE INSURANCE COMPANY

By: /s/ Scott M. Quist
Scott M. Quist, President

CAPITAL RESERVE LIFE INSURANCE COMPANY

By: /s/ Jean P. Warden
Its: President

THE SHAREHOLDERS:

/s/ Leanne Warden Cardwell

Leanne Warden Cardwell

/s/ Deborah J. Miller

Deborah J. Miller

/s/ Kristy J. Neff

Kristy J. Neff

/s/ Laura Warden Smith

Laura Warden Smith

/s/ David H. Warden

David H. Warden

/s/ David H. Warden

David H. Warden for
David A. Warden (Minor Child)

/s/ David H. Warden

David J. Warden

ETHEL M. WARDEN TRUST

By: /s/ Ethel M. Warden

Ethel M. Warden, Trustee

/s/ Franklin L. Warden
Franklin L. Warden

Franklin L. and Priscilla Ann Warden,
Joint Tenants

By: /s/ Franklin L. Warden
Franklin L. Warden

By: /s/ Priscilla Ann Warden
Priscilla Ann Warden

JEAN P. WARDEN TRUST

By: /s/ Jean P. Warden
Jean P. Warden, Trustee

/s/ Scott J. Warden
Scott J. Warden

/s/ Stephen T. Warden
Stephen T. Warden

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the "Escrow Agreement") is made and entered into this 17th day of December, 2007, by and among SECURITY NATIONAL LIFE INSURANCE COMPANY, a Utah corporation ("Security National"), CAPITAL RESERVE LIFE INSURANCE COMPANY, a Missouri corporation ("Capital Reserve"), the shareholders of Capital Reserve that have executed the Agreement by Shareholders of Capital Reserve Life Insurance Company to Sell Shares in Stock Purchase Transaction (the "Shareholders"), and MACKEY PRICE THOMPSON & OSTLER, a Utah professional corporation (the "Escrow Agent") (each of the foregoing parties is referred to singly, as a "Party" and collectively, as the "Parties").

WITNESSETH:

WHEREAS, on October 9, 2007, Security National, Capital Reserve, and the Shareholders entered into a stock purchase agreement (the "Stock Purchase Agreement") in which the Shareholders agreed to sell to Security National, and Security National agreed to purchase from the Shareholders, all of the issued and outstanding shares of stock of Capital Reserve in consideration for purchase consideration payable to the Shareholders on a pro rata basis in an amount equal to the Capital and Surplus of Capital Reserve as of September 30, 2007, plus the interest maintenance reserve and the asset valuation reserve as set forth on the September 30, 2007 Statutory Quarterly Statement of Capital Reserve, plus \$1,037,967, less certain adjustments set forth in Section 1.2 of the Stock Purchase Agreement (the "Purchase Consideration"); and

WHEREAS, Security National, Capital Reserve, and the Shareholders amended the Stock Purchase Agreement, effective November 26, 2007; and

WHEREAS, Security National, Capital Reserve and the Shareholders desire to establish this escrow for the purpose of holding the funds to be deposited in an escrow account (the "Escrow Account") in accordance with the terms of the Stock Purchase Agreement and distributing such funds pursuant to the terms of such agreement; and

WHEREAS, Escrow Agent is willing to receive the funds contemplated by the Stock Purchase Agreement and to hold and distribute the same in accordance with the terms of such agreement;

WHEREAS, in Section 1.2 of the Stock Purchase Agreement, the Shareholders acknowledge that on June 8, 2007, Darlene Russell ("Russell"), a former employee of Capital Reserve, filed an action against Capital Reserve in the Circuit Court of Cole County, Missouri (Case No. 07ALCC00513) (the "Russell Litigation") for unpaid bonuses allegedly due her in the total amount of \$1,486,045, plus interest at the statutory rate of 9% per annum until the judgment is paid in full; and

WHEREAS, if the Russell Litigation is not completely resolved prior to the closing (the "Closing") of the transaction relating to the Stock Purchase Agreement, the Shareholders have agreed to deposit \$2,100,000 of the Purchase Consideration into the Escrow Account at Closing with such funds to be held and distributed pursuant to the terms of the Stock Purchase Agreement; and

WHEREAS, Security National, Capital Reserve, and the Shareholders have agreed that if Capital Reserve or any of its officers, directors, employees or agents is determined to be liable in the Russell Litigation or if Capital Reserve settles the Russell Litigation, funds from the Escrow Account are to be distributed to Russell in the amount of such judgment or settlement, including the costs of defending Capital Reserve in the Russell Litigation; and

WHEREAS, Security National, Capital Reserve, and the Shareholders have additionally agreed that funds from the Escrow Account are to be distributed to Security National in the amount in which the Adjusted Capital and Surplus of Capital Reserve on September 30, 2007, exceeds the Adjusted Capital and Surplus on the closing date (the "Closing Date") as defined in Section 2.1 of the Stock Purchase Agreement; and

WHEREAS, Security National, Capital Reserve, and the Shareholders have further agreed that upon distribution of funds from the Escrow Account to Russell equal to the amount of any judgment or settlement in the Russell Litigation, including the cost of defending Capital Reserve in the litigation, and to Security National in the amount in which the Adjusted Capital and Surplus of Capital Reserve on September 30, 2007 exceeds the Adjusted Capital and Surplus of Capital Reserve on the Closing Date, any funds remaining in the Escrow Account are to be distributed to the Shareholders on a pro rata basis;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Delivery of Documents into Escrow. Security National and Capital Reserve herewith deliver the following documents to Escrow Agent to be held and disposed of by Escrow Agent strictly in accordance with the terms of this Escrow Agreement:

- (a) A copy of the Stock Purchase Agreement.
- (b) A certified shareholders list of Capital Reserve dated the Closing Date (the "Certified Shareholders List") with the names and addresses of each of the Shareholders and the number of shares held by each of the shareholders as of the Closing Date.
- (c) A copy of the September 30, 2007 Statutory Quarterly Statement of Capital Reserve.
- (d) A copy of the complaint filed by Russell in the Russell Litigation.

2. Delivery of Cash into Escrow. The Shareholders herewith deliver cash in the form of immediately available U.S. Dollars by bank wire transfer into the Escrow Account in the amount of Two Million One Hundred Thousand Dollars (\$2,100,000).

3. Investment of Escrow Funds. Any funds held in the Escrow Account shall be invested by the Escrow Agent, in the Escrow Agent's discretion, in an interest-bearing account held by the Escrow Agent.

4. Distribution of Escrow Funds.

(a) Upon the complete resolution of the Russell Litigation by the court rendering a final judgment and the applicable appeal time having expired or the court dismissing the complaint with prejudice pursuant to a settlement, the Escrow Agent shall distribute to Russell from funds in the Escrow Account any amounts owing to Russell as a result of such judgment or settlement, including but not limited to, any interest, penalties, attorney's fees and related expenses as required by such judgment or settlement.

(b) The Escrow Agent shall also distribute from the funds in the Escrow Account the costs of defending Capital Reserve in the Russell Litigation, including any attorney's fees and related expenses, to the extent such costs have not been previously paid by the Shareholders. The Escrow Agent shall pay such costs directly to the attorneys that defended Capital Reserve in the Russell Litigation.

(c) Upon completion of the determination of the Adjusted Capital and Surplus of Capital Reserve as of the Closing Date, together with a statement from the Chief Financial Officer of Security National certifying the accuracy of such calculation, the Escrow Agent shall distribute to Security National from the funds in the Escrow Account the amount in which the Adjusted Capital and Surplus of Capital Reserve as of September 30, 2007, as defined in Section 1.2 of the Stock Purchase Agreement, exceeds the Adjusted Capital and Reserve of Capital Reserve on the Closing Date.

(d) Upon the completion and satisfaction of the required distributions set forth in Sections 4(a) - (c) above, the Escrow Agent shall distribute the remaining funds in the Escrow Account to the Shareholders on a pro rata basis to the number of shares of Capital Reserve common stock held by the Shareholders on the Closing Date, as set forth on the Certified Shareholders List. Such payments to the Shareholders shall be in the form of cashier's checks payable to the order of each of the Shareholders as named on the Certified Shareholders List. Such Shareholder checks shall be delivered to J. Randy Snodgrass, 1620 Southridge, Suite R, Jefferson City, Missouri 65109, for disbursement to the Shareholders.

5. Responsibility of the Escrow Agent. The escrow Agent accepts the escrow arrangements set forth in this Escrow Agreement upon the terms and conditions hereof and undertakes to act solely as depository for the escrow funds, with no obligations to Security National, Capital Reserve, or the Shareholders except as specifically set forth herein. The Parties hereto agree that the following terms and conditions shall govern and control with respect to the rights, duties, liabilities and immunities of the Escrow Agent hereunder.

(a) Until escrowed payments are distributed as provided herein, the Escrow Agent shall maintain such funds in an interest bearing account, as provided herein.

(b) The duties and obligations of the Escrow Agent shall be determined solely by the express provisions of this Escrow Agreement, and no implied covenants, duties or obligations shall be read into this Escrow Agreement against the Escrow Agent, nor shall it have, or be deemed to have, any duties or responsibilities under the provisions of any other agreements between the other Parties hereto.

(c) The Escrow Agent shall not be liable for any error of judgment, or any actions taken, or omitted by it in good faith, or mistake of fact or law, or for anything it may do or refrain from doing in connection therewith, except its own gross negligence or willful misconduct.

(d) The Escrow Agent may rely and shall be protected from acting in good faith in reliance upon resolution, direction, certificate, statement, approval, notice, court order, or other document, not only unto its due execution and the validity and effectiveness of its provisions, but also as to the truth of any information therein contained, which it in good faith believes to be genuine and what purports to be.

(e) The Escrow Agent may consult with counsel or other experts of its own choice and any opinion of its own choice and any opinion of counsel or written opinion of such other experts shall be full and complete authorization and protection with respect to any action taken or omitted by the Escrow Agent hereunder in good faith and in accordance with such opinion of counsel or opinion of such other experts within the area of their respective expertise.

(f) The Escrow Agent may execute any of its powers or responsibilities hereunder and exercise any rights hereunder either directly or by or through its agent or attorneys.

(g) The Escrow Agent shall not be responsible for and shall not be under a duty to examine into or pass upon, the validity, binding effect, execution or sufficiency of this Escrow Agreement or of any agreement, amendment or supplement hereto nor shall the Escrow Agent be accountable for the source of the escrow funds.

(h) Except as otherwise specifically provided herein, the Escrow Agent may deal with Security National, its parent company or its affiliates, in the same manner and to the same extent and with like effect as if it were not the Escrow Agent hereunder.

(i) If any controversy or dispute arises between the Parties hereto or with any third party with respect to the subject matter of the escrow described herein, the Escrow Agent shall not be required to determine the same or take any action, but may await the settlement of any such controversy or dispute by final appropriate legal proceedings or otherwise as the Escrow Agent may require, and in such event the Escrow Agent shall not be liable for interest or damage, except that the Escrow Agent shall not deliver the escrow funds in any manner other than in accordance with Section 4 hereof. In addition, the Escrow Agent shall have the right to commence such interpleader or other legal proceedings or actions, or take or withhold any other actions, as are reasonably necessary or appropriate pending resolution of such controversy or dispute. The Escrow Agent shall be entitled to retain counsel to represent it in any controversy or dispute relating to this Escrow Agreement.

6. Termination. This Escrow Agreement shall terminate upon distribution of all of the funds in the Escrow Account pursuant to Section 4 hereof.

7. Manner of Notice. All notices required by this Escrow Agreement or which one party desires to serve on another party, shall be in writing and shall be deemed given or made when delivered to such party personally, or three days after mailing to such party by bonded courier, by registered or certified mail, postage prepaid, return receipt requested, or by first-class mail, postage prepaid, to the addresses specified below:

If to Security National, to :

Security National Life Insurance Company
5300 South 360 West, Suite 250
Salt Lake City, Utah 84123
Attn: Scott M. Quist, President
Facsimile No. (801) 264-1060
Telephone No. (801) 265-9882

or to such other address or addresses as Security National shall hereinafter designate by notice to the other parties as herein provided; and

If to Capital Reserve, to :

Capital Reserve Life Insurance Company
812 Madison Street
P.O. Box 896
Jefferson City, Missouri 65102
Attn: Tony Hutchinson, Vice President
Facsimile No.: (573) 636-3751
Telephone No.: (573) 636-3913

or to such other address or addresses as Capital Reserve shall hereinafter designate by notice to the other parties as herein provided;

If to Shareholders, to:

J. Randy Snodgrass, CPA
1620 Southridge, Suite A
Jefferson City, Missouri 65109
Facsimile No.: (573) 893-2872
Telephone No.: (573) 635-0754

or to such other address or addresses as the Shareholders shall hereinafter designate by notice to the other parties as herein provided; and

If to Escrow Agent, to :

Mackey Price Thompson & Ostler
57 West 200 South, Suite 350
Salt Lake City, Utah 84101
Attn: Randall A. Mackey, Esq.
Facsimile No.: (801) 575-5006
Telephone No.: (801) 575-5000

or to such other address or addresses as the Escrow Agent shall hereinafter designate by notice to the other parties as herein provided.

8. Governing Law. This Escrow Agreement shall be enforced and construed in accordance with the laws of the State of Utah.

9. Counterparts. This Escrow Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

10. Time. Time is of the essence of this Escrow Agreement.

11. Headings. The subject headings of the paragraphs contained in this Escrow Agreement are included for purposes of convenience only and shall not control or affect the meaning, construction or interpretation of any of the provisions of this Escrow Agreement.

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

SECURITY NATIONAL LIFE INSURANCE COMPANY

By: /s/ Scott M. Quist
Scott M. Quist, President

CAPITAL RESERVE LIFE INSURANCE COMPANY

By: /s/ Jean P. Warden
Its: President

THE SHAREHOLDERS:

/s/ Leanne Warden Cardwell

Leanne Warden Cardwell

/s/ Deborah J. Miller

Deborah J. Miller

/s/ Kristy J. Neff

Kristy J. Neff

/s/ Laura Warden Smith

Laura Warden Smith

/s/ David H. Warden

David H. Warden

/s/ David H. Warden

David H. Warden for
David A. Warden (Minor Child)

/s/ David J. Warden

David J. Warden

ETHEL M. WARDEN TRUST

By: /s/ Ethel M. Warden

Ethel M. Warden, Trustee

/s/ Franklin L. Warden
Franklin L. Warden

Franklin L. and Priscilla Ann Warden,
Joint Tenants

By: /s/ Franklin L. Warden
Franklin L. Warden

By: /s/ Priscilla Ann Warden
Priscilla Ann Warden

JEAN P. WARDEN TRUST

By: /s/ Jean P. Warden
Jean P. Warden, Trustee

/s/ Scott J. Warden
Scott J. Warden

/s/ Stephen T. Warden
Stephen T. Warden

MACKEY PRICE THOMPSON & OSTLER

By /s/ Randall A. Mackey
Randall A. Mackey, President

REINSURANCE AGREEMENT

Between

SECURITY NATIONAL LIFE INSURANCE COMPANY

of Salt Lake City, Utah

and

CAPITAL RESERVE LIFE INSURANCE COMPANY

of Jefferson City, Missouri

TABLE OF CONTENTS

ARTICLES

I.	GENERAL PROVISIONS	1
II.	DURATION OF RISK	4
III.	PREMIUMS AND CONSIDERATIONS	4
IV.	BENEFIT PAYMENTS	5
V.	ACCOUNTING AND SETTLEMENTS	5
VI.	ARBITRATION	6
VII.	INSOLVENCY	7
VIII.	DAC TAX PROVISION	8
IX.	MISCELLANEOUS PROVISIONS	9
X.	EXECUTION AND EFFECTIVE DATE	10

SCHEDULES

A.	POLICIES AND RISKS REINSURED
B.	REINSURANCE PREMIUMS
C.	COMMISSION AND EXPENSE ALLOWANCE
D.	MONTHLY REPORT OF ACTIVITY AND SETTLEMENTS

EXHIBITS

1.	TRUST AGREEMENT
----	-----------------

REINSURANCE AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into, effective this 17th day of December, 2007 ("Effective Date"), by and between SECURITY NATIONAL LIFE INSURANCE COMPANY, a Utah domiciled insurance company (hereinafter referred to as the "Reinsurer") and CAPITAL RESERVE LIFE INSURANCE COMPANY, a Missouri domiciled insurance company (hereinafter referred to as the "Company").

The Company and the Reinsurer mutually agree to reinsure on the terms and conditions stated herein. This Agreement is an indemnity reinsurance agreement solely between the Company and the Reinsurer and performance of the obligations of each party under this Agreement shall be rendered solely to the other party.

ARTICLE I

GENERAL PROVISIONS

1. Contracts and Risks Reinsured. The Reinsurer agrees to indemnify and the Company agrees to transfer risk to the Reinsurer, according to the terms and conditions hereof, the risks described in Schedule A hereto, which are in force on the Effective Date of this Agreement; subject, however, to the same rights, offsets, counterclaims, crossclaims and defenses as are available to the Company. No such offsets, counterclaims, crossclaims or defenses are waived but the same are expressly preserved, and Reinsurer is and shall be fully subrogated thereto, either in its own name or in the name of the Company, and whether the name be now known to exist or may hereafter be discovered.

2. Coverages and Exclusions. Only risks under the life insurance policies referred to in Schedule A, are reinsured under this Agreement. New policies issued by the Company after the Effective Date of this Agreement will be reinsured under the terms of this Agreement.

3. Plan of Reinsurance. This indemnity reinsurance shall be on the coinsurance plan. The Company and the Reinsurer shall establish, maintain, and place all assets held in relation to the reserves in trust in accordance with the terms of a certain Trust Agreement, a copy of which is attached hereto as Exhibit 1 and by this reference is made a part hereof. The assets are to be accounted for using statutory accounting principles of the state of domicile of the Reinsurer. On the Effective Date of this Agreement, the book value of the assets transferred to the Reinsurer shall be equal to the amount of reserves transferred thereunto.

4. Reserves. The expression net reserves, prior to the application of this treaty, whenever used, shall mean the statutory reserves, net of existing reinsurance ceded under all treaties in effect excluding this treaty, which would have been reported by the Company on its NAIC Convention Blank as of September 30, 2007, with respect to the policies reinsured hereunder, as if this treaty were not in effect.

The expression net due and deferred premiums, prior to the application of this treaty, shall mean the due and deferred premiums, net of existing reinsurance ceded under all treaties in effect excluding this treaty, which would have been held by the Company on its NAIC Convention Blank as of September 30, 2007, with respect to the policies reinsured hereunder, as if this treaty were not in effect.

The expression net policy loans, prior to the application of this treaty, shall mean the policy loans, net of existing reinsurance ceded under all treaties in effect excluding this treaty, which would have been reported by the Company on its NAIC Convention Blank as of September 30, 2007, with respect to the policies reinsured hereunder, as if this treaty were not in effect.

The expression advance premiums, prior to the application of this treaty, shall mean the advance premiums, net of existing reinsurance ceded under all treaties in effect excluding this treaty, which would have been reported by the Company on its NAIC Convention Blank as of September 30, 2007, with respect to the policies reinsured hereunder, as if this treaty were not in effect.

5. Commission and Expense Allowance. There is to be a commission and expense allowance equal to actual premium taxes paid, actual sales commission paid and other administrative expenses, in accordance with Schedule C.

6. Extracontractual Damages. In no event shall the Reinsurer indemnify nor be liable for any extracontractual damages or liability of any kind whatsoever resulting from, but not limited to, the Company's negligent, reckless or intentional wrongs, fraud, oppression, bad faith or strict liability. The Reinsurer shall indemnify the Company for any extracontractual damages or liability of any kind whatsoever resulting from the Reinsurer's or its agents' neglect, reckless or intentional wrong, fraud, oppression, bad faith or strict liability. The following liabilities are examples of liabilities that would be considered extracontractual: compensatory damages, damages for emotional distress, and punitive or exemplary damages.

7. Contract Administration. The Reinsurer shall administer the contracts reinsured hereunder and shall perform all accounting, collection and all other administrative functions at the expense of the Reinsurer. The Company shall make the use of its name available in such administration and shall otherwise make available all records and other material needed in such administration.

8. Inspection. At any reasonable time, the Reinsurer may inspect, during normal business hours, at the principal office of the Company, the papers and any and all other books or documents of the Company relating to reinsurance under this Agreement. At any reasonable time, the Company may inspect, during normal business hours, at the principal office of the Reinsurer, the papers and any and all other books or documents of the Reinsurer relating to reinsurance under this Agreement. Neither the Company nor the Reinsurer will use any information obtained through any inspection pursuant to this section for purposes not relating to reinsurance under this Agreement.

9. Condition. The Reinsurance hereunder is subject to the same limitations and conditions as the contracts written by the Company that are reinsured hereunder, except as otherwise provided in this Agreement.
10. Misunderstandings and Oversights. If any failure to pay amounts due or to perform any other act required by this Agreement is unintentional and caused by misunderstanding and oversight, the Company and the Reinsurer will adjust the situation to what it would have been had the misunderstanding or oversight not occurred.
11. Age Adjustment. If the Company's liability under any of the contracts reinsured under this Agreement is changed because of a misstatement of age, the Reinsurer will share in the change proportionately to the amount reinsured hereunder, and the Company and the Reinsurer will make any and all proportional adjustments thereunto.
12. Reinstatements. If a contract reinsured hereunder that was reduced, terminated, or lapsed, and is subsequently reinstated, the reinsurance for such contract under this Agreement will be reinstated automatically to the amount that would be in force if the contract had not been reduced, terminated, or lapsed. The Company will pay to the Reinsurer the Reinsurer's proportionate share of all amounts collected from, or charged to, the insured.
13. Amendments. This Agreement shall be amended only by written agreement of the parties.
14. Policies, Contracts. The words policy or policies, and contract or contracts as used herein shall have the same meaning. The Company hereby warrants and represents that the contracts reinsured hereunder comply with all applicable laws and regulations, including federal income tax regulations, and have so complied since the date of issuance.
15. Policyholder Information. The Company shall not sell, distribute or in any way use the policyholder information on contracts reinsured hereunder without the prior approval of the Reinsurer.
16. Reinsurance With Other Companies. Existing reinsurance with other insurance companies on the policies specified in Schedule A shall be retained by the Company, except as agreed upon in writing by Reinsurer and Company. Any amounts paid to other reinsurance companies shall be fully reimbursed by the Reinsurer. Any amounts received by the Company from other insurance companies will be paid to the Reinsurer.

ARTICLE II

DURATION OF RISK

1. Duration. The initial term of this Agreement shall be for a period of three (3) years from the effective date of this Agreement. Subsequent to the three (3) year term, this Agreement shall be automatically renewed unless either the Company or the Reinsurer notifies the other of its intention not to renew in writing, no less than one hundred eighty (180) days prior to the expiration of the then current agreement. Each automatic renewal period of this Agreement shall be for a term of three (3) years.
2. Reinsurer's Liability. The liability of the Reinsurer with respect to any contract reinsured hereunder will begin simultaneously with that of the Company, but not prior to the Effective Date of this Agreement. The Reinsurer's liability with respect to any contract reinsured hereunder will terminate with that of the Company on the date the Company's liability on such contract is terminated.
3. Recapture. Contracts reinsured under this Agreement are not eligible for recapture.
4. Contract Changes. The Company will not make any contract changes in any policies reinsured hereunder except as required by law or as mutually agreed to by the Company and the Reinsurer.

ARTICLE III

PREMIUM AND CONSIDERATIONS

1. Net Reserves. On the Effective Date of this Agreement, the Company agrees to pay the Reinsurer as a reserve transfer an amount equal to the adjusted net reserves, on the Effective Date of this Agreement with respect to the liabilities reinsured as of such date and described in Schedule A. Adjusted net reserves are calculated as net reserves, prior to the application of this treaty, minus net due and deferred premiums, prior to the application of this treaty, minus policy loans, prior to the application of this treaty, plus advance premiums, prior to the application of this treaty.
2. Ceding Allowance. On the Effective Date of this Agreement, the Reinsurer agrees to pay the Company a ceding allowance equal to one million seven hundred and thirty eight thousand dollars (\$1,738,000) in cash by certified funds or wire transfer and other good and valuable consideration.
3. Reinsurance Premiums. The Company agrees to pay the Reinsurer reinsurance premiums in accordance with Schedule B. For each contract, the amount of reinsurance premium will be the amount which corresponds to the portion of the contract reinsured. The Company makes representations and warrants that it will make all reasonable efforts to keep the reinsured business in force.

ARTICLE IV

BENEFIT PAYMENTS

1. Notice. The Reinsurer will notify the Company promptly after receipt of any information as to a claim on a policy to the extent reinsured hereunder. The reinsurance claim form and any copies of notifications, claim papers and proofs will be furnished to the Company as soon as possible.
2. Liability and Payment. The Company will accept the decision of the Reinsurer on payment of a claim or surrender on a policy reinsured hereunder. The Reinsurer agrees to utilize to the extent possible the claims practices of the Company. The Reinsurer will pay its proportionate share of such claim based upon the form of claim settlement determined. These amounts shall be paid within 15 business days after the end of each calendar month. In no instance shall anyone other than the Company or the Reinsurer have any rights under this Agreement, and the Company shall be and remain solely liable to any insured, policyowner, or beneficiary under any policy reinsured hereunder, unless said liability is caused by the actions of the Reinsurer, and in that instance, Reinsurer will be liable and defend any litigation at its own cost.
3. Contract Claims. The Company will not contest, compromise or litigate a claim involving a policy reinsured hereunder without the prior approval of the Reinsurer. The Reinsurer will pay to the Company any litigation and investigative expenses incurred on contested claims. Any expenses will be paid on a monthly basis as described in Article V.

ARTICLE V

ACCOUNTING AND SETTLEMENT

1. Agreement Accounting Period. This Agreement shall be on a monthly accounting period for all accounting settlements.
2. Monthly Accounting Reports. Accounting reports shall be submitted to the Reinsurer by the Company and by the Reinsurer to the Company, not later than 15 business days after the end of each calendar month. Such reports shall include information on the amount of reinsurance premiums, policy loans and policy loan interest, the commission and expense allowance, claims, and reserves on the contract reinsured for the preceding calendar month.
3. Monthly Accounting Period. The monthly accounting shall be on a calendar-month basis, except that the initial monthly accounting period shall run from the Effective Date of this Agreement, after the initial accounting has occurred, through the last day of the calendar month in which the Effective Date of this Agreement falls. The final monthly accounting period shall run from the end of the preceding calendar month until the termination of this Agreement, but prior to actual termination of this Agreement.

4. Monthly Settlements. Within 15 business days after the end of each calendar month, the Company will pay the Reinsurer the sum of: (i) the reinsurance premiums for the preceding month, determined in accordance with Article III, plus (ii) the policy loan repayments and policy loan interest paid in the preceding month, plus (iii) any amounts received from other reinsurance companies. The Monthly Settlement Report is attached as Schedule D.
5. Amounts Due Monthly. Except as otherwise specifically provided in this Agreement, all amounts due to be paid to either the Company or the Reinsurer under this Agreement on a monthly basis shall be determined on a net basis as of the last day of each calendar month and shall be due and payable as of such date.
6. Estimations. If the amounts, as defined in Paragraph 4 above, cannot be determined at such dates as defined in Paragraph 5 above, on an exact basis, such payments will be paid in accordance with a mutually agreeable formula which will approximate the actual payments.
7. Delayed Payments. For purposes of Paragraph 5 above, if there is a delayed settlement of a payment due, there will be an interest penalty at an interest rate equal to one-half of one percent (.5%) per month, for the period that the amount is overdue. For purposes of this paragraph, a payment shall be considered delayed 30 days after the date such payment is due.
8. Offset of Payments. All monies due to either the Company or the Reinsurer under this Agreement may be offset against each other, dollar for dollar, regardless of any insolvency of either party, in accordance with Missouri law.
9. Accounting Reports. Annual reports shall be submitted to the Company by the Reinsurer not later than 45 business days after the end of each calendar year. Such reports shall include information for the analysis of increase in reserves and the exhibit of life insurance of the NAIC Convention Blank based on the contracts reinsured hereunder. Quarterly accounting reports shall be submitted to the Reinsurer by the Company not later than 45 business days after the end of each calendar quarter and shall include information for pages 2, 3, 4, and 5 of the NAIC Quarterly Blank.

ARTICLE VI

ARBITRATION

1. General. All disputes and differences between the Company and the Reinsurer on which an agreement cannot be reached will be decided by arbitration. The arbitrators will regard this Agreement from the standpoint of practical business and equitable principles rather than that of strict law.

2. Method. Three arbitrators will decide any differences. They must be officers of life insurance companies other than the two parties to this Agreement or any Company owned by, or affiliated with, either party. One of the arbitrators is to be appointed by the Reinsurer, another by the Company, and they shall select a third before arbitration begins. Should one of the two parties decline to appoint an arbitrator or should the two arbitrators not be able to agree upon the choice of a third arbitrator, the appointment(s) shall be left to the President of the American Council of Life Insurance or its successors. The arbitrators are not bound by any rules of evidence. They shall decide by a majority of votes and their decision will be final and binding. The cost of arbitration, including the fees of the arbitrators, shall be shared equally by the parties unless the arbitrators decide otherwise.

ARTICLE VII

INSOLVENCY

1. General. In the event of the Company's insolvency, liquidation, entry into rehabilitation, bankruptcy, or other significant adverse financial event, this Agreement will be deemed to convert to an Assumption Reinsurance Agreement as of the day prior to such insolvency, change of control, or other adverse event, subject to the provisions of 375.1280-375.1294 RSMo. Following such conversion, the Reinsurer is hereby empowered without any need of action on the part of the Company, to take all other steps necessary for such conversion including the issuance of assumption certificates. Notwithstanding the forgoing, the Reinsurer may elect not to have such automatic conversion occur. In the event the Reinsurer elects not to have such automatic conversion to assumption reinsurance, then the Reinsurer's contractual liability on contracts reinsured hereunder shall continue to be determined by all the terms, conditions and limitations under this Agreement, but the Reinsurer will make settlement (i) directly to the Company's liquidator, receiver or statutory successor, and (ii) without increase or diminution because of the Company's insolvency. The liquidator, receiver or statutory successor of the Company shall give the Reinsurer written notice of the pendency of a claim against the Company on any contract reinsured within reasonable time after such claim is filed in the insolvency proceeding. During the pendency of any such claim, the Reinsurer shall investigate such claim and interpose in the Company's name (or in the name of the Company's liquidator, receiver or statutory successor) in the proceeding where such claim is to be adjudicated, any defense or defenses that the Reinsurer may deem available to the Company or its liquidator, receiver or statutory successor. The expense thus incurred by the Reinsurer shall be chargeable, subject to court approval, against the Company as a part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurer.

2. Capital and Surplus Priority. In the event that any person or entity obtains a judgment against the Company that would reduce the Company's Capital and Surplus below the minimum required by the State of Missouri, the policy holders of the Company would have priority over the judgment and a first lien on the minimum Capital and Surplus and Reserves of the Company.

ARTICLE VIII

DAC TAX PROVISION

1. The Company and Reinsurer hereby agree to abide by Section 1.848-2(g)(8) of the Income Tax Regulations under Section 848 of the Internal Revenue Code of 1986, as amended. The terms used in this Article are defined by reference to Regulation 1.848-2. The term "net consideration" will refer to either net consideration as defined in Regulation Section 1.848-2(f) or gross amount of premium and other considerations as defined in Regulation Section 1.848-3(b), as appropriate.

2. Each party shall attach a schedule to its federal income tax return that identifies the relevant reinsurance agreements for which the joint election under the Regulation has been made.
3. The party with net positive consideration, as defined in the Regulation promulgated under Code Section 848, for such Agreement for each taxable year, shall capitalize specified policy acquisition expenses with respect to such Agreement without regard to the general deductions limitation of Section 848 (c)(1).
4. Each party agrees to exchange information pertaining to the amount of net consideration under such Agreement each year to ensure consistency.
5. This election shall be effective for the year that the Agreement was entered into and for all subsequent years that such Agreement remains in effect.
6. The Reinsurer will submit to the Company by May 1 of each year its calculation of the net consideration for the preceding calendar year. This schedule of calculations will be accompanied by a statement signed by an officer of the Reinsurer stating that the Reinsurer will report such net consideration in its tax return for the preceding calendar year.
7. The Company may contest such calculation by providing an alternative calculation to the Reinsurer in writing within 30 days of the Company's receipt of the Reinsurer's calculation. If the Company does not so notify the Reinsurer, the Reinsurer will report the net consideration as determined by the Reinsurer in the Reinsurer's tax return for the previous calendar year.
8. If the Company contests the Reinsurer's calculation of the net consideration, the parties will act in good faith to reach an agreement as to the correct amount within 30 days of the date the Company submits its alternative calculation. If the Reinsurer and the Company reach agreement on the net amount of consideration, each party shall report such amount in their respective tax returns for the previous calendar year.

ARTICLE IX

MISCELLANEOUS PROVISIONS

1. All Schedules referred to in this Agreement are attached hereto and incorporated herein by reference.
2. Neither this Agreement nor any reinsurance under this Agreement shall be sold, assigned or transferred by the Company without prior written consent of the Reinsurer. Such approval shall not unreasonably be withheld. The provisions of this section are not intended to preclude the Reinsurer from retroceding the reinsurance on an indemnity basis.

3. This Agreement, including any of the schedules and amendments, constitutes the entire agreement between the parties with respect to the business being reinsured hereunder, and there are no understandings between the parties other than as expressed in this Agreement. Any changes in this Agreement shall be null and void unless such changes are made by written amendment to this Agreement, signed by both parties.

4. Any notice or notification required under this Agreement requires written notice or notification mailed or delivered to the Reinsurer at its administrative office in Salt Lake City, Utah, or to the Company at its home office in Jefferson City, Missouri.

5. If any provision of this Agreement is determined to be invalid or unenforceable, such determination will not impair or affect the validity or the enforceability of the remaining provisions of the Agreement.

[The rest of this page is left blank intentionally]

ARTICLE X

EXECUTION AND EFFECTIVE DATE

This Agreement shall be effective on the Effective Date. In the event of a death or other occurrence giving rise to a claim under one of the policies, which death or occurrence occurred prior to the Effective Date, regardless of whether the death claim or occurrence is reported prior to or subsequent to the Effective Date, the Company shall be solely liable for the payment of any claim made on account of any such death or occurrence and Reinsurer shall pay to the Company the amount of the reserve of the policy with respect to which the claim is paid, to the extent that such reserve is reduced as a result of such payment.

IN WITNESS of the above, this Agreement is executed effective as of this 17th day of December, 2007.

CAPITAL RESERVE LIFE INSURANCE COMPANY (Company)

By: /s/ Scott M. Quist
Title: President
Date: December 17, 2007

Attest: /s/ Andrew Quist
Title: Legal counsel
Date: December 17, 2007

SECURITY NATIONAL LIFE INSURANCE COMPANY (Reinsurer)

By: /s/ Scott M. Quist
Title: President
Date: December 17, 2007

Attest: /s/ Andrew Quist
Title: Legal counsel
Date: December 17, 2007

SCHEDULE A

POLICIES AND RISKS REINSURED

The business reinsured under this Agreement is 100% of the liabilities of the policies identified on an attached compact disk entitled, "Capital Reserve reinsured policies 12/17/07."

SCHEDULE B

REINSURANCE PREMIUMS

1. Reinsurance Premiums. The Company shall pay the Reinsurer a reinsurance premium on all policies in effect from time to time under this Agreement in an amount equal to the gross premium charged by the Company corresponding to the amount and policies reinsured hereunder.

2. Mode of Payment. The Premium paid to the Reinsurer by the Company will be paid as collected by the Company.

SCHEDULE C

COMMISSIONS AND EXPENSE ALLOWANCE

1. Ceding Commission Fee on Individual Life Insurance as a Percentage of Collected Premiums

Plan Description Ceding Commission Fee

Calculation of Ceding Commission Fee

	<u>Premium</u>	<u>Reserve Amount</u>
Total Collected Premium	\$ _____	\$ _____
Percentage Reinsured	\$ 100%	\$ 100%
Reinsured Collected Premiums	\$ _____	\$ _____
Ceding Commission Fee Percentage	\$ 0%	\$ 0%
Ceding Commission Fee	\$ _____	\$ _____

2. Monthly Commission and Expense Allowance.

A commission and expense allowance for any period the Company performs contract administration functions in an amount to be mutually agreed upon by the parties.

3. Premium Taxes, including all other Licenses and Fees based on Premium.

The commission and expense allowance shall be equal to actual premium taxes and actual sales commissions paid.

SCHEDULE D

MONTHLY SETTLEMENT

FROM
SECURITY NATIONAL LIFE INSURANCE COMPANY
TO CAPITAL RESERVE LIFE INSURANCE COMPANY
AND FROM
CAPITAL RESERVE LIFE INSURANCE COMPANY
TO
SECURITY NATIONAL LIFE INSURANCE COMPANY

Reporting Month: _____/_____/_____
Date Report Completed: _____/_____/_____

1)	Direct Premiums	_____
	Less Reinsurance Premiums Paid	_____
	Net Premiums	_____
2)	Policy Loans	
	Policy Loans Repaid	_____
	Policy Loan Interest Paid in Cash	_____
	Total	_____
3)	Benefits	
	Surrenders	_____
	Deaths	_____
	Other	_____
	Less Reinsurance Recoveries	_____
	Total	_____
4)	Commissions and Expense Allowance (Schedule C)	_____
	Less Allowances on Reinsured Ceded	_____
	Net Commission and Expense Allowance	_____
5)	New Policy Loans Paid Out in Cash	_____
	Net due Equals (1) + (2) - (3) - (4) - (5) =	_____

SCHEDULE D CONTINUED

Supplemental Information

Direct

	<u># of Policies</u>	<u>PolicyReserves</u>	<u>Face Amount</u>
Beg. of Period	_____	_____	_____
+Additions	_____	_____	_____
-Terminations	_____	_____	_____
End of Period	_____	_____	_____

Reinsurance Ceded

	<u># of Policies</u>	<u>PolicyReserves</u>	<u>Face Amount</u>
Beg. of Period	_____	_____	_____
+Additions	_____	_____	_____
-Terminations	_____	_____	_____
End of Period	_____	_____	_____

Direct

	<u>Gross</u>	<u>Net</u>
Deferred Premiums:	_____	_____
Due Premiums:	_____	_____
Advance Premiums:	_____	_____

Reinsurance Ceded

Deferred premiums:	_____	_____
Due Premiums:	_____	_____
Advance Premiums:	_____	_____

Coinsurance Allowances on Reinsurance Ceded

Deferred Premium	_____	_____
Due Premium	_____	_____
Advance Premium	_____	_____
Policy Loan Interest Due:	_____	_____
Policy Loan Interest Accrued:	_____	_____
Policy Loan Interest Unearned:	_____	_____
Policy Loan Beginning of Period:	_____	_____
+ New Loans Paid in Cash:	_____	_____
+ New Loans to Cover Interest:	_____	_____
+ New Loans to Pay Premiums:	_____	_____
- Loans Paid Off:	_____	_____
Policy Loans End of Period:	_____	_____
Policy Loans Interest Paid in Cash:	_____	_____
Policy Loans Interest Added to Loan:	_____	_____
Total Policy Loan Interest:	_____	_____

EXHIBIT 1

TRUST AGREEMENT

