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

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

Form 10-K

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

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

Commission file number 000-09341

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Documents Incorporated by Reference

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

Item 1. Business

Security National Financial Corporation (the "Company") operates in three main business segments: life insurance, cemetery and mortuary, and mortgage loans. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products and accident and health insurance. These products are marketed in 38 states through a commissioned sales force of independent licensed insurance agents who may also sell insurance products of other companies. The cemetery and mortuary segment of the Company consists of five cemeteries in the state of Utah and one cemetery in the state of California, and seven mortuaries in the state of Utah and three mortuaries in the state of Arizona. The Company also engages in pre-need selling of funeral, cemetery, mortuary and cremation services through its Utah, Arizona and California operations. Many of the insurance agents also sell pre-need funeral, cemetery and cremation services. The mortgage loan segment is an approved government and conventional lender that originates and underwrites residential and commercial loans for new construction, existing homes and real estate projects. The mortgage loan segment operates through 45 wholesale and retail offices in eleven states, and is an approved mortgage lender in several other states.

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

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

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

Life Insurance

Products

The Company, through Security National Life and its insurance subsidiaries, Memorial Insurance Company of America ("Memorial Insurance Company") and Southern Security Life Insurance Company ("Southern Security"), issues and distributes selected lines of life insurance and annuities. The Company's life insurance business includes funeral plans, and interest-sensitive life insurance, as well as other traditional life and accident and health insurance products.

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

A funeral plan is a small face value life insurance policy that generally has face coverage of up to $15,000. The Company believes that funeral plans represent a marketing niche that has lower competition because most insurance companies do not offer similar coverage. The purpose of the funeral plan policy is to pay the costs and expenses incurred at the time of a person's death. On a per thousand dollar cost of insurance basis, these policies can be more expensive to the policyholder than many types of non-burial insurance due to their low face amount, requiring the fixed cost of the policy administration to be distributed over a smaller policy size, and the simplified underwriting practices that result in higher mortality costs.

Markets and Distribution

The Company is licensed to sell insurance in 38 states. The Company, in marketing its life insurance products, seeks to locate, develop and service specific "niche" markets. A "niche" market is an identifiable market that the Company believes is not emphasized by most insurers. Funeral plan policies are sold primarily to persons who range in age from 45 to 85. Even though people of all ages and income levels purchase funeral plans, the Company believes that the highest percentage of funeral plan purchasers are individuals who are older than 45 and have low to moderate income.

A majority of the Company's funeral plan premiums come from the states of Arizona, Arkansas, California, Idaho, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, Texas and Utah.

The Company sells its life insurance products through direct agents, brokers and independent licensed agents who may also sell insurance products of other companies. The commissions on life insurance products range from approximately 10% to 120% of first year premiums. In those cases where the Company utilizes its direct agents in selling such policies, those agents customarily receive advances against future commissions.

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

In marketing funeral plan insurance, the Company also seeks and obtains third-party endorsements from other cemeteries and mortuaries within its marketing areas. Typically, these cemeteries and mortuaries will provide letters of endorsement and may share in mailing and other lead-generating costs. The incentive for such businesses to share the costs is that these businesses are usually made the beneficiary of the policy. The following table summarizes the life insurance business for the five years ended December 31, 2010:

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

(1) Includes the purchase of Capital Reserve Life Insurance Company on December 17, 2007.
(2) Includes the purchase of Southern Security Life Insurance Company on December 18, 2008.

Underwriting

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

Age Nearest Birthday	Non-Medical Limits
0-50	$100,000

51-up	Medical information required (APS or exam)

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

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

Annuities

Products

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

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

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

Markets and Distribution

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

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

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

(1) Includes the purchase of Capital Reserve Life Insurance Company on December 17, 2007.
(2) Includes the purchase of Southern Security Life Insurance Company on December 18, 2008.

Accident and Health

Products

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

Markets and Distribution

The Company currently markets its accident policies through web marketing.

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

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

Reinsurance

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

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

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

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

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

Investments

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

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

See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Notes to Consolidated Financial Statements" for additional disclosure and discussion regarding investments.

Cemetery and Mortuary

Products

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

Markets and Distribution

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

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

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

Mortgage Loans

Products

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

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

Markets and Distribution

The Company's residential mortgage lending services are marketed primarily to mortgage originators. SecurityNational Mortgage maintains a retail origination presence in the Utah, California, Illinois and Texas markets in addition to nine wholesale branch offices located in Arizona, California, Florida, Hawaii, Indiana, Kansas, Oklahoma, Texas and Utah, with sales representatives in these and other states. See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Notes to Consolidated Financial Statements" for additional disclosure and discussion regarding mortgage loans.

Recent Acquisitions and Other Business Activities

Transaction to Liquidate Security National Life Insurance Company of Louisiana

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

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

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

Transaction to Liquidate Capital Reserve Life Insurance Company

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

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

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

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

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

Regulation

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

The Company is currently subject to regulation in Utah, Arkansas and Mississippi under insurance holding company legislation, and other states where applicable. Generally, intercompany transfers of assets and dividend payments from insurance subsidiaries are subject to prior notice of approval from the state insurance department, if they are deemed "extraordinary" under these statutes. The insurance subsidiaries are required, under state insurance laws, to file detailed annual reports with the supervisory agencies in each of the states in which they do business. Their business and accounts are also subject to examination by these agencies.

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

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

Income Taxes

The Company's insurance subsidiaries, Security National Life, Memorial Insurance Company and Southern Security are taxed under the Life Insurance Company Tax Act of 1984. Under the act, life insurance companies are taxed at standard corporate rates on life insurance company taxable income. Life insurance company taxable income is gross income less general business deductions, reserves for future policyholder benefits (with modifications), and a small life insurance company deduction (up to 60% of life insurance company taxable income). The Company may be subject to the corporate Alternative Minimum Tax (AMT). The exposure to AMT is primarily a result of the small life insurance company deduction. Also, under the Tax Reform Act of 1986, distributions in excess of stockholders' surplus account or a significant decrease in life reserves will result in taxable income.

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

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

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

Competition

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

The cemetery and mortuary industry is also highly competitive. In Salt Lake City, Phoenix and San Diego areas where the Company competes, there are a number of cemeteries and mortuaries which have longer business histories, more established positions in the community, and stronger financial positions than the Company. In addition, some of the cemeteries with which the Company must compete for sales are owned by municipalities and, as a result, can offer lower prices than can the Company. The Company bears the cost of a pre-need sales program that is not incurred by those competitors which do not have a pre-need sales force. The Company believes that its products and prices are generally competitive with those in the industry.

The mortgage loan industry is highly competitive with a number of mortgage companies and banks in the same geographic area in which the Company is operating. The mortgage market in general is sensitive to changes in interest rates and the refinancing market is particularly vulnerable to changes in interest rates.

Employees

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

Item 2. Properties

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

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

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

Item 2. Properties (Continued)

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

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

Item 2. Properties (Continued)

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

Item 2. Properties (Continued)

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

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

			Net Saleable Acreage			
Name of Cemetery	Location	Date Acquired	Developed Acreage (1)	Total Acreage (1)	Acres Sold as Cemetery Spaces (2)	Total Available Acreage (1)
Memorial Estates, Inc.						
Lakeview Cemetery	1640 East Lakeview Drive Bountiful, Utah	1973	7	40	6	34
Mountain View Cemetery	3115 East 7800 South Salt Lake City, Utah	1973	15	54	14	40
Redwood Cemetery (4)	6500 South Redwood Road West Jordan, Utah	1973	27	78	28	50
Cottonwood Mortuary, Inc.						
Deseret Memorial Inc. Lake Hills Cemetery (3)	10055 South State Street Sandy, Utah	1991	9	41	4	37
Holladay Memorial Park (3)(4)	4900 South Memory Lane Holladay, Utah	1991	5	14	4	10
California Memorial Estates						
Singing Hills Memorial Park	2800 Dehesa Road El Cajon, California	1995	8	35	4	31

(1) The acreage represents estimates of acres that are based upon survey reports, title reports, appraisal reports or the Company's inspection of the cemeteries.

(2) Includes spaces sold for cash and installment contract sales.

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

(4) These cemeteries include two granite mausoleums.

Item 2. Properties (Continued)

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

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

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

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

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

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

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

PART II

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

The Company's Class A Common Stock trades on the Nasdaq National Market under the symbol "SNFCA." Prior to August 13, 1987, there was no active public market for the Class A and Class C Common Stock. As of March 29, 2011, the closing sales price of the Class A Common Stock was $1.68 per share. The following were the high and low market closing sales prices for the Class A Common Stock by quarter as reported by Nasdaq since January 1, 2009:

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

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

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

The Company has never paid a cash dividend on its Class A or Class C Common Stock. The Company currently anticipates that all of its earnings will be retained for use in the operation and expansion of its business and does not intend to pay any cash dividends on its Class A or Class C Common Stock in the foreseeable future. Any future determination as to cash dividends will depend upon the earnings and financial position of the Company and such other factors as the Board of Directors may deem appropriate. A 5% stock dividend on Class A and Class C Common Stock has been paid each year from 1990 through 2010.

The graph below compares the cumulative total stockholder return of the Company's Class A common stock with the cumulative total return on the Standard & Poor's 500 Stock Index and the Standard & Poor's Insurance Index for the period from December 31, 2005 through December 31, 2010. The graph assumes that the value of the investment in the Company's Class A common stock and in each of the indexes was 100 at December 31, 2005 and that all dividends were reinvested.
The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of the Company's Class A common stock.

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

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

As of December 31, 2010, there were 3,887 record holders of Class A Common Stock and 104 record holders of Class C Common Stock.

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

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

Consolidated Statement of Earnings Data:

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

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

Balance Sheet Data:

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

(1) Includes the purchase of Southern Security Life Insurance Company, effective December 18, 2008.
(2) Includes the purchase of C & J Financial on July 16, 2007 and the purchase of Capital Reserve Life Insurance Company on December 17, 2007.
(3) Earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends.

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

Overview

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

Mortgage Operations

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

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

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

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

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

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

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

Mortgage Accounting Policy

Mortgage fee income consists of origination fees, processing fees, and certain other income related to the origination and sale of mortgage loans. For mortgage loans sold to third party investors, mortgage fee income and related expenses are recognized pursuant to generally accepted accounting principles at the time the sales of mortgage loans comply with the sales criteria for the transfer of financial assets, which are: (i) the transferred assets have been isolated from the Company and its creditors, (ii) the transferee has the right to pledge or exchange the mortgage, and (iii) the Company does not maintain effective control over the transferred mortgage. The Company must determine that all three criteria are met at the time a loan is funded. All rights and title to the mortgage loans are assigned to unrelated financial institution investors, including investor commitments for the loans, prior to warehouse banks purchasing the loans under the purchase commitments. As of December 31, 2010, there were $68,120,000 in mortgage loans in which settlements with third party investors were still pending.

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

- Failure to deliver original documents specified by the investor.
- The existence of misrepresentation or fraud in the origination of the loan.

- The loan becomes delinquent due to nonpayment during the first several months after it is sold.
- Early pay-off of a loan, as defined by the agreements.
- Excessive time to settle a loan.
- Investor declines purchase.
- Discontinued product and expired commitment.

Loan purchase commitments generally specify a date 30 to 45 days after delivery upon which the underlying loans should be settled. Depending on market conditions, these commitment settlement dates can be extended at a cost to the Company. Generally, a ten day extension will cost .125% (12.5 basis points) of the loan amount. The Company’s historical data shows that 99% of all loans originated by SecurityNational Mortgage are generally settled by the investors as agreed within 16 days after delivery. There are situations, however, when the Company determines that it is unable to enforce the settlement of loans rejected by the third-party investors and that it is in its best interest to repurchase those loans from the warehouse banks. It is the Company's policy to cure any documentation problems regarding such loans at a minimal cost for up to a six-month time period and to pursue efforts to enforce loan purchase commitments from third-party investors concerning the loans. The Company believes that six months allows adequate time to remedy any documentation issues, to enforce purchase commitments, and to exhaust other alternatives. Remedial methods include the following:

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

Once purchase commitments have expired and other alternatives to remedy are exhausted, which could be earlier than the six month time period, the loans are repurchased and transferred to the long term investment portfolio at the lower of cost or market value and previously recorded sales revenue is reversed. Any loan that later becomes delinquent is evaluated by the Company at that time and any impairment is adjusted accordingly.

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

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

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

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

Mortgage Loan Repurchases and Delinquencies

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

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

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

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

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

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

Mortgage Loan Loss Settlements

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

Aurora Loan Services

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

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

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

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

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

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

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

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

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

CitiMortgage

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

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

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

Mortgage Loan Loss Settlement Discussions

Bank of America, Wells Fargo and JP Morgan Chase

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

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

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

Mortgage and believes it has significant defenses to these claims.

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

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

Termination of Business Relationship with Bank of America

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

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

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

Life Insurance Acquisitions, Mergers and Reinsurance

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

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

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

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

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

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

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

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

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

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

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

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

Insurance Operations

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

A funeral plan is a small face value life insurance policy that generally has face coverage of up to $15,000. The Company believes that funeral plans represents a marketing niche that has lower competition because most insurance companies do not offer similar coverage. The purpose of the funeral plan policy is to pay the costs and expenses incurred at the time of the person’s death. On a per thousand dollar cost of insurance basis these policies can be more expensive to the policy holder than many types of non-burial insurance due to their low face amount, requiring the fixed cost of the policy administration be distributed over a smaller policy size, and the simplified underwriting practices that result in higher mortality costs.

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

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

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

reinsurance agreement entered into during June 2010.

Cemetery and Mortuary Operations

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

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

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

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

Significant Accounting Policies

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

Insurance Operations

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

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

financial statements.

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

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

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

Cemetery and Mortuary Operations

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

Pre-need sales of cemetery interment rights (cemetery burial property) - revenue and costs associated with the sales of pre-need cemetery interment rights are recognized in accordance with the retail land sales provisions of accounting principles generally accepted in the United States (GAAP). Under GAAP, recognition of revenue and associated costs from constructed cemetery property must be deferred until a minimum percentage of the sales price has been collected. Revenues related to the pre-need sale of unconstructed cemetery property will be deferred until such property is constructed and meets the criteria of FASB Codification Topic 360-20, described above.

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

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

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

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

Mortgage Operations

Mortgage fee income is generated through the origination and refinancing of mortgage loans and is realized in accordance with GAAP related to sales of financial assets.

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

Use of Significant Accounting Estimates

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

Fixed Maturities and Equity Securities Available for Sale

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

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

Deferred Acquisition Costs

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

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

Value of Business Acquired

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

Allowance for Doubtful Accounts

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

Future Policy Benefits

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

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

Unearned Revenue

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

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

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

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

Mortgage Allowance for Loan Loss and Loan Loss Reserve

The Company provides allowances for losses on its mortgage loans through an allowance for loan losses (a contra-asset account) and through the mortgage loan loss reserve (a liability account). The allowance for loan losses is an allowance for losses on the Company’s mortgage loans held for investment. The allowance is comprised of two components. The first component is an allowance for collectively evaluated impairment that is based upon the Company’s historical experience in collecting similar receivables. The second component is based upon individual evaluation of loans that are determined to be impaired. Upon determining impairment the Company establishes an individual impairment allowance based upon an assessment of the fair value of the underlying collateral. When a mortgage loan is past due more than 90 days, the Company, where appropriate, sets up an allowance to approximate the excess of the carrying value of the mortgage loan over the estimated fair value of the underlying real estate collateral. Once a loan is past due more than 90 days the Company does not accrue any interest income and proceeds to foreclose on the real estate. All expenses for foreclosure are expensed as incurred. Once foreclosed the carrying value will approximate its fair value and the amount will be classified as real estate. The Company carries the foreclosed property in Security National Life, Memorial Estates and SecurityNational Mortgage, its life, cemeteries and mortuaries and mortgage subsidiaries, and will rent the properties until it is deemed desirable to sell them. The Company is currently able to rent properties at a 3% to 6% gross return.

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

Upon completion of a transfer that satisfies the conditions to be accounted for as a sale, the Company initially measures at fair value liabilities incurred in a sale relating to any guarantee or recourse provisions. The Company accrues a monthly allowance for indemnification losses to investors based on total production. This estimate is based on the Company’s historical experience. The amount accrued for and the charge to expense is included in selling, general and administrative expenses. The estimated liability for indemnification losses is included in other liabilities and accrued expenses. The Company believes the Allowance for Loan Losses and Doubtful Accounts and the Loan Loss Reserve represent probable loan losses incurred as of the balance sheet date.

Deferred Compensation

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

Depreciation

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

Self-Insurance

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

Results of Consolidated Operations

2010 Compared to 2009

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2009 Compared to 2008

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks

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

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

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

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

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

Upon completion of a transfer that satisfies the conditions to be accounted for as a sale, the Company initially measures at fair value liabilities incurred in a sale relating to any guarantee or recourse provisions. The Company accrues a monthly allowance for indemnification losses to investors based on the Company's historical experience. The amounts accrued for loan losses in years ended December 31, 2010, 2009 and 2008 were $4,534,231, $17,306,471 and $7,140,270, respectively, and the charge to expense has been included in selling, general and administrative expenses. The estimated liability for indemnification losses is included in other liabilities and accrued expenses and, as of December 31, 2010 and 2009, the balances were $5,899,027 and $11,662,897, respectively. The Company believes the allowance for loan losses and the loan loss reserve represent probable loan losses incurred as of December 31, 2010. However, there is a risk that future loan losses may exceed the loan loss reserves and allowances.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity and Capital Resources

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

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

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

The Company attempts to match the duration of invested assets with its policyholder and cemetery and mortuary liabilities. The Company may sell investments other than those held-to-maturity in the portfolio to help in this timing. The Company purchases short-term investments on a temporary basis to meet the expectations of short-term requirements of the Company's products.

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

The Company's investment policy is to invest predominantly in fixed maturity securities, mortgage loans, and warehousing of mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to $96,453,000 as of December 31, 2010 compared to $115,417,000 as of December 31, 2009. This represents 35.0% and 38.4% of the total investments as of December 31, 2010, and December 31, 2009, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners.

Under this rating system, there are six categories used for rating bonds. At December 31, 2010, 6.2% (or $6,019,000) and at December 31, 2009, 6.9% (or $7,930,000) of the Company's total bond investments were invested in bonds in rating categories three through six, which are considered non-investment grade.

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

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

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

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

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

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

The Company is subject to risk based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. At December 31, 2010, and December 31, 2009, the life insurance subsidiary exceeded the regulatory criteria.

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

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

At December 31, 2010, $23,826,000 of the Company’s consolidated stockholders’ equity represents the statutory stockholders’ equity of the Company’s life insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements to encourage companies to provide prospective information about their businesses without fear of litigation so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements

identifying important factors that could cause actual results to differ materially from those projected in such statements. The Company desires to take advantage of the “safe harbor” provisions of the act.

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

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

Off-Balance Sheet Agreements

At December 31, 2010, the Company was contingently liable under a standby letter of credit aggregating $383,114, to be used as collateral to cover any contingency related to additional risk assessments pertaining to the Company's self-insurance casualty program. The Company does not expect any material losses to result from the issuance of the standby letter of credit because claims are not expected to exceed premiums paid. Accordingly, the estimated fair value of these instruments is zero.

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

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

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

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

Contractual Obligations

The Company's contractual obligations as of December 31, 2010 and the payments due by period are shown in the following table:

	Less than 1 year	1-3 years	4-5 years	over 5 years	Total
Non-cancelable operating leases	$1,042,612	$1,200,572	$102,776	$-	$2,345,960
Notes and contracts payable	1,777,967	4,553,630	403,771	330,607	7,065,975
	$2,820,579	$5,754,202	$506,547	$330,607	$9,411,935

Variable Interest Entities

In conjunction with the Company's casualty insurance program, limited equity interests are held in a captive insurance entity. This program permits the Company to self-insure a portion of losses, to gain access to a wide array of safety-related services, to pool insurance risks and resources in order to obtain more competitive pricing for administration and reinsurance and to limit its risk of loss in any particular year. This entity meets the definition of a variable interest entity (VIE); however, under generally accepted accounting principles, "there is not a requirement to include this entity in the consolidated financial statements." The maximum exposure to loss related to the Company's involvement with this entity is limited to approximately $383,114, a majority of which is collateralized under a standby letter of credit issued on the insurance entity's behalf. See Note 11, "Reinsurance, Commitments and Contingencies," for additional discussion of commitments associated with the insurance program and Note 1, "Significant Accounting Policies", for further information on a standby letter of credit. As of December 31, 2010, there are no other entities that met the definition of a variable interest entity.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

Item 8. Financial Statements and Supplementary Data

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Security National Financial Corporation and subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Security National Financial Corporation and subsidiaries as of December 31, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

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

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
March 31, 2011

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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

See accompanying notes to consolidated financial statements.

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

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

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

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

(1) Earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends. The weighted-average shares outstanding includes the weighted-average Class A common shares and the weighted-average Class C common shares determined on an equivalent Class A common stock basis. Net earnings per common share represent net earnings per equivalent Class A common share. Net earnings per Class C common share is equal to one-tenth (1/10) of such amount or $0.00, $0.05 and $0.01 per share for 2010, 2009 and 2008, respectively, and $0.00, $0.05 and $0.01 per share-assuming dilution for 2010, 2009 and 2008, respectively.

See accompanying notes to consolidated financial statements.

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

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

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

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2010	2009	2008
Cash flows from operating activities:			
Net earnings (loss)	$(430,624)	$3,773,880	$574,853
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Realized gains on investments and other assets	(1,615,418)	(1,223,312)	(1,018,189)
Other than temporary impairments	673,981	326,000	2,751,904
Depreciation	2,917,513	2,801,417	2,471,201
Provision for losses on real estate accounts and loans receivable	(198,062)	2,804,620	4,586,501
Amortization of premiums and discounts	(19,505)	(740,124)	(65,224)
Provision for deferred and other income taxes	(1,197,023)	1,570,989	(59,230)
Policy and pre-need acquisition costs deferred	(6,956,154)	(7,754,706)	(6,946,317)
Policy and pre-need acquisition costs amortized	5,225,032	6,035,882	5,110,519
Value of business acquired amortized	719,827	1,124,606	899,754
Change in assets and liabilities:			
Land and improvements held for sale	(108,296)	(361,537)	(866,255)
Future life and other benefits	16,843,261	15,423,587	9,508,769
Receivables for mortgage loans held for sale	(23,957,088)	(19,383,604)	35,366,791
Stock based compensation expense	520,457	485,986	466,929
Benefit plans funded with treasury stock	438,274	457,070	248,624
Other operating assets and liabilities	(7,107,055)	11,831,350	4,088,477
Net cash provided by (used in) operating activities	(14,250,880)	17,172,104	57,119,107
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(8,251,365)	(12,897,225)	(15,667,595)
Calls and maturities - fixed maturity securities	27,878,797	22,610,141	25,384,510
Securities available for sale:			
Purchase - equity securities	(5,462,028)	(5,640,738)	(1,740,077)
Sales - equity securities	5,014,194	5,788,996	3,600,641
Purchases of short-term investments	(9,590,929)	(20,784,977)	(30,339,562)
Sales of short-term investments	14,115,870	18,923,574	32,012,283
Sales (purchases) of restricted assets			