SECURITY NATIONAL FINANCIAL CORPORATION

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

June 7, 2005

Dear Stockholder:

On behalf of the Board of Directors, it is my pleasure to invite you to attend the Annual Meeting of Stockholders of Security National Financial Corporation (the "Company") to be held on Friday, July 8, 2005, at 10:00 a.m., Mountain Daylight Time, at 5300 South 360 West, Suite 250, Salt Lake City, Utah.

The formal notice of the Annual Meeting and the Proxy Statement have been made a part of this invitation. Also enclosed is a copy of the Company's Annual Report for the year ended December 31, 2004.

The matters to be addressed at the meeting will include the election of seven directors and the ratification of the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's registered public independent accountants for the fiscal year ending December 31, 2005. I will also report on the Company's business activities and answer any stockholder questions. The Board of Directors recommends that you vote FOR election of the director nominees and FOR ratification of appointment of the registered public independent accountants. Please refer to the Proxy Statement for detailed information on each of the proposals and the Annual Meeting.

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

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

Sincerely yours,

George R. Quist
Chairman of the Board and
Chief Executive Officer

SECURITY NATIONAL FINANCIAL CORPORATION

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JULY 8, 2005

Dear Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Security National Financial Corporation (the "Company"), a Utah corporation, will be held on Friday, July 8, 2005, at 5300 South 360 West, Suite 250, Salt Lake City, Utah, at 10:00 a.m., Mountain Daylight Time, to consider and act upon the following:

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

2. To ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's registered public independent accountants for the fiscal year ending December 31, 2005; and

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

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

The Board of Directors has fixed the close of business on May 24, 2005, as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. A list of such stockholders will be available for examination by a stockholder for any purpose relevant to the meeting during ordinary business hours at the offices of the Company at 5300 South 360 West, Suite 250, Salt Lake City, Utah during the 20 days prior to the meeting.

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

By order of the Board of Directors,

G. Robert Quist
First Vice President and Secretary

June 7, 2005
Salt Lake City, Utah

SECURITY NATIONAL FINANCIAL CORPORATION
5300 South 360 West, Suite 250
Salt Lake City, Utah 84123

PROXY STATEMENT

For Annual Meeting of Stockholders
To Be Held on July 8, 2005

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Security National Financial Corporation (the "Company") for use at the Annual Meeting of Stockholders to be held on Friday, July 8, 2005, at 5300 South 360 West, Suite 250, Salt Lake City, Utah, at 10:00 a.m., Mountain Daylight Time, or at any adjournment or postponements thereof (the "Annual Meeting"). The shares covered by the enclosed Proxy, if such is properly executed and received by the Board of Directors prior to the meeting, will be voted in favor of the proposals to be considered at the Annual Meeting, and in favor of the election of the nominees to the Board of Directors (two nominees to be elected by the Class A common stockholders voting separately as a class and five nominees to be elected by the Class A and Class C common stockholders voting together) as listed unless such Proxy specifies otherwise, or the authority to vote in the election of directors is withheld.

A Proxy may be revoked at any time before it is exercised by giving written notice to the Secretary of the Company at 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123, Attention: G. Robert Quist, by submitting in writing a Proxy bearing a later date, or by attending the Annual Meeting and voting in person. Stockholders may vote their shares in person if they attend the Annual Meeting, even if they have executed and returned a Proxy. This Proxy Statement and accompanying Proxy Card are being mailed to stockholders on or about June 7, 2005.

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

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

The matters to be brought before the Annual Meeting are (1) to elect directors to serve for the ensuing year; (2) to ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's registered public independent accountants for the fiscal year ending December 31, 2005; and (3) to transact such other business as may properly come before the Annual Meeting.

RECORD DATE AND VOTING INFORMATION

Only holders of record of common stock at the close of business on May 24, 2005, will be entitled to vote at the Annual Meeting. As of May 24, 2005, there were issued and outstanding 5,441,713 shares of Class A common stock, $2.00 par value per share and 6,380,197 shares of Class C common stock, $.20 par value per share, resulting in a total of 11,821,910 shares of both Class A and Class C common shares. A majority of the outstanding shares (or 5,910,956 shares) of common stock will constitute a quorum for the transaction of business at the meeting. A list of our stockholders will be available for review at the Company's executive offices during regular business hours for a period of 20 days before the Annual Meeting.

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

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

Proxies received at any time before the Annual Meeting, and not revoked or superseded before being voted, will be voted at the Annual Meeting. If a Proxy indicates a specification, it will be in accordance with the specification. If no specification is indicated, the Proxy will be voted for approval of the election of the seven directors recommended by the Board of Directors, for the ratification of the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's registered public independent accountants for the fiscal year ending December 31, 2005, and in the discretion of the persons named in the Proxy with respect to the other business that may properly come before the meeting or any adjournments of the meeting. You may also vote in person by ballot at the Annual Meeting.

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

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

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

ELECTION OF DIRECTORS

PROPOSAL 1

The Nominees

The Company's Board of Directors consists of seven directors. All directors are elected annually to serve until the next annual meeting of stockholders and until their respective successors are duly elected and qualified, or until their earlier resignation or removal. The nominees for the upcoming election of directors include four independent directors, as defined in the applicable rules for companies traded on The Nasdaq Stock Market, and three members of the Company's senior management. All of the nominees for director have served as directors since the 2004 Annual Meeting.

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

Name	Age	Director Since	Position(s) with the Company
J. Lynn Beckstead, Jr.	51	March 2002	Vice President of Mortgage Operations and Director
H. Craig Moody	53	September 1995	Director

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

Name	Age	Director Since	Position(s) with the Company
Charles L. Crittenden	85	October 1979	Director
Robert G. Hunter, M.D.	45	October 1998	Director
George R. Quist	84	October 1979	Chairman of the Board and Chief Executive Officer
Scott M. Quist	52	May 1986	President, Chief Operating Officer and Director
Norman G. Wilbur	66	October 1998	Director

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

George R. Quist has been Chairman of the Board and Chief Executive Officer of the Company since October 1979. Mr. Quist served as President of the Company from 1979 until July 2002. From 1960 to 1964, Mr. Quist was Executive Vice President and Treasurer of Pacific Guardian Life Insurance Company. From 1946 to 1960, he was an agent, District Manager and Associate General Agent for various insurance companies. Mr. Quist also served from 1981 to 1982 as the President of The National Association of Life Companies, a trade association of 642 life insurance companies, and from 1982 to 1983 as its Chairman of the Board.

Scott M. Quist has been President of the Company since July 2002, its Chief Operating Officer since October 2001, and a director since May 1986. Mr. Quist served as First Vice President of the Company from May 1986 to July 2002. From 1980 to 1982, Mr. Quist was a tax specialist with Peat, Marwick, Mitchell, & Co., in Dallas, Texas. From 1986 to 1991, he was Treasurer and a director of The National Association of Life Companies, a trade association of 642 insurance companies until its merger with the American Council of Life Companies. Mr. Quist has been a member of the Board of Governors of the Forum 500 Section (representing small insurance companies) of the American Council of Life Insurance. He has also served as a regional director of Key Bank of Utah since November 1993. Mr. Quist is currently a director and past president of the National Alliance of Life Companies, a trade association of over 200 life companies.

J. Lynn Beckstead Jr. has been Vice President of Mortgage Operations and a director of the Company since March 2002. In addition, Mr. Beckstead is President of SecurityNational Mortgage Company, an affiliate of the Company, having served in this position since July 1993. From 1990 to 1993, Mr. Beckstead was Vice President and a director of Republic Mortgage Corporation. From 1983 to 1990, Mr. Beckstead was Vice President and a director of Richards Woodbury Mortgage Corporation. From 1980 to 1983, he was a principal broker for Boardwalk Properties. >From 1978 to 1980, Mr. Beckstead was a residential loan officer for Medallion Mortgage Company. From 1977 to 1978, he was a residential construction loan manager of Citizens Bank.

Charles L. Crittenden has been a director of the Company since October 1979. Mr. Crittenden has been sole stockholder of Crittenden Paint & Glass Company since 1958. He is also an owner of Crittenden Enterprises, a real estate development company, and Chairman of the Board of Linco, Inc.

Robert G. Hunter, M.D. has been a director of the Company since October 1998. Dr. Hunter is currently a practicing physician in private practice. Dr. Hunter created the statewide E.N.T. Organization (Rocky Mountain E.N.T., Inc.) where he is currently a member of the Executive Committee. He is also Chairman of Surgery at Cottonwood Hospital, a delegate to the Utah Medical Association and a delegate representing the State of Utah to the American Medical Association, and a member of several medical advisory boards.

H. Craig Moody has been a director of the Company since September 1995. Mr. Moody is owner of Moody & Associates, a political consulting and real estate company. He is a former Speaker and House Majority Leader of the House of Representatives of the State of Utah.

Norman G. Wilbur has been a director of the Company since October 1998. Mr. Wilbur worked for J.C. Penny's regional offices in budget and analysis. His final position was Manager of Planning and Reporting for J.C. Penney's stores. After 36 years with J.C. Penny's, he took an option of an early retirement in 1997. Mr. Wilbur is a past board member of a homeless organization in Plano, Texas.

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

The Board of Directors, Board Committees and Meetings

The Company's Bylaws provide that the Board of Directors shall consist of not less than three nor more than eleven members. The term of office of each director is for a period of one year or until the election and qualification of his successor. A director is not required to be a resident of the State of Utah but must be a stockholder of the Company. The Board of Directors held a total of five meetings during the fiscal year ended December 31, 2004. No directors attended fewer than 75% of all meetings of the Board of Directors during the 2004 fiscal year.

The size of the Board of Directors of the Company for the coming year is seven members. Four of the directors, or a majority of the Board of Directors, are independent directors. The independent directors have regularly scheduled meetings at which only independent directors are present.

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

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

The Compensation Committee is responsible for recommending to the Board of Directors for approval the annual compensation of each executive officer of the Company and the executive officers of the Company's subsidiaries, developing policy in the areas of compensation and fringe benefits, contributions under the Employee Stock Ownership Plan, contribution under the 401(k) Retirement Savings Plan, Deferred Compensation Plan, granting of options under the stock option plans, and creating other employee compensation plans. The Compensation Committee consists of Messrs. Charles L. Crittenden (Chairman of the Committee), H. Craig Moody, Robert G. Hunter, M.D. and Norman G. Wilbur. During 2004, the Compensation Committee met on two occasions.

The Audit Committee directs the auditing activities of the Company's internal auditors and outside public accounting firm and approves the services of the outside public accounting firm. The Audit Committee consists of Messrs. Charles L. Crittenden, H. Craig Moody and Norman G. Wilbur (Chairman of the Committee). During 2004, the Audit Committee met on four occasions.

The Executive Committee reviews Company policy, major investment activities and other pertinent transactions of the Company. The Executive Committee consists of Messrs. George R. Quist, Scott M. Quist, and H. Craig Moody. During 2004, the Executive Committee met on two occasions. During 2004, there were four meetings of the Company's Board of Directors.

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

Director Nominating Process

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

The Nominating and Corporate Governance Committee will consider nominees proposed by stockholders. To recommend a perspective nominee for the Nominating and Corporate Governance Committee's consideration, stockholders may submit the candidate's name and qualifications to: G. Robert Quist, First Vice President and Secretary, Security National Financial Corporation, 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123. Recommendations from stockholders for nominees must be received by Mr. Quist not later than the date set forth under "Deadline for Receipt of Stockholder's Proposals for Annual Meeting to be Held in July 2006"; below.

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

Meetings of Non-Management Directors

The Company's non-management directors regularly meet without management participation. In addition, an executive session including only the independent directors is held at least annually.

Stockholder Communications with the Board of Directors

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

Executive Officers

The following table sets forth certain information with respect to the executive officers of the Company (the business biographies for the first two individuals are set forth above):

Name	Age	Title
George R. Quist(1)	84	Chairman of the Board and Chief Executive Officer
Scott M. Quist(1)	52	President, Chief Operating Officer and Director
G. Robert Quist(1)	53	First Vice President and Secretary
Stephen M. Sill	59	Vice President, Treasurer and Chief Financial Officer
J. Lynn Beckstead, Jr.	51	Vice President of Mortgage Operations and Director
Christie Q. Overbaugh(1)	56	Senior Vice President of Internal Operations of Southern Security Life Insurance Company

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

Stephen M. Sill has been Vice President, Treasurer and Chief Financial Officer of the Company since March 2002. From 1997 to March 2002, Mr. Sill was Vice President and Controller of the Company. From 1994 to 1997, Mr. Sill was Vice President and Controller of Security National Life Insurance Company. From 1989 to 1993, he was Controller of Flying J. Inc. From 1978 to 1989, Mr. Sill was Senior Vice President and Controller of Surety Life Insurance Company. From 1975 to 1978, he was Vice President and Controller of Sambo's Restaurant, Inc. From 1974 to 1975, Mr. Sill was Director of Reporting for Northwest Pipeline Corporation. From 1970 to 1974, he was an auditor with Arthur Andersen & Co. Mr. Sill is a past president and a former director of the Insurance Accounting and Systems Association (IASA), a national association of over 1,300 insurance companies and associate members.

G. Robert Quist has been First Vice President and Secretary of the Company since March 2002. Mr. Quist has also served as First Vice President of Singing Hills Memorial Park since 1996. Mr. Quist has served as Vice President of Memorial Estates since 1982; he began working for Memorial Estates in 1978. Also since 1987, Mr. Quist has served as President and a director of Big Willow Water Company and as Secretary-Treasurer and a director of the Utah Cemetery Association. From 1987 to 1988, Mr. Quist was a director of Investors Equity Life Insurance Company of Hawaii.

Christie Q. Overbaugh has been Senior Vice President of Internal Operations for Southern Security Life Insurance Company since June 2002, and Vice President of Underwriting of Security National Life Insurance Company since October 1998. Ms. Overbaugh has also served as Vice President of the Company from October 1999 to June 2002, and as Vice President of Underwriting for Southern Security Life Insurance Company from October 1998 to June 2002. >From 1985 to 1990, she was Chief Underwriter for Investors Equity Life Insurance Company of Hawaii and Security National Life Insurance Company. From 1990 to 1991, Ms. Overbaugh was President of the Utah Home Office Underwriters Association. Ms. Overbaugh is currently a member of the Utah Home Office Underwriters Association and an Associate Member of LOMA (Life Office Management Association).

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

No director, officer or 5% stockholder of the Company or its subsidiaries, or any affiliate thereof has had any transactions with the Company or its subsidiaries during 2004 or 2003.

Corporate Governance

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

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

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Executive Officer Compensation

The following table sets forth, for each of the last three fiscal years, the compensation received by George R. Quist, the Company's Chairman of the Board and Chief Executive Officer, and all other executive officers (collectively, the "Named Executive Officers") at December 31, 2004, whose salary and bonus for all services in all capacities exceed $100,000 for the fiscal year ended December 31, 2004.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary($)	Bonus($)	Other Annual Compen-sation($)(2)	Restricted Stock Awards($)	Securities Underlying Options/SARs(#)	Long-Term Incentive Payout($)	All Other Compen-sation($)(3)
George R. Quist (1)	2004	$165,600	$ 50,000	$2,400	$0	100,000	$0	$26,002
Chairman of the	2003	165,600	50,000	2,400	0	100,000	0	23,273
Board and Chief	2002	165,600	25,000	2,400	0	80,000	0	31,186
Executive Officer								
Scott M. Quist (1)	2004	$215,900	$ 75,000	$7,200	$0	1,000,000(4)	$0	$34,773
President, Chief	2003	205,400	60,000	7,200	0	70,000	0	29,531
Operating Officer	2002	179,400	35,000	7,200	0	40,000	0	24,066
and Director								
J. Lynn Beckstead, Jr.	2004	$195,796	$ 85,000	$0	$0	5,000	$0	$25,750
Vice President of	2003	158,500	255,675	0	0	15,000	0	16,104
Mortgage Operations	2002	150,000	120,401	0	0	10,000	0	15,101
and Director								
G. Robert Quist (1)	2004	$104,814	$ 0	$2,400	$0	10,000	$0	$10,711
First Vice President	2003	87,175	16,599	2,400	0	35,000	0	9,748
and Secretary								
Stephen M. Sill	2004	$102,855	$ 6,000	$3,600	$0	5,000	$0	$11,684
Vice President, Treasurer and Chief Financial Officer								

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

(2) The amounts indicated under "Other Annual Compensation" consist of payments related to the operation of automobiles by the Named Executive Officers. However, such payments do not include the furnishing of an automobile by the Company to George R. Quist, Scott M. Quist, J. Lynn Beckstead Jr., and G. Robert Quist, nor the payment of insurance and property taxes with respect to the automobiles operated by the Named Executive Officers.

(3) The amounts indicated under "All Other Compensation" consist of (a) amounts contributed by the Company into a trust for the benefit of the Named Executive Officers under the Security National Financial Corporation Deferred Compensation Plan (for the years 2004, 2003, and 2002, such amounts were George R. Quist, $21,341, $18,590 and $16,207, respectively; Scott M. Quist, $23,001, $23,000 and $19,219, respectively; J. Lynn Beckstead, Jr., $21,000, $12,750 and $0, respectively; G. Robert Quist, $10,161 and $9,394 for the years 2004 and 2003, respectively; and Stephen M. Sill $11,134 for the year 2004); (b) insurance premiums paid by the Company with respect to a group life insurance plan for the benefit of the Named Executive Officers (for the years 2004, 2003 and 2002, such amounts were for George R. Quist $17, $39 and $125, respectively; and for Scott M. Quist, G. Robert Quist, Stephen M. Sill and J. Lynn Beckstead, Jr., $550, $354, and $642 each, respectively); (c) life insurance premiums paid by the Company for the benefit of the family of George R. Quist ($4,644 for each of the years 2004, 2003 and 2002); Scott M. Quist ($11,222 for the year 2004, $6,177 for the year 2003, $4,205 for the year 2002); and J. Lynn Beckstead, Jr. ($4,200 for the year 2004); (d) compensation paid for the cashless exercise of 50,000 shares of Company stock exercised by George R. Quist ($10,210) for the year 2002; (e) amounts contributed by the Company into a trust for the benefit of the Named Executive Officers under the Security National Financial Corporation's Employer Stock Ownership Plan (ESOP) (for the years 2003 and 2002, such amounts were J. Lynn Beckstead Jr., $3,000 and $2,754, respectively; and (f) amounts contributed by the Company into a trust for the benefit of the Named Executive Officers under the Security National Financial Corporation Tax-Favored Retirement Savings Plan (401-k) Plan) (for the years 2003 and 2002, such amounts were J. Lynn Beckstead Jr., $0 and $11,705, respectively). The amounts under "All Other Compensation" do not include the no-interest loan in the amount of $172,000 that the Company made to George R. Quist on April 29, 1998 to exercise stock options granted to him. The loan has been fully paid as of March 31, 2005.

(4) Options to purchase 1,000,000 shares of Class C common stock. The Class C common shares are convertible to Class A common shares on the basis of ten shares of Class C common stock to one share of Class A common stock.

The following table sets forth information concerning the exercise of options to acquire shares of the Company's Common Stock by the Named Executive Officers during the fiscal year ended December 31, 2004, as well as the aggregate number and value of unexercised options held by the Named Executive Officers on December 31, 2004.

Aggregated Option/SAR Exercised in Last Fiscal Year and Fiscal Year-End Option/SAR Values:

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Unexercised Options/SARs at December 31, 2004(#)		Value of Unexercised In-the-Money Options/SARs at December 31, 2004	
			Exercisable	Unexercisable	Exercisable	Unexercisable
George R. Quist	68,298	$560,040	153,620	-0-	$ 27,233	$ -0-
Scott M. Quist	-0-	-0-	1,082,175(1)	-0-	-0-	-0-
J. Lynn Beckstead, Jr.	8,355	62,243	21,788	-0-	-0-	-0-
G. Robert Quist	6,862	51,455	49,088	-0-	-0-	-0-
Stephen M. Sill	3,718	32,350	5,250	-0-	1,228	-0-

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(1) Includes options to purchase 1,000,000 shares of Class C common stock. The Class C common shares are convertible to Class A common shares on the basis of ten shares of Class C common stock to one share of Class A common stock.

Retirement Plans

On December 8, 1988, the Company entered into a deferred compensation plan with George R. Quist, the Chairman and Chief Executive officer of the Company. The plan was later amended on three occasions with the third amendment effective February 1, 2001. Under the terms of the plan as amended, upon the retirement of Mr. Quist, the Company is required to pay him ten annual installments in the amount of $60,000. Retirement is defined in the plan as the age of 70, or a later retirement age, as specified by the Board of Directors. The $60,000 annual payments are to be adjusted for inflation in accordance with the United States Consumer Price Index for each year after January 1, 2002. If Mr. Quist's employment is terminated by reason of disability or death before he reaches retirement age, the Company is to make the ten annual payments to Mr. Quist, in the event of disability, or to his designated beneficiary, in the event of death.

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

Employment Agreements

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

In the event of a sale or merger of the Company and Mr. Quist is not retained in his current position, the Company would be obligated to continue Mr. Quist's current compensation and benefits for seven years following the merger or sale. The agreement further provides that Mr. Quist is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 65), (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to 75% of his then current rate of compensation. However, in the event that Mr. Quist dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company accrued $31,500 and $328,000 in fiscal 2004 and 2003, respectively, to cover the present value of anticipated retirement benefits under the employment agreement.

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

In the event of a sale or merger of the Company, and Mr. Beckstead were not retained in his current position, the Company would be obligated to continue Mr. Beckstead's current compensation and benefits for five years following the merger or sale. The agreement further provides that Mr. Beckstead is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 62 1/2) (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to one-half of his then current annual salary. However, in the event that Mr. Beckstead dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company accrued in 2004 and 2003 approximately $18,500 and $172,000, respectively, to cover the present value of the retirement benefit of the agreement.

Director Compensation

Directors of the Company (but not including directors who are employees) are paid a director's fee of $13,200 per year by the Company for their services and are reimbursed for their expenses in attending board and committee meetings. No additional fees are paid by the Company for committee participation or special assignments. However, each director is provided with an annual grant of stock options to purchase 1,000 shares of Class A Common Stock under the 2000 Director Stock Option Plan.

Employee 401(k) Retirement Savings Plan

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

All persons who have completed at least one year's service with the Company and satisfy other plan requirements are eligible to participate in the 401(k) plan. All Company matching contributions are invested in the Company's Class A Common Stock. The Company's matching contributions for 2004, 2003 and 2002 were approximately $5,746, $4,493 and $7,975, respectively. Also, the Company may contribute at the discretion of the Company's Board of Directors an Employer Profit Sharing Contribution to the 401(k) plan. The Employer Profit Sharing Contribution shall be divided among three different classes of participants in the plan based upon the participant's title in the Company. All amounts contributed to the plan are deposited into a trust fund administered by an independent trustee. The Company's contributions to the plan for 2004, 2003 and 2002, were $128,949, $110,081 and $142,218, respectively.

Employee Stock Ownership Plan

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

Under the Ownership Plan, the Company has discretionary power to make contributions on behalf of all eligible employees into a trust created under the Ownership Plan. Employees become eligible to participate in the Ownership Plan when they have attained the age of 19 and have completed one year of service (a twelve-month period in which the Employee completes at least 1,040 hours of service). The Company's contributions under the Ownership Plan are allocated to eligible employees on the same ratio that each eligible employee's compensation bears to total compensation for all eligible employees during each year. To date, the Ownership Plan has approximately 234 participants and had $105,196 contributions payable to the Plan in 2004. Benefits under the Ownership Plan vest as follows: 20% after the third year of eligible service by an employee, an additional 20% in the fourth, fifth, sixth and seventh years of eligible service by an employee.

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

Deferred Compensation Plan

In 2001, the Company's Board of Directors adopted a Deferred Compensation Plan. Under the terms of the Deferred Compensation Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The board has appointed a committee of the Company to be the plan administrator and to determine the employees who are eligible to participate in the plan. The employees who participate may elect to defer a portion of their compensation into the plan. The Company may contribute into the plan at the discretion of the Company's Board of Directors. The Company's contribution for 2004, 2003 and 2002 was $123,249, $95,485 and $100,577, respectively.

1993 Stock Option Plan

On June 21, 1993, the Company adopted the Security National Financial Corporation 1993 Stock Incentive Plan (the "1993 Plan"), which reserves shares of Class A common stock for issuance thereunder. The 1993 Plan was approved at the annual meeting of the stockholders held on June 21, 1993. The 1993 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress.

The 1993 Plan provides for the grant of options and the award or sale of stock to officers, directors, and employees of the Company. Both "incentive stock options," as defined under Section 422A of the Internal Revenue Code of 1986 (the "Code"), and "non-qualified options" may be granted pursuant to the 1993 Plan. The exercise prices for the options granted are equal to or greater than the fair market value of the stock subject to such options as of the date of grant, as determined by the Company's Board of Directors. The options granted under the 1993 Plan, were to reward certain officers and key employees who have been employed by the Company for a number of years and to help the Company retain these officers by providing them with an additional incentive to contribute to the success of the Company.

The 1993 Plan is to be administered by the Board of Directors or by a committee designated by the Board. The terms of options granted or stock awards or sales effected under the 1993 Plan are to be determined by the Board of Directors or its committee. The Plan provides that if the shares of common stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of common stock as a stock dividend on its outstanding common stock, the number of shares of common stock deliverable upon the exercise of options shall be increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or stock dividend. In addition, the number of shares of common stock reserved for purposes of the Plan shall be adjusted by the same proportion. No options may be exercised for a term of more than ten years from the date of grant.

Options intended as incentive stock options may be issued only to employees, and must meet certain conditions imposed by the code, including a requirement that the option exercise price be no less than the fair market value of the option shares on the date of grant. The 1993 Plan provides that the exercise price for non-qualified options will be not less than at least 50% of the fair market value of the stock subject to such option as of the date of grant of such options, as determined by the Company's Board of Directors.

The 1993 Plan has a term of ten years. The Board of Directors may amend or terminate the 1993 Plan at any time, subject to approval of certain modifications to the 1993 Plan by the shareholders of the Company as may be required by law or the 1993 Plan. On November 7, 1996, the Company amended the 1993 Plan as follows: (i) to increase the number of shares of Class A common stock reserved for issuance under the 1993 Plan from 300,000 Class A shares to 600,000 Class A shares; and (ii) to provide that the stock subject to options, awards and purchases may include Class C common stock. On October 14, 1999, the Company amended the 1993 Plan to increase the number of shares of Class A common stock reserved for issuance under the plan from 746,126 Class A shares to 1,046,126 Class A shares. The Plan terminated in 2003 and options granted thereunder are non-transferable.

2000 Director Stock Option Plan

On October 16, 2000, the Company adopted the 2000 Directors Stock Option Plan (the "Director Plan") effective November 1, 2000. The Director Plan provides for the grant by the Company of options to purchase up to an aggregate of 50,000 shares of Class A common stock for issuance thereunder. The Director Plan provides that each member of the Company's Board of Directors who is not an employee or paid consultant of the Company automatically is eligible to receive options to purchase the Company's Class A common stock under the Director Plan.

Effective as of November 1, 2000, and on each anniversary date thereof during the term of the Director Plan, each outside director shall automatically receive an option to purchase 1,000 shares of Class A common stock. In addition, each new outside director who shall first join the Board after the effective date shall be granted an option to purchase 1,000 shares upon the date which such person first becomes an outside director and an annual grant of an option to purchase 1,000 shares on each anniversary date thereof during the term of the Director Plan. The options granted to outside directors shall vest in their entirety on the first anniversary date of the grant. The primary purposes of the Director Plan are to enhance the Company's ability to attract and retain well-qualified persons for service as directors and to provide incentives to such directors to continue their association with the Company.

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

2003 Stock Option Plan

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

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

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

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

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

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

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

Based solely on its review of the copies of stock reports received by it with respect to fiscal 2004, or written representations from certain reporting persons, the Company believes that all filing requirements applicable to its directors, officers and greater than 10% beneficial owners were compiled with, except that George R. Quist, Chairman and Chief Executive Officer of the Company, through an oversight, filed one late Form 4 report reporting the purchase of shares of Class A common stock in one transaction.

Certain Relationships and Related Transactions

On December 19, 2001, the Company entered into an option agreement with Monument Title, LLC, a Utah limited liability company in which the Company made available a $100,000 line of credit to Monument Title at an interest rate of 8% per annum. The line of credit is secured by the assets of Monument Title. From December 28, 2001 to June 14, 2002, the Company advanced Monument Title a total of $77,953 under the line of credit. The amount advanced under the line of credit plus accrued interest are payable upon demand. Ron Motzkus and Troy Lashley, who own 90% and 10% of the outstanding shares of Monument Title, respectively, are brother-in-laws of Scott M. Quist, President and Chief Operating Officer of the Company. The Company has the right under the option agreement for a period of five years from the date thereof to acquire 100% of the outstanding common shares of Monument Title for the sum of $10. The purpose of the transaction, which was approved by the Company's Board of Directors, is to insure that the title and escrow work performed for Security National Mortgage Company in connection with its mortgage loans are completed as accurately as possible by Monument Title to avoid any economic losses to the Company.

On November 1, 2004, the Company entered into an Agreement to Repay Indebtedness and to Convey Option with Monument Title and Mr. Motzkus. Under the terms of the agreement, Monument Title agreed to pay the Company a total of $94,177, representing the total of $77,953 that the Company advanced to Monument Title under the line of credit, plus interest thereon, within seven days from the date of the agreement. Monument Title paid the $94,177 to the Company pursuant to the agreement. In addition, the Company agreed to release its interest in the option agreement to acquire 100% of the outstanding common shares of Monument Title, in consideration for the payment of an additional $94,177. Monument Title is to pay the additional $94,177 to the Company in minimum payments of $500 per month for the first twelve months following the date of the agreement, with additional payments of $1,000 per month for the second twelve months following the date of the agreement. After the 24th month following the date of the agreement, the outstanding balance is to bear interest at the three-year treasury rate plus one percent. The minimum payment for the third year is $1,500 per month, the minimum payment for the fourth year is $2,000 per month and the minimum payment for the fifth year is $2,500 per month. Any remaining unpaid balance, including interest, shall be due and payable at the conclusion of the 60th month from the date of the agreement.

On December 26, 2003, Security National Life entered into a coinsurance agreement and a modified coinsurance agreement with Southern Security Life Insurance Company, effective September 30, 2003. Under the terms of these agreements, Southern Security Life Insurance Company ceded 50% of certain blocks of its universal life business to Security National Life. The total liabilities reinsured for this business on October 1, 2003 were $22,195,259. Southern Security Life Insurance Company received a ceding commission from Security National Life of $3,200,000 and will pay a risk charge to Security National Life of 1% of the outstanding coinsurance per calendar quarter. Southern Security Life Insurance Company placed investment grade bonds in a bank trust, the value of which equal the outstanding liabilities ceded to Security National Life. Security National Life is named as a beneficiary of the trust, and the terms of the trust are such that Southern Security Life Insurance Company will maintain investment grade bonds in the trust to equal the outstanding liabilities ceded to Security National Life.

Under the coinsurance agreement and the modified coinsurance agreement, the coinsurance and the decrease in reserves are equal in amount. Under U. S. GAAP the coinsurance and the reserve decreases are netted since these are non-cash items, and Southern Security Life Insurance Company expects to recapture the coinsurance from future profits of the reinsured business. Southern Security Life Insurance Company has the right to recapture the business at any time after

September 30, 2004, upon 90 days advance notice. As of December 31, 2004, the outstanding coinsurance amount was $2,426,107. Southern Security Life Insurance Company recorded as an expense the risk charge of $112,315 for 2004. The coinsurance agreements have remained in effect following completion of the merger of SSLIC Holding Company into Southern Security Life Insurance Company. As a result, the coinsurance agreements have not been impacted or affected by the completion of such merger.

On December 28, 2004, Security National Life entered into a coinsurance agreement and a modified coinsurance agreement with Southern Security Life Insurance Company, effective October 1, 2004. Under the terms of these agreements, Southern Security Life Insurance Company ceded 25% of certain blocks of its universal life business to Security National Life. The total liabilities reinsured for this business on October 1, 2004 were $11,010,599. Southern Security Life Insurance Company received a ceding commission from Security National Life of $1,200,000 and will pay a risk charge to Security National Life of 1% of the outstanding coinsurance per calendar quarter. Southern Security Life Insurance Company placed investment grade bonds in a bank trust, the value of which equal the outstanding liabilities ceded to Security National Life. Security National Life is named as a beneficiary of the trust, and the terms of the trust are such that Southern Security Life Insurance Company will maintain investment grade bonds in the trust to equal the outstanding liabilities ceded to Security National Life.

Under the coinsurance agreement and the modified coinsurance agreement, the coinsurance and the decrease in reserves are equal in amount. Under U. S. GAAP the coinsurance and the reserve decreases are netted since these are non-cash items, and Southern Security Life Insurance Company expects to recapture the coinsurance from future profits of the reinsured business. Southern Security Life Insurance Company has the right to recapture the business at any time after September 30, 2005, upon 120 days advance notice. As of December 31, 2004 the outstanding coinsurance amount was $1,157,886. Southern Security Life Insurance Company recorded as an expense the risk charge of $12,000 for 2004. The coinsurance agreements have remained in effect following completion of the merger of SSLIC Holding Company into Southern Security Life Insurance Company. As a result, the coinsurance agreements have not been impacted or affected by the completion of such merger.

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth security ownership information of the Company's Class A and Class C common stock as of March 31, 2005, (i) for persons who own beneficially more than 5% of the Company's outstanding Class A or Class C common stock, (ii) each director of the Company, and (iii) for all executive officers and directors of the Company as a group.

Name and Address (1)	Class A Common Stock Amount Beneficially Owned	Class A Common Stock Percent of Class	Class C Common Stock Amount Beneficially Owned	Class C Common Stock Percent of Class	Class A and Class C Common Stock Amount Beneficially Owned	Class A and Class C Common Stock Percent of Class
George R. and Shirley C. Quist Family Partnership, Ltd. (2)	426,375	7.0%	3,358,687	52.6%	3,785,062	28.1%
Employee Stock Ownership Plan (3)	577,183	9.5%	1,553,041	24.3%	2,130,224	15.8%
George R. Quist (4)(5)(7)(8)	449,945	7.4%	470,581	7.4%	920,526	6.8%
Scott M. Quist (4)(7)(9)	347,885	5.7%	1,307,079	20.5%	1,654,964	12.3%
Associated Investors (10)	92,798	1.5%	655,610	10.3%	748,408	5.5%
G. Robert Quist (6)(11)	112,300	1.9%	244,052	3.8%	356,352	2.6%
J. Lynn Beckstead, Jr., (6)(12)	104,193	1.7%	--	*	104,193	*
Stephen M. Sill (6)(13)	58,087	1.0%	--	*	58,087	*
Christie Q. Overbaugh (14)	56,979	*	105,501	1.7%	162,480	1.2%
Robert G. Hunter, M.D., (4)(15)	7,296	*	--	*	7,296	*
Norman G. Wilbur (16)	5,962	*	--	*	5,962	*
Charles L. Crittenden (17)	5,921	*	--	*	5,921	*
H. Craig Moody (18)	5,678	*	--	*	5,678	*
All directors and executive officers (10 persons) (4)(5)(6)(7)	1,580,621	26.1%	5,485,500	86.0%	7,066,521	52.4%

* Less than 1%

(1) Unless otherwise indicated, the address of each listed stockholder is c/o Security National Financial Corporation, 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123.

(2) This stock is owned by the George R. and Shirley C. Quist Family Partnership, Ltd., of which George R. Quist is the general partner.

(3) The trustees of the Employee Stock Ownership Plan (ESOP) are George R. Quist, Scott M. Quist, and Robert G. Hunter who exercise shared voting and investment powers.

(4) Does not include 577,183 shares of Class A common stock and 1,553,041 shares of Class C common stock owned by the Company's Employee Stock Ownership Plan (ESOP), of which George R Quist, Scott M. Quist and Robert G. Hunter are the trustees and accordingly, exercise shared voting and investment powers with respect to such shares.

(5) Does not include 92,798 shares of Class A common stock and 655,611 shares of Class C common stock owned by Associated Investors, a Utah general partnership, of which George R. Quist is the managing partner and, accordingly, exercises sole voting and investment powers with respect to such shares.

(6) Does not include 252,757 shares of Class A common stock owned by the Company's 401(k) Retirement Savings Plan, of which G. Robert Quist, J. Lynn Beckstead, and Stephen M. Sill are members of the Investment Committee and, accordingly, exercise shared voting and investment powers with respect to such shares.

(7) Does not include 140,573 shares of Class A common stock owned by the Company's Deferred Compensation Plan, of which George R. Quist and Scott M. Quist are members of the Investment Committee and, accordingly, exercise shared voting and investment powers with respect to such shares.

(8) Includes options to purchase 153,620 shares of Class A common stock granted to George R. Quist that are currently exercisable or will become exercisable within 60 days of March 31, 2005.

(9) Includes options to purchase 77,175 shares of Class A common stock and 1,050,000 shares of Class C common stock granted to Scott M. Quist that are currently exercisable or will become exercisable within 60 days of March 31, 2005.

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

(11) Includes options to purchase 49,088 shares of Class A common stock granted to G. Robert Quist that are currently exercisable or will become exercisable within 60 days of March 31, 2005.

(12) Includes options to purchase 21,788 shares of Class A common stock granted to Mr. Beckstead that are currently exercisable or will become exercisable within 60 days of March 31, 2005.

(13) Includes options to purchase 5,250 shares of Class A common stock granted to Mr. Sill that are currently exercisable or will become exercisable within 60 days of March 31, 2005.

(14) Includes options to purchase 7,875 shares of Class A common stock granted to Ms. Overbaugh that are currently exercisable or will become exercisable within 60 days of March 31, 2005.

(15) Includes options to purchase 4,753 shares of Class A common stock granted to Mr. Hunter that are currently exercisable or will become exercisable within 60 days of March 31, 2005.

(16) Includes options to purchase 4,753 shares of Class A common stock granted to Mr. Wilbur that are currently exercisable or will become exercisable within 60 days of March 31, 2005.

(17) Includes options to purchase 1,103 shares of Class A common stock granted to Mr. Crittenden that are currently exercisable or will become exercisable within 60 days of March 31, 2005.

The Company's officers and directors, as a group, own beneficially approximately 52.4% of the outstanding shares of the Company's Class A and Class C common stock.

REPORT OF THE COMPENSATION COMMITTEE

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

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

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

Base Salary. Base salaries for executive officers are set at levels believed by the Compensation Committee to be sufficient to attract and retain qualified executive officers. Base pay increases are provided to executive officers based on an evaluation of each executive's performance, as well as the performance of the Company as a whole. In establishing base salaries, the Compensation Committee not only considers the financial performance of the Company, but also the success of the executive officers in developing and executing the Company's strategic plans, developing management employees and exercising leadership. The Compensation Committee believes that executive officer base salaries for 2004 were reasonable as compared to amounts paid by companies of similar size.

Annual Incentive. The Compensation Committee believes that a significant proportion of total cash compensation for executive officers should be subject to attainment of specific Company financial performance. This approach creates a direct incentive for executive officers to achieve desired performance goals and places a significant percentage of each executive officer's compensation at risk. Consequently, each year the Compensation Committee establishes potential bonuses for executive officers based on the Company's achievement of certain financial performance. The Compensation Committee believes that executive officer annual bonuses for 2004 were reasonable as compared to amounts paid by companies of similar size.

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

Compensation of Chief Executive Officer. Consistent with the executive compensation policy and components described above, the Compensation Committee determined the salary, bonus and stock options received by George R. Quist, the Chairman of the Board and Chief Executive Officer of the Company, for services rendered in 2004. Mr. Quist received a base salary of $165,600 for 2004. He also received an annual bonus of $50,000 and stock options to purchase 100,000 shares of the Company's Class A common stock, of which 50,000 shares are exercisable at $3.96 per share and 50,000 shares are exercisable at $3.55 per share. Under the Compensation Committee's rules, the Chief Executive Officer may not be present during voting or deliberations related to his compensation.

COMPENSATION COMMITTEE

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

REPORT OF THE AUDIT COMMITTEE

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

During the year 2004, the Audit Committee met four times. The Audit Committee has met with management and discussed the Company's internal controls, the quality of the Company's financial reporting, the results of internal and external audit examinations, and the audited financial statements. In addition, the Audit Committee met with the Company's former independent auditors, Tanner LC, and discussed all matters required to be discussed by the auditors with the Audit Committee under Statement on Auditing Standards No. 61 (communication with audit committees). The Audit Committee reviewed and discussed with the auditors their annual written report on their independence from the Company and its management, which is made under Independence Standards Board Standard No. 1 (independence discussions with audit committees), and considered with the auditors whether the provision of financial information systems design and implementation and other non-audit services provided by them to the Company during 2004 was compatible with the auditors' independence.

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

Pursuant to the reviews and discussions described above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

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

COMPANY STOCK PRICE PERFORMANCE

This 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, 1999 through December 31, 2004. 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, 1999, 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.

	December 31, 1999	December 31, 2000	December 31, 2001	December 31, 2002	December 31, 2003	December 31, 2004
Security National Financial Corporation	100	70	81	216	262	117
S&P 500	100	90	78	60	76	82
S&P Insurance Index	100	133	116	91	108	115

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 proxy statement 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.

RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

PROPOSAL 2

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

The Board of Directors recommends that stockholders vote "FOR" ratification of the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's registered public independent accountants for fiscal year ending December 31, 2005.

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

Fees for the year 2004 for the annual audit of the financial statements and employee benefit plans and related quarterly reviews by Tanner L.C., the Company's former registered public independent accountants, were approximately $262,000. There were $19,000 in other fees during 2004.

OTHER MATTERS

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

Stockholders are referred to the Company's annual report, including financial statements, for the fiscal year ended December 31, 2004. The annual report is incorporated in this Proxy Statement and is not to be considered part of the soliciting material. The Company will provide, without charge to each stockholder upon written request, a copy of the Company's Annual Report Form 10-K as filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2004. Such requests should be directed to G. Robert Quist, First Vice President and Secretary, at P.O. Box 57250, Salt Lake City, Utah 84157-0250.

DEADLINE FOR RECEIPT OF STOCKHOLDER'S PROPOSALS FOR ANNUAL MEETING TO BE HELD IN JULY 2006

Any proposal by a stockholder to be presented at the Company's next Annual Meeting of Stockholders expected to be held in July 2006 must be received at the offices of the Company, P.O. Box 57250, Salt Lake City, Utah 84157-0250, no later than March 31, 2006.

By order of the Board of Directors,

G. Robert Quist
First Vice President and Secretary

June 7, 2005
Salt Lake City, Utah

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

The undersigned Class C common stockholder of Security National Financial Corporation (the "Company") acknowledges receipt of the Notice of Annual Meeting of the Stockholders to be held on Friday, July 8, 2005, at 5300 South 360 West, Suite 250, Salt Lake City, Utah, at 10:00 a.m. Mountain Daylight Time, and hereby appoints Messrs. George R. Quist, Scott M. Quist and G. Robert Quist, or any of them, each with full power of substitution, as attorneys and proxies to vote all the shares of the undersigned at said Annual Meeting of Stockholders and at all adjournments or postponements thereof, hereby ratify and confirm all that said attorneys and proxies may do or cause to be done by virtue hereof. The above-named attorneys and proxies are instructed to vote all of the undersigned's shares as follows:

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

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

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

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

2. To ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's registered public independent accountants for the fiscal year ending December 31, 2005;

[ ] FOR [ ] AGAINST

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

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

Dated --, 2005

- ---
Signature of Stockholder

- --
Signature of Stockholder

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

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

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

The undersigned Class A common stockholder of Security National Financial Corporation (the "Company") acknowledges receipt of the Notice of Annual Meeting of the Stockholders to be held on Friday, July 8, 2005, at 5300 South 360 West, Suite 250, Salt Lake City, Utah, at 10:00 a.m., Mountain Daylight Time, and hereby appoints Messrs. George R. Quist, Scott M. Quist and G. Robert Quist, or any of them, each with full power of substitution, as attorneys and proxies to vote all the shares of the undersigned at said Annual Meeting of Stockholders and at all adjournments or postponements thereof, hereby ratify and confirming all that said attorneys and proxies may do or cause to be done by virtue hereof. The above-named attorneys and proxies are instructed to vote all of the undersigned's shares as follows:

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

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

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

J. Lynn Beckstead, Jr. and H. Craig Moody

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

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

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

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

3. To ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's registered public independent accountants for the fiscal year ending December 31, 2005;

[ ] FOR [ ] AGAINST

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

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

Dated ____, 2005

- --
Signature of Stockholder

- --
Signature of Stockholder

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

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

My Fellow Shareholders:

I am pleased to report to you on the affairs of the Company for the year ended December 31, 2004 and invite you to attend the annual stockholders meeting to be held on July 8, 2005 at the Company's home office in Salt Lake City, Utah.

2004 was a year marked by transition for our Company. Some selected statistics are instructive: In 2004 Cemetery and Mortuary profitability increased 152% to $1,286,000 on a 6.55% revenue increase to $11,661,000; Life insurance profitability decreased 4% to $1,933,000 on a revenue increase of 11.5% to $25,979,000; Mortgage operations resulted in a loss of $562,000, versus a profit of $6,943,000 in 2003, on a 32% revenue decrease to $62,689,000. Cash flow was sufficient that we reduced our outside indebtedness by 32% paying off some $4,600,000 in debt.

The results in our memorial operations reflect the profitability initiatives of the past several years. That segment still faces considerable challenges in the market transition from in ground burial to cremation. Cremation is neither more nor less profitable than traditional dispositions depending upon the level of services requested. Our continuing challenge is to train our staff to be attuned to the service needs of the cremation customer.

Our life insurance segment has done very well marketing its products recording significant gains in year over year first year premium sales. This has occurred in both our funeral planning and higher education markets. A considerable factor in profitability has been the persistent low interest rate environment. The current low interest rates are approaching our policy contractual minimums, which has reduced our interest rate spreads thus negatively impacting profitability. We have undertaken a number of initiatives to increase our earned interest rates including opening a construction lending operation, increasing our commercial real estate lending activities and our "Fast Funding" insurance policy factoring program. Still, the low interest rates remain problematical.

The interest rate environment also continues to impact our mortgage operations. As interest rates have leveled off we have seen our origination volumes decrease by 40%. This has been in line with industry experience. Correspondingly, we have seen a decrease in the margins we are able to attain in our secondary operations as we sell our completed loans. Our current strategy is to maintain our existing 18 branches and bring each to profitability by increasing their respective sales forces. This strategy to date has met mixed results, however, we believe that over the longer term this strategy will yield positive results.

Thank you for your continued confidence in our Company.

MANAGEMENT REPORT AND FINANCIAL INFORMATION

The consolidated financial statements of Security National Financial Corporation and all information in the annual report are the responsibility of management. The statements have been prepared in conformity with generally accepted accounting principles generally accepted in the United States. Financial information elsewhere in this report is consistent with that in the consolidated financial statements. The consolidated financial statements have been audited by the independent registered public accounting firm of Tanner LC. Its role is to render an independent professional opinion on Security National Financial Corporation's financial statements.

Management maintains a system of internal controls designed to meet its responsibilities for reliable financial statements. This system is designed to provide reasonable assurance, at appropriate costs, that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. Judgment is required to assess and balance the relative costs and expected benefits of those controls.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheet of Security National Financial Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the three years in the period ended December 31, 2004. In connection with our audits of the consolidated financial statements, we have also audited the amounts included in the consolidated financial statement schedules as listed in the accompanying index under Item 8. These consolidated financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ TANNER LC

Salt Lake City, Utah
March 31, 2005

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet

Assets:	December 31, 2004	2003
Insurance-related investments:		
Fixed maturity securities held to maturity, at amortized cost (market $72,330,878 and $38,624,978 for 2004 and 2003)	$69,984,761	$37,293,989
Fixed maturity securities available for sale, at market (cost $10,486,309 in 2004 and $13,214,057 in 2003)	11,066,025	14,270,037
Equity securities available for sale, at market (cost $2,037,249 and $1,981,461 for 2004 and 2003)	4,166,769	3,453,444
Mortgage loans on real estate and construction loans, net of allowances for losses of $254,893 and $14,893 for 2004 and 2003	65,831,586	29,914,745
Real estate, net of accumulated depreciation and allowances for losses of $4,408,030 and $4,059,934 for 2004 and 2003	9,709,129	8,519,680
Policy, student and other loans	13,312,471	11,753,617
Short-term investments	4,628,999	2,054,248
Total insurance-related investments	178,699,740	107,259,760
Restricted assets of cemeteries and mortuaries	5,176,463	4,745,709
Cash	15,333,668	19,704,358
Receivables:		
Trade contracts	5,333,891	5,173,964
Mortgage loans sold to investors	47,167,150	114,788,185
Receivable from agents	1,416,211	1,318,958
Receivable from officers	1,540	37,540
Other	1,120,157	1,086,523
Total receivables	55,038,949	122,405,170
Allowance for doubtful accounts	(1,302,368)	(1,706,678)
Net receivables	53,736,581	120,698,492
Policyholder accounts on deposit with reinsurer	6,689,422	6,795,983
Cemetery land and improvements held for sale	8,547,764	8,387,061
Accrued investment income	1,743,721	1,142,690
Deferred policy and pre-need contract acquisition costs	20,181,818	17,202,489
Property and equipment, net	10,520,665	11,009,416
Cost of insurance acquired	14,053,497	14,980,763
Excess of cost over net assets of acquired subsidiaries	683,191	683,191
Other	1,107,230	873,424
Total assets	$316,473,760	$313,483,336

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet (Continued)

	December 31, 2004	December 31, 2003
Liabilities:		
Future life, annuity, and other policy benefits	$224,529,539	$218,793,693
Unearned premium reserve	2,254,991	1,945,203
Bank loans payable	10,442,106	14,422,670
Notes and contracts payable	2,888,539	3,440,694
Deferred pre-need cemetery and funeral contract revenues	10,762,357	10,520,280
Accounts payable	1,064,269	1,274,183
Funds held under reinsurance treaties	1,184,463	1,294,589
Other liabilities and accrued expenses	6,371,343	7,745,120
Income taxes	11,497,967	10,914,845
Total liabilities	270,995,574	270,351,277
Commitments and contingencies	--	--
Minority interest	3,813,346	3,956,628
Stockholders' Equity:		
Common stock:		
Class A: $2 par value, authorized 10,000,000 shares, issued 6,755,870 shares in 2004 and 6,275,104 shares in 2003	13,511,740	12,550,208
Class C: convertible, $0.20 par value, authorized 7,500,000 shares, issued 6,468,199 shares in 2004 and 6,469,638 shares in 2003	1,293,641	1,293,927
Total common stock	14,805,381	13,844,135
Additional paid-in capital	14,922,851	13,569,582
Accumulated other comprehensive (loss) and other items, net of deferred taxes of $445,761 and $274,091 for 2004 and 2003, respectively	(11,352)	(437,973)
Retained earnings	15,365,259	15,414,681
Treasury stock at cost (1,315,075 Class A shares and 79,103 Class C shares in 2004; 1,276,518 Class A shares and 75,336 Class C shares in 2003, held by affiliated companies)	(3,417,299)	(3,214,994)
Total stockholders' equity	41,664,840	39,175,431
Total liabilities and stockholders' equity	$316,473,760	$313,483,336

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statement of Earnings

	Years Ended December 31,		
	2004	2003	2002
Revenues:			
Insurance premiums and other considerations	$25,979,341	$23,294,373	$14,076,652
Net investment income	15,939,176	17,302,597	12,539,430
Net mortuary and cemetery sales	11,661,053	10,944,365	10,638,754
Realized gains (losses) on investments and other assets	74,431	(2,155)	1,020,820
Mortgage fee income	62,689,391	92,955,165	57,008,283
Other	854,425	550,064	479,424
Total revenue	117,197,817	145,044,409	95,763,363
Benefits and expenses:			
Death benefits	13,248,960	13,315,266	5,637,217
Surrenders and other policy benefits	1,291,621	1,726,275	2,086,829
Increase in future policy benefits	8,821,497	6,712,961	6,031,685
Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired	4,602,072	4,929,006	3,993,393
General and administrative expenses:			
Commissions	48,690,807	67,536,703	42,114,240
Salaries	14,391,958	14,079,908	10,414,392
Other	19,014,776	21,309,897	15,930,804
Interest expense	2,173,778	3,642,046	1,970,342
Cost of goods and services sold of the mortuaries and cemeteries	2,303,821	2,327,475	2,045,476
Total benefits and expenses	114,539,290	135,579,537	90,224,378
Earnings before income taxes	2,658,527	9,464,872	5,538,985
Income tax expense	(651,536)	(2,890,669)	(1,565,393)
Minority interest	115,281	22,294	17,688
Net earnings	$2,122,272	$6,596,497	$3,991,280
Net earnings per common share (1)	$.35	$1.13	$.72
Weighted average outstanding common shares (1)	6,001,861	5,851,814	5,572,783
Net earnings per common share assuming dilution (1)	$.34	$1.10	$.69
Weighted average outstanding common shares assuming dilution (1)	6,217,951	6,003,773	5,744,154

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

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity

	Class A	Class C	Additional Paid-in Capital	Accumulated Other Comprehensive Income (loss), and Other Items	Retained Earnings	Treasury Stock	Total
Balance as of January 1, 2002	$10,727,182	$1,222,686	$10,168,523	$ 1,223,930	$9,989,230	$(3,362,233)	$29,969,318
Comprehensive income:							
Net earnings	--	--	--	--	3,991,280	--	3,991,280
Unrealized losses	--	--	--	(32,067)	--	--	(32,067)
Total comprehensive income	--	--	--	--	--	--	3,959,213
Stock dividends	552,024	58,883	690,316	--	(1,301,223)	--	--
Conversion Class C to Class A	45,036	(45,036)	--	--	--	--	--
Exercise of stock options	264,742	--	422,003	--	(686,745)	--	--
Sale of treasury stock	--	--	--	--	--	584,880	584,880
Balance at December 31, 2002	$11,588,984	$1,236,533	$11,280,842	$ 1,191,863	$11,992,542	$(2,777,353)	$34,513,411
Comprehensive income:							
Net earnings	$ --	$ --	$ --	$ --	$ 6,596,497	$ --	$ 6,596,497
Unrealized gains	--	--	--	352,784	--	--	352,784
Total comprehensive income	--	--	--	--	--	--	6,949,281
Acquisition of Company Stock held in escrow (see note 17)	--	--	--	(1,982,620)	--	--	(1,982,620)
Stock dividends	603,549	61,617	1,529,240	--	(2,194,406)	--	--
Conversion Class C to Class A	4,225	(4,223)	(2)	--	--	--	--
Exercise of stock options	353,450	--	759,502	--	(979,952)	--	133,000
Purchase of treasury stock	--	--	--	--	--	(437,641)	(437,641)
Balance at December 31, 2003	$12,550,208	$1,293,927	$13,569,582	$ (437,973)	$15,414,681	$(3,214,994)	$39,175,431
Comprehensive income:							
Net earnings	$ --	$ --	$ --	$ --	$ 2,122,272	$ --	$ 2,122,272
Unrealized gains	--	--	--	426,621	--	--	426,621
Total comprehensive income	--	--	--	--	--	--	2,548,893
Exercise of stock options	255,776	--	775,801	--	(1,031,577)	--	--
Purchase of Treasury stock	--	--	--	--	--	(422,946)	(422,946)
Sale of Treasury stock	--	--	142,500	--	--	220,641	363,141
Stock dividends	643,864	61,602	433,862	--	(1,139,328)	--	--
Conversion Class C to Class A	61,892	(61,888)	1,106	--	(789)	--	321
Balance at December 31, 2004	$13,511,740	$1,293,641	$14,922,851	$ (11,352)	$15,365,259	$(3,417,299)	$41,664,840

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statement of Cash Flows

	Years Ended December 31,		
	2004	2003	2002
Cash flows from operating activities:			
Net earnings	$ 2,122,272	$ 6,596,497	$ 3,991,280
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Realized (gains) losses on investments and other assets	(74,431)	2,155	(1,020,820)
Depreciation	2,013,113	1,866,924	1,553,399
Provision for losses on real estate accounts and loans receivable	(165,781)	225,072	(300,412)
Amortization of premiums and discounts	(2,489)	44,092	121,329
Provision for deferred income taxes	636,430	2,862,343	970,139
Policy and pre-need acquisition costs deferred	(6,051,793)	(4,527,546)	(4,462,624)
Policy and pre-need acquisition costs amortized	3,370,763	3,611,674	3,214,710
Cost of insurance acquired amortized	1,231,308	1,317,332	778,683
Change in assets and liabilities net of effects from purchases and disposals of subsidiaries:			
Land and improvements held for sale	(160,703)	42,154	626,688
Future life and other benefits	9,000,715	7,426,761	5,349,152
Receivables for mortgage loans sold	67,621,035	(25,333,080)	(38,760,032)
Other operating assets and liabilities	(2,624,510)	3,402,371	975,682
Net cash provided by (used in) operating activities	76,915,929	(2,463,251)	(26,962,826)
Cash flows from investing activities:			
Securities held to maturity:			
Purchase - fixed maturity securities	(37,371,166)	(15,396,993)	(4,147,878)
Calls and maturities - fixed maturity securities	6,293,614	11,147,744	8,025,610
Securities available for sale:			
Purchases - equity securities	(21,993)	(51,921)	(327,726)
Sales - equity securities	2,675,301	3,860,000	3,303,095
Purchases of short-term investments	(29,893,323)	(19,065,874)	(13,819,476)
Sales of short-term investments	26,731,711	22,347,104	9,937,642
Purchases of restricted assets	(262,195)	610,155	(56,899)
Mortgage, policy, and other loans made	(78,437,965)	(30,192,467)	(10,129,993)
Payments received for mortgage, policy, and other loans	41,116,662	20,479,056	4,939,374
Purchases of property and equipment	(1,241,898)	(1,623,310)	(1,348,752)
Cash received on sale of property and equipment	149,040	--	--
Purchases of real estate	(1,856,931)	(1,807,658)	(3,153,299)
Cash paid for purchase of subsidiary	(304,042)	--	--
Sale of real estate	352,054	2,287,831	2,825,666
Cash received in assumed reinsurance transaction	--	--	55,827,793
Net cash (used in) provided by investing activities	(72,071,131)	(7,406,333)	51,875,157

See accompanying notes to the consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statement of Cash Flows (Continued)

	Years Ended December 31,		
	2004	2003	2002
Cash flows from financing activities:			
Annuity and pre-need contract receipts	5,387,393	5,785,310	7,635,422
Annuity and pre-need contract withdrawals	(10,276,576)	(10,410,247)	(10,866,398)
Repayment of bank loans and notes and contracts payable	(4,401,500)	(3,695,521)	(1,824,440)
Proceeds from borrowing on notes and contracts	135,000	--	--
Proceeds from borrowings on bank loans and notes and contracts payable	--	--	9,000,000
Stock options exercised	--	133,000	--
Purchase of Treasury stock	(422,946)	(437,641)	--
Sale of treasury stock	363,141	--	584,880
Net cash (used in) provided by financing activities	(9,215,488)	(8,625,099)	4,529,464
Net change in cash	(4,370,690)	(18,494,683)	29,441,795
Cash at beginning of year	19,704,358	38,199,041	8,757,246
Cash at end of year	$ 15,333,668	$ 19,704,358	$38,199,041

Supplemental Schedule of Cash Flow Information:

The following information shows the non-cash items in connection with the assumption of reinsurance from Acadian Life Insurance Company on December 23, 2002:

Liabilities assumed:	
Future life, annuity and other policy benefits	$74,199,194
Less non-cash items:	
Cost of insurance acquired	(9,106,309)
Bonds received	(9,032,818)
Policy loans received	(82,126)
Premiums due and unpaid	(150,148)
Cash received	$55,827,793

The following information shows the non-cash items in connection with the purchase of Security National Life Insurance Company of Louisiana on March 16, 2004:

Liabilities assumed:	
Future life, annuity and other policy benefits	$ 1,865,038
Less non-cash items	
Cost of insurance acquired	(304,042)
Bonds received	(1,537,801)
Common stock received	(326,325)
Mortgage loans received	(471,593)
Real estate received	(32,668)
Policy loans received	(28,180)
Short-term investments	586,601
Receivables	(13,589)
Accrued investment income	(24,983)
Property, plant and equipment	(16,500)
Cash paid	$ (304,042)

See accompanying notes to the consolidated financial statements.

1) Significant Accounting Principles

General Overview of Business

Security National Financial Corporation and its wholly owned subsidiaries (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 marketed primarily in the intermountain west, California, Florida, Mississippi, Oklahoma and Texas. The cemetery and mortuary segment of the Company consists of five cemeteries in Utah, one cemetery in California, eight mortuaries in Utah and four mortuaries in Arizona. The mortgage loan segment is an approved governmental and conventional lender that originates and underwrites residential and commercial loans for new construction, existing homes and real estate projects primarily in Arizona, California, Colorado, Florida, Nevada, Texas and Utah.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which, for the life insurance subsidiaries, differ from statutory accounting principles prescribed or permitted by regulatory authorities. Certain amounts in prior years have been reclassified to conform with the 2004 presentation.

Risks

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

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

Credit Risk - the risk that issuers of securities owned by the Company, mortgagors of mortgage loans on real estate and obligors on construction loans, will default or that other parties, including reinsurers and holders of cemetery/ mortuary contracts which owe the Company money, will not pay. The Company minimizes this risk by adhering to a conservative investment strategy, by maintaining sound reinsurance and credit and collection policies and by providing for any amounts deemed uncollectible.

1) Significant Accounting Principles (Continued)

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 gain or loss.

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

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

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and operations of the Company. The Company's subsidiaries at December 31, 2004, are as follows:

Security National Life Insurance Company
SecurityNational Mortgage Company
Memorial Estates, Inc.
Memorial Mortuary
Paradise Chapel Funeral Home
California Memorial Estates
Cottonwood Mortuary, Inc.
Deseret Memorial, Inc.
Holladay Cottonwood Memorial Foundation
Holladay Memorial Park, Inc.
Sunset Funeral Home, Inc.
Greer-Wilson Funeral Home

1) Significant Accounting Principles (Continued)

Crystal Rose Funeral Home
Hawaiian Land Holdings
SSLIC Holding Company
Insuradyne Corporation
Southern Security Life Insurance Company (77%)
Security National Life Insurance Company of Louisiana (formerly Paramount Security Life Insurance Company)
Security National Capital, Inc.
Security National Funding

All significant intercompany transactions and accounts have been eliminated in consolidation.

On December 17, 1998, the Company purchased all of the outstanding shares of common stock of SSLIC Holding Company, formerly Consolidare Enterprises, Inc., and Insuradyne Corporation for a total cost of $12,248,194. As of December 31, 2004, Security National Life and its wholly owned subsidiary, SSLIC Holding, owned approximately 77% of the outstanding shares of common stock of Southern Security Life Insurance Company. The acquisition was accounted for using the purchase method.

Effective as of January 1, 2005, Security National Life and SSLIC Holding Company, a wholly owned subsidiary of Security National Life, completed a merger transaction with Southern Security Life Insurance Company. Under the terms of the merger and pursuant to the Agreement and Plan of Reorganization, dated August 25, 2004, among Security National Life, SSLIC Holding Company and Southern Security Life Insurance Company, including the amendment thereto dated December 27, 2004, SSLIC Holding Company was merged with and into Southern Security Life Insurance Company, which resulted in (i) Southern Security Life Insurance Company becoming a wholly-owned subsidiary of Security National Life Insurance Company, and (ii) the unaffiliated stockholders of Southern Security Life Insurance Company, holding an aggregate of 490,816 shares of common stock, becoming entitled to receive $3.84 in cash for each issued and outstanding share of their common stock of Southern Security Life Insurance Company, or an aggregate of $1,884,733.

As a result of the merger, the separate existence of SSLIC Holding Company ceased as Southern Security Life Insurance Company became the surviving corporation of the merger. Southern Security Life Insurance Company continues to be governed by the laws of the State of Florida, and its separate corporate existence continues unaffected by the merger. In addition, as a result of the merger, Security National Life owns all of the issued and outstanding common shares of Southern Security Life Insurance Company. Security National Financial Corporation, through its affiliates, Security National Life Insurance Company and SSLIC Holding Company, owned 76.7% of the Company's outstanding common shares prior to the merger.

The purpose of the merger is to terminate the registration of the common stock of Southern Security Life Insurance Company under the Securities Exchange Act of 1934 (by reducing the number of its stockholders of record to fewer than 300 stockholders) and the Nasdaq listing of the common stock, reduce expenses associated with such registration and listing, and provide the stockholders an opportunity to sell their shares in an illiquid trading market without incurring brokerage commissions. As a result of becoming a non-reporting company, Southern Security Life Insurance Company is no longer required to file periodic reports with the SEC, including among other things, annual reports on Form 10-K and quarterly reports on Form 10-Q, and is no longer subject to the SEC's proxy rules. In addition, its common stock is no longer eligible for trading on the Nasdaq SmallCap Market.

1) Significant Accounting Principles (Continued)

On December 23, 2002, the Company, through its wholly-owned subsidiary Security National Life Insurance Company completed the asset purchase transaction with Acadian Life Insurance Company ("Acadian") from which it acquired from Acadian $75,000,000 in assets and $75,000,000 in statutory insurance reserves. Security National Life paid a ceding commission of $10,254,803. On January 1, 2003, Security National Life entered into an assumption agreement in which Acadian transferred and assigned to Security National Life all of its right, title and interest in the reinsured policies and Security National Life took over the operations of this block of business. The assets and liabilities acquired have been included in the Company's consolidated balance sheet as of December 31, 2002. Since the Company did not take over the operations from Acadian until January 1, 2003, nothing was included in the consolidated statement of earnings during 2002.

On March 16, 2004, Security National Life purchased all of the outstanding common stock of Paramount Security Life Insurance Company, now known as Security National Life of Louisiana, a Louisiana domiciled insurance company located in Shreveport, Louisiana. As of December 31, 2003, Security National Life of Louisiana had 9,383 policies in force and 29 agents. There were no material changes to the number of policies in force or the number of agents between December 31, 2003 and March 16, 2004. The purchase consideration was $4,398,000 and was effective January 26, 2004. Security National Life of Louisiana is licensed in the State of Louisiana where it is permitted to appoint agents who do not have a full life insurance license. These agents are limited to selling small life insurance policies in the final expense market. The Company believes that with this license it will be able to expand its operations in Louisiana. The Company is servicing Security National Life of Louisiana policyholders out of its Jackson, Mississippi office and has closed its Shreveport office.

Investments

Investments are shown on the following basis:

Fixed maturity securities held to maturity - at cost, adjusted for amortization of premium or accretion of discount. Although the Company has the ability and intent to hold these investments to maturity, infrequent and unusual conditions could occur under which it would sell certain of these securities. Those conditions include unforeseen changes in asset quality, significant changes in tax laws, and changes in regulatory capital requirements or permissible investments.

Fixed maturity and equity securities available for sale - at fair value, which is based upon quoted trading prices. Changes in fair values net of income taxes are reported as unrealized appreciation or depreciation and recorded as an adjustment directly to stockholders' equity and, accordingly, have no effect on net income.

Mortgage loans on real estate - at unpaid principal balances, adjusted for amortization of premium or accretion of discount, less allowance for possible losses.

Real estate - at cost, less accumulated depreciation provided on a straight-line basis over the estimated useful lives of the properties, and net of allowance for impairment in value, if any.

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

Short-term investments at cost - consists of certificates of deposit and commercial paper with maturities of up to one year.

1) Significant Accounting Principles (Continued)

Restricted assets of cemeteries and mortuaries - consist of assets held in Trust Account for future mortuary services and merchandise and consist of cash, participations in mortgage loans with Security National Life Insurance Company, and mutual funds carried at cost; fixed maturity securities carried at cost adjusted for amortization of premium or accretion of discount; and equity securities carried at fair market value.

Realized gains and losses on investments - realized gains and losses on investments and declines in value considered to be other than temporary, are recognized in operations on the specific identification basis.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property, plant and equipment is recorded at cost. Depreciation is calculated principally on the straight-line method over the estimated useful lives of the assets which range from three to forty years. Leasehold improvements are amortized over the lesser of the useful life or remaining lease terms.

Recognition of Insurance Premiums and Other Considerations

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

Deferred Policy Acquisition Costs and Cost of Insurance Acquired

Commissions and other costs, net of commission and expense allowances for reinsurance ceded, that vary with and are primarily related to the production of new insurance business have been deferred. Deferred policy acquisition costs for traditional life insurance are amortized over the premium-paying period of the related policies using assumptions consistent with those used in computing policy benefit reserves. For interest-sensitive insurance products, deferred policy acquisition costs are amortized generally in proportion to the present value of expected gross profits from surrender charges, investment, mortality and expense margins. This amortization is adjusted when estimates of current or future gross profits to be realized from a group of products are reevaluated. Deferred acquisition costs are written off when policies lapse or are surrendered.

Cost of insurance acquired is the present value of estimated future profits of the acquired business and is amortized similar to deferred policy acquisition costs.

1) Significant Accounting Principles (Continued)

Allowance for Doubtful Accounts

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

Future Life, Annuity and Other Policy Benefits

Future policy benefit reserves for traditional life insurance are computed using a net level method, including assumptions as to investment yields, mortality, morbidity, withdrawals, and other assumptions based on the life insurance subsidiaries experience, modified as necessary to give effect to anticipated trends and to include provisions for possible unfavorable deviations. Such liabilities are, for some plans, graded to equal statutory values or cash values at or prior to maturity. The range of assumed interest rates for all traditional life insurance policy reserves was 4.5% to 10%. Benefit reserves for traditional limited-payment life insurance policies include the deferred portion of the premiums received during the premium-paying period. Deferred premiums are recognized as income over the life of the policies. Policy benefit claims are charged to expense in the period the claims are incurred.

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

Participating Insurance

Participating business constitutes 2%, 2%, and 2% of insurance in force for 2004, 2003 and 2002, respectively. The provision for policyholders' dividends included in policyholder obligations is based on dividend scales anticipated by management. Amounts to be paid are determined by the Board of Directors.

Reinsurance

The Company follows the procedure of reinsuring risks in excess of $75,000 to provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. The Company remains liable for amounts ceded in the event the reinsurers are unable to meet their obligations.

The Company has entered into coinsurance agreements with unaffiliated insurance companies under which the Company assumed 100% of the risk for certain life insurance policies and certain other policy-related liabilities of the insurance company.

1) Significant Accounting Principles (Continued)

Reinsurance premiums, commissions, expense reimbursements, and reserves related to reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Expense allowances received in connection with reinsurance ceded are accounted for as a reduction of the related policy acquisition costs and are deferred and amortized accordingly.

Cemetery and Mortuary Operations

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

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

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

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

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

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

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

1) Significant Accounting Principles (Continued)

Mortgage Operations

Mortgage fee income consists of origination fees, processing fees and certain other income related to the sale of mortgages. For mortgages sold, mortgage fee income and related expenses are recognized at the time the loan meets the sales criteria for financial assets which are: (1) the transferred assets have been isolated from the Company and its creditors, (2) the transferee has the right to pledge or exchange the mortgage, and (3) the Company does not maintain effective control over the transferred mortgage.

The 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 are shown on the basis of the amount due from the investors, which includes fees. Any impairment to sold loans or possible loan losses are included in a separate provision for loan losses. The estimates are based upon historical experience and best estimate of future liabilities. At December 31, 2004 and 2003 the provision for loan losses was $1,432,000 and $1,919,000, respectively.

The Company accrues an estimate of future losses 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 year of duration and to repurchase loans in default within the first year. The estimates are based upon historical experience and best estimate of future liabilities.

Excess of Cost Over Net Assets of Acquired Businesses

Previous acquisitions have been accounted for as purchases under which assets acquired and liabilities assumed were recorded at the fair values. The Company evaluates annually or when changes in circumstances warrant the recoverability of the amounts recorded and if there is a decrease in value they are recognized in income. In accordance with FAS 142 the Company no longer amortizes excess of cost over net assets of acquired business ("goodwill"). Pro forma information related to the amortization of goodwill has not been presented since it is not material.

Long-lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset, and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Income Taxes

Income taxes include taxes currently payable plus deferred taxes related to the tax effect of temporary differences in the financial reporting basis and tax basis of assets and liabilities. Such temporary differences are related principally to the deferral of policy acquisition costs and the provision for future policy benefits in the insurance operations, and unrealized gains on fixed maturity and equity securities available for sale.

1) Significant Accounting Principles (Continued)

Earnings Per Common Share

The Company computes earnings per share in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share". This Standard requires presentation of basic and diluted earnings per share. Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding during each year presented, after the effect of the assumed conversion of Class C Common Stock to Class A Common Stock, the acquisition of treasury stock, and the retroactive effect of stock dividends declared. Diluted earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the year plus the incremental shares that would have been outstanding under certain deferred compensation plans.

Stock Compensation

In accordance with the provisions of SFAS 123, the Company has elected to continue to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB Opinion No. 25"), and related interpretations in accounting for its stock option plans.

The Company has three fixed option plans (the "1993 Plan" the "2000 Plan", and the "2003 Plan"). In accordance with APB Opinion No. 25, no compensation cost has been recognized for these plans. Had compensation cost for these plans been determined based upon the fair value at the grant date consistent with the methodology prescribed under SFAS No. 123, the Company's net income would have been reduced by approximately $1,090,458, $490,145 and $533,520 in 2004, 2003 and 2002, respectively. As a result, basic and diluted earnings per share would have been reduced by $.18, and $.08 in 2004 and 2003, respectively, and basic of $.10 and diluted of $.09 for the year 2002.

The weighted average fair value of options granted in 2004 under the 2000 Plan and the 2003 Plan is estimated at $1.71 as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 74%, risk-free interest rate of 3.4%, and an expected life of five to ten years.

The weighted average fair value of each option granted in 2003 under the 1993 Plan, and the 2000 Plan is estimated at $2.63 as of the grant date using the Black Scholes option-pricing model with the following assumptions: dividend yield of 5%, volatility of 73%, risk-free interest rate of 4%, and an expected life of two years.

The weighted average fair value of options granted in 2002 under the 1993 Plan, and the 2000 Plan, is estimated at $2.88 as of the grant date using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 5%, volatility of 74%, risk-free interest rate of 3.8%, and an expected life of five to ten years.

The Company also has one variable option plan (the "1987 Plan"). In accordance with APB Opinion No. 25, compensation cost related to options granted and outstanding under these plans is estimated and recognized over the period of the award based on changes in the current market price of the Company's stock over the vesting period. Options granted under the 1987 Plan are exercisable for a period of ten years from the date of grant.

1) Significant Accounting Principles (Continued)

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts, which at times exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Recent Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after September 30, 2003. The adoption of SFAS No. 149 did not have a material effect on the Company's results of consolidated operations or financial position.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 requires that certain financial instruments, which under previous guidance may have been accounted for as equity, must now be accounted for as liabilities (or an asset in some circumstances). The financial instruments affected include mandatory redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. This Statement is effective for all such financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company entered into an agreement with a stockholder in August 2003, wherein it purchased 124,000 shares of Class A Common Stock from this stockholder for $6.00 per share. The purchase of these shares is reflected in treasury stock. Also, under the terms of this agreement, the stockholder has agreed not to purchase or control, directly or indirectly, any additional shares of Class A or Class C Common Stock through August 2007, and on August 27, 2004, 2005, and 2006, the stockholder may request, but is not obligated to request, the Company to purchase an additional 100,000 shares of Class A Common Stock held by this stockholder for $6.00 per share. On October 26, 2004, the Company completed the stock purchase agreement when the Company purchased the remaining amount of 51,959 shares, thus under the agreement the Company will not be required to purchase any additional shares.

Effective December 31, 2003, the Company adopted EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments ("EITF 03-1"). EITF 03-1 provides guidance on the disclosure requirements for other-than-temporary Impairments of debt and marketable equity investments that are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities. The adoption of EITF 03-1 requires the Company to include certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS 115 that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The adoption of EITF 03-1 did not have a material impact on the Company's consolidated financial position or results of operations.

1) Significant Accounting Principles (Continued)

In April 2003, the FASB cleared Statement 133 Implementation Issue No. B36, Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments ("Issue B36"). Issue B36 concluded that (i) a company's funds withheld payable and/or receivable under certain reinsurance arrangements, and (ii) a debt instrument that incorporates credit risk exposures that are unrelated or only partially related to the credit worthiness of the obligor include an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature must be measured at fair value on the balance sheet and changes in fair value reported in income. Issue B36 became effective on October 1, 2003. The adoption of Issue No. B36 did not have a material impact on the Company's consolidated financial position or results of operations.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51", and subsequently issued a revision to this Interpretation in December 2003. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies to those variable interest entities considered to be special-purpose entities no later than December 31, 2003. The Interpretation must also be applied to all other variable interest entities no later March 31, 2004. Interpretation No. 46 did not have a material impact on the Company's consolidated financial position or results of operations.

In December 2004, FASB revised SFAS 123 to Share-Based Payment ("SFAS 123(R)"). SFAS 123(R) provides additional guidance on determining whether certain financial instruments awarded in share-based payment transactions are liabilities. SFAS 123(R) also requires that the cost of all share-based transactions be recorded in the financial statements. The revised pronouncement must be adopted by the Company by July 1, 2005. Implementation of SFAS 123(R) will not have a significant impact on the Company's consolidated financial statements in the period of implementation. However, any future stock options granted could have a significant impact on the Company's consolidated financial statements.

2) Investments

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2004 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2004:				
Fixed maturity securities held to maturity:				
Bonds:				
U.S. Treasury securities and obligations of U.S . Government agencies	$15,033,673	$ 194,811	$ (43,407)	$15,185,077
Obligations of states and political subdivisions	492,290	30,274	(2,765)	519,799
Corporate securities including public utilities	50,572,235	2,261,608	(33,151)	52,800,692
Mortgage-backed securities	3,865,680	34,075	(115,578)	3,784,177
Redeemable preferred stock	20,883	20,250	--	41,133
Total fixed maturity securities held to maturity	$69,984,761	$2,541,018	$(194,901)	$72,330,878
Securities available for sale:				
Bonds				
U.S. Treasury securities and obligations of U.S. Government agencies	$ 596,898	$ 59,626	$ --	$ 656,524
Corporate securities including public utilities	9,889,411	520,090	--	10,409,501
Non-redeemable preferred stock	56,031	49,063	(3,431)	101,663
Common stock	1,981,218	2,564,992	(481,104)	4,065,106
Total securities available for sale	$12,523,558	$3,193,771	$(484,535)	$15,232,794

2) Investments (Continued)

The Company's investments in fixed maturity securities held to maturity and equity securities available for sale as of December 31, 2003, are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2003:				
Fixed maturity securities held to maturity:				
Bonds:				
U.S. Treasury securities and obligations of U.S . Government agencies	$ 3,080,471	$ 180,125	$ --	$ 3,260,596
Obligations of states and political subdivisions	261,360	25,091	(693)	285,758
Corporate securities including public utilities	30,289,401	1,176,618	(110,514)	31,355,505
Mortgage-backed securities	3,634,752	78,663	(28,654)	3,684,761
Redeemable preferred stock	28,005	17,400	(7,047)	38,358
Total fixed maturity securities held to maturity	$37,293,989	$1,477,897	$(146,908)	$38,624,978
Securities available for sale:				
Bonds				
U.S. Treasury securities and obligations of U.S. Government agencies	$ 595,177	$ 81,604	$ --	$ 676,781
Corporate securities including public utilities	12,618,880	974,376	--	13,593,256
Non-redeemable preferred stock	56,030	42,688	(4,006)	94,712
Common stock	1,925,431	1,958,319	(525,018)	3,358,732
Total securities available for sale	$15,195,518	$3,056,987	$(529,024)	$17,723,481

2) Investments (Continued)

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

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2004, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Held to Maturity:	Amortized Cost	Estimated Fair Value
Due in 2005	$ 1,687,683	$ 1,709,558
Due in 2006 through 2009	5,209,521	5,600,338
Due in 2010 through 2014	11,252,266	11,767,372
Due after 2014	43,538,491	44,989,369
Mortgage-backed securities	8,275,917	8,223,108
Redeemable preferred stock	20,883	41,133
Total held to maturity	$69,984,761	$72,330,878

Available for Sale:	Amortized Cost	Estimated Fair Value
Due in 2005	$ 4,014,336	$ 4,091,321
Due in 2006 through 2009	5,212,933	5,557,089
Due in 2010 through 2014	1,161,101	1,300,541
Due after 2014	97,939	117,074
Non-redeemable preferred stock	56,031	101,663
Common stock	1,981,218	4,065,106
Total available for sale	$12,523,558	$15,232,794

2) Investments (Continued)

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

	2004	2003	2002
Fixed maturity securities held to maturity:			
Gross realized gains	$36,933	$ 3,549	$ 37,172
Gross realized losses	(26,355)	(5,665)	(557)
Securities available for sale:			
Gross realized gains	3,310	1	354
Gross realized losses	(6,364)	(40)	(1,424)
Other assets	66,907	--	985,275
Total	$74,431	$(2,155)	$1,020,820

Generally gains and losses from held to maturity securities are a result of early calls and related amortization of premiums or discounts.

Mortgage loans consist of first and second mortgages. The mortgage loans bear interest at rates ranging from 3.625% to 21%, maturity dates range from three months to 30 years and are secured by real estate. Concentrations of credit risk arise when a number of mortgage loan debtors have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. Although the Company has a diversified mortgage loan portfolio consisting of residential mortgages, commercial loans and residential construction loans and requires collateral on all real estate exposures, a substantial portion of its debtors' ability to honor obligations is reliant on the economic stability of the geographic region in which the debtors do business. The Company has 76% of its mortgage loans in the state of Utah. The mortgage loans on real estate balances on the consolidated balance sheet are reflected net of an allowance for bad debt $254,893 and $14,893 at December 31, 2004 and 2003, respectively.

There were no investments, aggregated by issuer, in excess of 10% of shareholders' equity (before net unrealized gains and losses on available for sale securities) at December 31, 2004, other than investments issued or guaranteed by the United States Government.

2) Investments (Continued)

Major categories of net investment income are as follows:

	2004	2003	2002
Fixed maturity securities	$ 4,438,808	$ 3,407,177	$ 3,228,042
Equity securities	67,120	54,481	53,889
Mortgage loans on real estate	3,403,110	1,931,358	1,350,882
Real estate	1,322,796	1,509,932	1,501,534
Policy loans	673,404	676,201	663,554
Short-term investments and other	7,276,009	10,918,563	6,691,657
Gross investment income	17,181,247	18,497,712	13,489,558
Investment expenses	(1,242,071)	(1,195,115)	(950,128)
Net investment income	$15,939,176	$17,302,597	$12,539,430

Net investment income includes net investment income earned by the restricted assets of the cemeteries and mortuaries of approximately $781,000, $848,000 and $924,000 for 2004, 2003, and 2002, respectively.

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

Securities on deposit for regulatory authorities as required by law amounted to $9,710,534 at December 31, 2004 and $8,850,755 at December 31, 2003.

3) Cost of Insurance Acquired

Information with regard to cost of insurance acquired is as follows:

	2004	2003	2002
Balance at beginning of year	$14,980,763	$16,408,849	$ 8,081,223
Cost of insurance acquired	304,042	(110,754)	9,106,309
Imputed interest at 7%	1,016,199	1,098,636	857,153
Amortization	(2,247,507)	(2,415,968)	(1,635,836)
Net amortization charged to income	(1,231,308)	(1,317,332)	(778,683)
Balance at end of year	$14,053,497	$14,980,763	$16,408,849

Presuming no additional acquisitions, net amortization charged to income is expected to approximate $1,130,151, $1,031,605, $962,386, $899,312, and $860,501 for the years 2005 through 2009. Actual amortization may vary based on changes in assumptions or experience.

4) Property and Equipment

The cost of property and equipment is summarized below:

	December 31, 2004	December 31, 2003
Land and buildings	$11,310,114	$ 11,140,690
Furniture and equipment	11,066,917	10,288,299
	22,377,031	21,428,989
Less accumulated depreciation	(11,856,366	(10,419,573)
Total	$10,520,665	$11,009,416

5) Bank Loans Payable

Bank loans payable are summarized as follows:

	December 31, 2004	December 31, 2003
6.59% note payable in monthly installments of $34,680 including principal and interest, collateralized by 15,000 shares of Security National Life stock, due December 2004.	$ --	$391,363
6% note payable in monthly installments of $5,693 including principal and interest, collateralized by real property, with a book value of approximately $850,000, due September 2010.	633,596	662,944
6.93% note payable in monthly installments of $14,175 including principal and Interest, collateralized by real property with a book value of approximately $860,000, due November 2007.	1,476,813	1,519,198
$1,153,572 in 2004 and $2,230,016 in 2003 revolving line of credit at 6.15%, interest payable monthly and a reduction in principal due in semi-annual installments, collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2005.	445,811	2,178,075
Bank prime rate plus 1/2% (5.75% at December 31, 2004) note payable in monthly installments of $7,235 including principal and interest, collateralized by real property, with a book value of approximately $678,000, due August 2004.	--	60,683

5) Bank Loans Payable (Continued)

	December 31, 2004	December 31, 2003
Bank prime rate less 1.35% (3.90% at December 31, 2004) note payable in monthly installments of $2,736 including principal and interest, collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2005.	68,562	98,880
7.35% note payable in monthly installments of $14,975 including principal and interest, collateralized by 15,000 shares of Security National Life Insurance Company stock, due December 2006.	333,145	482,394
5.87% note payable, interest only to July 1, 2003, thereafter, interest and monthly principal payments of $134,000, collateralized by 15,000 shares of Security National Life Insurance Company Stock, due January 2010.	7,206,641	8,413,993
Market to market adjustment (see note 17)	36,810	303,029
Other collateralized bank loans payable	240,728	312,111
Total bank loans	10,442,106	14,422,670
Less current installments	2,136,957	3,688,647
Bank loans, excluding current installments	$ 8,305,149	$ 10,734,023

In addition to the lines of credit described above, the Company has line of credit agreements with a bank for $2,500,000, of which none were outstanding at December 31, 2004 or 2003. The lines of credit are for general operating purposes and bear interest at the bank's prime rate and must be repaid every 30 days.

See Note 6 for summary of maturities in subsequent years.

6) Notes and Contracts Payable

Notes and contracts payable are summarized as follows:

	December 31, 2004	December 31, 2003
Unsecured note payable due to former stockholders of Deseret Memorial, Inc. resulting from the acquisition of such entity. Amount represents the present value, discounted at 8%, of monthly annuity payments ranging from $4,600 to $5,000 plus an index adjustment in the 7th through the 12th years, due September 2011.	$520,477	$545,921

6) Notes and Contracts Payable (Continued)

	December 31, 2004	December 31, 2003
Due to former stockholders of Greer Wilson resulting from the acquisition of such entity. Amount represents the present value, discounted at 10%, of monthly annuity payments of $7,000, due March 2005.	20,655	98,319
9% note payable in monthly installments of $10,000 including principal and interest, collateralized by real property, with a book value of approximately $2,908,000, due July 2008.	397,133	459,138
Due to Memorial Estates Endowment Care Trust Fund for the remodel of the Cottonwood Funeral Home. 6% note payable in monthly installments of $5,339 including principal and interest collateralized by the Funeral Home, with a book value of approximately $780,000, due March 2030.	932,924	954,475
Unsecured note payable due to former shareholder of Southern Security Life Insurance Company resulting from the acquisition of such entity. 6.5% note payable in five annual installments with principal payments of $158,840, due April 2005.	158,840	317,680
Due to shareholder of Security National Financial Corporation, 6.0% note payable in annual installments of $100,000 including principal and interest, due July 2005, secured by Company stock held in escrow.	100,000	200,000
Due to shareholder of Security National Financial Corporation, 4.0% note payable in annual installments of $160,873 including principal and interest, due January 2006, secured by Company stock held in escrow	321,747	482,620
Other notes payable	436,763	382,541
Total notes and contracts payable	2,888,539	3,440,694
Less current installments	700,321	732,715
Notes and contracts, excluding current installments	$2,188,218	$2,707,979

6) Notes and Contracts Payable (Continued)

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

2005	$ 2,837,278
2006	2,197,709
2007	1,825,997
2008	1,895,911
2009	1,874,575
Thereafter	2,699,175
Total	$13,330,645

Interest paid approximated interest expense in 2004, 2003 and 2002.

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

The Company owns and operates several endowment care cemeteries, for which it has established and maintains an endowment care fund. The Company records a liability to the fund for each space sold at current statutory rates. As of December 31, 2003 the Company owed the fund $41,335 in excess of the required contribution to the fund, and as of December 31, 2004, the Company owed the fund $26,587, which is recorded in other liabilities.

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

Assets in the restricted asset account are summarized as follows:

	December 31, 2004	December 31, 2003
Cash and cash equivalents	$776,997	$617,142
Mutual funds	273,258	188,732
Fixed maturity securities	--	108,554
Equity securities	86,555	77,778
Participation in mortgage loans with Security National Life	4,005,957	3,719,807
Time certificate of deposit	33,696	33,696
Total	$5,176,463	$4,745,709

8) Income Taxes

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

	December 31, 2004	December 31, 2003
Current	$18,585	$18,585
Deferred	11,479,382	10,896,260
Total	$11,497,967	$10,914,845

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

	December 31, 2004	December 31, 2003
Assets		
Future policy benefits	$(1,917,789)	$(1,676,881)
Unearned premium	(1,524,191)	(1,635,912)
Difference between book and tax basis of bonds	(73,964)	(27,951)
Other	(337,038)	(605,932)
Total deferred tax assets	(3,852,982)	(3,946,676)
Liabilities		
Deferred policy acquisition costs	5,056,822	4,889,696
Cost of insurance acquired	2,317,477	2,486,035
Installment sales	2,940,268	2,367,510
Depreciation	824,718	891,725
Trusts	1,155,566	1,054,323
Tax on unrealized appreciation	689,478	568,944
Reinsurance	2,084,117	1,974,996
Other	263,918	609,707
Total deferred tax liabilities	15,332,364	14,842,936
Net deferred tax liability	$11,479,382	$10,896,260

The Company paid $126,894, $55,442 and $462,983 in income taxes for 2004, 2003 and 2002, respectively. The Company's income tax expense (benefit) is summarized as follows:

	2004	2003	2002
Current	$15,106	$28,326	$595,254
Deferred	636,430	2,862,343	970,139
Total	$651,536	$2,890,669	$1,565,393

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

8) Income Taxes (Continued)

	2004	2003	2002
Computed expense at statutory rate	$903,899	$3,218,056	$1,883,255
Special deductions allowed small life insurance companies	(243,873)	(285,991)	(315,923)
Dividends received deduction	(5,619)	(5,611)	(737)
Minority interest taxes	47,376	13,469	7,429
Other, net	(50,247)	(49,254)	(8,631)
Tax expense	$651,536	$2,890,669	$1,565,393

A portion of the life insurance income earned prior to 1984 was not subject to current taxation but was accumulated for tax purposes, in a "policyholders' surplus account." Under provisions of the Internal Revenue Code, the policyholders' surplus account was frozen at its December 31, 1983 balance and will be taxed generally only when distributed. As of December 31, 2004, the policyholders' surplus accounts approximated $4,500,000. Management does not intend to take actions nor does management expect any events to occur that would cause federal income taxes to become payable on that amount. However, if such taxes were accrued, the amount of taxes payable would be approximately $1,500,000.

The Company has a net operating loss carry forward of approximately $3,024,000, as of December 31, 2004. These carry forward amounts begin expiring in ten years and range up to 20 years.

9) Reinsurance, Commitments and Contingencies

The Company follows the procedure of reinsuring risks in excess of a specified limit, which ranged from $30,000 to $75,000 during the years 2004 and 2003. The Company is liable for these amounts in the event such reinsurers are unable to pay their portion of the claims. The Company has also assumed insurance from other companies having insurance in force amounting to $815,445,000 at December 31, 2004 and $940,050,000 at December 31, 2003.

As part of the acquisition of Southern Security, the Company has a co-insurance agreement with The Mega Life and Health Insurance Company ("MEGA"). On December 31, 1992 Southern Security ceded to MEGA 18% of all universal life policies in force at that date. MEGA is entitled to 18% of all future premiums, claims, policyholder loans and surrenders relating to the ceded policies. In addition, Southern Security receives certain commission and expense reimbursement.

Mortgage loans originated and sold to unaffiliated investors are sold subject to certain recourse provisions.

On December 26, 2003, the Company entered into a partially Coinsurance and a partially Modified Coinsurance Agreement (CoModco Agreement) with Guaranty Income Life Insurance Company (Guaranty) effective September 30, 2003. The Company has reinsured 100% of certain blocks of Guaranty's traditional life, universal life and annuity businesses. The total liabilities reinsured for these blocks of businesses on October 1, 2003 were $60,527,887. The Company paid a ceding commission to Guaranty of $3,400,000 and will receive from Guaranty a risk charge of 1% of the outstanding Coinsurance per calendar quarter. Guaranty put into a bank trust investment grade bonds, which equal the outstanding liabilities assumed by the Company. The Company is named as a beneficiary of the trust and the terms of the trust are such that Guaranty will maintain investment grade bonds in the trust to equal the outstanding liabilities assumed by the Company. Under the CoModco Agreement the Coinsurance and the increase in reserves are equal. Under U. S. GAAP the Coinsurance and the reserve increases are netted

9) Reinsurance, Commitments and Contingencies (Continued)

since these are non-cash items, and the Company expects to recapture the Coinsurance from future profits of the reinsured business. Guaranty has the right to recapture the business at any time after December 31, 2004 upon 90 days advance notice. As of December 31, 2004 and 2003, the outstanding Coinsurance amount was $2,545,763 and $3,345,765, respectively. The Company recorded as income the risk charge for the years ended December 31, 2004 and 2003, of $121,831 and $34,000, respectively. In the event that the Company believes it will not recover the Coinsurance it will have to record as an expense and a future liability for the amount of such impairment. Effective January 1, 2005, Guaranty recaptured the reinsurance under this agreement and the agreement was cancelled between the Company and Guaranty. The recapture did not result in recognition of a gain or loss in the consolidated financial statements.

The Company leases office space and equipment under various non-cancelable agreements, with remaining terms up to five years. Minimum lease payments under these non-cancelable operating leases as of December 31, 2004, are approximately as follows:

Years Ending December 31:	
2005	$588,000
2006	381,000
2007	97,000
2008	90,000
2009	49,000
Total	$1,205,000

Total rent expense related to these non-cancelable operating leases for the years ended December 31, 2004, 2003, and 2002 was approximately $734,000, $396,000 and $200,000, respectively.

An action was brought against the Company in May 2001 by Glenna Brown Thomas, individually and as personal representative of the Estate of Lynn W. Brown, in the Third Judicial Court, Salt Lake County, Utah. The action asserts that Memorial Estates, Inc. delivered to Lynn W. Brown six stock certificates totaling 2,000 shares of its common stock in 1970 and 1971. Mr. Brown died in 1972. It is also asserted that at the time the 2,000 shares were issued and outstanding, the shares represented a 2% ownership of Memorial Estates. It is further alleged that Mr. Brown was entitled to preemptive rights and, after the issuance of the stock to Mr. Brown, there were further issuances of stock without providing written notice to Mr. Brown or his estate of his right to purchase more stock.

It is further asserted that Thomas has the right to the transfer of Brown's shares on the books of Security National Financial Corporation as well as Memorial Estates, and to the restoration of Brown's proportion of share ownership in Memorial Estates at the time of his death by issuance and delivery to Thomas of sufficient shares of the Company's publicly traded and unrestricted stock in exchange for the 2,000 shares of Memorial Estates stock, including payment of all dividends from the date of Thomas's demand. The formal discovery cutoff was January 15, 2004. The Company has been verbally informed that Thomas will dismiss the case but such dismissal has not been communicated in writing. Until the case is actually dismissed, the Company intends to vigorously defend the matter, including the assertion that the statute of limitations bars the claims in their entirety.

9) Reinsurance, Commitments and Contingencies (Continued)

The Company received a letter dated November 9, 2004 on behalf of Charles Hood, who worked at Singing Hills Memorial Park in El Cajon, California. He was hired in April 2003 as a groundskeeper with his work concluding on October 30, 2003. Mr. Hood claims that he wrote a letter to the Company outlining his concerns regarding the operation of the cemetery, and that the next day he was terminated. Even though he recognizes his relationship was as an at-will employee. Mr. Hood's claims against the Company also include, but are not limited to, violation of labor laws, whistleblower retaliation and inflection of emotional distress. The letter proposes a settlement in the amount of $275,000.

No lawsuit has been filed in the matter. The Company has been engaged in a review of the claims made in the letter. Based on its investigation, the Company believes that Mr. Hood voluntarily quit and was not terminated. Counsel for the Company and counsel for Mr. Hood have been in discussion concerning the matter. At this stage of the investigation, the Company does not believe there is any justification for the claims being made. If a resolution of the dispute is not achieved and litigation ensues, the Company is prepared to vigorously defend the action.

The Company also received a letter dated November 29, 2004 on behalf of Roger Gornichec, who the Company recognizes as having been an independent contractor. The attorney who wrote the letter on behalf of Mr. Hood also wrote the letter on behalf of Mr. Gornichec. Mr. Gornichec concluded his services as an agent selling insurance in the spring of 2003 and his license to sell cemetery plots was not renewed in the summer of 2004. Mr. Gornichec asserts that he was an employee contrary to the Company's position.

The claims made on behalf of Mr. Gornichec include, but are not limited to, wrongful termination in violation of public policy, misrepresentation, age discrimination, whistle-blower retaliation, interference with economic advantage, breach of contract, breach of the covenant of good faith and fair dealing, and infliction of emotional distress. Mr. Gornichec also claims that he is owed a certain amount from a retirement plan. The letter proposes a settlement in the amount of $420,000. Based on its investigation, the Company believes that Mr. Gornichec was an independent contractor, not an employee, and that the claims and the settlement amount sought are not justified. If the matter is not resolved and litigation ensues, the Company is prepared to vigorously defend the action.

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

10) Retirement Plans

The Company and its subsidiaries have a noncontributory Employee Stock Ownership Plan (ESOP) for all eligible employees. Eligible employees are primarily those with more than one year of service, who work in excess of 1,040 hours per year. Contributions, which may be in cash or stock of the Company, are determined annually by the Board of Directors. The Company's contributions are allocated to eligible employees based on the ratio of each eligible

10) Retirement Plans (Continued)

employee's compensation to total compensation for all eligible employees during each year. ESOP contribution expense totaled $105,196, $98,588, and $99,612 for 2004, 2003, and 2002, respectively. At December 31, 2004 the ESOP held 577,183 shares of Class A and 1,553,041 shares of Class C common stock of the Company. All shares held by the ESOP have been allocated to the participating employees and all shares held by the ESOP are considered outstanding for purposes of computing earnings per share.

The Company has a 401(k) savings plan covering all eligible employees, as defined above, which includes employer participation in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plan allows participants to make pretax contributions up to the lesser of 15% of total annual compensation or the statutory limits.

The Company may match up to 50% of each employee's investment in Company stock, up to 1/2% of 1% of the employee's total annual compensation. The Company's match will be Company stock and the amount of the match will be at the discretion of the Company's Board of Directors. The Company's matching 401(k) contributions for 2004, 2003, and 2002 were $5,746, $4,493, and $7,975, respectively. Also, the Company may contribute, at the discretion of the Company's Board of Directors, an Employer Profit Sharing Contribution to the 401(k) savings plan. The Employer Profit Sharing Contribution shall be divided among three different classes of participants in the plan based upon the participant's title in the Company. The Company contributions for 2004, 2003 and 2002 were $128,949, $110,081, and $142,218, respectively. All amounts contributed to the plan are deposited into a trust fund administered by an independent trustee.

In 2001, the Company's Board of Directors adopted a Deferred Compensation Plan. Under the terms of the Plan, the Company will provide deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The Board has appointed a Committee of the Company to be the Plan Administrator and to determine the employees who are eligible to participate in the plan. The employees who participate may elect to defer a portion of their compensation into the plan. The Company may contribute into the plan at the discretion of the Company's Board of Directors. The Company's contributions for 2004, 2003 and 2002 were $123,249, $95,485, and $100,577, respectively.

The Company has Deferred Compensation Agreements with its Chief Executive Officer and its past Senior Vice President. The Deferred Compensation is payable on the retirement or death of these individuals either in annual installments (10 years) or in a lump sum settlement, if approved by the Board of Directors. The amount payable is $65,839 per year with cost of living adjustments each anniversary. The Compensation Agreements also provides that any remaining balance will be payable to their heirs in the event of their death. In addition the Agreement provides that the Company will pay the Group Health coverages for these individuals and/or their spouses. In 2004 and 2003, the Company increased its liability for these future obligations by $10,000 and $2,000, respectively. The current balance as of December 31, 2004 is $714,000.

10) Retirement Plans (Continued)

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

In the event of a sale or merger of the Company and Mr. Quist is not retained in his current position, the Company would be obligated to continue Mr. Quist's current compensation and benefits for seven years following the merger or sale. The agreement further provides that Mr. Quist is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 65), (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to 75% of his then current rate of compensation. However, in the event that Mr. Quist dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company expensed $31,500 and $328,000 in fiscal 2004 and 2003, respectively, to cover the present value of anticipated retirement benefits under the employment agreement. The liability accrued is $359,500 and $328,000 as of December 31, 2004 and 2003, respectively

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

In the event of a sale or merger of the Company, and Mr. Beckstead were not retained in his current position, the Company would be obligated to continue Mr. Beckstead's current compensation and benefits for five years following the merger or sale. The agreement further provides that Mr. Beckstead is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 62 1/2) (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to one-half of his then current annual salary. However, in the event that Mr. Beckstead dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company expensed in 2004 and 2003 approximately $18,500 and $172,000, respectively, to cover the present value of the retirement benefit of the agreement. The liability accrued is $190,500 and $172,000, as of December 31, 2004 and 2003, respectively.

11) Capital Stock

The following table summarizes the activity in shares of capital stock for the three-year period ended December 31, 2004:

	Class A	Class C
Balance at January 1, 2002	5,363,591	6,113,430
Exercise of stock options	132,371	--
Stock Dividends	276,012	294,419
Conversion of Class C to Class A	22,518	(225,180)
Balance at December 31, 2002	5,794,492	6,182,669
Exercise of stock options	176,725	--
Stock Dividends	301,774	308,086
Conversion of Class C to Class A	2,113	(21,117)
Balance at December 31, 2003	6,275,104	6,469,638
Exercise of stock options	127,888	--
Stock Dividends	321,932	308,007
Conversion of Class C to Class A	30,946	(309,446)
Balance at December 31, 2004	6,755,870	6,468,199

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

Stockholders of both classes of common stock have received 5% stock dividends in the years 1990 through 2004, as authorized by the Company's Board of Directors.

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

11) Capital Stock (Continued)

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

	2004	2003	2002
Numerator:			
Net income	$2,122,272	$6,596,497	$3,991,280
Denominator:			
Denominator for basic earnings per share-weighted-average shares	6,001,861	5,851,814	5,572,783
Effect of dilutive securities:			
Employee stock options	214,462	149,952	169,543
Stock appreciation rights	1,628	2,007	1,828
Dilutive potential common shares	216,090	151,959	171,371
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	6,217,951	6,003,773	5,744,154
Basic earnings per share	$.35	$1.13	$.72
Diluted earnings per share	$.34	$1.10	$.69

12) Stock Compensation Plans

In 1987, the Company adopted the 1987 Incentive Stock Option Plan (the 1987 Plan). The 1987 Plan provides that shares of the Class A Common Stock of the Company may be optioned to certain officers and key employees of the Company. The 1987 Plan establishes a Stock Option Plan Committee which selects the employees to whom the options will be granted and determines the price of the stock. The 1987 Plan establishes the minimum purchase price of the stock at an amount which is not less than 100% of the fair market value of the stock (110% for employees owning more than 10% of the total combined voting power of all classes of stock).

The 1987 Plan provides that if additional shares of Class A Common Stock are issued pursuant to a stock split or a stock dividend, the number of shares of Class A Common Stock then covered by each outstanding option granted hereunder shall be increased proportionately with no increase in the total purchase price of the shares then covered, and the number of shares of Class A Common Stock reserved for the purpose of the 1987 Plan shall be increased by the same proportion.

In the event that the shares of Class A Common Stock of the Company from time to time issued and outstanding are reduced by a combination of shares, the number of shares of Class A Common Stock then covered by each outstanding option granted hereunder shall be reduced proportionately with no reduction in the total price of the shares then so covered, and the number of shares of Class A Common Stock reserved for the purposes of the 1987 Plan shall be reduced by the same proportion.

12) Stock Compensation Plans (Continued)

The 1987 Plan terminated in 1997 and options granted are non-transferable. Options granted and outstanding under the 1987 Plan include Stock Appreciation Rights which permit the holder of the option to elect to receive cash, amounting to the difference between the option price and the fair market value of the stock at the time of the exercise, or a lesser amount of stock without payment, upon exercise of the option.

Activity of the 1987 Plan is summarized as follows:

	Number of Class A Shares	Option Price
Outstanding at January 1, 2002	188,890	$3.53 - $3.88
Dividend	576	
Exercised	(119,974)	
Expired	(58,773)	
Outstanding at December 31, 2002	10,719	$3.36
Dividend	201	
Exercised	(6,700)	
Outstanding at December 31, 2003	4,220	$3.20
Dividend	158	
Exercised	(1,055)	
Outstanding at December 31, 2004	3,323	$3.05
Exercisable at end of year	3,323	$3.05
Available options for future grant 1987 Stock Incentive Plan	--	

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

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

The 1993 Plan provides for the grant of options and the award or sale of stock to officers, directors, and employees of the Company. Both "incentive stock options," as defined under Section 422A of the Internal Revenue Code of 1986 (the "Code"), and "non-qualified options" may be granted pursuant to the 1993 Plan. Options intended as incentive stock options may be issued only to employees, and must meet certain conditions imposed by the Code,

12) Stock Compensation Plans (Continued)

including a requirement that the option exercise price be not less than the fair market value of the option shares on the date of grant. The 1993 Plan provides that the exercise price for non-qualified options will be not less than at least 50% of the fair market value of the stock subject to such option as of the date of grant of such options, as determined by the Company's Board of Directors.

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

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

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

On October 14, 1999, the Company amended the 1993 Plan to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 746,126 Class A shares to 1,046,126 Class A shares. The Plan had a term of ten years and was terminated in 2003 and options granted thereunder are non-transferable.

Activity of the 1993 Plan is summarized as follows:

	Number of Class A Shares	Option Price
Outstanding at January 1, 2002	772,063	$2.02 - $3.59
Dividend	21,077	
Granted	185,250	
Cancelled	(190,018)	
Exercised	(283,703)	

Outstanding at December 31, 2002	504,669	$2.02 - $4.46
Dividend	30,609	
Granted	371,000	
Exercised	(263,496)	
	----------	

12) Stock Compensation Plans (Continued)

	Number of Class A Shares	Option Price
Outstanding at December 31, 2003	642,782	$2.07 - $6.18
Dividend	16,176	
Granted	--	
Exercised	(310,341)	
Cancelled	(8,925)	
Outstanding at December 31, 2004	339,692	$1.97 - $5.35
Exercisable at end of year	339,692	$1.97 - $5.35
Available options for future grant 1993 Stock Incentive Plan	--	

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

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

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

The term of the 2000 Plan is five years.

Activity of the 2000 Plan is summarized as follows:

	Number of Class A Shares	Option Price
Outstanding at January 1, 2002	8,610	$2.04 - $2.43
Dividend	631	
Granted	4,000	
Outstanding at December 31, 2002	13,241	$1.94 - $2.86
Dividend	697	
Granted	4,000	
Exercised	(3,311)	

12) Stock Compensation Plans (Continued)

	Number of Class A Shares	Option Price
Outstanding at December 31, 2003	14,627	$1.85 - $5.72
Dividend	931	
Granted	4,000	
Exercised	--	
Outstanding at December 31, 2004	19,558	$1.76 - $5.45
Exercisable at end of year	15,358	$1.76 - $5.45
Available options for future grant 2000 Director Plan	40,606	

On July 11, 2003, the Company adopted the Security National Financial Corporation 2003 Stock Option Plan (the "2003 Plan"), which reserved 500,000 shares of Class A Common Stock and 1,000,000 shares of Class C Common Stock for issuance thereunder. The 2003 Plan allows the Company to grant options and issue shares as a means of providing equity incentives to key personnel, giving them a proprietary interest in the Company and its success and progress.

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

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

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

12) Stock Compensation Plans (Continued)

Activity of the 2003 Plan is summarized as follows:

	Number of Class A Shares	Number of Class C Shares(1)	Option Price(1)
Outstanding at December 31, 2003	-0-	-0-	
Outstanding at January 1, 2004	-0-	-0-	
Dividend	7,675	50,000	
Granted	153,500	1,000,000	
Exercised	-0-	-0-	
Outstanding at December 31, 2004	161,175	1,050,000	$3.77 - $3.08
Exercisable at end of year	161,175	1,050,000	$3.77 - $3.08
Available options for future grant 2003 Stock Incentive Plan	390,075	52,500	

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

13) Statutory-Basis Financial Information

The Company's life insurance subsidiaries are domiciled in Utah, Florida and Louisiana and prepare their statutory-basis financial statements in accordance with accounting practices prescribed or permitted by the Utah, Florida and Louisiana Insurance Departments. "Prescribed" or "Permitted" statutory accounting practices are interspersed throughout state insurance laws and regulations. The National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual version effective January 1, 2001, has been adopted as permitted practices by the States of Utah, Florida and Louisiana.

Statutory net income and statutory stockholder's equity for the life subsidiaries as reported to state regulatory authorities, are presented below:

	Statutory Net Income (Loss) for the year ended December 31,		
	2004	2003	2002
Security National Life	$65,724	$(5,404,687)	$1,547,253
Southern Security Life	(525,237)	2,431,499	(427,439)
Security National Life of Louisiana	50,341	N/A	N/A

	Statutory Stockholders' Equity December 31,		
	2004	2003	2002
Security National Life	$15,183,712	$15,069,057	$14,381,257
Southern Security Life	10,877,112	11,443,488	8,582,968
Security National Life of Louisiana	1,147,492	N/A	N/A

13) Statutory-Basis Financial Information (Continued)

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

The Utah, Florida and Louisiana Insurance Departments impose minimum risk-based capital requirements, that were developed by the NAIC, on insurance enterprises. The formulas for determining the risk-based capital ("RBC") specify various factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio (the "Ratio") of the enterprise's regulatory total adjusted capital, as defined by the NAIC, to its authorized control level, as defined by the NAIC. Enterprises below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The life insurance subsidiaries have a combined weighted Ratio that is greater than 432% of the first level of regulatory action.

14) Business Segment Information

Description of Products and Services by Segment

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

Measurement of Segment Profit or Loss and Segment Assets

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

14) Business Segment Information (Continued)

Factors Management Used to Identify the Enterprise's Reportable Segments

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

	2004				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 25,979,341	$11,661,053	$62,689,391$	--	$100,329,785
Net investment income	9,062,991	812,659	6,063,526	--	15,939,176
Realized gains on Investments and other assets	7,523	66,908	--	--	74,431
Other revenues	311,316	184,712	358,397	--	854,425
Intersegment revenues:					
Net investment income	7,478,350	85,337	265,470	(7,829,157)	--
	42,839,521	12,810,669	69,376,784	(7,829,157)	117,197,817
Expenses:					
Death and other policy benefits	14,540,581	--	--	--	14,540,581
Increase in future policy benefits	8,821,497	--	--	--	8,821,497
Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired	4,349,371	252,701	--	--	4,602,072
Depreciation	426,432	768,882	469,703	--	1,665,017
General, administration and other costs:					
Intersegment	--	36,672	284,982	(321,654)	--
Other	11,771,056	9,963,065	61,002,224	--	82,736,345
Interest expense:					
Intersegment	348,797	163,297	6,995,409	(7,507,503)	--
Other	647,823	339,182	1,186,773	--	2,173,778
	40,905,557	11,523,799	69,939,091	(7,829,157)	114,539,290
Earnings (losses) before income taxes	$ 1,933,964	$ 1,286,870	$ (562,307)	$ --	$ 2,658,527
Identifiable assets	$ 305,970,161	$ 47,358,587	$ 14,236,837	$(51,091,825)	$ 316,473,760
Expenditures for long-lived assets	$ 283,655	$ 487,118	$ 471,125	$ --	$ 1,241,898

14) Business Segment Information (Continued)

	2003				
	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 23,294,373	$10,944,365	$ 92,955,165	$ --	$127,193,903
Net investment income	6,571,404	936,118	9,795,075	--	17,302,597
Realized gains (losses) on investments and other assets	(2,155)	--	--	--	(2,155)
Other revenues	254,974	94,907	200,183	--	550,064
Intersegment revenues:					
Net investment income	10,028,748	47,651	--	(10,076,399)	--
	40,147,344	12,023,041	102,950,423	(10,076,399)	145,044,409
Expenses:					
Death and other policy benefits	15,041,541	--	--	--	15,041,541
Increase in future policy benefits	6,712,961	--	--	--	6,712,961
Amortization of deferred policy acquisition costs and cost of insurance acquired	4,683,556	245,450	--	--	4,929,006
Depreciation	464,844	760,091	310,595	--	1,535,530
General, administrative and other costs:					
Intersegment	--	84,323	208,362	(292,685)	--
Other	10,398,872	9,807,357	83,512,224	--	103,718,453
Interest expense:					
Intersegment	90,001	179,803	9,513,910	(9,783,714)	--
Other	743,884	436,828	2,461,334	--	3,642,046
	38,135,659	11,513,852	96,006,425	(10,076,399)	135,579,537
Earnings (losses) before income taxes	$ 2,011,685	$ 509,189	$ 6,943,998	$ --	$ 9,464,872
Identifiable assets	$302,319,614	$44,018,131	$ 16,938,151	$(49,792,560)	$313,483,336
Expenditures for long-lived assets	$ 235,631	$ 559,435	$ 828,244	$ --	$ 1,623,310

14) Business Segment Information (Continued)

2002

	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
Revenues:					
From external sources:					
Revenue from customers	$ 14,076,652	$10,638,754	$57,008,283	$ --	$ 81,723,689
Net investment income	6,065,652	1,011,786	5,461,992	--	12,539,430
Realized gains on investments and other assets	311,365	709,455	--	--	1,020,820
Other revenues	69,741	85,146	324,537	--	479,424
Intersegment revenues:					
Net investment income	4,741,338	--	--	(4,741,338)	
	25,264,748	12,445,141	62,794,812	(4,741,338)	95,763,363
Expenses:					
Death and other policy benefits	7,724,046	--	--	--	7,724,046
Increase in future policy benefits	6,031,685	--	--	--	6,031,685
Amortization of deferred Policy acquisition costs and cost of insurance acquired	3,718,627	274,766	--	--	3,993,393
Depreciation	383,139	678,851	167,513	--	1,229,503
General, administrative and other costs:					
Intersegment	(900,000)	486,672	623,872	(210,544)	--
Other	6,570,217	9,537,374	53,167,818	--	69,275,409
Interest expense:					
Intersegment	90,000	201,118	4,239,676	(4,530,794)	--
Other	321,896	428,498	1,219,948	--	1,970,342
	23,939,610	11,607,279	59,418,827	(4,741,338)	90,224,378
Earnings (losses) before income taxes	$ 1,325,138	$ 837,862	$ 3,375,985	$ --	$ 5,538,985
Identifiable assets	$295,177,565	$42,255,381	$14,960,638	$ (44,331,241)	$308,062,343
Expenditures for long-lived assets	$ 189,156	$ 677,561	$ 482,035	$ --	$ 1,348,752

15) Related Party Transactions

On December 19, 2001, the Company entered into an option agreement with Monument Title, LLC, a Utah limited liability company ("Monument Title") in which the Company made available a $100,000 line of credit to Monument Title at an interest rate of 8% per annum. The line of credit is secured by the assets of Monument Title. From December 28, 2001 to June 14, 2002, the Company advanced Monument Title a total of $77,953 under the line of credit. The amount advanced under the line of credit plus accrued interest are payable upon demand. This receivable was fully allowed for in 2003. The owners of Monument Title are brothers-in-law of the President and Chief Operating Officer of the Company. The Company has the right under the option agreement for a period of five years from the date thereof to acquire 100% of the outstanding common shares of Monument Title for the sum of $10. The purpose of the transaction, which was approved by the Company's board of directors, is to insure that the title and escrow work performed for SecurityNational Mortgage Company in connection with its mortgage loans are completed as accurately as possible by Monument Title to avoid any economic losses to the Company.

On November 1, 2004, the Company entered into an Agreement to Repay Indebtedness and to Convey Option with Monument Title and its principal owner. Under the terms of the agreement, Monument Title agreed to pay the Company a total of $94,177, representing the total of $77,953 that the Company advanced to Monument Title under the line of credit, plus interest thereon, within seven days from the date of the agreement. Monument Title paid the $94,177 to the Company pursuant to the agreement. In addition, the Company agreed to release its interest in the option agreement to acquire 100% of the outstanding common shares of Monument Title, in consideration for the payment of an additional $94,177. Monument Title is to pay the additional $94,177 to the Company in minimum payments of $500 per month for the first twelve months following the date of the agreement, with additional payments of $1,000 per month for the second twelve months following the date of the agreement. After the 24th month following the date of the agreement, the outstanding balance is to bear interest at the three-year treasury rate plus one percent. The minimum payment for the third year is $1,500 per month, the minimum payment for the fourth year is $2,000 per month and the minimum payment for the fifth year is $2,500 per month. Any remaining unpaid balance, including interest, shall be due and payable at the conclusion of the 60th month from the date of the agreement.

The Company has a non-interest bearing note receivable from the Chairman of the Board and Chief Executive Officer. No installment payments are required under the terms of the note, but the note must be paid in full as of December 31, 2007. The outstanding balance of the note was approximately $1,500 and $38,000 at December 31, 2004 and 2003, respectively.

16) Disclosure about Fair Value of Financial Instruments

The fair values of investments in fixed maturity and equity securities along with methods used to estimate such values are disclosed in Note 2. The following methods and assumptions were used by the Company in estimating the "fair value" disclosures related to other significant financial instruments:

16) Disclosure about Fair Value of Financial Instruments

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

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

Investment Contracts: The fair values for the Company's liabilities under investment-type insurance contracts are estimated based on the contracts' cash surrender values. The carrying amount and fair value as of December 31, 2004 and December 31, 2003, were approximately $82,592,000 and $86,389,000, respectively.

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

The following summarizes accumulated other comprehensive income:

	December 31, 2004	December 31, 2003	December 31, 2002
Unrealized gains on available for-sale securities	$226,464	$ 638,540	$ 84,263
Reclassification adjustment for net realized gains (losses) in net income	7,524	(2,155)	(35,544)
Net unrealized gains (losses)	233,988	636,385	48,719
Potential unrealized gains (losses) for derivative bank loans (interest rate swaps)	266,219	(303,029)	--
Tax (expense) benefit on net unrealized gain (losses)	(73,586)	19,428	(80,786)
Other comprehensive income (loss)	$426,621	$ 352,784	$(32,067)
Other items:			
Acquisition of Company Stock held in escrow	$ --	$(1,982,620)	$ --

The "Acquisition of Company Stock held in Escrow" above is held in escrow and voted by trustee until the balances shown under Note 6 "Notes and Contracts Payable" in the amounts of $100,000 and $321,747, as of December 31, 2004 and 2003, respectively, are paid per terms of the agreement and promissory note.

17) Accumulated Other Comprehensive Income (Loss), and Other Items

The Company considers its interest rate swap instruments (swaps) effective cash flow hedges against the variable interest rates of certain bank loans. The swaps expire on the maturity dates of the bank loans they hedge. In the event a swap is terminated, any resulting gain or loss would be deferred and amortized to interest expense over the remaining life of the bank loan it hedged. In the event of early extinguishment of a hedged bank loan, any realized or unrealized gain or loss from the hedging swap would be recognized in income coincident with the extinguishment.

Information regarding the swaps is as follows as of December 31, 2004:

Weighted average variable interest rate of the hedged bank loans (prime less .5%)	4.75%
Weighted average fixed interest rate of the swaps	6.1%
Market value of the swaps- potential unrealized loss position	$(36,810)

The respective market values of the swaps are derived from proprietary models of the financial institution with whom the Company purchased the swaps and from whom the Company obtained the hedged bank loans.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Selected Consolidated Financial Data

The following selected financial data for each of the five years in the period ended December 31, 2004, are derived from the audited consolidated financial statements. The data as of December 31, 2004 and 2003, and for the three years ended December 31, 2004, should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

Consolidated Statement of Earnings Data:

	Year Ended December 31,				
Revenue	2004	2003(1)	2002	2001	2000
Premiums	$ 25,979,000	$ 23,295,000	$14,077,000	$13,151,000	$12,876,000
Net investment income	15,939,000	17,303,000	12,540,000	12,947,000	12,136,000
Net mortuary and cemetery sales	11,661,000	10,944,000	10,638,000	9,881,000	8,741,000
Realized (losses) gains on investments	74,000	(2,000)	1,021,000	10,000	424,000
Mortgage fee income	62,690,000	92,955,000	57,008,000	40,086,000	22,922,000
Other	855,000	550,000	479,000	152,000	305,000
Total revenue	117,198,000	145,045,000	95,763,000	76,227,000	57,404,000
Expenses					
Policyholder benefits	23,362,000	21,755,000	13,756,000	11,775,000	12,931,000
Amortization of deferred policy acquisition costs	4,602,000	4,929,000	3,994,000	3,870,000	3,189,000
General and administrative expenses	82,097,000	102,926,000	68,459,000	52,247,000	35,959,000
Interest expense	2,174,000	3,642,000	1,970,000	2,791,000	2,126,000
Cost of goods and services of the mortuaries and cemeteries	2,304,000	2,328,000	2,045,000	1,772,000	1,952,000
Total benefits and expenses	114,539,000	135,580,000	90,224,000	72,455,000	56,157,000
Income before income tax expense	2,659,000	9,465,000	5,539,000	3,772,000	1,247,000
Income tax expense	(652,000)	(2,891,000)	(1,565,000)	(913,000)	(305,000)
Minority interest in (income) loss of subsidiary	115,000	22,000	18,000	(18,000)	(46,000)
Net earnings	$ 2,122,000	$ 6,596,000	$ 3,992,000	$ 2,841,000	$ 896,000
Net earnings per common share(3)	$.35	$1.13	$.72	$.52	$.16
Weighted average outstanding common shares (3)	6,002,000	5,852,000	5,573,000	5,485,000	5,511,000
Net earnings per common share-assuming dilution(3)	$.34	$1.10	$.69	$.52	$.16
Weighted average outstanding common shares-assuming dilution (3)	6,218,000	6,003,000	5,744,000	5,486,000	5,528,000

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Selected Consolidated Financial Data (Continued)

	Year Ended December 31,				
	2004(2)	2003	2002(1)	2001	2000
Assets					
Investments and restricted assets	$183,876,000	$112,006,000	$106,161,000	$ 94,514,000	$108,810,000
Cash	15,334,000	19,704,000	38,199,000	8,757,000	11,275,000
Receivables	53,737,000	120,698,000	102,590,000	59,210,000	36,413,000
Other assets	63,527,000	61,075,000	61,112,000	51,088,000	52,249,000
Total assets	$316,474,000	$313,483,000	$308,062,000	$213,569,000	$208,747,000
Liabilities					
Policyholder benefits	$226,785,000	$220,739,000	$217,895,000	$142,291,000	$141,755,000
Notes & contracts payable	13,331,000	17,863,000	19,273,000	12,098,000	14,046,000
Cemetery & mortuary liabilities	10,789,000	10,562,000	10,076,000	9,344,000	8,659,000
Other liabilities	20,091,000	21,187,000	22,007,000	15,630,000	12,921,000
Total liabilities	270,996,000	270,351,000	269,251,000	179,363,000	177,381,000
Minority interest	3,813,000	3,957,000	4,298,000	4,237,000	4,625,000
Stockholders' equity	41,665,000	39,175,000	34,513,000	29,969,000	26,741,000
Total liabilities and stockholders' equity	$316,474,000	$313,483,000	$308,062,000	$213,569,000	$208,747,000

(1) Reflects the asset purchase transaction with Acadian Life Insurance Company on December 23, 2002.

(2) Includes the purchase of Paramount Life Insurance Company, now Security National Life Insurance Company of Louisiana, on March 16, 2004.

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

Overview

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

SecurityNational Mortgage Company ("SNMC") is a mortgage lender incorporated under the laws of the State of Utah. SNMC 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. SNMC obtains loans primarily from independent brokers and correspondents. SNMC funds the loans from internal cash flows and lines of credit from financial institutions, including the Company's insurance subsidiaries. SNMC receives fees from the borrowers and other secondary fees from third party investors who purchased the loans from SNMC. SNMC pays the brokers and correspondents a commission for loans that are brokered through SNMC.

As of December 31, 2004, SNMC had 17 branches in seven states. In 2001, SNMC opened wholesale branches in Phoenix, Arizona and Houston, Texas. In 2003, SNMC opened offices in Tampa and Jacksonville, Florida; Las Vegas, Nevada; Denver, Colorado; Bountiful, Utah; and Dallas, Texas. SNMC opened one office in 2004 at Cape Coral, Florida. SNMC originated and sold 11,567 loans ($1,781,000,000 loan amount), 17,494 loans ($2,560,000,000 loan amount), and 11,737 loans ($1,721,000,000 loan amount) in 2004, 2003 and 2002, respectively. SNMC's loan volume decreased in 2004 due to an increase in interest rates resulting in fewer borrowers refinancing their loans.

On December 17, 1998, the Company purchased all of the outstanding shares of common stock of SSLIC Holding Company, formerly Consolidare Enterprises, Inc., and Insuradyne Corporation for a total cost of $12,248,194. As of December 31, 2004, Security National Life and its wholly owned subsidiary, SSLIC Holding Company, held approximately 77% of the outstanding shares of common stock of Southern Security Life Insurance Company.

In addition, effective on January 1, 2005, Security National Life and its wholly-owned subsidiary, SSLIC Holding Company, completed a merger transaction with Southern Security Life Insurance Company in which SSLIC Holding Company was merged with Southern Security Life Insurance Company, which resulted in Southern Security Life Insurance Company becoming a wholly-owned subsidiary of Security National Life and the unaffiliated stockholders of Southern Security Life Insurance Company becoming entitled to receive an aggregate of $1,884,733 for their shares.

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

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

These agents are limited to selling small life insurance policies in the final expense market. The Company believes that with this license it will be able to expand its operations in Louisiana. The Company is servicing Security National Life of Louisiana policyholders out of its Jackson, Mississippi office and has closed its Shreveport office.

Significant Accounting Policies

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

Insurance Operations

In accordance with accounting principles generally accepted in the United States of America (GAAP), premiums and considerations received for interest sensitive products such as universal life insurance and ordinary annuities are reflected as increases in liabilities for policyholder account balances and not as revenues. Revenues reported for these products consist of policy charges for the cost of insurance, administration charges, amortization of policy initiation fees and surrender charges assessed against policyholder account balances. Surrender benefits paid relating to these products are reflected as decreases in liabilities for policyholder account balances and not as expenses. The Company receives investment income earned from the funds deposited into account balances, a portion of which is passed through to the policyholders in the form of interest credited. Interest credited to policyholder account balances and benefit claims in excess of policyholder account balances are reported as expenses in the consolidated financial statements.

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

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

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 or cost of insurance charges.

Cemetery and Mortuary Operations

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

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

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

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

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

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

Mortgage Operations

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

The majority of loans originated are sold to third party investors. The amounts sold to investors are shown on the balance sheet as due from sale of loans, and are shown on the basis of the amount of 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 Available for Sale

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

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

Deferred Acquisition Costs

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

Cost of Insurance Acquired

Cost of insurance 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 cost of insurance acquired.

Allowance for Doubtful Accounts

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

Future Policy Benefits

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

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

Unearned Revenue

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

Mortgage Loan Loss Reserve

The Company accrues an estimate of future losses 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 year of duration and to repurchase loans in default within the first year. The estimates are based upon historical experience and best estimate of future liabilities.

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.

Results of Operations

2004 Compared to 2003

Total revenues decreased by $27,847,000, or 19.2%, from $145,045,000 for fiscal year 2003 to $117,198,000 for fiscal year 2004. Contributing to this decrease in total revenues was a $30,265,000 decrease in mortgage fee income and a $1,364,000 decrease in net investment income. This decrease was partially offset by an increase in mortuary and cemetery sales of $717,000, an increase in insurance premium and other considerations of $2,684,000, an increase in realized gains on investments of $76,000 and an increase in other revenue of $305,000.

Insurance premiums and other considerations increased by $2,684,000, from $23,295,000 in 2003 to $25,979,000 in 2004. This increase was primarily due to the additional insurance premiums that were realized on new insurance sales and included premiums from policies acquired from Paramount Security Life Insurance Company in 2004.

Net investment income decreased by $1,364,000, from $17,303,000 in 2003 to $15,939,000 in 2004. This decrease was primarily attributable to reduced interest income on fewer mortgage loans originated by SecurityNational Mortgage Company during 2004.

Net mortuary and cemetery sales increased by $717,000, from $10,944,000 in 2003 to $11,661,000 in 2004. This increase was primarily due to pre-need cemetery sales.

Realized gains on investments and other assets increased by $76,000, from a loss of $2,000 in 2003 to a gain of $74,000 in 2004.

Other revenue increased by $305,000 from $550,000 in 2003 to $855,000 in 2004. Other revenue increased in part from the recovery of funds from a member of management who was found to have fraudulently obtained expense reimbursements over a period of several years. The total amount of payments that the employee fraudulently obtained was $111,000. The employee was terminated and the Company demanded and received full restitution. The employee made restitution by transferring to the Company shares of the Company's common stock that the employee owned at the time he was terminated.

Mortgage fee income decreased by $30,265,000, from $92,955,000 in 2003 to $62,690,000 in 2004. This decrease was primarily attributable to a decrease in the number of loan originations during 2004 due to an increase in interest rates resulting in fewer borrowers refinancing mortgage loans.

Total benefits and expenses were $114,539,000 for 2004, which constituted 97.7% of the Company's total revenues, as compared to $135,580,000, or 93.5% of the Company's total revenues for 2003.

During 2004, there was a net increase of $1,607,000 in death benefits, surrenders and other policy benefits, and in future policy benefits from $21,755,000 in 2003 to $23,362,000 in 2004. This net increase was the result of an increase in reserves for policyholders offset by decreases in death benefits, and surrenders and other policy benefits.

Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired decreased by $327,000, from $4,929,000 in 2003 to $4,602,000 in 2004. This decrease was primarily due to reduced amortization of deferred policy acquisition costs and cost of insurance acquired, which is in line with actuarial assumptions.

General and administrative expenses decreased by $20,829,000, from $102,926,000 in 2003 to $82,097,000 in 2004. Contributing to this decrease was an $18,846,000 decrease in commission expenses, from $67,537,000 in 2003 to $48,691,000 in 2004 due to fewer mortgage loan originations made by SecurityNational Mortgage Company during 2004. Salaries increased $312,000, from $14,080,000 in 2003 to $14,392,000 in 2004, primarily due to merit increases. Other expenses decreased $2,295,000, from $21,310,000 in 2003 to $19,015,000 in 2004. These decreases were primarily the result of reduced expenses due to fewer mortgage loan originations made by SecurityNational Mortgage Company during 2004.

Interest expense decreased by $1,468,000, from $3,642,000 in 2003 to $2,174,000 in 2004. This decrease was primarily due to reduced warehouse lines of credit required for fewer mortgage loan originations by SecurityNational Mortgage Company during 2004.

2003 Compared to 2002

Total revenues increased by $49,282,000, or 50.5%, from $95,763,000 for fiscal year 2002 to $145,045,000 for fiscal year 2003. Contributing to this increase in total revenues was a $35,947,000 increase in mortgage fee income, a $4,763,000 increase in net investment income, and a $9,218,000 increase in insurance premiums and other considerations.

Insurance premiums and other considerations increased by $9,218,000, from $14,077,000 in 2002 to $23,295,000 in 2003. This increase was primarily due to the additional premiums from policies acquired in the asset purchase transaction with Acadian Life.

Net investment income increased by $4,763,000, from $12,540,000 in 2002 to $17,303,000 in 2003. This increase was primarily attributable to the additional investment income from the assets acquired in the asset purchase transaction with Acadian Life.

Net mortuary and cemetery sales increased by $306,000, from $10,638,000 in 2002 to $10,944,000 in 2003. This increase was primarily due to additional at-need cemetery and mortuary sales.

Realized gains on investments and other assets decreased by $1,023,000, from a gain of $1,021,000 in 2002 to a loss of $2,000 in 2003. The realized gains on investment and other assets in 2002 was primarily from the sale of property at Lake Hills Cemetery.

Mortgage fee income increased by $35,947,000, from $57,008,000 in 2002 to $92,955,000 in 2003. This increase was primarily attributable to a greater number of loan originations during 2003 due to the opening of new offices and to lower interest rates resulting in additional borrowers refinancing their mortgage loans.

Total benefits and expenses were $135,580,000 for 2003, which constituted 93.5% of the Company's total revenues, as compared to $90,224,000, or 94.2% of the Company's total revenues for 2002.

During 2003, there was a net increase of $7,999,000 in death benefits, surrenders and other policy benefits, and in future policy benefits from $13,756,000 in 2002 to $21,755,000 in 2003. This net increase was primarily due to the additional death benefits, surrenders and other policy benefits acquired from the additional policies acquired in the asset purchase transaction with Acadian Life.

Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired increased by $935,000, from $3,994,000 in 2002 to $4,929,000 in 2003. This increase was primarily due to the additional amortization of deferred policy acquisition costs and cost of insurance acquired from the additional policies acquired in the asset purchase transaction with Acadian Life.

General and administrative expenses increased by $34,467,000, from $68,459,000 in 2002 to $102,926,000 in 2003. Contributing to this increase was a $25,422,000 increase in commission expenses, from $42,114,000 in 2002 to $67,537,000 in 2003. Salaries increased $3,666,000, from $10,414,000 in 2002 to $14,080,000 in 2003. Other expenses increased $5,379,000, from $15,931,000 in 2002 to $21,310,000 in 2003. These increases were primarily the result of additional expenses due to increased numbers of loan originations made by the Company's mortgage subsidiary in 2003 and to additional expenses associated with the asset purchase transaction with Acadian Life.

Interest expense increased by $1,672,000, from $1,970,000 in 2002 to $3,642,000 in 2003. This increase was primarily due to additional warehouse lines of credit required from the additional mortgage loan originations by the Company's mortgage subsidiary, SecurityNational Mortgage Company, and bank borrowings for the asset purchase transaction with Acadian Life.

Cost of the mortuary and cemetery goods and services sold increased by $282,000, from $2,045,000 in 2002 to $2,327,000 in 2003. This increase was primarily due to increased at-need cemetery and mortuary sales.

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.

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

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

The Company's investment policy is to invest predominately in fixed maturity securities, mortgage loans, and the 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 $81,051,000 as of December 31, 2004 compared to $51,564,000 as of December 31, 2003. This represents 62% of the total insurance related investments in 2004 as compared to 48% in 2003. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners (NAIC). Under this rating system, there are six categories used for rating bonds. At December 31, 2004, 2% ($1,659,000) and at December 31, 2003, 3% ($1,739,000) of the Company's total bond investments were invested in bonds in rating categories three through six which are considered non-investment grade.

If market conditions were to cause interest rates to change, the market value of the fixed income portfolio (approximately $149,469,000) 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)	$18,169	$10,620	$(12,346)	$(26,842)

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.

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, 2004 and 2003, the life subsidiaries exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity and bank debt and notes payable was $54,995,000 and $57,039,000 as of December 31, 2004 and 2003, respectively. Stockholders' equity as a percent of total capitalization was 76% and 69% as of December 31, 2004 and 2003, respectively.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2004 was 9.0%, as compared to a rate of 8.6% in 2003.

On December 17, 1998, the Company completed the acquisition of Consolidare Enterprises, Inc., a Florida corporation ("Consolidare") pursuant to the terms of the Acquisition Agreement, which the Company entered into on April 17, 1998, with Consolidare and certain shareholders of Consolidare for the purchase of all of the outstanding shares of common stock of Consolidare. Consolidare owns approximately 77% of the outstanding shares of common stock of Southern Security Life Insurance Company, a Florida corporation ("SSLIC"). The Company also acquired all of the outstanding shares of stock of Insuradyne Corp., a Florida corporation ("Insuradyne").

As consideration for the purchase of the shares of Consolidare, the Company paid to the stockholders of Consolidare at closing an aggregate of $12,248,194. In order to pay the purchase consideration, the Company obtained $6,250,000 from bank financing, with the balance of $5,998,194 obtained from funds then currently held by the Company. In addition to the purchase consideration, the Company caused SSLIC to pay, on the closing date, $1,050,000 to George Pihakis, the President and Chief Executive Officer of SSLIC prior to closing, as a lump sum settlement of the executive compensation agreement between SSLIC and Mr. Pihakis.

The Company entered into an Administrative Services Agreement dated December 17, 1998 with SSLIC. Under the terms of the agreement, the Company agreed to provide SSLIC with certain defined administrative and financial services, including accounting services, financial reports and statements, actuarial, policyholder services, underwriting, data processing, legal, building management, marketing advisory services and investment services. In consideration for the services to be provided by the Company, SSLIC will pay the Company an administrative services fee of $250,000 per month, or $3,000,000 on an annual basis, which may be increased, beginning on January 1, 2001, to reflect increases in the Consumer Price Index over the index amount as of January 1, 2000. However, such fee is to be reduced to zero for so long as the capital and surplus of SSLIC is less than or equal to $6,000,000, unless SSLIC and the Company otherwise agree in writing and such agreement is approved by the Florida Department of Insurance. The Company has not made any increases in the amount of the Administrative Services Fee to reflect increases in the Consumer Price Index.

The Administrative Services Agreement is to remain in effect for an initial term expiring on December 16, 2003. The term of the agreement was automatically extended for an additional one-year term expiring December 16, 2004. The agreement may be automatically extended for additional one-year terms unless either the Company or SSLIC shall deliver a written notice on or before September 30 of any year stating to the other its desire not to extend the term of the agreement. Neither the Company nor SSLIC provided written notice prior to September 30, 2004, stating a desire not to extend the term of the agreement. As a result, the agreement will be extended for an additional one-year term ending December 31, 2005.

Effective as of January 1, 2005, Security National Life and SSLIC Holding Company, a wholly owned subsidiary of Security National Life, completed a merger transaction with Southern Security Life Insurance Company. Under the terms of the merger and pursuant to the Agreement and Plan of Reorganization, dated August 25, 2004, including the amendment thereto dated December 27, 2004, SSLIC Holding Company was merged with and into southern Security Life Insurance Company, which resulted in (i) Southern Security Life Insurance Company becoming a wholly-owned subsidiary of Security National Life Insurance Company, and (ii) the unaffiliated stockholders of Southern Security Life Insurance Company, holding an aggregate of 490,816 shares of common stock, becoming entitled to receive $3.84 in cash for each issued and outstanding share of their common stock of Southern Security Life Insurance Company, or an aggregate of $1,884,733.

As a result of the merger, the separate existence of SSLIC Holding Company ceased as Southern Security Life Insurance Company became the surviving corporation of the merger. Southern Security Life Insurance Company continues to be governed by the laws of the State of Florida, and its separate corporate existence continues unaffected by the merger. In addition, as a result of the merger, Security National Life owns all of the issued and outstanding common shares of Southern Security Life Insurance Company. Security National Financial Corporation, through its affiliates, Security National Life Insurance Company and SSLIC Holding Company, owned 76.7% of the Company's outstanding common shares prior to the merger.

The purpose of the merger is to terminate the registration of the common stock of Southern Security Life Insurance Company under the Securities Exchange Act of 1934 (by reducing the number of its stockholders of record to fewer than 300 stockholders) and the Nasdaq listing of the common stock, reduce expenses associated with such registration and listing, and provide the stockholders an opportunity to sell their shares in an illiquid trading market without incurring brokerage commissions. As a result of becoming a non-reporting company, Southern Security Life Insurance Company is no longer required to file periodic reports with the SEC, including among other things, annual reports on Form 10-K and quarterly reports on Form 10-Q, and is no longer subject to the SEC's proxy rules. In addition, its common stock is no longer eligible for trading on the Nasdaq SmallCap Market.

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

As a part of the transaction, Security National Life entered into a coinsurance agreement with Acadian, in which Security National Life agreed to reinsure all the liabilities related to policies held by Mississippi policyholders. The terms included the payment of all legal liabilities, obligations, claims and commissions of the acquired policies. The effective date of the coinsurance agreement was September 30, 2002, following Acadian's recapture of the insurance in force from its reinsurer Scottish Re (U.S.) Inc. on September 30, 2002.

The coinsurance agreement further provides that Acadian is required to pay Security National Life an initial coinsurance premium in cash or assets acceptable to Security National Life in an amount equal to the full coinsurance reserves, not including the incurred but not reported (IBNR) reserve as of the effective date. The ceding commission to be paid by Security National Life to Acadian for the reinsured policies is to be the recapture amount to be paid by Acadian to Scottish Re (U.S.), Inc., which was approximately $10,000,000. After the initial coinsurance premium, the coinsurance premiums payable by Acadian to Security National Life are to be equal to all of the premiums collected by Acadian on the reinsurance policies subsequent to December 31, 2002.

On January 1, 2003, Security National Life entered into an assumption agreement effective January 1, 2003, with Acadian, in which Security National Life agreed to assume certain of the liabilities related to the reinsurance policies. Under the terms of the assumption agreement, Acadian agreed to cede to Security National Life, and Security National Life agreed to assume the stated insurance risks and contractual obligations of Acadian relating to the Reinsured Business. Security National Life agreed to pay all legal liabilities and obligations, including claims and commissions, of Acadian with respect to the Reinsured Business arising on or after January 1, 2003, in accordance with the terms and conditions of the reinsured policies.

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

These agents are limited to selling small life insurance policies in the final expense market. The Company believes that with this license it will be able to expand its operations in Louisiana. The Company is servicing Security National Life of Louisiana policyholders out of its Jackson, Mississippi office and has closed its Shreveport office.

At December 31, 2004, $27,208,316 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's insurance subsidiaries. The life insurance subsidiaries need to comply with applicable state regulations before a dividend can be paid to their parent company.

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.

Forward-Looking Statements

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 customer, retain existing customers or reductions in policies in force by existing customers; (v) higher service, administrative, or general expense due to the need for additional advertising, marketing, administrative or management information systems expenditures; (vi) loss or retirement of key executives or employees; (vii) increases in medical costs; (viii) changes in the Company's liquidity due to changes in asset and liability matching; (ix) restrictions on insurance underwriting based on genetic testing and other criteria; (x) adverse changes in the ratings obtained by independent rating agencies; (xi) failure to maintain adequate reinsurance; (xii) possible claims relating to sales practices for insurance products and claim denials and (xiii) adverse trends in mortality and morbidity.

Off-Balance Sheet Agreements

The Company's off-balance sheet arrangements consist of operating leases for rental of office space and equipment.

The Company leases office space and equipment under various non-cancelable agreements, with remaining terms up to five years. Minimum lease payments under these non-cancelable operating leases as of December 31, 2004, are approximately as follows:

Years Ending December 31:	
2005	$588,000
2006	381,000
2007	97,000
2008	90,000
2009	49,000
Total	$1,205,000

Total rent expense related to these non-cancelable operating leases for the years ended December 31, 2004, 2003 and 2002 was approximately $734,000, $396,000 and $200,000, respectively.

Recent Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after September 30, 2003. The adoption of SFAS No. 149 did not have a material effect on the Company's results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 requires that certain financial instruments, which under previous guidance may have been accounted for as equity, must now be accounted for as liabilities (or an asset in some circumstances). The financial instruments affected include mandatory redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. This Statement is effective for all such financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company entered into an agreement with a stockholder in August 2003, in which it purchased 124,000 shares of Class A Common Stock from this stockholder for $6.00 per share. The purchase of these shares is reflected in treasury stock. Also, under the terms of this agreement, the stockholder has agreed not to purchase or control, directly or indirectly, any additional shares of Class A or Class C Common Stock through August 2007, and on August 27, 2004, 2005, and 2006, the stockholder may request, but is not obligated to request, the Company to purchase an additional 100,000 shares of Class A Common Stock held by this stockholder for $6.00 per share. On October 26, 2004, the Company completed the stock purchase agreement, when the Company purchased the remaining amount of 51,929 shares, thus under the agreement the Company will not be required to purchase any additional shares.

Effective December 31, 2003, the Company adopted EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments ("EITF 03-1"). EITF 03-1 provides guidance on the disclosure requirements for other-than-temporary Impairments of debt and marketable equity investments that are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities. The adoption of EITF 03-1 requires the Company to include certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS 115 that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. The adoption of EITF 03-1 did not have a material impact on the Company's financial position or results of operations.

In April 2003, the FASB cleared Statement 133 Implementation Issue No. B36, Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments ("Issue B36"). Issue B36 concluded that (i) a company's funds withheld payable and/or receivable under certain reinsurance arrangements, and (ii) a debt instrument that incorporates credit risk exposures that are unrelated or only partially related to the creditworthiness of the obligor include an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature must be measured at fair value on the balance sheet and changes in fair value reported in income. Issue B36 became effective on October 1, 2003. The adoption of Issue No. B36 did not have a material impact on the Company's financial position or results of operations.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51", and subsequently issued a revision to this Interpretation in December 2003. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies to those variable interest entities considered to be special-purpose entities no later than December 31, 2003. The Interpretation must also be applied to all other variable interest entities no later March 31, 2004. Interpretation No. 46 did not have a material impact on the Company's financial position or results of operations.

In December 2004, FASB revised SFAS 123 to Share-Based Payment ("SFAS 123(R)"). SFAS 123(R) provides additional guidance on determining whether certain financial instruments awarded in share-based payment transactions are liabilities. SFAS 123(R) also requires that the cost of all share-based transactions be recorded in the financial statements. The revised pronouncement must be adopted by the Company by July 1, 2005. Implementation of SFAS 123(R) will not have a significant impact on the Company's consolidated financial statements in the period of implementation. However, any future stock options granted could have a significant impact on the Company's consolidated financial statements.

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 17 of the consolidated financial statements included elsewhere in this Form 10K. 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.

SECURITY NATIONAL FINANCIAL CORPORATION
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 31, 2005, the closing sales price of the Class A Common Stock was $3.51 per share. The following are the high and low market closing sales prices for the Class A Common Stock by quarter as reported by Nasdaq since January 1, 2003:

Period (Calendar Year)	Price Range	
	High	Low
2003		
First Quarter	$6.59	$4.31
Second Quarter	6.01	5.02
Third Quarter	5.98	4.98
Fourth Quarter	7.10	5.47
2004		
First Quarter	8.47	6.36
Second Quarter	6.51	3.71
Third Quarter	3.89	3.08
Fourth Quarter	3.81	2.90
2005		
First Quarter	4.29	2.99

The above sales prices have been adjusted for the effect of annual stock dividends.

The Class C Common Stock is not actively traded, although there are occasional transactions in such stock by brokerage firms. (See Note 11 to the Consolidated Financial Statements.)

The Company has never paid a cash dividend on its Class A or Class C Common Stock. The Company currently anticipates that all of its earnings will be retained for use in the operation and expansion of its business and does not intend to pay any cash dividends on its Class A or Class C Common Stock in the foreseeable future. Any future determination as to cash dividends will depend upon the earnings and financial position of the Company and such other factors as the Board of Directors may deem appropriate. A 5% stock dividend on Class A and Class C Common Stock has been paid each year from 1990 through 2004.

As of December 31, 2004, there were 4,437 record holders of Class A Common Stock and 126 record holders of Class C Common Stock.