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 :

Filed by a Party other than the Registrant 9

Check the appropriate box:

9 Preliminary Proxy Statement

9 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(3)(2))

: Definitive Proxy Statement

9 Definitive Additional Materials

9 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):

: No fee required.

9 Fee computed on table below per Securities Exchange Act Rules 15a-6(i)(4) and 0-11.

9 Fee paid previously with preliminary materials.

(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Securities Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
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9 Check box if any part of the fee is offset as provided by Securities Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(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 5, 2009

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 10, 2009, 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, 2008.

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 and an additional 1,000,000 shares of Class C common stock to be made available for issuance under the plan; (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, 2009; 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 10, 2009

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 10, 2009, 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 and an additional 1,000,000 shares of Class C common stock to be made available for issuance thereunder;

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, 2009; 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 22, 2009, 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 Secretary

June 5, 2009
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 10, 2009

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 10, 2009 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 5, 2009.

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 and an additional 1,000,000 shares of Class C common stock to be made available for issuance thereunder; (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, 2009; 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 22, 2009, will be entitled to vote at the Annual Meeting. As of May 22, 2009, there were issued and outstanding 8,295,238 shares of Class A common stock, $2.00 par value per share and 8,803,257 shares of Class C common stock, $.20 par value per share, resulting in a total of 17,098,495 shares of both Class A and Class C common stock. A majority of the outstanding shares (or 8,549,248 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 and an additional 1,000,000 shares of Class C common stock to be made available for issuance thereunder; 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, 2009; 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.

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 2008 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.	55	2002	Vice President of Mortgage Operations and Director
H. Craig Moody	57	1995	Director

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	89	1979	Director
Robert G. Hunter, M.D.	49	1998	Director
George R. Quist	88	1979	Chairman of the Board and Chief Executive Officer
Scott M. Quist	56	1986	President, Chief Operating Officer and Director
Norman G. Wilbur	70	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.). 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. Dr. Hunter is 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, 2008. No directors attended fewer than 75% of all meetings of the Board of Directors during the 2008 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 2008, 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 2008, 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, and H. Craig Moody. During 2008, 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 2008, the Nominating and Corporate Governance Committee met on one occasion.

Director Nominating Process

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

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 2010" 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 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 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]	88	Chairman of the Board and Chief Executive Officer
Scott M. Quist[1]	56	President, Chief Operating Officer and Director
Stephen M. Sill	63	Vice President, Treasurer and Chief Financial Officer
J. Lynn Beckstead, Jr.	55	Vice President of Mortgage Operations and Director
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

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.

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).

On September 26, 2008, the Board of Directors accepted the resignation of G. Robert Quist as the Company's First Vice President and Secretary. Mr. Quist resigned from these positions to pursue other opportunities.

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.

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 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 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 2008, 2007 and 2006 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 2008. 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($)	Non-Equity Incentive Plan Compen-sation($)	Change in Pension Value and Non-qualified Deferred Compen-sation Earnings($)(3)	All Other Compen-sation($)(4)	Total($)
George R. Quist(1)	2008	$236,013	$50,755	--	--	--	$ --	$10,959	$297,727
Chairman of the	2007	219,513	-0-	--	--	--	24,200	10,760	254,473
Board and Chief	2006	203,013	40,000	--	--	--	21,967	10,683	275,663
Executive Officer									
Scott M. Quist(1)	2008	$332,400	$91,350	--	--	--	$ --	$32,791	$456,541
President and Chief	2007	303,900	-0-	--	--	--	25,300	33,172	362,372
Operating Officer	2006	275,400	75,000	--	--	--	24,150	26,879	401,429
Stephen M. Sill	2008	$131,969	$11,113	--	--	--	$ --	$17,074	$160,156
Vice President,	2007	125,292	6,000	--	--	--	14,179	15,878	161,349
Treasurer and Chief	2006	120,292	3,000	--	--	--	13,922	15,386	152,600
Financial Officer									
J. Lynn Beckstead, Jr.	2008	$217,583	$119,741	--	--	--	$ --	$21,528	$358,852
Vice President of	2007	207,500	46,888	--	--	--	21,166	21,140	296,694
Mortgage Operations	2006	246,292	6,000	--	--	--	21,945	15,295	289,532
G. Robert Quist(1)(2)	2008	$102,457	$15,000	--	--	--	$ --	$19,239	$136,696
First Vice President	2007	122,433	10,203	--	--	--	13,529	20,281	166,446
and Secretary	2006	126,221	10,000	--	--	--	12,209	18,218	166,648
Christie Q.	2008	$111,655	$14,850	--	--	--	$ --	$12,697	$139,202
Overbaugh(1)	2007	103,392	7,000	--	--	--	10,758	8,292	129,442
Vice President of									
Internal Operations									

(1) George R. Quist is the father of Scott M. Quist, G. Robert Quist and Christie Q. Overbaugh.

(2) On September 26, 2008, G. Robert Quist resigned as First Vice President and Secretary to pursue other opportunities.

(3) 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.

(4) 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 2008, 2007 and 2006); Scott M. Quist ($7,200 for each of the years 2008, 2007 and 2006); Stephen M. Sill ($5,700 for 2008, $4,275 for 2007, and $3,600 for 2006); G. Robert Quist ($5,700 for 2008 and 2007, and $4,525 for 2006); and Christie Q. Oberbaugh ($4,800 for 2008 and $400 for 2007). However, such payments do not include the furnishing of an automobile by the Company to George R. Quist, Scott M. Quist, J. Lynn Beckstead Jr., and G. Robert Quist, nor the payment of insurance and property taxes with respect to the automobiles operated by the Named Executive Officers;

(b) group life insurance premiums paid by the Company to a group life insurance plan for George R. Quist ($154, $9 and $9, for 2008, 2007 and 2006, respectively); Scott M. Quist, Stephen M. Sill, and J. Lynn Beckstead, Jr. ($218, $250 and $241 each for 2008, 2007 and 2006, respectively); G. Robert Quist ($184, $250 and $241 for 2008, 2007 and 2006, respectively); and Christie Q. Overbaugh ($210 and $240 for 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 2008, 2007 and 2006); Scott M. Quist ($14,056 for 2008, $14,340 for 2007, and $8,584 for 2006); Stephen M. Sill ($2,976 for 2008 and 2007, and $3,643 for 2006); J. Lynn Beckstead, Jr. ($4,200 for each of the years 2008, 2007 and 2006); G. Robert Quist, ($2,949 for 2008 and 2007 and $2,598 for 2006); and Christie Q. Overbaugh ($3,945 for 2008 and 2007).

(d) medical insurance premiums paid by the Company to a medical insurance plan for George R. Quist ($3,491 for 2008, $3,419 for 2007, and $3,342 for 2006); Scott M. Quist and J. Lynn Beckstead, Jr. ($11,047 each for 2008, $11,094 each for 2007, and $10,566 each for 2006); Stephen M. Sill ($7,910 for 2008, $8,089 for 2007, and $7,614 for 2006); G. Robert Quist ($10,136 for 2008, $11,094 for 2007, and $10,566 for 2006); and Christie Q. Overbaugh ($3,491 for 2008 and $3,419 for 2007).

(e) long term disability insurance premiums paid by the Company to a provider of long term disability insurance for George R. Quist, Scott M. Quist, Stephen M. Sill, J. Lynn Beckstead, Jr., and G. Robert Quist ($270 each for 2008 and $288 each for years 2007 and 2006); and Christie Q. Overbaugh ($251 for 2008 and $288 for 2007), and

(f) membership dues paid by the Company to Alpine Country Club for the benefit of J. Lynn Beckstead, Jr. ($5,793 for 2008, $5,308 for 2007, and $5,117 for 2006).

SUPPLEMENTAL ALL OTHER COMPENSATION TABLE

The following table sets forth all other compensation provided to the Named Executive Officers for fiscal years 2008, 2007 and 2006.

Name	Year	Perks and Other Personal Benefits	Tax Reimburse-ments	Discounted Securities Purchases	Payments/ Accruals on Termin-ation Plans	Registrant Contribu-tions to Defined Contribu-tion Plans	Insurance Premiums	Dividends or Earnings on Stock or Option Awards	Other
George R. Quist	2008	$2,400	--	--	--	--	$8,559	--	--
	2007	2,400	--	--	--	--	8,360	--	--
	2006	2,400	--	--	--	--	8,283	--	--
Scott M. Quist	2008	$7,200	--	--	--	--	$25,591	--	--
	2007	7,200	--	--	--	--	25,972	--	--
	2006	7,200	--	--	--	--	19,679	--	--
Stephen M. Sill	2008	$5,700	--	--	--	--	$11,374	--	--
	2007	4,275	--	--	--	--	11,603	--	--
	2006	3,600	--	--	--	--	11,786	--	--
J. Lynn Beckstead, Jr.	2008	$5,793	--	--	--	--	$15,735	--	--
	2007	5,308	--	--	--	--	15,832	--	--
	2006	5,117	--	--	--	--	15,295	--	--
G. Robert Quist	2008	$5,700	--	--	--	--	$13,539	--	--
	2007	5,700	--	--	--	--	14,581	--	--
	2006	4,525	--	--	--	--	13,693	--	--
Christie Q. Overbaugh	2008	$4,800	--	--	--	--	$ 7,897	--	--
	2007	400	--	--	--	--	7,892	--	--

GRANTS OF PLAN-BASED AWARDS

For Fiscal Year Ended December 31, 2008

The following table sets forth certain information regarding options granted to the Named Executive Officers during the fiscal year ended December 31, 2008.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum ($)	(#)	(#)	($/Sh)	($)
George R. Quist	3/31/08	--	--	--	--	--	--	--	50,000	$ 4.24	$2.15
	12/5/08	--	--	--	--	--	--	--	100,000	1.65	1.10
Scott M. Quist	3/31/08	--	--	--	--	--	--	--	50,000(1)	$4.24	$2.15
	12/5/08	--	--	--	--	--	--	--	100,000(1)	1.65	1.10
Stephen M. Sill	3/31/08	--	--	--	--	--	--	--	7,500	$3.85	$2.15
	12/5/08	--	--	--	--	--	--	--	7,500	1.50	1.10
J.Lynn Beckstead, Jr	3/31/08	--	--	--	--	--	--	--	8,000	$3.85	$2.15
	12/5/08	--	--	--	--	--	--	--	20,000	1.50	1.10
G. Robert Quist	3/31/08	--	--	--	--	--	--	--	20,000	$3.85	$2.15
Christie Q. Overbaugh	3/31/08	--	--	--	--	--	--	--	10,000	$3.85	$2.15
	12/5/08	--	--	--	--	--	--	--	10,000	1.50	1.10

(1) This reflects the equivalent of Class A common shares. 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. 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.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END 2008

The following table sets forth information concerning outstanding equity awards held by Named Executive Officers at December 31, 2008.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexer-cisable (1)	Option Exercise Price ($)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
George R. Quist	60,775 (3)	--	$3.26	7/16/09	--	--
	60,775 (4)	--	$2.92	12/10/09	--	--
	81,034 (5)	--	$3.33	3/25/10	--	--
	37,500 (6)	12,500 (6)	$4.24	3/31/13	--	--
	--	100,000 (7)	$1.65	12/05/13	--	--
Scott M. Quist(1)	89,340 (2)	--	$4.62	3/21/13	--	--
	81,034 (5)	--	$3.03	3/25/15	--	--
	37,500 (6)(8)	12,500 (6)(8)	$4.24	3/31/13	--	--
	--	100,000 (7)(8)	$1.65	12/05/13	--	--
Stephen M. Sill	5,625 (6)	1,875 (6)	$3.85	3/13/18	--	--
	--	7,500 (7)	$1.50	12/05/18	--	--
J. Lynn Beckstead, Jr.	19,144 (2)	--	$4.62	3/21/13	--	--
	6,077 (4)	--	$2.66	12/10/14	--	--
	40,517 (5)	--	$3.03	3/25/15	--	--
	6,000 (6)	2,000 (6)	$3.85	3/31/18	--	--
	--	20,000 (7)	$1.50	12/05/18	--	--
G. Robert Quist	44,670 (2)	--	$4.62	3/21/13	--	--
	15,000 (6)	5,000 (6)	$3.85	3/31/18	--	--
Christie Q. Overbaugh	9,116 (4)	--	$2.66	12/10/14	--	--
	23,152 (5)	--	$3.03	3/25/15	--	--
	7,500 (6)	2,500 (6)	$3.85	3/31/18	--	--
	--	10,000 (7)	$1.50	12/05/18	--	--

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

(2) Stock options 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 October 31, 2004 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 March 31, 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, 2005 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 June 30, 2008 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, 2009 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. 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.

OPTION EXERCISES AND STOCK VESTED

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, 2008.

	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	--	--	--	--
Scott M. Quist	--	--	--	--
Stephen M. Sill	--	--	--	--
J. Lynn Beckstead, Jr.	--	--	--	--
G. Robert Quist	--	--	--	--
Christie Q. Overbaugh	--	--	--	--

PENSION BENEFITS FOR FISCAL 2008

The following table sets forth the present value as of December 31, 2008 of the benefit of the Named Executive Officers under a defined benefit pension plan.

Name	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	--	--	--
G. Robert Quist	None	--	--	--
Christie Q. Overbaugh	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. If Mr. Quist's employment is terminated by reason of disability or death before he reaches retirement age, the Company is to make the ten annual payments to Mr. Quist, in the event of disability, or to his designated beneficiary, in the event of death.

The plan also provides that the Board of Directors may, in its discretion, pay the amounts due under the plan in a single, lump-sum payment. In the event that Mr. Quist dies before the ten annual payments are made, the unpaid balance will continue to be paid to his designated beneficiary. The plan further requires the Company to furnish an automobile for Mr. Quist's use and to pay all reasonable expenses incurred in connection with its use for a ten year period, and to provide Mr. Quist with a hospitalization policy with similar benefits to those provided to him the day before his retirement or disability. However, in the event Mr. Quist's employment with the Company is terminated for any reason other than retirement, death, or disability, the entire amount of deferred compensation payments under the plan shall be forfeited by him. The Company accrued $49,000 and $38,000 in fiscal 2008 and 2007, respectively, to cover the present value of anticipated retirement benefits under the employment agreement, which was $505,600 as of December 31, 2008.

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 $116,400 and $101,200 in fiscal 2008 and 2007, respectively, to cover the present value of anticipated retirement benefits under the employment agreement, which was $703,900 as of December 31, 2008.

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 $46,400 and $43,900 in 2008 and 2007, respectively, to cover the present value of the retirement benefits of the employment agreement, which was $363,300 as of December 31, 2008.

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

DIRECTOR COMPENSATION FOR FISCAL 2008

The following table sets forth the compensation of the Company's non-employee directors for fiscal 2008.

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. Crittenden	$18,150	--	$6,366	--	--	--	$24,516
Robert G. Hunter	18,150	--	6,366	--	--	--	24,516
H. Craig Moody	18,150	--	6,366	--	--	--	24,516
Norman G. Wilbur	13,150	--	6,366	--	--	--	24,516

Employee 401(k) Retirement Savings Plan

In 1995, the Company's Board of Directors adopted a 401(k) Retirement Savings Plan. Under the terms of the 401(k) plan, effective as of January 1, 1995, the Company may make discretionary employer matching contributions to its employees who choose to participate in the plan. The plan allows the board to determine the amount of the contribution at the end of each year. 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 and 2006 were $10,001 and $8,656, respectively. 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 2008 and 2007 were $198,022 and $162,584, respectively.

Beginning January 1, 2008, the Company elected to be a "Safe Harbor" Plan for its matching 401(k) contributions. The Company will match 100% of up to 3% of an employee's total annual compensation and 50% of 4% to 5% of an employee's annual compensation. The match is in shares of the Company's Class A Common Stock. The Company's contribution for 2008 was $365,925 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 372 participants and had $-0- contributions payable to the Plan in 2008. 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 2008, 2007 and 2006 were $-0-, $133,037 and $125,558, respectively.

NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL 2008

The following table sets forth contributions to the deferred compensation account of the Named Executive Officers in fiscal 2008 and the aggregate balance of deferred compensation of the Named Executive Officers at December 31, 2008.

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	--	--	--	--	$89,004
Scott M. Quist	--	--	--	--	98,496
Stephen M. Sill	--	--	--	--	31,144
J. Lynn Beckstead, Jr.	--	--	--	--	49,848
G. Robert Quist	--	--	--	--	44,387
Christie Q. Overbaugh	--	--	--	--	36,578

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 June 8, 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.

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 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 their entirety on the first anniversary date of the grant. 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 2008, 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 two late Form 4 reports reporting ten 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, 2009, (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)	585,291	7.8%	4,082,507	47.9%	4,667,798	29.0%
Scott M. Quist (3)(6)(7)	495,421	6.6%	2,292,152	26.9%	2,787,573	17.3%
Employee Stock Ownership Plan (4)	608,038	8.1%	1,887,731	22.1%	2,495,769	15.5%
George R. Quist (3)(5)(6)(8)	709,064	9.4%	570,315	6.7%	1,249,409	8.0%
Associated Investors (9)	86,059	1.1%	796,901	9.3%	882,960	5.5%
G. Robert Quist (11)	182,635	2.4%	284,697	3.3%	467,331	2.9%
Christie Q. Overbaugh (12)	124,999	1.7%	128,237	1.5%	253,236	1.6%
J. Lynn Beckstead, Jr. (10)(13)	222,942	3.0%	--	--	222,942	1.4%
Stephen M. Sill (10)(14)	85,450	1.1%	--	--	85,450	*
Robert G. Hunter, M.D. (3)(15)	15,038	*	--	--	15,038	*
Charles L. Crittenden (16)	12,629	*	--	--	12,629	*
Norman G. Wilbur (17)	14,810	*	--	--	14,810	*
H. Craig Moody (18)	12,295	*	--	--	12,295	*
All directors and executive officers (10 persons) (3)(5)(6)(10)	2,460,603	29.6%	7,357,908	76.7 %	9,818,511	54.8%

* 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 general partner.

(3) Does not include 608,038 shares of Class A common stock and 1,887,731 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 86,059 shares of Class A common stock and 796,901 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 339,426 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 189,109 shares of Class A common stock and 685,327 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, 2009.

(8) Includes options to purchase 291,463 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, 2009.

(9) The managing partner of Associated Investors is George R. Quist, who exercises sole voting and investment powers.

(10) Does not include 511,858 shares of Class A common stock owned by the Company's 401(k) Retirement Savings Plan, of which 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 67,903 shares of Class A common stock granted to G. Robert Quist that are currently exercisable or will become exercisable within 60 days of March 31, 2009.
(12) Includes options to purchase 47,007 shares of Class A common stock granted to Ms. Overbaugh that are currently exercisable or will become exercisable within 60 days of March 31, 2009.
(13) Includes options to purchase 82,675 shares of Class A common stock granted to Mr. Beckstead that are currently exercisable or will become exercisable within 60 days of March 31, 2009.
(14) Includes options to purchase 9,844 shares of Class A common stock granted to Mr. Sill that are currently exercisable or will become exercisable within 60 days of March 31, 2009.
(15) Includes options to purchase 8,953 shares of Class A common stock granted to Dr. Hunter that are currently exercisable or will become exercisable within 60 days of March 31, 2009.
(16) Includes options to purchase 8,953 shares of Class A common stock granted to Mr. Crittenden that are currently exercisable or will become exercisable within 60 days of March 31, 2009.
(17) Includes options to purchase 8,953 shares of Class A common stock granted to Mr. Wilbur that are currently exercisable or will become exercisable within 60 days of March 31, 2009.
(18) Includes options to purchase 8,953 shares of Class A common stock granted to Mr. Moody that are currently exercisable or will become exercisable within 60 days of March 31, 2009.

The Company=s officers and directors, as a group, own beneficially approximately 54.8% 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 2008 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 2008 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 2008. Mr. Quist received a base salary of $236,013 for 2008. 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 2008, 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 2008 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, 2008, 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 April 29, 2009, subject to the approval by the shareholders, an amendment to the Company's 2003 Stock Option Plan. The amendment increases from 978,528 to 1,478,528 the number of shares of the Company's Class A common stock available for issuance under the 2003 Stock Option Plan, and from 2,110,775 to 3,110,775 the number of shares of the Company's Class C common stock available for issuance thereunder. 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, 2009, options to purchase 892,423 shares of Class A common stock and 2,110,770 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 840,136 shares of Class A common stock and 1,575,000 shares of Class C common stock were outstanding under the 2003 Stock Option Plan. Accordingly, options to purchase only 119,020 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, 2009. 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, 2009.

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

Fees for the year 2008 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 $383,800. There were $120,800 in other fees during 2008.

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, 2008 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, 2008 Such requests should be directed to Jeffrey R. Stephens, General Counsel and 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 2010

Any proposal by a stockholder to be presented at the Company's next Annual Meeting of Stockholders expected to be held in July 2010 must be received at the offices of the Company, P.O. Box 57250, Salt Lake City, Utah 84157-0250, no later than March 31, 2010.

By order of the Board of Directors,

/s/ Jeffrey R. Stephens

Jeffrey R. Stephens
General Counsel and Secretary

June 5, 2009
Salt Lake City, Utah

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 10, 2009, 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 and an additional 1,000,000 shares of Class C common stock to be made available for issuance thereunder

   [ ] 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, 2009

   [ ] 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 ______________________________, 2009

____
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 10, 2009, 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 and an additional 1,000,000 shares of Class C common stock to be made available for issuance thereunder

[ ] 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, 2009

[ ] 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 ______________________________________, 2009

____
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.

Letter to Shareholders

My Fellow Shareholders:

I am pleased to report to you on the affairs of the Company for the year ended December 31, 2008 and invite you to attend the annual stockholders meeting to be held on July 10, 2009 in Salt Lake City, Utah.

In many respects, 2008 continued the significant financial market turmoil that began in 2007. It is probably fair to say that during 2008 the turmoil spread from the sub-prime mortgage markets, where it had its origins, to the broader markets. In our fixed income investment portfolios we recognized more than $2.3 million in losses from names such as Ford, General Motors, and Lehman Brothers. We wrote off or reserved almost $13,300,000 for our mortgage operations. The good news is that our company performed at a level sufficient to recognize those fixed income and mortgage related losses and still remain profitable. Overall our earnings before taxes decreased 77% to $731,000, but, significantly, we still had earnings.

There were several trends that continued in 2008 that significantly impacted our businesses. Interest rates, for one, continued their downward pressure. While this trend in general benefits our mortgage segment, it reduces investment income, thereby harming our life segment. We continue to see higher than expected credit related losses across our business lines. Monitoring and improving the credit quality of both our originated loans and our investment portfolios remains a primary concern. On a positive note regarding our mortgage business, while foreclosures have increased, once we are able to obtain possession of the subject property we are able to rent it at rates that allow profitable operations. By contrast, when a fixed income security defaults, our recovery is usually very limited.

Despite the turmoil, 2008 marked a year of significant positive accomplishment for our company. Our asset base grew nearly 6% to $442 million; total revenue increased 5% to $220 million; in December, we accomplished the purchase of a new life insurance company, Southern Security Life Insurance Company of Louisville, Mississippi. We continued significant cost reduction efforts company-wide and believe we will accomplish nearly $2,000,000 in annualized cost savings through the first half of 2009. This is on top of the significant cost savings and efficiency measures implemented in our mortgage segment in 2007 and 2008. We believe these cost measures will pay significant dividends in the future.

Thank you for your confidence in our Company. While we continue in our efforts to both grow and increase profitability, our primary objective is to improve profitability.

Sincerely,

/s/ George R. Quist

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

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
Secretary
General Counsel

SNFC Corporate Directors

J. Lynn Beckstead, Jr.
President, SNMC, Director

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
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

Life Insurance 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
3613 Willliams Drive, Suite 1006
Georgetown, TX 78628
Telephone: (512) 930-1003

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

Cottonwood Heights, UT (Silver Ridge)
6955 Union Park Center, #100
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

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: (713) 785-6600

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

Kailua, Hawaii
970 North Kalaheo Avenue, Suite A102
Kaileea, HI 96734

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

Phoenix, AZ
410 North 44th Street #190
Phoenix, AZ 85008
Telephone: (602) 273-9610

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

Raleigh, NC
2500 Regency Parkway
Cary, NC 27518
Telephone: (919) 654-6858

Sacramento, CA
12150 Tributary Point Drive #160
Gold River, CA 95670
Telephone: (916) 985-8806

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

St. George, UT (Silver Ridge)
1173 South 250 West #107B
St. George, UT 84770
Telephone: (435) 656-3903

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

San Diego, CA
7676 Hazard Center Drive, Suite 625
San Diego, CA 92108
Telephone: (619) 220-8892

Sandy, UT
9149 South Monroe, Suite A
Sandy, UT 84070
Telephone: (801) 567-1100

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

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

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
Salt Lake City, UT 84117

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
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

Form 10-K filed with the Securities and Exchange Commission for the year 2008 (including a list of exhibits). All requests must be made in writing to the Secretary,
SecurityNational 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, Thompson & Ostler
Salt Lake City, Utah

Company Email Address:
contact@securitynational.com

Company Internet Address:
www.securitynational.com

Telephone: (808) 254-5312

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

Lynnwood, WA
3500 188th Street SW #275
Lynnwood, WA 98037
Telephone: (425) 672-6377

Midvale, UT (Silver Ridge)
6975 Union Park Center, #150
Midvale, UT 84047
Telephone: (801) 838-9808

Murray, UT (Avalon)
5525 South 900 East, Suite 100
Murray, UT 84117
Telephone: (801) 327-0090

Oklahoma City, OK
4045 NW 64th Street, Suite 500
Oklahoma City, OK 73116
Telephone: (405) 842-8700

Orem, UT
474 West 800 North, Suite 102
Orem, UT 84057
Telephone: (801) 426-3680

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

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

Lakeview 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

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, 2008, December 31, 2007 and December 31, 2006. 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, 2008. Based on that assessment management believes that, as of December 31, 2008, 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
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www.hbmcpas.com

Registered with the Public Company Accounting Oversight Board

an independent member of BAKER TILLY INTERNATIONAL

A Member of the Forum of Firms

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, 2008 and 2007 and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the periods ended December 31, 2008. 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 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, 2008 and 2007 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

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

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
March 31, 2009

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
Assets	**2008**	**2007**
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	$ 125,346,194	$ 116,896,016
Fixed maturity securities, available for sale, at estimated fair value	1,236,562	2,880,920
Equity securities, available for sale, at estimated fair value	4,617,675	5,861,292
Mortgage loans on real estate and construction loans held for investment, net of allowances or losses of $4,780,467 and $1,435,131 for 2008 and 2007	124,592,678	92,884,055
Real estate, net of accumulated depreciation of $5,009,571 and $4,340,390 for 2008 and 2007	22,417,639	7,946,304
Policy, student and other loans net of allowance for doubtful accounts of $555,146 and $492,089 for 2008 and 2007	18,493,751	16,860,874
Short-term investments	5,282,986	5,337,367
Accrued investment income	2,245,201	3,032,285
Total investments	304,232,686	251,699,113
Cash and cash equivalents	19,914,110	5,203,060
Mortgage loans sold to investors	19,885,994	66,700,694
Receivables, net	13,135,080	13,743,682
Restricted assets of cemeteries and mortuaries	4,077,076	5,711,054
Cemetery perpetual care trust investments	1,840,119	1,604,600
Receivable from reinsurers	5,823,379	746,336
Cemetery land and improvements	10,626,296	9,760,041
Deferred policy and pre-need contract acquisition costs	32,424,512	30,786,229
Property and equipment, net	14,049,232	14,828,699
Value of business acquired	11,377,276	11,686,080
Goodwill	1,075,039	1,075,039
Other	3,343,726	4,618,018
Total Assets	$ 441,804,525	$ 418,162,645

See accompanying notes to consolidated financial statements.

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

	December 31,	
Liabilities and Stockholders' Equity	**2008**	**2007**
Liabilities		
Future life, annuity, and other benefits	$ 325,668,454	$ 296,068,767
Unearned premium reserve	4,863,919	4,995,664
Bank loans payable	6,138,202	12,552,666
Notes and contracts payable	501,778	818,810
Deferred pre-need cemetery and mortuary contract revenues	13,467,132	12,643,199
Cemetery perpetual care obligation	2,647,984	2,473,758
Accounts payable	1,941,777	1,833,188
Other liabilities and accrued expenses	17,688,756	14,812,845
Income taxes	14,974,244	16,179,596
Total liabilities	387,892,246	362,378,493
Commitments and Contingencies	--	--
Stockholders' Equity		
Common Stock:		
Class A: common stock - $2.00 par value; 20,000,000 shares authorized; issued 8,284,109 shares in 2008 and 7,885,229 shares in 2007	16,568,218	15,770,458
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 8,912,315 shares in 2008 and 8,530,699 shares in 2007	1,782,463	1,706,140
Additional paid-in capital	17,985,848	17,737,172
Accumulated other comprehensive income and other items, net of taxes	417,101	1,596,791
Retained earnings	21,023,179	21,104,156
Treasury stock, at cost - 1,598,568 Class A shares and -0- Class C shares in 2008; 1,635,864 Class A shares and -0- Class C shares in 2007	(3,864,530)	(2,130,565)
Total stockholders' equity	53,912,279	55,784,152
Total Liabilities and Stockholders' Equity	$ 441,804,525	$ 418,162,645

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended December 31,		
	2008	2007	2006
Revenues:			
Insurance premiums and other consideration	$ 35,981,297	$ 32,262,837	$ 30,776,491
Net investment income	28,103,509	31,956,444	23,245,631
Net mortuary and cemetery sales	12,725,930	13,188,655	12,122,728
Realized gains (losses) on investments and other assets	(1,733,715)	1,007,574	891,304
Mortgage fee income	143,411,459	130,472,166	85,112,831
Other	1,015,370	860,406	381,548
Total revenues	219,503,850	209,748,082	152,530,533
Benefits and expenses:			
Death benefits	17,100,688	16,274,813	15,155,711
Surrenders and other policy benefits	2,094,482	2,078,415	1,700,741
Increase in future policy benefits	13,709,135	11,389,019	10,462,384
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	6,010,273	5,570,799	4,124,747
Selling, general and administrative expenses:			
Commissions	98,962,941	96,957,340	63,680,122
Salaries	26,206,331	23,944,999	17,947,902
Other	44,803,582	34,601,551	24,099,924
Interest expense	7,448,454	13,270,871	6,141,298
Cost of goods and services sold – mortuaries and cemeteries	2,437,453	2,537,244	2,322,066
Total benefits and expenses	218,773,339	206,625,051	145,634,895
Earnings before income taxes	730,511	3,123,031	6,895,638
Income tax expense	(155,658)	(857,635)	(1,771,188)
Net earnings	$ 574,853	$ 2,265,396	$ 5,124,450
Net earnings per Class A equivalent common share (1)	$ 0.07	$ 0.28	$ 0.66
Net earnings per Class A equivalent common share - assuming dilution(1)	$ 0.07	$ 0.28	$ 0.64
Weighted average Class A equivalent common shares outstanding (1)	8,160,422	8,010,635	7,808,470
Weighted average Class A equivalent common shares outstanding-assuming dilution (1)	8,160,422	8,199,961	7,974,986

(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 $0.01, $0.03 and $0.07 per share for 2008, 2007 and 2006, respectively, and $0.01, $0.03 and $0.07 per share-assuming dilution for 2008, 2007 and 2006, 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, 2006, 2007 AND 2008

	Class A Common Stock	Class C Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (loss) and Other Items	Retained Earnings	Treasury Stock	Total
Balance at January 1, 2006	$14,196,726	$ 1,356,212	$15,650,344	$ 117,647	$17,460,024	$ (3,082,535)	$45,698,418
Comprehensive income:							
Net earnings	—	—	—	—	5,124,450	—	5,124,450
Unrealized gains	—	—	—	1,585,508	—	—	1,585,508
Total comprehensive income							6,709,958
Exercise of stock options	149,040	—	(43,441)	—	—	—	105,599
Purchase of Treasury stock	—	—	—	—	—	(3,901)	(3,901)
Sale of Treasury stock	—	—	154,154	—	—	304,448	458,602
Issuance for compensation	1,000	—	1,020	—	—	—	2,020
Stock dividends	719,212	67,788	1,302,411	—	(2,089,411)	—	—
Conversion Class C to Class A	482	(482)	—	—	—	—	—
Balance at December 31, 2006	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 as of December 31, 2008	$16,568,218	$ 1,782,463	$17,985,848	$ 417,101	$21,023,179	$ (3,864,530)	$53,912,279

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2008	**2007**	**2006**
Cash flows from operating activities:			
Net earnings	$ 574,853	$ 2,265,396	$ 5,124,450
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Realized (gains) losses on investments and other assets	1,733,715	(1,007,574)	(891,304)
Depreciation	2,471,201	2,398,330	2,023,017
Provision for losses on real estate accounts and loans receivable	4,586,501	741,974	558,370
Amortization of premiums and discounts	(65,224)	8,411	(34,144)
Provision for deferred income taxes	(163,307)	481,810	1,153,985
Policy and pre-need acquisition costs deferred	(6,946,317)	(6,974,054)	(7,313,030)
Policy and pre-need acquisition costs amortized	5,110,519	4,609,045	3,132,647
Value of business acquired amortized	899,754	951,639	992,100
Change in assets and liabilities net of effects from purchases and disposals of subsidiaries:			
Land and improvements sold to customers	(866,255)	(781,617)	(247,197)
Future life and other benefits	9,508,769	13,131,652	13,017,175
Receivables for mortgage loans sold to investors	35,366,791	(6,883,446)	(5,321,587)
Other operating assets and liabilities	4,192,554	1,067,072	(520,347)
Net cash provided by operating activities	56,403,554	10,008,638	11,674,135
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(15,667,595)	(2,206,067)	(14,078,529)
Calls and maturities - fixed maturity securities	25,384,510	6,630,227	4,978,963
Securities available for sale:			
Purchase - equity securities	(1,740,077)	(179,630)	(173,262)
Sales - equity securities	3,600,641	868,371	11,973,825
Purchases of short-term investments	(30,339,562)	(16,946,889)	(41,342,009)
Sales of short-term investments	32,012,283	16,196,350	39,966,771
Purchases of restricted assets	1,528,071	(302,114)	(50,239)
Change in assets for perpetual care trusts	(291,870)	(276,437)	(154,491)
Amount received for perpetual care trusts	174,226	195,248	105,260
Mortgage, policy, and other loans made	(79,563,741)	(114,782,049)	(90,543,821)
Payments received for mortgage, policy, and other loans	56,376,246	105,790,916	76,979,450
Purchases of property and equipment	(1,323,849)	(3,009,279)	(1,763,708)
Disposal of property and equipment	81,352	880,818	(37,756)
Purchases of real estate	(16,829,189)	(4,634,314)	(2,262,890)
Cash (paid) received for purchase of subsidiaries, net of cash acquired	(2,928,022)	(1,702,762)	--
Sale of real estate	1,438,796	1,375,183	5,359,781
Net cash used in investing activities	28,087,780	(12,102,428)	(11,042,655)

See accompanying notes to the consolidated financial statements.

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

	Years Ended December 31		
	2008	**2007**	**2006**
Cash flows from financing activities:			
Annuity contract receipts	$ 10,578,845	$ 6,039,988	$ 5,941,594
Annuity contract withdrawals	(18,006,929)	(12,961,804)	(10,817,231)
Repayment of bank loans and notes and contracts payable	(11,276,120)	(47,751,447)	(2,572,524)
Proceeds from borrowing on notes and contracts	4,383,927	50,939,105	--
Stock options exercised	466,929	3,000	105,599
Purchase of treasury stock	--	--	(3,901)
Sale of treasury stock	248,624	651,423	458,602
Net cash used in financing activities	(13,604,724)	(3,079,735)	(6,887,861)
Net change in cash and cash equivalents	14,711,050	(5,173,525)	(6,256,381)
Cash and cash equivalents at beginning of year	5,203,060	10,376,585	16,632,966
Cash and cash equivalents at end of year	$ 19,914,110	$ 5,203,060	$ 10,376,585

Supplemental Schedule of Cash Flow Information:

The following information shows the non-cash items in connection with the purchase of C & J Financial, LLC on July 16, 2007, Capital Reserve Life Insurance Company on December 17, 2007, and Southern Security Life Insurance Company, a Mississippi domiciled corporation effective September 1, 2008.

	2008	**2007**
Fair value of assets acquired	$ (26,193,020)	$ (30,597,342)
Fair value of liabilities assumed	23,264,998	26,546,698
Notes payable and other liabilities incurred	--	2,318,260
Cash paid	$ (2,928,022)	$ (1,732,384)

See accompanying notes to the consolidated financial statements.

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, eight mortuaries in Utah and four 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, North Carolina, 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 2008 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.

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 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.

1) Significant Accounting Policies (Continued)

The company follows Statement of Position 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs ("DAC") in Connection with Modifications or Exchanges of Insurance Contracts*, ("SOP 05-1"). 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 issues that impact 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.

The Company provides allowances for losses on its mortgage loans through an allowance for loan losses (a contra-asset account) and through the mortgage loan loss reserve (a liability account). The allowance for loan losses 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 will be classified as real estate. The Company will be able to carry the foreclosed property in Security National Life and SecurityNational Mortgage, its life and mortgage subsidiaries, and will rent the properties until it is feasible to sell them. The Company is currently able to rent properties for a 5.5% return.

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

1) Significant Accounting Policies (Continued)

The Company accrues a monthly allowance for probable losses to investors of 17.5 basis points of total production. The provision for loss accrued each year is included in other general and administrative expenses. The following is a summary of the reserve for probable losses included in other liabilities for the periods presented:

	Years Ended December 31,		
	2008	2007	2006
Balance, beginning of year	$ 2,356,309	$ 2,712,998	$ 2,183,032
Provisions for losses	8,931,971	5,207,529	2,326,442
Charge-offs	(8,512,828)	(5,564,218)	(1,796,476)
Balance, end of year	$ 2,775,452	$ 2,356,309	$ 2,712,998

The Company believes the Allowance for Loan Losses and Doubtful Accounts and the Loan Loss Reserve represent probable loan losses incurred as of the balance sheet date.

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 2008, 2007 and 2006, respectively. The provision for policyholders' dividends included in policyholder obligations is based on dividend scales anticipated by management. Amounts to be paid are determined by the Board of Directors.

Reinsurance

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

1) Significant Accounting Policies (Continued)

Cemetery and Mortuary Operations

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

Sales of cemetery interment rights (cemetery burial property) - revenue and costs associated with the sale of cemetery interment rights are recognized in accordance with the retail land sales provisions of Statement of Financial Accounting Standards No. 66, *Accounting for the Sales of Real Estate* (FAS No. 66). Under FAS 66, recognition of revenue and associated costs from constructed cemetery property must be deferred until a minimum percentage of the sales price has been collected. Revenues related to the sale of unconstructed cemetery property is deferred until such property has been constructed and meets the criteria of FAS No. 66 described above.

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 of Statement of Financial Accounting Standards No. 60 *Accounting and Reporting by Insurance Enterprises* (FAS No. 60). 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 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.

Mortgage Operations

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 independent brokers and correspondents. 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 correspondents a commission for loans that are brokered through SecurityNational Mortgage. For the twelve months ended December 31, 2008, 2007, and 2006, SecurityNational Mortgage originated and sold 19,321 loans ($3,680,015,000 total volume), 20,656 loans ($3,852,801,000 total volume) and,14,427 loans ($2,461,000,000 total volume), respectively.

1) Significant Accounting Policies (Continued)

SecurityNational Mortgage has loan purchase agreements with unaffiliated warehouse banks. The total amount available under these loan purchase agreements at December 31, 2008 was $450,000,000. As of December 31, 2008, mortgage loans totaling approximately $222,781,000 have been sold and were outstanding. The terms of the loan purchase agreements are typically for one year, with interest rates ranging from 1.5% to 2.25% over the 30 days LIBOR rate (from 1.99% to 2.74% as of December 31, 2008). SecurityNational Mortgage renewed one of its loan purchase agreements that expired on September 30, 2008 for another one year term. The other loan purchase agreement is a non-committed purchase agreement with no expiration date; however, the Company received notice from the warehouse bank that the agreement would be terminated in February 2009. The Company is actively pursuing purchase agreements with other warehouse banks.

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 SFAS 140 at the time the sales of mortgage loans meet the sales criteria for the transfer of financial assets which are: (1) the transferred assets have been isolated from the Company and its creditors, (2) the transferee has the right to pledge or exchange the mortgage, and (3) the Company does not maintain effective control over the transferred mortgage. The Company has determined 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 these loans under the purchase commitments.

The Company sells all loans to third party investors without recourse. However, the Company may be required to repurchase loans 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 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

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 of 0.175% (17.5 basis points) of total production. This estimate is based on the Company’s historical experience. The amount accrued for the twelve months ended December 31, 2008 was $8,932,000 and the charge to expense has been included in other general and administrative expenses. The estimated liability for indemnification losses is included in other liabilities and accrued expenses as of December 31, 2008 the balance was $2,775,452.

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 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 purchase commitments from third-party investors concerning mortgage loans and to cure any documentation problems with respect to such loans at a minimal cost for up to a six-month time period. 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

1) Significant Accounting Policies (Continued)

Once purchase commitments have expired and other alternatives to remedy are exhausted, which could be earlier than the six month time period, the loans are repurchased and transferred to the long term investment portfolio at the lower of cost or market value and previously recorded sales revenue is reversed. Any loan that subsequently becomes delinquent is evaluated by the Company at that time and any allowances for impairment are 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 we use the market price on the repurchased date.
- For loans where there is no market but there is a similar product, we use the market value for the similar product on the repurchased date.
- For loans where no active market exists on the repurchased date, we determine 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 loan adds significance to the Company's determination of fair value since, 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 looks at the total value of all of the loans since any sale of loans would be as a pool.

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

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

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

As a result of the volatile secondary market for mortgage loans, the Company sold mortgage loans to certain third party investors that experienced financial difficulties and were not able to settle the loans. The total amount of these loans was approximately $52,556,000, of which approximately $36,499,000 were in loans where the secondary market no longer exists. Due to these changes in circumstances, the Company regained control of the mortgages and, in accordance with SFAS No. 140, accounted for the loans retained in the same manner as a purchase of the 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, 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 financial statements reflect the transfer of the mortgage loans from "Mortgage Loans Sold to Investors" to "Mortgage Loans on Real Estate". The loan sale revenue recorded on the sale of the mortgage loans was reversed on the date the loans were repurchased.

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. The Company will service these loans through Security National Life, its life insurance subsidiary.

As of December 31, 2008, the Company's long term mortgage loan portfolio had $28,194,467 in unpaid principal with delinquencies more than 90 days. Of this amount $23,328,910 was in foreclosure proceedings. The Company has not received any interest income on the $28,194,467 in mortgage loans with delinquencies more than 90 days. During the twelve months ended December 31, 2008, the Company increased its allowance for mortgage losses by $4,345,336, which was charged to loan loss expense and included in other general and administrative expenses for the period. The allowance for mortgage loan losses as of December 31, 2008 was $4,780,461.

Also at December 31, 2008, the Company has foreclosed on $20,104,339 in long term mortgage loans. The foreclosed property was shown in real estate. The Company will be able to carry the foreclosed property in Security National Life and SecurityNational Mortgage, its life and mortgage subsidiaries, and will rent the properties until it is feasible to sell.

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.

SecurityNational Mortgage has loan purchase agreements with unaffiliated warehouse banks. The total amount available under these loan purchase agreements at December 31, 2008 was $450,000,000. As of December 31, 2008, mortgage loans totaling approximately $222,781,000 have been sold and were outstanding. The terms of the loan purchase agreements are typically for one year, with interest rates ranging from 1.5% to 2.25% over the 30 days LIBOR rate (from 1.99% to 2.74% as of December 31, 2008). SecurityNational Mortgage renewed one of its loan purchase agreements that expired on September 30, 2008 for another one year term. The other loan purchase agreement is a non-committed purchase agreement with no expiration date; however, the Company received notice from the warehouse bank that the agreement would be terminated.

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.

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.

In June 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (“FAS 109”). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of FIN 48 did not have an impact on the total liabilities or shareholders’ equity of the Company.

Earnings Per Common Share

The Company computes earnings per share in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 128, *Earnings Per Share*. This Standard requires presentation of 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 grant date fair value 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

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard Number 157, *Fair Value Measurements*, (SFAS 157) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of SFAS No. 157 related to financial assets and financial liabilities were effective during 2008. With respect to certain nonfinancial assets and nonfinancial liabilities, SFAS No. 157 is effective for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company does not expect that the adoption of SFAS No. 157 with respect to nonfinancial assets and nonfinancial liabilities will have a material impact on its consolidated financial statements.

1) Significant Accounting Policies (Continued)

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS No. 141(R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a non-controlling interest in a subsidiary should be reported as equity in the consolidated financial statements, consolidated net income should be adjusted to include the net income attributed to the non-controlling interest and consolidated comprehensive income shall be adjusted to include the comprehensive income attributed to the non-controlling interest. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141(R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. The Company does not expect that the adoption of SFAS No. 141(R) or SFAS No. 160 will have a material impact on its consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS No. 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* (FSP FAS 140-3). FSP FAS 140-3 requires an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously or in contemplation of the initial transfer to be evaluated as a linked transaction under SFAS No. 140 unless certain criteria are met, including that the transferred asset must be readily obtainable in the marketplace. FSP FAS 140-3 is effective for fiscal years beginning after November 15, 2008, and will be applied to new transactions entered into after the date of adoption. Early adoption is prohibited. The Company does not expect that the adoption of FSP FAS 140-3 will have a material impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company does not expect that the adoption of SFAS No. 161 will have a material impact on its consolidated financial statements.

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSB FAS 142-3*)*. FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under FAS FAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) and other generally accepted accounting principles. FSP FAS 142-3 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008. The adoption of FSP FAS 142-3 is not expected to have a material impact on the Company’s financial statements.

In May 2008, the FASB issued SFAS 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the sources of accounting principles and provides entities with a framework for selecting the principles used in preparation of financial statements that are presented in conformity with GAAP. The current GAAP hierarchy has been criticized because it is directed to the auditor rather than the entity, it is complex, and it ranks FASB Statements of Financial Accounting Concepts, which are subject to the same level of due process as FASB Statements of Financial Accounting Standards, below industry practices that are widely recognized as generally accepted but that are not subject to due process. The Board believes the GAAP hierarchy should be directed to entities because it is the entity (not its auditors) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. The adoption of FASB 162 is not expected to have a material impact on the Company’s financial statements.

1) Significant Accounting Policies (Continued)

In May 2008, the FASB issued SFAS No. 163, *Accounting for Financial Guarantee Insurance Contracts*. SFAS No. 163 requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement also clarifies how SFAS No. 60, *Accounting and Reporting by Insurance Enterprises*, as amended, applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. This Statement also requires expanded disclosures about financial guarantee insurance contracts. SFAS No. 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years, except for some disclosures about the insurance enterprise's risk-management activities. Early application is not permitted. The Company has not yet determined the effect on its consolidated financial statements, if any, that will occur upon adoption of SFAS No. 163.

In June 2008, the FASB ratified EITF Issue No. 08-3, *Accounting for Lessees for Maintenance Deposits Under Lease Arrangements* (EITF 08-3). EITF 08-3 provides guidance for accounting for nonrefundable maintenance deposits. It also provides revenue recognition accounting guidance for the lessor. EITF 08-3 is effective for fiscal years beginning after December 15, 2008. The Company has not yet determined the effect on its consolidated financial statements, if any, that will occur upon adoption of EITF 08-3.

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-1). FSP EITF 03-6-1 clarified that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. The Company does not expect that the adoption of FSP EITF 03-6-1 will have a material impact on its consolidated financial statements.

In October 2008, the FASB issued FSP FAS 157-3 *Determining Fair Value of a Financial Asset in a Market That Is Not Active* (FSP FAS 157-3). FSP FAS 157-3 clarified the application of SFAS No. 157 in an inactive market. It demonstrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The Company has evaluated the impact and adoption of FSP FAS 157-3 will not have a material impact on its consolidated financial statements.

In November 2008, the FASB ratified EITF Issue No. 08-6, *Equity Method Investment Accounting Considerations* (EITF 08-6). EITF 08-6 clarifies the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-6 is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The Company has not yet determined the effect on its consolidated financial statements, if any, that will occur upon adoption of EITF 08-6.

In December 2008, the FASB issued FASB Staff Position FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities* ("FSP FAS 140-4 and FIN 46(R)-8"). FSP FAS 140-4 and FIN 46(R)-8 amends SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* and FIN 46(R), *FASB Interpretation No. 46 (R), Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51*, to require public entities to provide additional disclosures about transfers of financial assets and their involvement with variable interest entities. FSP FAS 140-4 and FIN 46(R)-8 is effective for the first interim or annual reporting period ending after December 15, 2008. The Company has not yet determined the effect on its consolidated financial statements, if any, that will occur upon adoption of FSP FAS 140 and FIN 46(R)-8.

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 was to expand 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 will expand the Company's business. The aggregate 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 law suit 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 and will be until an investment in a bond is realized.

The $2,100,000 and $185,902 of funds held in escrow by the Company's attorney have been included in the accompanying consolidated balance sheets at December 31, 2007 and 2008, respectively, in receivables with the liability of $1,966,760 and $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 of period premiums will be received under the insurance policies of 15 years.

2) Acquisitions (Continued)

The estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition 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	765,787
Total assets acquired	25,016,479
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	$ 2,419,164

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 liability 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 will expand 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.

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, 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:

2) Acquisitions (Continued)

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 years ended December 31, 2007 and 2006 and the acquisition of Southern Security had occurred at the beginning of the years ended December 31, 2008 and 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	2006
Total revenues	$ 221,348,000	$ 216,492,000	$ 159,546,000
Net earnings	$ 717,000	$ 2,936,000	$ 5,402,000
Net earnings per Class A equivalent common share	$ 0.09	$ 0.37	$ 0.73
Net earnings per Class A equivalent common share assuming dilution	$ 0.09	$ 0.36	$ 0.72

3) Investments

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2008 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2008:				
Fixed maturity securities held to maturity carried at amortized cost:				
Bonds:				
U.S. Treasury securities and obligations of U.S Government agencies	$ 17,138,738	$ 1,201,488	$ ---	$ 18,340,226
Obligations of states and political subdivisions	1,474,934	59,035	(16,347)	1,517,622
Corporate securities including public utilities	97,610,026	1,280,795	(12,073,677)	86,817,144
Mortgage-backed securities	7,586,553	68,466	(1,580,189)	6,074,830
Redeemable preferred stock	1,535,943	565	(335,703)	1,200,805
Total fixed maturity securities held to maturity	$ 125,346,194	$ 2,610,349	$ (14,005,916)	$ 113,950,627
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	$ 98,203	$ 38,188	$ ---	$ 136,391
Corporate securities including public utilities	1,045,399	54,772	---	1,100,171
Total fixed maturity securities available for sale	$ 1,143,602	$ 92,960	$ ---	$ 1,236,562

3) Investments (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2008:				
Equity securities available for sale at estimated fair value:				
Non-redeemable preferred stock	$ 20,281	$ ---	$ (6,092)	$ 14,189
Common stock:				
Public utilities	403,249	220,045	(51,105)	572,189
Banks, trusts and insurance companies	479,663	154,313	-	633,976
Industrial, miscellaneous and all other	3,755,523	44,260	(402,462)	3,397,321
Total equity securities available for sale at estimated fair value	$ 4,658,716	$ 418,618	$ (459,659)	$ 4,617,675
Total securities available for sale carried at estimated fair value	$ 5,802,318	$ 511,578	$ (459,659)	$ 5,854,237
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	$ 70,082,011			
Residential construction	35,742,891			
Commercial	23,548,243			
Less: Allowance for loan losses	(4,780,467)			
Total mortgage loans on real estate and construction loans held for investment	$ 124,592,678			
Real estate at cost – net of depreciation	$ 22,417,639			
Policy, student and other loans at amortized cost - net of allowance for doubtful accounts	$ 18,493,751			
Short-term investments at amortized cost	$ 5,282,986			

3) Investments (Continued)

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2007 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2007:				
Fixed maturity securities held to maturity carried at amortized cost:				
Bonds:				
U.S. Treasury securities and obligations of U.S Government agencies	$ 21,259,020	$ 262,841	$ (95,806)	$ 21,426,055
Obligations of states and political subdivisions	1,125,955	50,742	(6,577)	1,170,120
Corporate securities including public utilities	84,087,132	534,929	(2,596,849)	82,025,212
Mortgage-backed securities	8,917,306	52,078	(470,387)	8,498,997
Redeemable preferred stock	1,506,603	2,287	(152,750)	1,356,140
Total fixed maturity securities held to maturity	$ 116,896,016	$ 902,877	$ (3,322,369)	$ 114,476,524
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	$ 98,131	$ 21,596	$ ---	$ 119,727
Corporate securities including public utilities	2,679,854	81,339	---	2,761,193
Total fixed maturity securities available for sale	$ 2,777,985	$ 102,935	$ ---	$ 2,880,920

3) Investments (Continued)

December 31, 2007:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities available for sale at estimated fair value:				
Non-redeemable preferred stock	$ 20,281	$ ---	$ (3,632)	$ 16,649
Common stock:				
Public utilities	411,992	422,865	(13,627)	821,230
Banks, trusts and insurance companies	520,683	1,032,033	(21,662)	1,531,054
Industrial, miscellaneous and all other	1,430,936	2,549,020	(487,597)	3,492,359
Total equity securities available for sale at estimated fair value	$ 2,383,892	$ 4,003,918	$ (526,518)	$ 5,861,292
Total securities available for sale carried at estimated fair value	$ 5,161,877	$ 4,106,853	$ (526,518)	$ 8,742,212
Mortgage loans on real estate and construction loans held for investment at amortized cost:				
Residential	$ 21,636,722			
Residential construction	37,843,883			
Commercial	34,838,581			
Less: Allowance for loan losses	(1,435,131)			
Total mortgage loans on real estate and construction loans held for investment	$ 92,884,055			
Real estate at cost – net of depreciation	$ 7,946,304			
Policy, student and other loans - at amortized cost - net of allowance for doubtful accounts	$ 16,860,874			
Short-term investments at amortized cost	$ 5,337,367			

3) Investments (Continued)

Fixed Maturity Securities

The following tables summarize unrealized losses on fixed-maturities securities, which are carried at amortized cost, at December 31, 2008 and 2007. The unrealized losses were primarily related to interest rate fluctuations or spread-widening, and mortgage and other asset-backed securities. The tables set forth unrealized losses by duration and number of investment positions, together with the fair value of the related fixed-maturity securities:

	Unrealized Losses for Less than Twelve Months	No. of Investment Positions	Unrealized Losses for More than Twelve Months	No. of Investment Positions	Total Unrealized Loss
At December 31, 2008					
Interest rate or spread widening	$ 4,425,497	87	$ 8,000,230	105	$ 12,425,727
Mortgage and other asset-backed securities	--	--	1,580,189	12	1,580,189
Total unrealized losses	$ 4,425,497	87	$ 9,580,419	117	$ 14,005,916
Fair Value	$ 30,720,910		$ 35,178,465		$ 65,899,375
At December 31, 2007					
Interest rate or spread widening	$ 1,682,779	66	$ 1,169,203	71	$ 2,851,982
Mortgage and other asset-backed securities	176,709	5	293,678	9	470,387
Total unrealized losses	$ 1,859,488	71	$ 1,462,881	80	$ 3,322,369
Fair Value	$ 28,688,080		$ 27,653,726		$ 56,341,806

As of December 31, 2008, the average market value of the related fixed maturities was 82.5% of amortized cost and the average market value was 94.4% of amortized cost as of December 31, 2007. During 2008, an other-than-temporary decline in market value resulted in the recognition of an impairment loss on fixed maturity securities of $2,343,264. No other-than-temporary impairment loss was considered to exist for these fixed maturities as of December 31, 2008.

3) Investments (Continued)

Equity Securities

The following tables summarize unrealized losses on equity securities, that were carried at estimated fair value based on quoted trading prices at December 31, 2008 and 2007. The unrealized losses were primarily the result of decreases in market value due to overall equity market declines. The tables set forth unrealized losses by duration and number of investment positions, together with the fair value of the related equity securities available for sale in a loss position:

	Unrealized Losses for Less than Twelve Months	No. of Investment Positions	Unrealized Losses for More than Twelve Months	No. of Investment Positions	Total Unrealized Losses
At December 31, 2008					
Non-redeemable preferred stock	$ -	-	$ 6,092	2	$ 6,092
Public utilities	-	-	-	-	-
Banks, trusts and insurance companies	51,105	2		1	51,105
Industrial, miscellaneous and all other	273,878	11	8,795	3	282,673
Total unrealized losses	$ 324,983	13	$ 14,887	6	$ 339,870
Fair Value	$ 675,284		$ 66,722		$ 742,006
At December 31, 2007					
Non-redeemable preferred stock	$ -	-	$ 3,632	2	$ 3,632
Public utilities	2,870	1	10,757	1	13,627
Banks, trusts and insurance companies	21,662	1	-	-	21,662
Industrial, miscellaneous and all other	80,333	6	407,264	5	487,597
Total unrealized losses	$ 104,865	8	$ 421,653	8	$ 526,518
Fair Value	$ 494,728		$ 85,453		$ 580,181

As of December 31, 2008, the average market value of the equity securities available for sale was 68.6% of the original investment and the average market value was 52.4% of the original investment as of December 31, 2007. The intent of the Company is to retain equity securities for a period of time sufficient to allow for the recovery in fair value. However, the Company may sell equity securities during a period in which the fair value has declined below the amount of the original investment. In certain situations, new factors, including changes in the business environment, can change the Company's previous intent to continue holding a security. During 2008, an impairment loss was recognized on certain equities due to an other-than-temporarily decline in market value in the amount of $408,640. No other-than-temporary impairment loss on equity securities was determined to exist as of December 31, 2008.

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

3) Investments (Continued)

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2008, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Held to Maturity:		
Due in 2009	$ 2,189,045	$ 2,057,122
Due in 2010 through 2013	20,523,109	20,431,842
Due in 2014 through 2018	38,776,765	36,014,691
Due after 2018	54,734,779	48,171,337
Mortgage-backed securities	7,586,553	6,074,830
Redeemable preferred stock	1,535,943	1,200,805
Total held to maturity	$ 125,346,194	$ 113,950,627

The amortized cost and estimated fair value of available-for-sale securities at December 31, 2008, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Available for Sale:		
Due in 2009	$ 6,171	$ 6,171
Due in 2010 through 2013	1,039,229	1,094,000
Due in 2014 through 2018	-	-
Due after 2018	98,203	136,391
Non-redeemable preferred stock	20,280	14,189
Common stock	4,022,002	4,603,486
Total available for sale	$ 5,185,885	$ 5,854,237

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

	2008	2007	2006
Fixed maturity securities held to maturity:			
Gross realized gains	$ 90,243	$ 94,984	$ 1,282
Gross realized losses	(2,343,264)	(27,065)	(28,439)
Securities available for sale:			
Gross realized gains	1,211,932	175,990	106,252
Gross realized losses	(560,853)	(860)	(12,996)
Other assets	(131,773)	764,525	825,205
Total	$ (1,733,715)	$ 1,007,574	$ 891,304

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

3) Investments (Continued)

Mortgage loans consist of first and second mortgages. The mortgage loans bear interest at rates ranging from 3.75 % to 14.75%, maturity dates range from three months to 30 years and are secured by real estate. Concentrations of credit risk arise when a number of mortgage loan debtors have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. Although the Company has a diversified mortgage loan portfolio consisting of residential mortgages, commercial loans and residential construction loans and requires collateral on all real estate exposures, a substantial portion of its debtors' ability to honor obligations is reliant on the economic stability of the geographic region in which the debtors do business. At December 31, 2008, the Company has 33%, 23% and 22% of its mortgage loans from borrowers located in the states of Utah, Florida and California, respectively. The mortgage loans on real estate balances on the consolidated balance sheet are reflected net of an allowance for loan losses of $4,780,467 and $1,435,131 at December 31, 2008 and 2007, respectively.

There were no investments, aggregated by issuer, in excess of 10% of shareholders' equity (before net unrealized gains and losses on available for sale securities) at December 31, 2008, other than investments issued or guaranteed by the United States Government.

Major categories of net investment income are as follows:

	2008	2007	2006
Fixed maturity securities	$ 7,167,007	$ 6,045,141	$ 5,893,909
Equity securities	266,533	161,850	132,521
Mortgage loans on real estate	6,857,757	6,759,943	6,884,991
Real estate	1,563,134	1,273,652	1,159,572
Policy, student and other loans	699,592	707,068	713,798
Short-term investments, principally gains on sale of mortgage loans and other	14,265,269	18,898,925	10,409,719
Gross investment income	30,819,292	33,846,579	25,194,510
Investment expenses	(2,715,783)	(1,890,135)	(1,948,879)
Net investment income	$ 28,103,509	$ 31,956,444	$ 23,245,631

Net investment income includes net investment income earned by the restricted assets of the cemeteries and mortuaries of $953,284, $942,627 and $936,487 for 2008, 2007, and 2006, respectively.

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

Securities on deposit for regulatory authorities as required by law amounted to $10,210,743 at December 31, 2008 and $10,550,394 at December 31, 2007. The restricted securities are included in various assets under investments on the accompanying consolidated balance sheets.

4) Receivables

Receivables consist of the following:

	2008	2007
Trade contracts	$ 10,093,271	$ 8,870,303
Advances receivables from sales agents	2,438,371	2,463,799
Held in Escrow – Capital Reserve Life/Southern Security	629,402	2,100,000
Other	1,957,329	1,602,765
Total receivables	15,118,373	15,036,867
Allowance for doubtful accounts	(1,983,293)	(1,293,185)
Net receivables	$ 13,135,080	$ 13,743,682

5) Value of Business Acquired

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

	December 31,		
	2008	2007	2006
Balance at beginning of year	$ 11,686,080	$ 11,882,047	$ 12,663,221
Value of business acquired	590,950	755,787	210,926
Imputed interest at 7%	807,217	824,502	851,702
Amortization	(1,706,971)	(1,776,141)	(1,843,802)
Net amortization charged to income	(899,754)	(951,639)	(992,100)
Balance at end of year	$ 11,377,276	$ 11,686,080	$ 11,882,047

Presuming no additional acquisitions, net amortization charged to income is expected to approximate $915,000, $886,000, $856,000, $821,000, and $738,000 for the years 2009 through 2013. Actual amortization may vary based on changes in assumptions or experience. As of December 31, 2008, value of business acquired is being amortized over a weighted average life of 9.7 years.

6) Property and Equipment

The cost of property and equipment is summarized below:

	December 31,	
	2008	2007
Land and buildings	$ 15,860,356	$ 17,232,624
Furniture and equipment	15,877,294	13,260,121
	31,737,650	30,492,745
Less accumulated depreciation	(17,688,418)	(15,664,046)
Total	$ 14,049,232	$ 14,828,699

Depreciation expense for the years ended December 31, 2008 and 2007 was $2,052,019 and $2,232,928, respectively.

7) Bank Loans Payable

Bank loans payable are summarized as follows:

	December 31, 2008	December 31, 2007
6% note payable in monthly installments of $5,693 including principal and interest, collateralized by real property, with a book value of approximately $749,000, due September 2010.	$ 496,994	$ 534,311
6.34% note payable in monthly installments of $13,556 including principal and interest, collateralized by real property with a book value of approximately $596,000, due November 2017.	1,226,975	1,322,676
Bank prime rate less .28% (2.97% at December 31, 2008) collateralized by 15,000 shares of Security National Life Insurance Company Stock, due June 2011.	2,003,527	3,129,896
Bank prime rate less .75% (2.50% at December 31, 2008) revolving line of credit of $7,800,000, accrued interest paid quarterly, extended to June 2011.	1,675,000	500,000
Bank prime rate less .5% ($2.75% at December 31, 2008) revolving line of credit of $2,000,000, accrued interest paid monthly, extended to June 15, 2009. Letters of credit can be issued up to $450,000.	--	--
One year LIBOR rate (6.95% at December 31, 2007) revolving line of credit of $40,000,000 collateralized by commercial and residential loans, accrued interest paid monthly, balance paid in 2008	--	6,500,000
Mark to market of interest rate swaps (discussed below) adjustment	167,528	26,941
Other collateralized bank loans payable	568,178	538,842
Total bank loans	6,138,202	12,552,666
Less current installments	2,018,662	8,842,885
Bank loans, excluding current installments	$ 4,119,540	$ 3,709,781

7) Bank Loans Payable (Continued)

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

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

At December 31, 2008, the fair value of the interest rate swap was an unrealized loss of $167,483 and was computed based on the underlying variable Libor rate plus 1.65% or 4.03% per annum. The unrealized loss resulted in a derivative liability of $167,483 and has been reflected in accumulated other comprehensive income. The change in accumulated other comprehensive income from the interest rate swap in 2008 was $123,115. The fair value of the interest rate swap was derived from a proprietary model of the bank from whom the interest rate swap was purchased and to whom the note is payable.

In addition, the Company had an interest rate swap that resulted in an unrealized gain of $17,417 through December 31, 2007. In early 2008, the Company settled the interest rate swap for $17,417. The carrying value of the related note payable was adjusted by the balance of the unrealized gain on the date of the settlement and has adjusted the interest expense that will be recognized over the remaining term of the note.

See Note 8 for summary of maturities in subsequent years.

8) Notes and Contracts Payable

Notes and contracts payable are summarized as follows:

	December 31, 2008	December 31, 2007
Unsecured note payable due to former stockholders of Deseret Memorial, Inc. resulting from the acquisition of such entity. Amount represents the present value, discounted at 8%, of monthly annuity payments of $5,900, due September 2011.	$ 156,581	$ 222,538
9% note payable in monthly installments of $10,000 including principal and interest, collateralized by real property, with a book value of approximately $2,908,000, due July 2009.	57,636	82,006
5% note payable to a former owner of C & J Financial due in monthly installments of $16,737 including principal and interest, due July 2009.	94,276	305,129
Other notes payable	193,285	209,137
Total notes and contracts payable	501,778	818,810
Less current installments	230,517	344,462
Notes and contracts, excluding current installments	$ 271,261	$ 474,348

8) Notes and Contracts Payable (Continued)

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

2009	$ 2,249,179
2010	1,903,372
2011	1,432,695
2012	183,724
2013	166,368
Thereafter	704,642
Total	$ 6,639,980

Interest paid approximated interest expense in 2008, 2007 and 2006.

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

The Company is required by state law to pay into perpetual care trusts a portion of the proceeds from the sale of cemetery property interment rights. The related cemetery perpetual care trusts are defined as variable interest entities pursuant to FIN46(R); also, per FIN46(R), management has determined that the Company is the primary beneficiary of these trusts, as it absorbs both a majority of the losses and returns associated with the trusts. The Company has consolidated cemetery perpetual care trust investments with a corresponding amount recorded as Cemetery Perpetual Care Obligation in the accompanying consolidated balance sheets.

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

	December 31,	
	2008	2007
Trust investments, at market value	$ 1,840,119	$ 1,604,600
Note receivables from Cottonwood Mortuary and Singing Hills Cemetery eliminated in consolidation	1,120,950	1,140,702
Total trust assets	2,961,069	2,745,302
Cemetery perpetual care obligation	(2,647,984)	(2,473,758)
Fair value of trust assets in excess of trust obligations	$ 313,085	$ 271,544

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

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

Assets in the restricted asset account are summarized as follows:

	December 31, 2008	December 31, 2007
Cash and cash equivalents	$ 911,060	$ 843,355
Mutual funds	245,285	301,223
Fixed maturity securities	8,775	8,775
Equity securities	75,918	77,638
Participating in Mortgage loans with Security National Life	2,836,038	4,480,063
Total	$ 4,077,076	$ 5,711,054

A surplus note receivable and interest in the amount of $2,004,767 from Security National Life was eliminated in consolidation.

10) Income Taxes

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

	December 31, 2008	December 31, 2007
Current	$ 276,096	$ 380,171
Deferred	14,698,148	15,799,425
Total	$ 14,974,244	$ 16,179,596

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

	2008	2007
Assets		
Future policy benefits	$ (5,693,225)	$ (4,417,044)
Unearned premium	(1,799,650)	(1,848,396)
Other	(744,042)	(1,684,564)
Less: Valuation allowance	5,781,043	5,113,793
Total deferred tax assets	(2,455,874)	(2,836,211)
Liabilities		
Deferred policy acquisition costs	8,756,407	8,462,764
Value of business acquired	4,210,547	4,269,546
Installment sales	2,317,015	2,773,683
Trusts	1,674,321	1,579,181
Available for sale securities	(17,179)	--
Tax on unrealized appreciation	212,911	1,550,462
Total deferred tax liabilities	17,154,022	18,635,636
Net deferred tax liability	$ 14,698,148	$ 15,799,425

10) Income Taxes (Continued)

The increase in the valuation allowance was $667,250 and $295,309 during 2008 and 2007, respectively.

The Company paid $505,962, $875,825 and $173,389 in income taxes for 2008, 2007 and 2006, respectively. The Company's income tax expense (benefit) is summarized as follows for the year ended December 31:

	2008	2007	2006
Current	$ 214,888	$ 375,825	$ 617,203
Deferred	(59,230)	481,810	1,153,985
Total	$ 155,658	$ 857,635	$ 1,771,188

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

	2008	2007	2006
Computed expense at statutory rate	$ 248,374	$ 1,061,831	$ 2,344,517
Special deductions allowed			
small life insurance companies	(20,918)	(330,804)	(624,438)
Dividends received deduction	--	--	(2,040)
Other, net	(71,798)	126,608	53,149
Tax expense	$ 155,658	$ 857,635	$ 1,771,188

A portion of the life insurance income earned prior to 1984 was not subject to current taxation but was accumulated for tax purposes, in a "policyholders' surplus account." Under provisions of the Internal Revenue Code, the policyholders' surplus account was frozen at its December 31, 1983 balance and will be taxed generally only when distributed. Congress passed changes to the tax code, which exempts distributions from tax if such distributions were made in the years 2005 through 2007. The Company took advantage of these changes and made distributions in 2006 of its policyholders surplus account totaling ($4,152,318). The Company does not have a net operating loss carry forward.

11) Reinsurance, Commitments and Contingencies

The Company follows the procedure of reinsuring risks in excess of a specified limit, which ranged from $25,000 to $75,000 during the years 2008 and 2007. The Company is liable for these amounts in the event such reinsurers are unable to pay their portion of the claims. The Company has also assumed insurance from other companies having insurance in force amounting to approximately $1,150,687,000 (unaudited) at December 31, 2008 and approximately $1,190,843,000 (unaudited) at December 31, 2007.

As part of the acquisition of Southern Security Life, the Company had a co-insurance agreement with The Mega Life and Health Insurance Company ("MEGA"). On December 31, 1992 Southern Security Life ceded to MEGA 18% of all universal life policies in force at that date. MEGA is entitled to 18% of all future premiums, claims, policyholder loans and surrenders relating to the ceded policies. In addition, Southern Security Life received certain commission and expense reimbursement. Effective January 1, 2006, Southern Security Life entered into a Reinsurance Recapture Agreement with MEGA wherein the policies reinsured under the Reinsurance Agreement between the Company and MEGA dated December 31, 1992, as amended was recaptured. During February 2006 MEGA transferred assets and liabilities of approximately $6,582,000 to Southern Security. Consideration paid by Southern Security to MEGA was $200,000

11) Reinsurance, Commitments and Contingencies (Continued)

On December 31, 2008, the Company entered into a Coinsurance Funds Withheld Reinsurance Agreement with Continental American Insurance Company ("Continental American"), a South Carolina domiciled insurance company effective November 30, 2008. The Company ceded to Continental American 100% of a block of deferred annuities in the amount of $4,828,487 as of December 31, 2008 and retained the assets and recorded a funds held under coinsurance liability for the same amount. Continental American has agreed to pay the Company an initial ceding commission of $60,000 and a quarterly management fee of $16,500 per quarter to administer the policies. The Company will also receive a 90% experience refund for any profits on the business. The Company has the right to recapture the business on January 1 subsequent to December 31, 2008 or any other date if mutually agreed and with 90 days written notice to Continental American.

The Company has commitments to fund residential construction loans. As of December 31, 2008 the Company had commitments of $41,252,000 for these loans of which $35,758,000 had been funded. These loans are for new construction. The Company will advance funds once the work has been completed and an independent inspection is made. The maximum loan commitment ranges between 50% to 80% of appraised value. The Company receives fees from the borrowers and the interest rate is generally 1% to 2% over the bank prime rate (3.25% as of December 31, 2008). Maturities range between six and twelve months.

The City of Phoenix (in Arizona) began condemnation proceedings during 2004 on the property where the Camelback Funeral Home was located for purposes of constructing a light rail facility. The city placed $1,200,000 in escrow to pay the Company for the property that was condemned. The carrying amount on the Company's financial statements for the land and building of the Camelback Funeral Home at December 31, 2005 was $678,889. The Company had an independent appraisal and negotiated a higher sales price with the city. In July 2006, the Company settled with the City of Phoenix for a sales price of $1,440,000. As a result of the sale, the Company recognized a gain of $760,231 during the third quarter of 2006. The first payment of $1,200,000 was made by the City of Phoenix in August 2006, with the remaining amount of $240,000 paid in 2007, together with interest of $172,000.

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

The Company leases office space and equipment under various non-cancelable agreements, with remaining terms up to five years. Minimum lease payments under these non-cancelable operating leases as of December 31, 2008, are approximately as follows:

Years Ending December 31:	
2009	$ 1,177,000
2010	695,000
2011	411,000
2012	143,000
2013	26,000
Total	$ 2,452,000

Total rent expense related to non-cancelable operating leases for the years ended December 31, 2008, 2007, and 2006 was approximately $2,074,000, $1,957,000 and $1,222,000, respectively.

11) Reinsurance, Commitments and Contingencies (Continued)

SecurityNational Mortgage has loan purchase agreements with unaffiliated warehouse banks. The total amount available under these loan purchase agreements at December 31, 2008 was $450,000,000. As of December 31, 2008, mortgage loans totaling approximately $222,781,000 have been sold and were outstanding. The terms of the loan purchase agreements are typically for one year, with interest rates ranging from 1.5% to 2.25% over the 30 days LIBOR rate (from 1.99% to 2.74% as of December 31, 2008). SecurityNational Mortgage renewed one of its loan purchase agreements that expired on September 30, 2008 for another one year term. The other loan purchase agreement is a non-committed purchase agreement with no expiration date; however, the Company received notice from the warehouse bank that the agreement would be terminated in February 2009. The Company is actively pursuing purchase agreements with other warehouse banks.

In 1998, SecurityNational Mortgage entered into a Loan Purchase Agreement with Lehman Brothers Bank and its wholly owned subsidiary, Aurora Loan Services, LLC. Under the terms of the Loan Purchase Agreement, Lehman Brothers, through its subsidiary, Aurora Loan Services, agreed to purchase mortgage loans from time to time from SecurityNational Mortgage. During 2007, Aurora Loan Services purchased a total of 1,490 mortgage loans in the aggregate amount of $352,774,000 from SecurityNational Mortgage. On January 17, 2008, Aurora Loan Services announced it was suspending all wholesale and correspondent mortgage originations. As a result of this policy change, Aurora Loan Services discontinued purchasing mortgage loans from all mortgage brokers and lenders, including SecurityNational Mortgage.

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

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

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

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

11) Reinsurance, Commitments and Contingencies (Continued)

During 2007 and 2008, SecurityNational Mortgage made $1,730,000 in total payments to Aurora Loan Services. Payments by SecurityNational Mortgage for December 2008 and January, February and March of 2009 totaling $500,000 have not been made. When SecurityNational Mortgage entered into the Indemnification Agreement, it anticipated using basis point holdbacks from loan production credits toward satisfying the $125,000 monthly obligations. Because Aurora Loan Services discontinued purchasing mortgage loans from SecurityNational Mortgage shortly after the Indemnification Agreement was executed, SecurityNational Mortgage has not had the benefit of using the basis point holdbacks toward payment of the $125,000 monthly obligations. During 2008, funds were paid out of the reserve account to indemnify $1,700,000 in losses from 22 mortgage loans that were among the 54 mortgage loans with alleged breaches which were listed on the attachment to the Indemnification Agreement. The estimated potential losses from the remaining 32 mortgage loans listed on the attachments, which would require indemnification by SecurityNational Mortgage for such losses, is $3,357,000. Furthermore, Aurora Loan Services has made a request to be indemnified for losses related to ten mortgage loans not listed on the attachment to the Indemnification Agreement. Aurora Loan Services claims the total amount of such potential losses is $2,746,000. During 2008, the Company recognized losses related to this matter of $1,636,082; however, management cannot fully determine the total losses, if any, nor right the Company may have pursuant to Lehman Brothers and Aurora Loan Services refusal to purchase subsequent loans under the Indemnification Agreement.

At December 31, 2008, the Company was contingently liable under a standby letter of credit aggregating $344,853, to be used as collateral to cover any contingency related to additional risk assessments pertaining to the Company's self-insurance casualty program. The Company does not expect any material losses to result from the issuance of the standby letter of credit because claims are not expected to exceed premiums paid. Accordingly, the estimated fair value of these instruments is zero.

The Company is self insured for certain casualty insurance 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 and unreported claims for incidents incurred but not reported as of the balance sheet date. At December 31, 2008, $914,365 of reserves was established related to such insurance programs versus $403,181 at December 31, 2007.

On March 5, 2007, the Company received a proposed consent order from the Florida Office of Insurance Regulation concerning the New Success Life Program, the higher education product currently marketed and sold by Southern Security Life. The proposed order states that as a result of the investigation the Florida Office of Insurance Regulation has determined that Southern Security Life violated Florida law (i) by knowingly making statements, sales presentations, omissions or comparisons that misrepresented the benefits, advantages, or terms of the New Success Life Program, and (ii) by knowingly making advertisements, announcements, or statements containing representations that were untrue or misleading.

The proposed order would require Security National Life and Southern Security Life to immediately cease and desist from making any false or misleading representations to Florida consumers suggesting that the New Success Life Program would accumulate enough value to pay for college expenses in full. The proposed order would also require Security National Life and Southern Security Life to agree to no longer market or sell the New Success Life Program in the State of Florida. In addition, Security National Life and Southern Security Life would be required to send a written notice to Florida consumers who purchased the New Success Life Program on or after January 1, 1998 stating that the higher education program is a whole life insurance product, with a term and annuity rider, and not a college trust fund, savings plan, or other program, and it may not necessarily pay college expenses in full from the accumulated value.

11) Reinsurance, Commitments and Contingencies (Continued)

Moreover, the written notice is to provide an opportunity for the Florida consumers who purchased the New Success Life Program on or after January 1, 1998 to cancel their policy and be given a full refund, including all premiums paid, together with interest at the agreed upon rate in the original contract. If each of the Florida consumers who purchased the New Success Life Program after January 1, 1998 was to cancel his or her policy and receive a refund, the cost to the Company to refund all premiums paid, including interest, would be approximately $8,200,000.

The proposed consent order would also require Security National Life and Southern Security Life to issue refunds including interest to the eleven policyholders whose affidavits were taken in connection with the administrative complaint that the Florida Office of Insurance Regulation had previously filed against Franz Wallace, the former National Sales Director of Southern Security Life. Security National Life and Southern Security Life would additionally be required to issue refunds, including interest, to any Florida policyholder in the New Success Life Program who had filed a complaint with the Florida Department of Financial Services or whose coverage had lapsed. Furthermore, Security National Life and Southern Security Life would be required to notify the state insurance department in each state in which the New Success Life Program is marketed of the order and any complaint that Southern Security Life received relating to the New Success Life Program from policyholders in that state. Finally, Security National Life and Southern Security Life would be required to pay the Florida Office a penalty of $100,000 and administrative costs of $5,000.

The Company disputes the terms of the proposed consent order. The Company is not aware of specific concerns that the Florida Office of Insurance Regulation has with the New Success Life Program because it has received no administrative complaint from the Florida Office of Insurance Regulation nor is it aware of any recent market conduct examination that the Florida Office has conducted relative to the program. The Company intends to vigorously oppose the proposed consent order. The Company is currently engaged in discussions with the Florida Office of Insurance Regulation in an effort to settle the dispute concerning the proposed order. If the Company is unable to reach a satisfactory resolution with the Florida Office of Insurance Regulation with respect to the terms of the proposed consent order and the Florida Office issues a similar order, the Company intends to take action necessary to protect its rights and interests, including requesting a hearing before an administrative law judge to oppose the order.

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

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

12) Retirement Plans

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

The Company's contributions are allocated to eligible employees based on the ratio of each eligible employee's compensation to total compensation for all eligible employees during each year. ESOP contribution expense totaled $-0-, $176,061 and $138,286 for 2008, 2007 and 2006, respectively. At December 31, 2008 the ESOP held 579,084 shares of Class A and 1,797,839 shares of Class C common stock of the Company. All shares held by the ESOP have been allocated to the participating employees and all shares held by the ESOP are considered outstanding for purposes of computing earnings per share.

The Company has a 401(k) savings plan covering all eligible employees, as defined above, which includes employer participation in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plan allows participants to make pretax contributions up to a maximum of $15,500, $15,500 and $15,000 for the years 2008, 2007 and 2006, respectively or the statutory limits.

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

For the years prior to 2008 the Company matched up to 50% of each employee's investment in Company stock, up to 1/2 of 1% of the employee's total annual compensation. The Company's match was in Company stock and the amount of the match was at the discretion of the Company's Board of Directors. The Company's matching 401(k) contributions for 2007 and 2006 were $10,001 and $8,656, respectively. Also, the Company contributed, at the discretion of the Company's Board of Directors, an Employer Profit Sharing Contribution to the 401(k) savings plan. The Employer Profit Sharing Contribution was divided among three different classes of participants in the plan based upon the participant's title in the Company. The Company contributions for 2007 and 2006 were $198,022 and $162,584 respectively. All amounts contributed to the plan are deposited into a trust fund administered by an independent trustee.

In 2001, the Company's Board of Directors adopted a Deferred Compensation Plan. Under the terms of the Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The Board has appointed a Committee of the Company to be the Plan Administrator and to determine the employees who are eligible to participate in the plan. The employees who participate may elect to defer a portion of their compensation into the plan. The Company may contribute into the plan at the discretion of the Company's Board of Directors. The Company's contributions for 2008, 2007 and 2006 were $-0-, $133,037 and $125,558, respectively.

The Company has deferred compensation agreements with its Chief Executive Officer and its past Senior Vice President. The deferred compensation is payable on the retirement or death of these individuals either in annual installments over 10 years or in a lump sum settlement, if approved by the Board of Directors. The amount payable is $75,184 per year with cost of living adjustments each anniversary. The compensation agreements also provide that any remaining balance will be payable to their heirs in the event of their death. In addition, the agreements provide that the Company will pay the Group Health coverages for these individuals and/or their spouses. In 2008, the Company increased its liability for these future obligations by $6,000 and in 2007 decreased its liability by $9,000, respectively. The current balance as of December 31, 2008 is $727,000.

12) Retirement Plans (Continued)

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

In the event of a sale or merger of the Company and Mr. Quist is not retained in his current position, the Company would be obligated to continue Mr. Quist's current compensation and benefits for seven years following the merger or sale. The agreement further provides that Mr. Quist is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 65), (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to 75% of his then current rate of compensation. However, in the event that Mr. Quist dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company expensed $116,400 and $101,200 in fiscal 2008 and 2007, respectively, to cover the present value of anticipated retirement benefits under the employment agreement. The liability accrued is $703,900 and $587,500 as of December 31, 2008 and 2007, respectively.

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

In the event of a sale or merger of the Company and Mr. Beckstead is not retained in his current position, the Company would be obligated to continue Mr. Beckstead's current compensation and benefits for five years following the merger or sale. The agreement further provides that Mr. Beckstead is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 62½) (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to one-half of his then current annual salary. However, in the event that Mr. Beckstead dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company expensed in 2008 and 2007 approximately $46,400 and $43,900, respectively, to cover the present value of the retirement benefit of the agreement. The liability accrued is $363,300 and $316,900, as of December 31, 2008 and 2007, respectively.

13) Capital Stock

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

Stockholders of both classes of common stock have received 5% stock dividends in the years 1990 through 2008, as authorized by the Company's Board of Directors.

13) Capital Stock (Continued)

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

The following table summarizes the activity in shares of capital stock for the three-year period ended December 31, 2008:

	Class A	Class C
Balance at December 31, 2005	7,098,363	6,781,060
New shares issued for compensation	500	--
Exercise of stock options	74,520	--
Stock dividends	359,606	338,940
Conversion of Class C to Class A	241	(2,409)
Balance at December 31, 2006	7,533,230	7,117,591
Exercise of stock options	(38,487)	1,157,626
Stock dividends	375,413	406,217
Conversion of Class C to Class A	15,073	(150,735)
Balance at December 31, 2007	7,885,229	8,530,699
Exercise of stock options	--	--
Stock dividends	394,677	423,635
Conversion of Class C to Class A	4,203	(42,019)
Balance at December 31, 2008	8,284,109	8,912,315

Earnings per share amounts have been retroactively adjusted for the effect of annual stock dividends. In accordance with SFAS 128, the basic and diluted earnings per share amounts were calculated as follows:

	2008	2007	2006
Numerator:			
Net income	$ 574,853	$ 2,265,396	$ 5,124,450
Denominator:			
Denominator for basic earnings per share-weighted-average shares	8,160,422	8,010,635	7,808,470
Effect of dilutive securities:			
Employee stock options	--	189,356	165,081
Stock appreciation rights	--	--	1,435
Dilutive potential common shares	8,160,422	189,356	166,516
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	8,160,422	8,199,991	7,974,986
Basic earnings per share	$ 0.07	$ 0.28	$ 0.66
Diluted earnings per share	$ 0.07	$ 0.28	$ 0.64

14) Stock Compensation Plans

The Company has four fixed option plans (the “1993 Plan,” the “2000 Plan”, the “2003 Plan” and the “2006 Plan”). Compensation cost of $375,046 has been recognized for these plans under SFAS 123R for 2008 and $20,120 has been recognized for 2007 and 2006. Deferred tax has been recognized for these plans for $127,516 for 2008 and $6,841 for 2007 and 2006.

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

The weighted-average fair value of each option granted in 2007 under the 2003 Plan and the 2006 Plan, is estimated at $2.35 as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 47%, risk-free interest rate of 3.4%, and an expected life of ten years.

The weighted-average fair value of options granted in 2006 under the 2000 Plan and the 2003 Plan is estimated at $3.11 as of the grant date using the Black Scholes option-pricing model with the following assumptions: dividend yield of 5%, volatility of 42%, risk-free interest rate of 3.4%, and an expected life of five to ten years.

The Company generally estimates the expected life of the options based upon the contractual term of the options. Future volatility is estimated based upon the historical volatility of the Company’s Class A common stock over a period equal to the estimated life of the options. Common stock issued upon exercise of stock options are generally new share issuances rather than from treasury shares. Future compensation relating to non-vested stock options at December 31, 2008 is not material.

Description and activity for each Plan is summarized as follows:

The Company had a 1987 Incentive Stock Option Plan that was terminated in 1997 and the last options were cancelled during 2006 as follows:

	Number of Class A Shares	Option Price
Outstanding at December 31, 2005	3,489	$ 2.90
Adjustment for the effect of stock dividends	175	
Outstanding at December 31, 2006	3,664	$ 2.76
Cancelled	(3,664)	
Outstanding at December 31, 2007	--	--

On June 21, 1993, the Company adopted the Security National Financial Corporation 1993 Stock Incentive Plan (the “1993 Plan”), which reserved 300,000 shares of Class A Common Stock for issuance thereunder.

The 1993 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress.

14) Stock Compensation Plans (Continued)

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

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

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

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

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

14) Stock Compensation Plans (Continued)

Activity of the 1993 Plan is summarized as follows:

	Number of Class A Shares	Option Price
Outstanding at December 31, 2005	349,955	$1.88 - $5.10
Adjustment for the effect of stock dividends	13,345	
Exercised	(53,604)	
Cancelled	(29,453)	
Outstanding at December 31, 2006	280,243	$1.79 - $4.86
Adjustment for the effect of stock dividends	13,891	
Exercised --	--	
Cancelled	(2,431)	
Outstanding at December 31, 2007	291,703	$1.71 - $4.62
Adjustment for the effect of stock dividends	13,466	
Exercised	--	
Cancelled	(22,402)	
Outstanding at December 31, 2008	282,767	$1.62 - $4.40
Exercisable at end of year	282,767	$1.62 - $4.40
Available options for future grant 1993 Stock Incentive Plan	--	
Weighted average contractual term of options outstanding at December 31, 2008	2.4 years	
Aggregated intrinsic value of options outstanding at December 31, 2008	$ --	

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

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

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

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

14) Stock Compensation Plans (Continued)

Activity of the 2000 Plan is summarized as follows:

	Number of Class A Shares	Option Price
Outstanding at December 31, 2005	20,716	$2.00 - $5.19
Adjustment for the effect of stock dividends	845	
Granted	--	
Exercised	(3,828)	
Outstanding at December 31, 2006	17,733	$1.90 - $4.94
Adjustment for the effect of stock dividends	695	
Granted	--	
Exercised	(3,828)	
Outstanding at December 31, 2007	14,600	$2.70 - $4.71
Adjustment for the effect of stock dividends	474	
Granted	--	
Cancelled	(5,104)	
Outstanding at December 31, 2008	9,970	$2.58 - $3.02
Exercisable at end of year	9,970	$2.58 - $3.02
Available options for future grant 2000 Director Plan	-0-	
Weighted average contractual term of options outstanding at December 31, 2008	1.3 years	
Aggregated intrinsic value of options outstanding at December 31, 2008	-0-	

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

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

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

14) Stock Compensation Plans (Continued)

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

Activity of the 2003 Plan is summarized as follows:

	Number of Class A Shares	Number of Class C Shares(1)	Option Price(1)
Outstanding at December 31, 2005	533,479	1,102,500	$2.93 - $3.68
Adjustment for the effect of stock dividends	22,823	55,125	
Granted	--	--	
Exercised	(63,881)	--	
Cancelled	(13,125)	--	
Outstanding at December 31, 2006	479,296	1,157,625	$2.79 - $3.50
Adjustment for the effect of stock dividends	21,674	--	
Granted	--	--	
Exercised	(44,650)	(1,157,625)	
Cancelled	(1,158)	--	
Outstanding at December 31, 2007	455,162	--	$2.66 - $3.33
Adjustment for the effect of stock dividends	40,006	75,000	
Granted	389,923	1,110,770	
Exercised	--	--	
Cancelled	(6,032)	--	
Outstanding at December 31, 2008	879,059	1,185,770	$1.43 - $4.03
Exercisable at end of year	590,499	393,750	$2.53 - $4.03
Available options for future grant 2003 Stock Incentive Plan	119,020	5	
Weighted average contractual term of options outstanding at December 31, 2008	4.8 years		
Aggregated intrinsic value of options outstanding at December 31, 2008	-0-		

(1) Class "C" shares are converted to Class "A" shares on a 10 to 1 ratio. The Option Price is based on Class A Common shares.

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

Effective as of December 7, 2006, and on each anniversary date thereof during the term of the Director Plan, each outside director shall automatically receive an option to purchase 1,000 shares of Class A Common Stock. In addition, each new outside director who shall first join the Board after the effective date shall be granted an option to purchase 1,000 shares upon the date which such person first becomes an outside director and an annual grant of an option to purchase 1,000 shares on each anniversary date thereof during the term of the Director Plan. The options granted to outside directors shall vest in their entirety on the first anniversary date of the grant. 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.

14) Stock Compensation Plans (Continued)

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

Activity of the 2006 Plan is summarized as follows:

	Number of Class A Shares	Option Price
Outstanding at December 31, 2005	--	--
Granted	4,000	
Adjustment for the effect of stock dividends	200	
Outstanding at December 31, 2006	4,200	$ 5.06
Granted	4,000	
Adjustment for the effect of stock dividends	410	
Outstanding at December 31, 2007	8,610	$ 3.57 - $4.82
Granted	34,000	
Adjustment for the effect of stock dividends	2,131	
Outstanding at December 31, 2008	44,741	$ 1.34 - $4.59
Exercisable at end of year	16,919	$ 3.40 - $4.59
Available options for future grant 2006 Stock Incentive Plan	71,022	
Weighted average contractual term of options outstanding at December 31, 2008	9.2 years	
Aggregated intrinsic value of options outstanding at December 31, 2008	--	

The Company's Board of Directors granted stock options in 2004 to Scott M. Quist, the Company's President and Chief Operating Officer, to purchase up to 1,000,000 shares of Class C common stock at exercise prices of $.323 and $.36 per share. On May 31, 2007, Mr. Quist made a cashless exercise of such options to purchase a total of 1,157,625 shares of Class C common stock that he was entitled to receive, after adjustments for 5% stock dividends issued in 2005, 2006 and 2007.

In connection with the exercise of such options on a cashless basis, Mr. Quist delivered and the Company indirectly repurchased a total of 58,376 shares of Class A common stock from Mr. Quist in exchange for all the Class C shares he would be entitled to receive for exercising the options. Inasmuch as there were 6,966,849 shares of Class C common stock outstanding as of May 31, 2007 out of a total of 7,500,000 authorized shares of Class C common stock, the Company could legally issue only 533,151 shares of Class C common stock to Mr. Quist, leaving a balance of 624,474 Class C common shares owing to him.

14) Stock Compensation Plans (Continued)

In order to issue the additional shares of Class C common shares owing to Mr. Quist, the Board of Directors approved on July 13, 2007 an amendment to the Company's Articles of Incorporation to increase the number of Class C common shares from 7,500,000 shares to 15,000,000 shares. Because stockholder approval was also required to amend the Company's Articles of Incorporation, the Company scheduled a special stockholders meeting on September 21, 2007 to approve the amendment to the Articles of Incorporation to increase the number of authorized shares of Class C common stock from 7,500,000 shares to 15,000,000 shares.

On September 21, 2007 the stockholders approved the amendment to the Articles of Incorporation at the special stockholders meeting that increased the number of Class C common shares to 15,000,000 shares, and, as a result, the Company was able to issue Mr. Quist the additional 624,474 shares of Class C common stock that were owed pursuant to his exercise of stock options.

15) Statutory Surplus from Statutory Reserves

Generally, the net assets of the life insurance subsidiaries available for transfer to the Company are limited to the amounts that the life insurance subsidiaries net assets, as determined in accordance with statutory accounting practices, which were $21,358,558 at December 31, 2008, exceed minimum statutory capital requirements; however, payments of such amounts as dividends are subject to approval by regulatory authorities.

The Utah, Louisiana, Arkansas and Missouri Insurance Departments impose minimum risk-based capital requirements that were developed by the National Association of Insurance Commissioners, (“NAIC”) on insurance enterprises. The formulas for determining the risk-based capital (“RBC”) specify various factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio (the “Ratio”) of the enterprise’s regulatory total adjusted capital, as defined by the NAIC, to its authorized control level, as defined by the NAIC. Enterprises below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The life insurance subsidiaries have a combined weighted Ratio that is greater than 250% of the first level of regulatory action.

16) Business Segment Information

Description of Products and Services by Segment

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

Measurement of Segment Profit or Loss and Segment Assets

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

16) Business Segment Information (Continued)

Factors Management Used to Identify the Enterprise's Reportable Segments

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

	2008				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 35,981,297	$ 12,725,930	$ 143,411,459	$ --	$ 192,118,686
Net investment income	15,931,523	953,284	11,218,702	--	28,103,509
Realized gains on investments and other assets	(1,642,636)	(91,079)	--	--	(1,733,715)
Other revenues	386,354	177,997	451,019		1,015,370
Intersegment revenues:					
Net investment income	4,818,907	120,771	358,455	(5,298,133)	--
Total revenues	55,475,445	13,886,903	155,439,635	(5,298,133)	219,503,850
Expenses:					
Death and other policy benefits	19,195,170	--	--	--	19,195,170
Increase in future policy benefits	13,709,135	--	--	--	13,709,135
Amortization of deferred policy and preneed acquisition costs and value of business acquired	5,586,848	423,425	--	--	6,010,273
Depreciation	663,600	863,163	534,539	--	2,061,302
General, administrative and other costs:					
Intersegment	24,000	65,064	257,409	(346,473)	--
Other	17,766,109	12,231,653	140,351,243	--	170,349,005
Interest expense:					
Intersegment	279,489	171,057	4,501,114	(4,951,660)	--
Other	191,927	256,728	6,999,799	--	7,448,454
Total benefits and expenses	57,416,278	14,011,090	152,644,104	(5,298,133)	218,773,339
Earnings (losses) before income taxes	$ (1,940,833)	$ (124,187)	$ 2,795,531	$ --	$ 730,511
Identifiable assets	$ 421,550,749	$ 64,737,730	$ 26,145,713	$ (70,629,667)	$ 441,804,525
Expenditures for long-lived assets	$ 308,226	$ 372,511	$ 643,112	$ --	$ 1,323,849

16) Business Segment Information (Continued)

	2007				
Revenues:	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
From external sources:					
Revenue from customers	$ 32,262,837	$ 13,188,655	$ 130,472,166	$ --	$ 175,923,658
Net investment income	14,575,311	942,637	16,438,496	--	31,956,444
Realized gains on investments and other assets	193,109	814,465	--	--	1,007,574
Other revenues	157,670	349,789	352,947	--	860,406
Intersegment revenues:					
Net investment income	6,866,489	116,004	472,785	(7,455,278)	--
Total revenues	54,055,416	15,411,550	147,736,394	(7,455,278)	209,748,082
Expenses:					
Death and other policy benefits	18,353,228	--	--	--	18,353,228
Increase in future policy benefits	11,389,019	--	--	--	11,389,019
Amortization of deferred policy and pre-need acquisition costs and value of business acquired	5,195,549	375,250	--	--	5,570,799
Depreciation	715,478	829,196	537,976	--	2,082,650
General, administration and other costs:					
Intersegment	24,000	62,869	287,864	(374,733)	--
Other	14,136,583	12,581,767	129,240,135	--	155,958,485
Interest expense:					
Intersegment	498,272	172,683	6,409,590	(7,080,545)	--
Other	253,720	280,506	12,736,644	--	13,270,870
Total benefits and expenses	50,565,849	14,302,271	149,212,209	(7,455,278)	206,625,051
Earnings (losses) before income taxes	$ 3,489,567	$ 1,109,279	$ (1,475,815)	$ --	$ 3,123,031
Identifiable assets	$ 397,295,306	$ 61,102,244	$ 24,181,819	$ (64,416,724)	$ 418,162,645
Expenditures for long-lived assets	$ 850,270	$ 1,248,701	$ 910,308	$ --	$ 3,009,279

16) Business Segment Information (Continued)

	2006				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 30,776,491	$ 12,122,728	$ 85,112,831	$ --	$ 128,012,050
Net investment income	13,774,225	935,487	8,535,919	--	23,245,631
Realized gains on investments and other assets	131,073	760,231	--	--	891,304
Other revenues	34,921	108,987	237,640	--	381,548
Intersegment revenues:					
Net investment income	4,907,414	116,004	452,070	(5,475,488)	--
Total revenues	49,624,124	14,043,437	94,338,460	(5,475,488)	152,530,533
Expenses:					
Death and other policy benefits	16,853,568	--	--	--	16,853,568
Increase in future policy benefits	10,465,268	--	--	--	10,465,268
Amortization of deferred policy and preneed acquisition costs and value of business acquired	3,796,062	328,685		--	4,124,747
Depreciation	487,545	754,473	540,915	--	1,782,933
General, administrative and other costs:					
Intersegment	24,000	60,672	294,828	(379,500)	--
Other	12,603,489	11,052,105	82,611,487	--	106,267,081
Interest expense:					
Intersegment	546,075	177,359	4,372,554	(5,095,988)	--
Other	376,289	307,728	5,457,281	--	6,141,298
Total benefits and expenses	45,152,296	12,681,022	93,277,065	(5,475,488)	145,634,895
Earnings before income taxes	$ 4,471,828	$ 1,362,415	$ 1,061,395	$ --	$ 6,895,638
Identifiable assets	$ 353,431,518	$ 54,787,639	$ 22,158,123	$ (52,982,097)	$ 377,395,183
Expenditures for long-lived assets	$ 454,817	$ 670,988	$ 637,903	$ --	$ 1,763,708

17) Related Party Transactions

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

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

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

18) Disclosure about Fair Value of Financial Instruments

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

Cash, Receivables, Short-term Investments, and Restricted Assets of the Cemeteries and Mortuaries: The carrying amounts reported in the accompanying consolidated balance sheet for these financial instruments approximate their fair values.

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

Investment Contracts: The fair values for the Company’s liabilities under investment-type insurance contracts are estimated based on the contracts’ cash surrender values.

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

18) Disclosure about Fair Value of Financial Instruments (Continued)

At December 31, 2007 the carrying amounts and fair values of the financial assets and liabilities were as follows:

	December 31, 2007	
	Carrying Amount	Fair Value
Financial assets:		
Investment in fixed maturity securities	$ 116,896,016	$ 114,476,524
Investment in securities available for sale	8,742,212	8,741,212
Investment in mortgage loans and construction loans	92,884,055	92,884,055
Investment in policy, student and other loans	16,860,874	16,860,874
Short-term investments	5,337,367	5,337,367
Cash and cash equivalents	5,203,060	5,203,060
Mortgage loans sold to investors	66,700,694	66,700,694
Receivables	15,036,867	15,036,867
Restricted assets of cemeteries and mortuaries	5,711,054	5,711,054
Cemetery perpetual care trust investments	1,604,600	1,604,600
Financial liabilities:		
Investment-type insurance contracts	(106,939,120)	(106,939,120)
Bank loans payable, excluding interest rate swaps	(12,525,715)	(12,525,715)
Notes and contracts payable	(818,810)	(818,810)
Accounts payable	(1,833,188)	(1,833,188)
Other liabilities and accrued expenses	(14,812,845)	(14,812,845)
Derivatives:		
Interest rate lock commitments	627,116	627,116
Forward contracts on mortgage-backed securities	- 0 -	- 0 -
Bank loan interest rate swaps	(26,951)	(26,951)

Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* ("SFAS No. 157") is effective for fiscal years beginning after November 15, 2007. The Company adopted the provisions of SFAS No. 157 as of January 1, 2008 for financial assets and financial liabilities that are measured at fair value. SFAS No. 157:

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;
- Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation as of the measurement date;
- Expands disclosures about financial instruments measured at fair value.

Financial assets and financial liabilities recorded on the consolidated balance sheet at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

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

Level 2: Financial assets and financial liabilities whose values are based on the following:
a) Quoted prices for similar assets or liabilities in active markets;
b) Quoted prices for identical or similar assets or liabilities in non-active markets; or
c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability

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

18) Disclosure about Fair Value of Financial Instruments (Continued)

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

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities by their classification in the consolidated balance sheet at December 31, 2008.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Investment in securities available for sale	$ 5,854,237	$ 5,854,237	$ -	$ -
Short-term investments	5,282,986	5,282,986	-	-
Restricted assets of cemeteries and mortuaries	1,241,038	1,241,038	-	
Cemetery perpetual care trust investments	1,840,119	1,840,119	-	-
Total assets accounted for at fair value on a recurring basis	$ 14,218,380	$ 14,218,380	$ -	$ -
Liabilities accounted for at fair value on a recurring basis				
Investment-type insurance contracts	$ (112,351,916)	$ -	$ -	$ (112,351,916)
Dervatives: assets (liabilities)		-	-	-
Interest rate lock commitments	362,231	-	-	362,231
Bank loan interest rate swaps	(113,049)	-	-	(113,049)
Total liabilities accounted for at fair value on a recurring basis	$ (112,102,734)	$ -	$ -	$ (112,102,734)

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

	Investment Type Insurance Contracts	Interest Rate Lock Commitments	Bank Loan Interest Rate Swaps
Balance - December 31, 2007	$ (106,939,120)	$ 627,116	$ (26,951)
Total Losses:			
Included in earnings	(5,412,796)	-	-
Included in other comprehensive income	-	(264,885)	(86,098)
Purchases, issuances, and settlements	-	-	-
Transfers	-	-	-
Balance - December 31, 2008	$ (112,351,916)	$ 362,231	$ (113,049)

The items shown under level one are valued as follows:

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

18) Disclosure about Fair Value of Financial Instruments (Continued)

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

The items shown under level three are valued as follows:

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

Interest rate lock commitments. During 2005, the Company's mortgage banking activities implemented new practices relating to mortgage loan commitments, including interest rate lock commitments and forward commitments to sell loans to third-party investors. The Company also implemented a hedging strategy for these transactions. A mortgage loan commitment binds the Company to lend funds to a qualified borrower at a specified interest rate and within a specified period of time, generally up to 30 days after inception of the mortgage loan commitment. Mortgage loan commitments are derivatives under Statement of Financial Accounting Standards No. 133 ("SFAS 133"), *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statement of Financial Accounting Standards No. 149 *("SFAS 149"), Amendment of Statement 133 on Derivative Instruments and Hedging Activities* and are recognized at fair value on the consolidated balance sheet with changes in their fair values recorded as part of other comprehensive income from mortgage banking operations.

Bank loan interest rate swaps: Management considers the interest rate swap instrument an effective cash flow hedge against the variable interest rate on bank borrowings since the interest rate swap mirrors the term of the note payable and expires on the maturity date of the bank loan it hedges. The interest rate swap is a derivative financial instrument carried at its fair value.

19) Accumulated Other Comprehensive Income and Other Items

The following summarizes accumulated other comprehensive income:

	December 31,		
	2008	2007	2006
Unrealized gains (losses) on available for-sale securities	$ (4,125,253)	$ 245,447	$ 1,070,471
Reclassification adjustment for net realized gains in net income	759,870	175,130	93,255
Net unrealized gains (losses) before taxes	(3,365,383)	420,577	1,163,726
Tax (expense) benefit	490,790	(57,046)	(186,935)
Net	(2,874,593)	363,531	976,791
Potential unrealized gains (losses) for derivative bank loans (interest rate swaps) before taxes	(140,577)	(160,021)	(29,549)
Tax (expense) benefit	47,804	54,407	10,047
Net	(92,773)	(105,614)	(19,502)
Potential unrealized gains (losses) for derivative mortgage loans before taxes	(264,885)	(582,425)	951,847
Tax (expense) benefit	90,061	198,024	(323,628)
Net	(174,824)	(384,401)	628,219
Other items:			
Company stock held in escrow transferred to treasury stock	1,982,620	--	--
Other	(20,120)	20,120	--
	1,962,500	20,120	--
Other comprehensive income	$ (1,179,690)	$ (106,364)	$ 1,585,508

19) Accumulated Other Comprehensive Income and Other Items (Continued)

The following is the accumulated balances of other comprehensive income and other items as of December 31, 2008:

	Ending Balance December 31, 2007	Change for the period	Ending Balance December 31, 2008
Unrealized net gains on available for-sale securities and trust investments	$ 3,163,176	$ (2,874,593)	$ 288,583
Unrealized gains on derivative mortgage loans	413,896	(174,824)	239,072
Unrealized gains (losses) on derivative bank loan interest rate swaps	(17,781)	(92,773)	(110,554)
Other comprehensive income	3,559,291	(3,142,190)	417,101
Other items:			
Acquisitions of company stock held in escrow	(1,982,620)	1,982,620	--
Other	20,120	(20,120)	--
Total other comprehensive income and other items	$ 1,596,791	$ (1,179,690)	$ 417,101

The following is the accumulated balances of other comprehensive income and other items as of December 31, 2007:

	Beginning Balance December 31, 2006	Change for the period	Ending Balance December 31, 2007
Unrealized gains on available-for-sale securities	$ 2,799,645	$ 363,531	$ 3,163,176
Unrealized gains on derivative mortgage loans	798,297	(384,401)	413,896
Unrealized gains (losses) on derivative bank loan interest rate swaps	87,833	(105,614)	(17,781)
Other comprehensive income	3,685,775	(126,484)	3,559,291
Other items:			
Acquisitions of company stock held in escrow	(1,982,620)	20,120	(1,962,500)
Total other comprehensive income and other items	$ 1,703,155	$ (106,364)	$ 1,596,791

During the year ended December 31, 2008, the Company reclassified $1,982,620 of cost on 557,949 shares of Class A common stock held in escrow by the Company's law firm from accumulated other comprehensive income to treasury stock.

20) Derivative Loan Commitments

During 2005, the Company's mortgage banking activities implemented new practices relating to mortgage loan commitments, including interest rate lock commitments and forward commitments to sell loans to third-party investors. The Company also implemented a hedging strategy for these transactions. A mortgage loan commitment binds the Company to lend funds to a qualified borrower at a specified interest rate and within a specified period of time, generally up to 30 days after inception of the rate lock. Mortgage loan commitments are derivatives under Statement of Financial Accounting Standards No. 133 ("SFAS 133"), *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statement of Financial Accounting Standards No. 149 *("SFAS 149"), Amendment of Statement 133 on Derivative Instruments and Hedging Activities* and must be recognized at fair value on the consolidated balance sheet with changes in their fair values recorded as part of other comprehensive income from mortgage banking operations.

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

In general, the probability of funding increases if mortgage rates rise and decreases if mortgage rates fall. This is due primarily to the relative attractiveness of current mortgage rates compared to the applicant's committed rate.

The probability that a loan will not be funded within the terms of the mortgage loan commitment also is influenced by the source of the applications (retail, broker or correspondent channels), proximity to rate lock expiration, purpose for the loan (purchase or refinance) product type and the application approval status. The Company has developed fallout estimates using historical observed data that take into account all of the variables, as well as renegotiations of rate and point commitments that tend to occur when mortgage rates fall. These fallout estimates are used to estimate the number of loans that the Company expects to be funded within the terms of the mortgage loan commitments and are updated periodically to reflect the most current data. Once a loan is closed, it is classified as a loan receivable-sold to investors.

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

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

20) Derivative Loan Commitments (Continued)

The significant components of other comprehensive income relating to the derivative, before the effects of income tax during the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Loss on forward loan sale commitments	$ (317,839)	$ (2,056,673)
Gain on derivative loan commitments	52,954	1,474,248
Total	$ (264,885)	$ (582,425)

21) Quarterly Financial Data (Unaudited)

	2008			
	Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 53,221,500	$ 60,402,195	$ 53,083,935	$ 52,796,220
Benefits and expenses	51,276,565	57,314,947	53,812,100	56,369,727
Earnings before income taxes	1,944,935	3,087,248	(728,165)	(3,573,507)
Income tax expense	569,479	986,615	(39,877)	(1,671,879)
Net earnings	1,375,456	2,100,633	(768,042)	(2,133,194)
Net earnings per common share	$ 0.17	$ 0.26	$ (0.09)	$ (0.27)
Net earnings per common shareassuming dilution	$ 0.17	$ 0.26	$ (0.09)	$ (0.27)

	2007			
	Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 49,046,152	$ 54,315,888	$ 51,663,941	$ 54,722,101
Benefits and expenses	47,988,774	52,956,038	52,801,454	52,878,785
Earnings before income taxes	1,057,378	1,359,850	(1,137,513)	1,843,316
Income tax expense	312,837	328,822	(475,069)	691,045
Net earnings	744,541	1,031,028	(662,444)	1,152,271
Net earnings per common share	$ 0.09	$ 0.13	$ (0.08)	$ 0.14
Net earnings per common share assuming dilution	$ 0.09	$ 0.13	$ (0.08)	$ 0.14

Selected Consolidated Financial Data

The following selected financial data is for each of the five years ended December 31, 2008, are derived from the audited consolidated financial statements. The data as of December 31, 2008 and 2007, and for the three years ended December 31, 2008, should be read in conjunction with the consolidated financial statements, related notes and other financial information.

Consolidated Statement of Earnings Data:

	Year Ended December 31,				
	2008(1)	2007(2)	2006(3)	2005	2004(4)
Revenue					
Premiums	$ 35,981,000	$ 32,263,000	$ 30,776,000	$ 27,170,000	$ 25,979,000
Net investment income	28,104,000	31,956,000	23,246,000	19,387,000	15,939,000
Net mortuary and cemetery sales	12,726,000	13,189,000	12,123,000	10,839,000	11,661,000
Realized (losses) gains on investments	(1,734,000)	1,008,000	891,000	74,000	74,000
Mortgage fee income	143,412,000	130,472,000	85,113,000	71,859,000	62,690,000
Other	1,015,000	860,000	381,000	621,000	855,000
Total revenue	219,504,000	209,748,000	152,530,000	129,950,000	117,198,000
Expenses					
Policyholder benefits	32,904,000	29,742,000	27,319,000	24,477,000	23,362,000
Amortization of deferred policy acquisition costs	6,010,000	5,571,000	4,125,000	3,031,000	4,602,000
Selling, general and administrative expenses	169,973,000	155,504,000	105,728,000	90,690,000	82,097,000
Interest expense	7,449,000	13,271,000	6,141,000	4,921,000	2,174,000
Cost of goods and services of the mortuaries and cemeteries	2,437,000	2,537,000	2,322,000	2,103,000	2,304,000
Total benefits and expenses	218,773,000	206,625,000	145,635,000	125,222,000	114,539,000
Income before income tax expense	731,000	3,123,000	6,895,000	4,728,000	2,659,000
Income tax expense	(156,000)	(858,000)	(1,771,000)	(1,240,000)	(652,000)
Minority interest in (income) loss of subsidiary	--	--	--	--	115,000
Net earnings	$ 575,000	$ 2,265,000	$ 5,124,000	$ 3,488,000	$ 2,122,000
Net earnings per common share (5)	$ 0.07	$ 0.28	$ 0.66	$ 0.45	$ 0.28
Weighted average outstanding common shares (5)	8,160,000	8,011,000	7,808,000	7,734,000	7,704,000
Net earnings per common share-assuming dilution (5)	$ 0.07	$ 0.28	$ 0.64	$ 0.45	$ 0.27
Weighted average outstanding common shares-assuming dilution (5)	8,160,000	8,200,000	7,975,000	7,768,000	7,943,000

Selected Consolidated Financial Data (Continued)

Balance Sheet Data:

	December 31,				
	2008(1)	2007(2)	2006	2005(3)	2004(4)
Assets					
Investments and restricted assets	$ 308,310,000	$ 257,410,000	$ 222,683,000	$ 211,249,000	$ 182,645,000
Cash	19,914,000	5,203,000	10,377,000	16,633,000	15,334,000
Receivables	33,021,000	80,445,000	74,695,000	61,787,000	54,013,000
Other assets	80,560,000	75,105,000	69,640,000	69,976,000	65,471,000
Total assets	$ 441,805,000	$ 418,163,000	$ 377,395,000	$ 359,645,000	$ 317,463,000
Liabilities					
Policyholder benefits	$ 330,533,000	$ 301,064,000	$ 272,923,000	$ 263,981,000	$ 226,785,000
Notes & contracts payable	6,640,000	13,372,000	7,671,000	10,273,000	12,263,000
Cemetery & mortuary liabilities	13,467,000	12,643,000	11,534,000	10,829,000	10,762,000
Cemetery perpetual care obligation	2,648,000	2,474,000	2,278,000	2,173,000	2,084,000
Other liabilities	34,605,000	32,826,000	30,018,000	26,691,000	20,091,000
Total liabilities	387,893,000	362,379,000	324,424,000	313,947,000	271,985,000
Minority interest	--	--	--	--	3,813,000
Stockholders' equity	53,912,000	55,784,000	52,971,000	45,698,000	41,665,000
Total liabilities and stockholders' equity	$ 441,805,000	$ 418,163,000	$ 377,395,000	$ 359,645,000	$ 317,463,000

(1)Includes the purchase of Southern Security Life Insurance Company effective, December 18, 2008.
(2)Includes the purchase of C & J Financial on July 16, 2007 and the purchase of Capital Reserve Life Insurance Company on December 17, 2007.
(3)Includes the purchase of Memorial Insurance Company of America on December 29, 2005.
(4)Includes the purchase of Paramount Security Life Insurance Company, now Security National Life Insurance Company of Louisiana, on March 16, 2004.
(5)Earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

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

During the year ended December 31, 2008, SecurityNational Mortgage experienced an increase in revenues and expenses due to the increase in mortgage loan revenue. 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 independent brokers and correspondents. 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 correspondents a commission for loans that are brokered through SecurityNational Mortgage. For the twelve months ended December 31, 2008, 2007, and 2006, SecurityNational Mortgage originated and sold 19,321 loans ($3,680,015,000 total volume), 20,656 loans ($3,852,801,000 total volume) and,14,427 loans ($2,461,000,000 total volume), respectively.

SecurityNational Mortgage has loan purchase agreements with unaffiliated warehouse banks. The total amount available under these loan purchase agreements at December 31, 2008 was $450,000,000. As of December 31, 2008, mortgage loans totaling approximately $222,781,000 have been sold and were outstanding. The terms of the loan purchase agreements are typically for one year, with interest rates ranging from 1.5% to 2.25% over the 30 days LIBOR rate (from 1.99% to 2.74% as of December 31, 2008). SecurityNational Mortgage renewed one of its loan purchase agreements that expired on September 30, 2008 for another one year term. The other loan purchase agreement is a non-committed purchase agreement with no expiration date; however, the Company received notice from the warehouse bank that the agreement would be terminated in February 2009. The Company is actively pursuing purchase agreements with other warehouse banks.

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 SFAS 140 at the time the sales of mortgage loans meet the sales criteria for the transfer of financial assets which are: (1) the transferred assets have been isolated from the Company and its creditors, (2) the transferee has the right to pledge or exchange the mortgage, and (3) the Company does not maintain effective control over the transferred mortgage. The Company has determined 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 these loans under the purchase commitments.

The Company sells all loans to third party investors without recourse. However, the Company may be required to repurchase loans 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 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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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 of 0.175% (17.5 basis points) of total production. This estimate is based on the Company's historical experience. The amount accrued for the twelve months ended December 31, 2008 was $8,932,000 and the charge to expense has been included in other general and administrative expenses. The estimated liability for indemnification losses is included in other liabilities and accrued expenses as of December 31, 2008 the balance was $2,775,000.

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 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 purchase commitments from third-party investors concerning mortgage loans and to cure any documentation problems with respect to such loans at a minimal cost for up to a six-month time period. 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 subsequently becomes delinquent is evaluated by the Company at that time and any allowances for impairment are 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 we use the market price on the repurchased date.
- For loans where there is no market but there is a similar product, we use the market value for the similar product on the repurchased date.
- For loans where no active market exists on the repurchased date, we determine 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 loan adds significance to the Company's determination of fair value since, 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 looks at the total value of all of the loans since any sale of loans would be as a pool.

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

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

Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

As a result of the volatile secondary market for mortgage loans, the Company sold mortgage loans to certain third party investors that experienced financial difficulties and were not able to settle the loans. The total amount of these loans was $52,556,000, of which $36,499,000 were in loans where the secondary market no longer exists. Due to these changes in circumstances, the Company regained control of the mortgages and, in accordance with SFAS No. 140, accounted for the loans retained in the same manner as a purchase of the 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, 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 financial statements reflect the transfer of the mortgage loans from “Mortgage Loans Sold to Investors” to “Mortgage Loans on Real Estate”. The loan sale revenue recorded on the sale of the mortgage loans was reversed on the date the loans were repurchased.

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. The Company will service these loans through Security National Life, its life insurance subsidiary.

As of December 31, 2008, the Company’s long term mortgage loan portfolio had $28,195,000 in unpaid principal with delinquencies more than 90 days. Of this amount $23,329,000 was in foreclosure proceedings. The Company has not received any interest income on the $28,195,000 in mortgage loans with delinquencies more than 90 days. During the twelve months ended December 31, 2008, the Company increased its allowance for mortgage losses by $4,339,000, which was charged to loan loss expense and included in other general and administrative expenses for the period. The allowance for mortgage loan losses as of December 31, 2008 was $4,780,000.

Also at December 31, 2008, the Company has foreclosed on $20,104,000 in long term mortgage loans. The foreclosed property was shown in real estate. The Company will be able to carry the foreclosed property in Security National Life and SecurityNational Mortgage, its life and mortgage subsidiaries, and will rent the properties until it is feasible to sell.

In 1998, SecurityNational Mortgage entered into a Loan Purchase Agreement with Lehman Brothers Bank and its wholly owned subsidiary, Aurora Loan Services, LLC. Under the terms of the Loan Purchase Agreement, Lehman Brothers, through its subsidiary, Aurora Loan Services, agreed to purchase mortgage loans from time to time from SecurityNational Mortgage. During 2007, Aurora Loan Services purchased a total of 1,490 mortgage loans in the aggregate amount of $352,774,000 from SecurityNational Mortgage. On January 17, 2008, Aurora Loan Services announced it was suspending all wholesale and correspondent mortgage originations. As a result of this policy change, Aurora Loan Services discontinued purchasing mortgage loans from all mortgage brokers and lenders, including SecurityNational Mortgage.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

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

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

During 2007 and 2008, SecurityNational Mortgage made $1,730,000 in total payments to Aurora Loan Services. Payments by SecurityNational Mortgage for December 2008 and January, February and March of 2009 totaling $500,000 have not been made. When SecurityNational Mortgage entered into the Indemnification Agreement, it anticipated using basis point holdbacks from loan production credits toward satisfying the $125,000 monthly obligations. Because Aurora Loan Services discontinued purchasing mortgage loans from SecurityNational Mortgage shortly after the Indemnification Agreement was executed, SecurityNational Mortgage has not had the benefit of using the basis point holdbacks toward payment of the $125,000 monthly obligations. During 2008, funds were paid out of the reserve account to indemnify $1,700,000 in losses from 22 mortgage loans that were among the 54 mortgage loans with alleged breaches which were listed on the attachment to the Indemnification Agreement. The estimated potential losses from the remaining 32 mortgage loans listed on the attachment, which would require indemnification by SecurityNational Mortgage for such losses, is $3,357,000. Furthermore, Aurora Loan Services has made a request to be indemnified for losses related to ten mortgage loans not listed on the attachment to the Indemnification Agreement. Aurora Loan Services claims the total amount of such potential losses is $2,746,000.

In 1998, the Company, through its wholly owned subsidiary, Security National Life, purchased 57.4% of the outstanding shares of Southern Security Life Insurance Company, a Florida domiciled insurance company ("Southern Security Life"), for a total cost of $12,248,194. During the period from January 21, 1999 to April 10, 2003, Security National Life purchased an additional 19.3% of the outstanding shares of Southern Security Life. In January 2005, Security National Life purchased the remaining outstanding shares of Southern Security Life by means of a merger transaction, which resulted in Southern Security Life becoming a wholly owned subsidiary of Security National Life and the unaffiliated stockholders of Southern Security Life becoming entitled to receive a total of $1,884,733 for their shares.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

On December 24, 2007, Southern Security Life was liquidated when Articles of Dissolution were filed with the Florida Division of Corporations. Southern Security Life was liquidated in accordance with the terms of the Agreement and Plan of Complete Liquidation, which the Board of Directors of Security National Life and Southern Security Life approved on December 12, 2005. On December 31, 2005, pursuant to the Agreement and Plan of Complete Liquidation, all of the insurance business and operations of Southern Security Life, including $48,528,000 in assets and liabilities, were transferred to Security National Life on December 28, 2005, by means of a reinsurance agreement, except for $3,500,000 in capital and surplus required to be maintained under Florida law. Also on December 31, 2005, Southern Security Life paid a $7,181,000 dividend to Security National Life. Southern Security Life's remaining assets, including its capital and surplus, were transferred to Security National Life, effective as of December 29, 2006.

On December 23, 2002, the Company completed an asset purchase transaction with Acadian Life Insurance Company, a Louisiana domiciled life insurance company ("Acadian"), in which it acquired from Acadian $75,000,000 in assets and $75,000,000 in insurance reserves through its wholly owned subsidiary, Security National Life. The acquired assets consist primarily of approximately 275,000 funeral insurance policies in force in the state of Mississippi. The assets, which were originally acquired by Acadian from Gulf National Life Insurance Company on June 6, 2001, consisted of all the insurance policies of Gulf National Life Insurance Company in force and in effect on June 1, 2001.

On March 16, 2004, Security National Life purchased all of the outstanding common shares of Paramount Security Life Insurance Company, now known as Security National Life of Louisiana, a Louisiana domiciled insurance company located in Shreveport, Louisiana. As of December 31, 2003, Security National Life of Louisiana had 9,383 policies in force and 29 agents. There were no material changes in the number of policies in force or the number of agents between December 31, 2003 and March 16, 2004. The purchase consideration was $4,398,000 and the transaction was effective on January 26, 2004. Security National Life of Louisiana is licensed in the State of Louisiana where it is permitted to appoint agents who do not have a full life insurance license.

On December 29, 2005, Security National Life and Southern Security Life purchased all of the outstanding common shares of Memorial Insurance Company of America, an Arkansas domiciled insurance company, located in Blytheville, Arkansas. As of December 31, 2005, Memorial Insurance Company had 116,116 policies in force and approximately 50 agents. The purchase consideration was $13,500,000.

On July 16, 2007, the Company completed a transaction to purchase C & J Financial, LLC, an Alabama limited liability company, for a total cost of $1,250,000 in cash and a promissory note from the Company to the seller in the amount of $381,500 plus interest at 5% per annum. The amount of the note was reduced by the difference between the total equity on the balance sheet of C & J Financial on May 31, 2007 and the total equity on the balance sheet on July 16, 2007, which was $47,000.

On December 20, 2007, the Company purchased all of the outstanding shares of Capital Reserve Life Insurance Company, a Missouri domiciled life insurance company. The purchase consideration was $2,521,687 less certain adjustments consisting of a $220,926 loss related to a litigation matter involving Capital Reserve, $152,269 representing the difference between Capital Reserve's adjusted capital and surplus at closing compared to its adjusted capital and reserve on September 30, 2007, and $185,902 being held in escrow representing the losses from a corporate bond held by Capital Reserve at closing. The company issuing the bond filed for bankruptcy prior to the closing of the transaction and the amount held in escrow is to reimburse Security National Life for such losses. As of December 31, 2006, Capital Reserve had 10,851 policies in force and approximately 30 agents, In addition, the statutory assets and the capital and surplus of Capital Reserve as of December 31, 2006 were $24,054,000 and $1,960,000, respectively.

On December 18, 2008, the Company, through its wholly owned subsidiary, Security National Life, completed a stock purchase transaction with Southern Security Life Insurance Company, a Mississippi domiciled insurance company ("Southern Security"), and its shareholders to purchase all of the outstanding shares of common stock of Southern Security from its shareholders. Under the terms of the transaction as set forth in the Stock Purchase Agreement among Security National Life, Southern Security and the shareholders of Southern Security, Security National Life paid to the shareholders of Southern Security purchase consideration equal to $1,352,134, representing the capital and surplus, interest maintenance reserve, and asset valuation reserve of Southern Security as of September 1, 2008, the date that Security National Life assumed administrative control over Southern Security, plus $1,500,000, representing the ceding commission that had been paid on August 29, 2008, plus $75,883, representing an allowance for the actual losses experienced by Southern Security in the second quarter ended June 30, 2008, less certain adjustments. Thus, the total purchase price before adjustments was $2,928,022.

As of December 31, 2007, Southern Security had 24,323 policies in force and approximately 393 agents. For the year ended December 31, 2007, Southern Security had revenues of $4,231,000 and a net loss of $496,000. As of December 31, 2007, the statutory assets and the capital and surplus of Southern Security were $24,402,000 and $758,000, respectively. As of June 30, 2008, the statutory assets and the capital and surplus of Southern Security were $24,780,000 and $713,000, respectively.

On December 31, 2008, the Company entered into a Coinsurance Funds Withheld Reinsurance Agreement with Continental American Insurance Company ("Continental American"), a South Carolina domiciled insurance company effective November 30, 2008. The Company ceded to Continental American 100% of a block of deferred annuities in the amount of $4,828,487 as of December 31, 2008 and retained the assets and recorded a funds held under coinsurance liability for the same amount. Continental American has agreed to pay the Company an initial ceding commission of $60,000 and a quarterly management fee of $16,500 per quarter to administer the policies. The Company will also receive a 90% experience refund for any profits on the business. The Company has the right to recapture the business on January 1 subsequent to December 31, 2008 or any other date if mutually agreed and with 90 days written notice to Continental American.

Significant Accounting Policies

The following is a brief summary of our significant accounting policies and a review of our most critical accounting estimates. Please also refer to Note 1 of our consolidated financial statements.

Insurance Operations

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

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

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

Cemetery and Mortuary Operations

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

Pre-need sales of cemetery interment rights (cemetery burial property) - revenue and costs associated with the sales of pre-need cemetery interment rights are recognized in accordance with the retail land sales provisions of Statement of Financial Accounting Standards No. 66, "Accounting for the Sales of Real Estate" (SFAS No. 66). Under SFAS 66, recognition of revenue and associated costs from constructed cemetery property must be deferred until a minimum percentage of the sales price has been collected. Revenues related to the pre-need sale of unconstructed cemetery property will be deferred until such property is constructed and meets the criteria of SFAS 66 described above.

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

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

Prearranged funeral and pre-need cemetery customer obtaining costs - costs incurred related to obtaining new pre-need cemetery and prearranged funeral business are accounted for under the guidance of the provisions of Statement of Financial Accounting Standards No. 60, "Accounting and Reporting by Insurance Enterprises" (FAS No. 60). Obtaining costs, which include only costs that vary with and are primarily related to the acquisition of new pre-need cemetery and prearranged funeral business, are deferred until the merchandise is delivered or services are performed.

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

Mortgage Operations

Mortgage fee income is generated through the origination and refinancing of mortgage loans and is realized in accordance with SFAS No. 140.

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

Use of Significant Accounting Estimates

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Fixed Maturities and Equity Securities Available for Sale

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

The Company is required to exercise judgment to determine when a decline in the value of a security is other than temporary. When the value of a security declines and the decline is determined to be other than temporary, the carrying value of the investment is reduced to its fair value and a realized loss is recorded to the extent of the decline.

Deferred Acquisition Costs

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

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

Value of Business Acquired

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

Allowance for Doubtful Accounts

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

Future Policy Benefits

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

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

Unearned Revenue

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

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

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

Mortgage Allowance for Loan Loss and Loan Loss Reserve

The Company provides allowances for losses on its mortgage loans through an allowance for loan losses (a contra-asset account) and through the mortgage loan loss reserve (a liability account). The allowance for loan losses 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 will be classified as real estate. The Company will be able to carry the foreclosed property in Security National Life and SecurityNational Mortgage, its life and mortgage subsidiaries, and will rent the properties until it is feasible to sell them. The Company is currently able to rent properties at a 5.5% average return.

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

Deferred Compensation

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

Depreciation

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Self-Insurance

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

Results of Operations

2008 Compared to 2007

Total revenues increased by $9,756,000, or 4.7%, to $219,504,000 for fiscal year 2008 from $209,748,000 for the fiscal year 2007. Contributing to this increase in total revenues was a $12,939,000 increase in mortgage fee income, a $3,719,000 increase in insurance premiums and other considerations, and a $155,000 increase in other revenues. This increase in total revenues was partially offset by a $3,853,000 decrease in net investment income, a $463,000 decrease in net mortuary and cemetery sales, and a $2,741,000 decrease in realized gains (losses) on investments and other assets.

Insurance premiums and other considerations increased by $3,719,000, or 11.5%, to $35,981,000 for 2008, from $32,262,000 for the comparable period in 2007. This increase was primarily the result of additional premiums realized from new insurance sales, the acquisition of Capital Reserve Life Insurance Company on December 20, 2007, and the reinsurance agreement with Southern Security Life Insurance Company, effective September 1, 2008.

Net investment income decreased by $3,853,000, or 12.1%, to 28,104,000 for 2008, from $31,957,000 for the comparable period in 2007. This reduction was primarily attributable to decreased interest income from mortgage loans on real estate but partially offset by an increase in investment income from the purchases of C&J Financial and Capital Reserve Life, and the reinsurance agreement with Southern Security Life Insurance Company on September 1, 2008.

Net mortuary and cemetery sales decreased by $463,000, or 3.5%, to $12,726,000 for 2008, from $13,189,.000 for the comparable period in 2007. This reduction was due to a decrease in at-need sales in the cemetery and mortuary operations and a decrease in pre-need land sales of burial spaces in the cemetery operations.

Realized gains (losses) on investments and other assets decreased by $2,741,000 to a $1,734,000 realized loss for 2008, from a $1,007,000 realized gain for the comparable period in 2007. This increase in realized losses on investments was due to $2,253,000 in realized losses from fixed maturity securities deemed to be other than temporarily impaired and $651,000 in realized gain from equity securities sales. During 2007 there was a $516,000 net gain from the sale of Colonial Funeral Home, which was partially offset by a $91,000 loss on the foreclosure and subsequent sale of the funeral home in 2008.

Mortgage fee income increased by $12,939,000, or 9.9%, to $143,411,000 for 2008, from $130,472,000 for the comparable period in 2007. This increase was primarily attributable to an increase in loan fees charged to originate loans, and secondary gains during 2008 on loan production at existing offices.

Other revenues increased by $155,000, or 18.0%, to $1,015,000 for 2008 from $860,000 for the comparable period in 2007. This increase was due to increases in several small income items throughout the Company's operations.

Total benefits and expenses were $218,773,000, or 99.7% of total revenues, for 2008, as compared to $206,625,000, or 98.5% of total revenues, for the comparable period in 2007.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of $3,162,000, or 10.6%, to $32,904,000 for 2008, from $29,742,000 for the comparable period in 2007. This increase was primarily the result of increased insurance business, increased reserves for policyholder benefits and death claims, the acquisition of Capital Reserve Life on December 20, 2007, and the reinsurance agreement with Southern Security Life Insurance Company, effective September 1, 2008.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Amortization of deferred policy and pre-need acquisition costs and value of business acquired increased by $439,000, or 7.9%, to $6,010,000 for 2008, from $5,571,000 for the comparable period in 2007. This increase was primarily due to an increase in new business and higher policy terminations from the previous year.

General and administrative expenses increased by $14,469,000, or 9.3%, to $169,973,000 for 2008, from $155,504,000 for the comparable period in 2007. Salaries increased by $2,261,000 from $23,945,000 in 2007 to $26,206,000 in 2008, primarily due to merit increases in salaries of existing employees, and an increase in the number of employees necessitated by the Company's expanding business operations. Other expenses increased by $10,202,000 from $34,602,000 in 2007 to $44,804,000 in 2008. The increase in other expenses primarily resulted from increased costs at SecurityNational Mortgage Company, increases in the loan reserve and loan allowances balance. Commission expenses increased by $2,006,000, from $96,957,000 in 2007 to $98,963,000 in 2008, due to increased mortgage loan origination costs made by SecurityNational Mortgage.

Interest expense decreased by $5,823,000, or 43.9%, to $7,448,000 for 2008, from $13,271,000 for the comparable period in 2007. This reduction was primarily due to decreased warehouse lines of credit required, and lower interest rates.

Cost of goods and services sold of the mortuaries and cemeteries decreased by $100,000, or 3.9%, to $2,437,000 for 2008, from $2,537,000 for the comparable period in 2007. This increase was primarily due to decreased at-need cemetery sales and mortuary sales.

2007 Compared to 2006

Total revenues increased by $57,218,000, or 37.5 %, from $152,530,000 for fiscal year 2006 to $209,748,000 for fiscal year 2007. Contributing to this increase in total revenues was a $45,359,000 increase in mortgage fee income, a $1,487,000 increase in insurance premiums and other considerations, a $8,711,000 increase in net investment income, a $1,066,000 increase in mortuary and cemetery sales, a $116,000 increase in realized gains on investments and other assets, and a $479,000 increase in other revenues.

Insurance premiums and other considerations increased by $1,487,000, or 4.8%, from $30,776,000 in 2006 to $32,263,000 in 2007. This increase was primarily due to the additional insurance premiums realized from new insurance sales.

Net investment income increased by $8,711,000, or 37.5%, from $23,246,000 in 2006 to $31,956,000 in 2007. This increase was primarily attributable to additional interest income from increased long-term bond and mortgage purchases.

Net mortuary and cemetery sales increased by $1,066,000, or 8.8%, from $12,123,000 in 2006 to $13,189,000 in 2007. This was due to increased at-need sales in the cemetery and mortuary operations and increased pre-need sales of burial spaces in cemetery operations.

Realized gains on investments and other assets increased by $116,000, or 13.0%, from $892,000 in 2006 to $1,008,000 in 2007. This increase was primarily due to a net increase in several small income items throughout the Company's operations.

Mortgage fee income increased by $45,359,000, or 53.3%, from $85,113,000 in 2006 to $130,472,000 in 2007. This increase was primarily attributable to an increase in the number of loan originations and an increase in loan origination fees during 2007.

Other revenues increased by $479,000, or 125.7%, from $381,000 in 2006 to $860,000 in 2007. This increase was due to increases in several small income items throughout the Company's operations and to a $172,000 payment from the City of Phoenix as compensation for the condemnation of the Camelback Funeral Home to construct a light rail facility.

Total benefits and expenses were $206,625,000 for 2007, which constituted 98.5% of the Company's total revenues, as compared to $145,635,000, or 95.5% of the Company's total revenues for 2006.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of $2,423,000, or 8.9%, from $27,319,000 in 2006 to $29,742,000 in 2007. This net increase was primarily due to increased business and to the expected increase in reserves for policyholder benefits and death claims.

Amortization of deferred policy and pre-need acquisition costs and value of business acquired increased by $1,446,000 from $4,125,000, or 35.1%, in 2006 to $5,571,000 in 2007. This increase was primarily due to increased deferred acquisition costs associated with interest-sensitive products increased business and pre-need cemetery contracts, and the recapture of the Mega reinsurance agreement in the first quarter of 2006.

General and administrative expenses increased by $49,776,000, or 47.1%, from $105,728,000 in 2006 to $155,504,000 in 2007. Contributing to this increase was a $33,277,000 increase in commission expenses, from $63,680,000, or 52.3% in 2006 to $96,957,000 in 2007 due to a greater number of mortgage loan originations made by SecurityNational Mortgage Company during 2007. Salaries increased by $5,997,000, or 33.4%, from $17,948,000 in 2006 to $23,945,000 in 2007, primarily due to merit increases in the salaries of existing employees and an increase in the number of employees necessitated as the result of the Company's expanding business operations. Other expenses increased by $10,502,000, or 43.6%, from $24,100,000 in 2006 to $34,602,000 in 2007. The increase in other expenses primarily resulted from increased costs at SecurityNational Mortgage Company during 2007 due to a greater number of loan originations.

Interest expense increased by $7,130,000, or 116.1%, from $6,141,000 in 2006 to $13,271,000 in 2007. This increase was primarily from increased warehouse lines of credit required for a greater number of warehoused mortgage loans by SecurityNational Mortgage Company.

Cost of goods and services sold of the mortuaries and cemeteries increased by $215,000, or 9.3%, from $2,322,000 in 2006 to $2,537,000 in 2007. This increase was primarily due to increased cemetery and mortuary sales.

Risks

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

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

The recent adverse developments in the mortgage industry and credit markets have adversely affected the Company's ability to sell certain of its mortgage loans to investors, which has impacted the Company's financial results by requiring it to assume the risk of holding and servicing many of these loans.

The mortgage industry is still experiencing substantial change due to higher than expected delinquencies from subprime loans. The market for new subprime loans has been substantially reduced and several mortgage companies whose primary product was subprime mortgage originations have ceased operations. The Company funded $5.4 million (0.2% of the Company's production) in subprime loans during the twelve months ending December 31, 2007 and eliminated subprime loans from its product offerings in August 2007. The Company believes that its potential losses from subprime loans are minimal.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

As a result of the volatile secondary market, for mortgage loans, the Company sold mortgage loans to certain third party investors that experienced financial difficulties and were not able to settle the loans. The total amount of these loans was $52,556,000, of which $36,499,000 were in loans where the secondary market no longer exists. Due to these changes in circumstances, the Company regained control of the mortgages and, in accordance with SFAS No. 140, accounted for the loans retained in the same manner as a purchase of the 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, 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 financial statements reflect the transfer of the mortgage loans from "Mortgage Loans Sold to Investors" to "Mortgage Loans on Real Estate". The loan sale revenue recorded on the sale of the mortgage loans was reversed on the date the loans were repurchased.

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. The Company will service these loans through Security National Life, its life insurance subsidiary.

The Company provides allowances for losses on its mortgage loans through an allowance for loan losses (a contra-asset account) and through the mortgage loan loss reserve (a liability account). The allowance for loan losses 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 will be classified as real estate. The Company will be able to carry the foreclosed property in Security National Life and SecurityNational Mortgage, its life and mortgage subsidiaries, and will rent the properties until it is feasible to sell. The Company is currently able to rent properties at a 5.5% average return.

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

As of December 31, 2008, the Company's long term mortgage loan portfolio had $28,195,000 in unpaid principal with delinquencies more than 90 days. Of this amount $23,329,000 was in foreclosure proceedings. The Company has not received any interest income on the $28,195,000 in mortgage loans with delinquencies more than 90 days. During the year ended December 31, 2008, the Company has increased its allowance for mortgage loan losses by $4,339,000 which allowance was charged to loan loss expense and is included in other general and administrative expenses for the period. The allowance for mortgage loan losses as of December 31, 2008 was $4,780,000.

Also, at December 31, 2008, the Company had foreclosed on $20,104,000 in long term mortgage loans. The foreclosed property is shown in real estate. The Company will be able to carry the foreclosed property in Security National Life and SecurityNational Mortgage, its life and mortgage subsidiaries, and will rent the properties until it is feasible to sell.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

In addition to the allowance for mortgage loan losses, the Company also accrues a monthly allowance for indemnification losses to investors of 17.5 basis points of total production. The amount accrued for the twelve months ended December 31, 2008 was $8,932,000 and included in other general and administrative expenses. The reserve for indemnification losses is included in other liabilities and, as of December 31, 2008, the balance was $2,775,000.

SecurityNational Mortgage has entered into loan purchase agreements with unaffiliated warehouse banks. The total amount available under these loan purchase agreements at December 31, 2008 was $450,000,000. As of December 31, 2008, mortgage loans totaling approximately $222,781,000 have been sold and were outstanding. The terms of the loan purchase agreements are typically for one year, with interest rates ranging from 1.5% to 2.25% over the 30 days LIBOR rate (from 1.99% to 2.74% as of December 2008). SecurityNational Mortgage renewed one of its loan purchase agreements that expired on September 30, 2008 for another one year term. The other loan purchase agreement is a non-committed purchase agreement with no expiration date; however, the Company received notice from the warehouse bank that the agreement would be terminated in February 2009. The Company is actively pursuing purchase agreements with other warehouse bank.

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

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

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

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

Liquidity and Capital Resources

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

During the twelve months ended December 31, 2008, the Company's operations provided cash of $56,403,000, while cash totaling $10,009,000 was provided by operations during the twelve months ended December 31, 2007. This was due primarily to a decrease of $35,367,000 in 2008 and an increase of $6,883,000 in 2007 in the balance of mortgage loans sold to investors.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

The Company attempts to match the duration of invested assets with its policyholder and cemetery and mortuary liabilities. The Company may sell investments other than those held-to-maturity in the portfolio to help in this timing; however, to date, that has not been necessary. The Company purchases short-term investments on a temporary basis to meet the expectations of short-term requirements of the Company's products.

The Company's investment philosophy is intended to provide a rate of return, which will persist during the expected duration of policyholder and cemetery and mortuary liabilities regardless of future interest rate movements.

The Company's investment policy is to invest predominantly in fixed maturity securities, mortgage loans, and warehousing of mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to $126,583,000 as of December 31, 2008 compared to $119,777,000 as of December 31, 2007. This represents 41.6% and 47.6% of the total investments as of December 31, 2008, and December 31, 2007, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners. Under this rating system, there are six categories used for rating bonds. At December 31, 2008, 2.8% (or $3,485,000) and at December 31, 2007, 3.1% (or $3,708,000) of the Company's total bond investments were invested in bonds in rating categories three through six, which are considered non-investment grade.

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

See footnote 3 in the consolidated financial statement for the schedule of the maturity of fixed maturity securities.

The amortized cost and contractual payments on mortgage loans on real estate available for sale by category are shown below. Expected principal payments may differ from contractual obligations because certain borrowers may elect to pay off mortgage obligations with or without early payment penalties.

	Total	Principal Amounts Due in 2009	Principal Amounts Due in 2010-2013	Principal Amounts Due Thereafter
Residential	$ 70,082,011	$ 572,104	$ 2,074,604	$ 67,435,303
Residential Construction	35,742,891	35,742,891	-	-
Commercial	23,548,243	7,616,384	15,931,859	-
Total	$ 129,373,145	$ 43,931,379	$ 18,006,463	$ 67,435,303

Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* ("SFAS No. 157") is effective for fiscal years beginning after November 15, 2007. The Company adopted the provisions of SFAS No. 157 as of January 1, 2008 for financial assets and financial liabilities that are measured at fair value. SFAS No. 157:

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;
- Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation as of the measurement date;
- Expands disclosures about financial instruments measured at fair value.

Financial assets and financial liabilities recorded on the consolidated balance sheet at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

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

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

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

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities by their classification in the consolidated balance sheet at December 31, 2008.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Investment in securities available for sale	$ 5,854,237	$ 5,854,237	$ -	$ -
Short-term investments	5,282,986	5,282,986	-	-
Restricted assets of cemeteries and mortuaries	1,241,038	1,241,038	-	
Cemetery perpetual care trust investments	1,840,119	1,840,119	-	-
Total assets accounted for at fair value on a recurring basis	$ 14,218,380	$ 14,218,380	$ -	$ -
Liabilities accounted for at fair value on a recurring basis				
Investment-type insurance contracts	$ (112,351,916)	$ -	$ -	$ (112,351,916)
Dervatives: assets (liabilities)				
Interest rate lock commitments	362,231	-	-	362,231
Bank loan interest rate swaps	(113,049)	-	-	(113,049)
Total liabilities accounted for at fair value on a recurring basis	$ (112,102,734)	$ -	$ -	$ (112,102,734)

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

	Investment Type Insurance Contracts	Interest Rate Lock Commitments	Bank Loan Interest Rate Swaps
Balance - December 31, 2007	$ (106,939,120)	$ 627,116	$ (26,951)
Total Losses:			
Included in earnings	(5,412,796)	-	-
Included in other comprehensive income	-	(264,885)	(86,098)
Purchases, issuances, and settlements	-	-	-
Transfers	-	-	-
Balance - December 31, 2008	$ (112,351,916)	$ 362,231	$ (113,049)

The items shown under level one are valued as follows:

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

The items shown under level three are valued as follows:

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

Interest rate lock commitments. During 2005, the Company's mortgage banking activities implemented new practices relating to mortgage loan commitments, including interest rate lock commitments and forward commitments to sell loans to third-party investors. The Company also implemented a hedging strategy for these transactions. A mortgage loan commitment binds the Company to lend funds to a qualified borrower at a specified interest rate and within a specified period of time, generally up to 30 days after inception of the mortgage loan commitment. Mortgage loan commitments are derivatives under Statement of Financial Accounting Standards No. 133 ("SFAS 133"), *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statement of Financial Accounting Standards No. 149 *("SFAS 149"), Amendment of Statement 133 on Derivative Instruments and Hedging Activities* and are recognized at fair value on the consolidated balance sheet with changes in their fair values recorded as part of other comprehensive income from mortgage banking operations.

Bank loan interest rate swaps. Management considers the interest rate swap instrument an effective cash flow hedge against the variable interest rate on bank borrowings since the interest rate swap mirrors the term of the note payable and expires on the maturity date of the bank loan it hedges. The interest rate swap is a derivative financial instrument carried at its fair value.

If market conditions were to cause interest rates to change, the market value of the fixed income portfolio (of approximately $243,686,000) could change by the following amounts based on the respective basis point swing (the change in the market values were calculated using a modeling technique):

	-200 bps	-100 bps	+100 bps	+200 bps
Change in Market Value	$ 20,853	$ 11,157	$ (12,541)	$ (25,441)
(in thousands)				

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2008 was 9.0% as compared to a rate of 7.9% for 2007.

At December 31, 2008, $21,359,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's life insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

Forward-Looking Statements

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

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

Off-Balance Sheet Agreements

At December 31, 2008, the Company was contingently liable under a standby letter of credit aggregating $344,853, to be used as collateral to cover any contingency related to additional risk assessments pertaining to the Company's self-insurance casualty program. The Company does not expect any material losses to result from the issuance of the standby letter of credit because claims are not expected to exceed premiums paid. Accordingly, the estimated fair value of these instruments is zero.

SecurityNational Mortgage has loan purchase agreements with unaffiliated warehouse banks. The total amount available under these loan purchase agreements at December 31, 2008 was $450,000,000. As of December 31, 2008, mortgage loans totaling approximately $222,781,000 have been sold and were outstanding. The terms of the loan purchase agreements are typically for one year, with interest rates ranging from 1.5% to 2.25% over the 30 days LIBOR rate (from 1.99% to 2.74% as of September 30, 2008). SecurityNational Mortgage renewed one of its loan purchase agreements that expired on September 30, 2008 for another one year term. The other loan purchase agreement is a non-committed purchase agreement with no expiration date; however, the Company received notice from the warehouse bank that the agreement would be terminated in February 2009. The Company is actively pursuing purchase agreements with other warehouse banks.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The Company leases office space and equipment under various non-cancelable agreements, with remaining terms up to five years. Minimum lease payments under these non-cancelable operating leases as of December 31, 2008, are approximately as follows:

Years Ending December 31:		
2009	$	1,177,000
2010		695,000
2011		411,000
2012		143,000
2013		26,000
Thereafter		--
Total	$	2,452,000

Total rent expense related to these non-cancelable operating leases for the years ended December 31, 2008, 2007 and 2006 was approximately $2,071,000, $1,957,000 and $1,222,000, respectively.

The total of the Company unfunded residential construction loan commitments as of December 31, 2008 was $6,205,000.

Variable Interest Entities

In conjunction with the Company's casualty insurance program, limited equity interests are held in a captive insurance entity. This program permits the Company to self-insure a portion of losses, to gain access to a wide array of safety-related services, to pool insurance risks and resources in order to obtain more competitive pricing for administration and reinsurance and to limit its risk of loss in any particular year. This entity meets the definition of a variable interest entity (VIE); however, based on the criteria set forth in FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51, "there is not a requirement to include this entity in the consolidated financial statements. The maximum exposure to loss related to the Company's involvement with this entity is limited to approximately $344,853, a majority of which is collateralized under a standby letter of credit issued on the insurance entity's behalf. See Note 11, "Reinsurance, Commitments and Contingencies," for additional discussion of commitments associated with the insurance program and Note 1, "Significant Accounting Policies", for further information on a standby letter of credit. As of December 31, 2008, there are no other entities that met the definition of a variable interest entity.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard Number 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of SFAS No. 157 related to financial assets and financial liabilities were effective during 2008. With respect to certain nonfinancial assets and nonfinancial liabilities, SFAS No. 157 is effective for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company does not expect that the adoption of SFAS No. 157 with respect to nonfinancial assets and nonfinancial liabilities will have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS No. 141(R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a non-controlling interest in a subsidiary should be reported as equity in the consolidated financial statements, consolidated net income should be adjusted to include the net income attributed to the non-controlling interest and consolidated comprehensive income shall be adjusted to include the comprehensive income attributed to the non-controlling interest. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141(R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. The Company does not expect that the adoption of SFAS No. 141(R) or SFAS No. 160 will have a material impact on its consolidated financial statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

In February 2008, the FASB issued FASB Staff Position (FSP) FAS No. 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions*. FSP FAS 140-3 requires an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously or in contemplation of the initial transfer to be evaluated as a linked transaction under SFAS No. 140 unless certain criteria are met, including that the transferred asset must be readily obtainable in the marketplace. FSP FAS 140-3 is effective for fiscal years beginning after November 15, 2008, and will be applied to new transactions entered into after the date of adoption. Early adoption is prohibited. The Company does not expect that the adoption of FSP FAS 140-3 will have a material impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company does not expect that the adoption of SFAS No. 161 will have a material impact on its consolidated financial statements.

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets.* FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under FAS FAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) and other generally accepted accounting principles. FSP FAS 142-3 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008.

In May 2008, the FASB issued SFAS 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the sources of accounting principles and provides entities with a framework for selecting the principles used in preparation of financial statements that are presented in conformity with GAAP. The current GAAP hierarchy has been criticized because it is directed to the auditor rather than the entity, it is complex, and it ranks FASB Statements of Financial Accounting Concepts, which are subject to the same level of due process as FASB Statements of Financial Accounting Standards, below industry practices that are widely recognized as generally accepted but that are not subject to due process. The Board believes the GAAP hierarchy should be directed to entities because it is the entity (not its auditors) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. The adoption of FASB 162 is not expected to have a material impact on the Company's financial statements.

In May 2008, the FASB issued SFAS No. 163, *Accounting for Financial Guarantee Insurance Contracts*. SFAS No. 163 requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement also clarifies how SFAS No. 60, *Accounting and Reporting by Insurance Enterprises*, as amended, applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. This Statement also requires expanded disclosures about financial guarantee insurance contracts. SFAS No. 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years, except for some disclosures about the insurance enterprise's risk-management activities. Early application is not permitted. The Company has not yet determined the effect on its consolidated financial statements, if any, that will occur upon adoption of SFAS No. 163.

In June 2008, the FASB ratified EITF Issue No. 08-3, *Accounting for Lessees for Maintenance Deposits Under Lease Arrangements*. EITF 08-3 provides guidance for accounting for nonrefundable maintenance deposits. It also provides revenue recognition accounting guidance for the lessor. EITF 08-3 is effective for fiscal years beginning after December 15, 2008. The Company has not yet determined the effect on its consolidated financial statements, if any, that will occur upon adoption of EITF 08-3.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. FSP EITF 03-6-1 clarified that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. The Company does not expect that the adoption of FSP EITF 03-6-1 will have a material impact on its consolidated financial statements.

In October 2008, the FASB issued FSP FAS 157-3 *Determining Fair Value of a Financial Asset in a Market That Is Not Active*. FSP FAS 157-3 clarified the application of SFAS No. 157 in an inactive market. It demonstrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The Company has evaluated the impact and adoption of FSP FAS 157-3 will not have a material impact on its consolidated financial statements.

In November 2008, the FASB ratified EITF Issue No. 08-6, *Equity Method Investment Accounting Considerations*. EITF 08-6 clarifies the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-6 is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The Company has not yet determined the effect on its consolidated financial statements, if any, that will occur upon adoption of EITF 08-6.

In December 2008, the FASB issued FASB Staff Position FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. FSP FAS 140-4 and FIN 46(R)-8 amends SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* and FIN 46(R), *FASB Interpretation No. 46 (R), Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51*, to require public entities to provide additional disclosures about transfers of financial assets and their involvement with variable interest entities. FSP FAS 140-4 and FIN 46(R)-8 is effective for the first interim or annual reporting period ending after December 15, 2008. The Company has not yet determined the effect on its consolidated financial statements, if any, that will occur upon adoption of FSP FAS 140 and FIN 46(R)-8.

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

The Company's Class A Common Stock trades on the Nasdaq National Market under the symbol "SNFCA." Prior to August 13, 1987, there was no active public market for the Class A and Class C Common Stock. As of March 27, 2009, the closing sales price of the Class A Common Stock was $1.90 per share. The following were the high and low market closing sales prices for the Class A Common Stock by quarter as reported by Nasdaq since January 1, 2007:

	Price Range (1)	
Period (Calendar Year)	High	Low
2007		
First Quarter	$ 5.40	$ 4.22
Second Quarter	$ 5.90	$ 4.49
Third Quarter	$ 5.44	$ 3.71
Fourth Quarter	$ 4.27	$ 2.95
2008		
First Quarter	$ 4.41	$ 3.00
Second Quarter	$ 4.22	$ 2.89
Third Quarter	$ 3.92	$ 2.14
Fourth Quarter	$ 2.42	$ 1.42
2009		
First Quarter (through March 27, 2009)	$ 2.23	$ 1.25

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

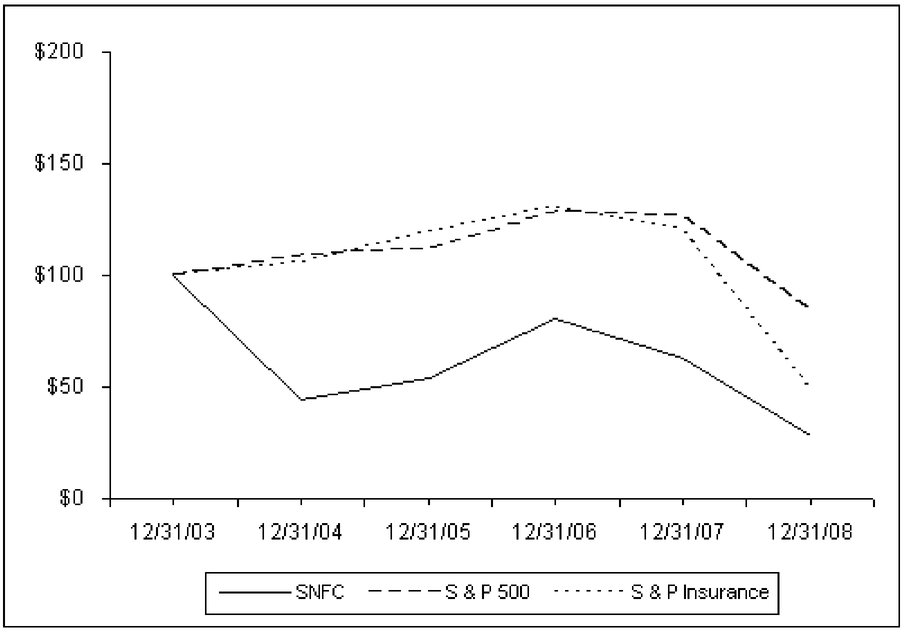
The Class C Common Stock is not actively traded, although there are occasional transactions in such stock by brokerage firms. (See Note 13 to the Consolidated Financial Statements.)

The Company has never paid a cash dividend on its Class A or Class C Common Stock. The Company currently anticipates that all of its earnings will be retained for use in the operation and expansion of its business and does not intend to pay any cash dividends on its Class A or Class C Common Stock in the foreseeable future. Any future determination as to cash dividends will depend upon the earnings and financial position of the Company and such other factors as the Board of Directors may deem appropriate. A 5% stock dividend on Class A and Class C Common Stock has been paid each year from 1990 through 2008.

Market for the Registrant's Common Stock and Related Security Holder Matters (Continued)

The graph below compares the cumulative total stockholder return of the Company's Class A common stock with the cumulative total return on the Standard & Poor's 500 Stock Index and the Standard & Poor's Insurance Index for the period from December 31, 2003 through December 31, 2008. The graph assumes that the value of the investment in the Company's Class A common stock and in each of the indexes was 100 at December 31, 2003 and that all dividends were reinvested.

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



	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
SNFC	100	44	54	81	63	28
S & P 500	100	109	112	128	127	84
S & P Insurance	100	106	119	131	120	49

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

As of December 31, 2008, there were 4,199 record holders of Class A Common Stock and 124 record holders of Class C Common Stock.