SECURITY NATIONAL FINANCIAL CORP
Form DEF 14A
June 01, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by Registrant [X]

Filed by a Party other than the Registrant o

Check the appropriate box:

[ ] Preliminary Proxy Statement

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

[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to §240.14a-12

SECURITY NATIONAL FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

____

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

Payment of Filing Fee (Check the Appropriate box):

[X] No fee required.

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

[ ] Fee paid previously with preliminary materials.
(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Securities Exchange

Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
(5) Total fee paid:

o Check box if any part of the fee is offset as provided by Securities Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

SECURITY NATIONAL FINANCIAL CORPORATION

5300 South 360 West, Suite 250

Salt Lake City, Utah 84123

June 8, 2007

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 13, 2007, at 10:00 a.m., Mountain Daylight Time, at Valley Center Towers, 5373 South Green Street, Conference Room 105, Salt Lake City, Utah.

The formal notice of the Annual Meeting and the Proxy Statement have been made a part of this invitation. Also enclosed is a copy of the Company s Annual Report for the year ended December 31, 2006.

The matters to be addressed at the meeting will include (1) the election of seven directors; (2) the approval of the amendment to the 2003 Stock Option Plan to authorize an additional 400,000 shares of Class A common stock and an additional 1,000,000 shares of Class C common Stock to be made available for issuance under the plan; (3) the approval of the adoption of the 2006 Director Stock Option Plan for the outside directors and the reserving of 100,000 shares of Class A common stock for issuance thereunder; and (4) the ratification of the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for the fiscal year ending December 31, 2007. I will also report on the Company s business activities and answer any stockholder questions.

The Board of Directors recommends that you vote FOR election of the director nominees , FOR the amendment to the 2003 Stock Option Plan to authorize additional shares for issuance thereunder, FOR approval of the 2006 Director Stock Option Plan and to authorize shares for issuance thereunder, and FOR ratification of appointment of the independent registered public 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, date and return your Proxy Card in the envelope provided, even if you plan to attend the meeting. Please note that sending us your Proxy will not prevent you from voting in person at the meeting, should you wish to do so.

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

Sincerely yours,

/s/ George R. Quist

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

SECURITY NATIONAL FINANCIAL CORPORATION

5300 South 360 West, Suite 250

Salt Lake City, Utah 84123

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JULY 13, 2007

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 13, 2007, at Valley Center Towers, 5373 South Green Street, Conference Room 105, Salt Lake City, Utah, at 10:00 a.m., Mountain Daylight Time, to consider and act upon the following:

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

2. To amend the Company's 2003 Stock Option Plan to authorize an additional 400,000 shares of Class A common stock and an additional 1,000,000 shares of Class C common stock to be made available for issuance thereunder;

3. To approve the adoption of the 2006 Director Stock Option Plan for the outside directors and to reserve 100,000 shares of Class A common stock for issuance thereunder;

4. To ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for the fiscal year ending December 31, 2007; and

5. 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 25, 2007, as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. A list of such stockholders will be available for examination by a stockholder for any purpose relevant to the meeting during ordinary business hours at the offices of the Company at 5300 South 360 West, Suite 250, Salt Lake

City, Utah during the 20 days prior to the meeting.

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

By order of the Board of Directors,

/s/ G. Robert Quist

G. Robert Quist
First Vice President and Secretary

June 8, 2007

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 13, 2007

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 13, 2007 at Valley Center Towers, 5373 South Green Street, Conference Room 105, Salt Lake City, Utah, at 10:00 a.m., Mountain Daylight Time, or at any adjournment or postponements thereof (the "Annual Meeting"). The shares covered by the enclosed Proxy, if such is properly executed and received by the Board of Directors prior to the meeting, will be voted in favor of the proposals to be considered at the Annual Meeting, and in favor of the election of the nominees to the Board of Directors (two nominees to be elected by the Class A common stockholders voting separately as a class and five nominees to be elected by the Class A and Class C common stockholders voting together) as listed unless such Proxy specifies otherwise, or the authority to vote in the election of directors is withheld.

A Proxy may be revoked at any time before it is exercised by giving written notice to the Secretary of the Company at 5300 South 360 West, Suite 250, Salt Lake City, Utah 84123, Attention: 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 8, 2007.

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 approve the amendment to the 2003 Stock Option Plan to authorize an additional 400,000 shares of Class A common stock and an additional 1,000,000 shares of Class C common stock to be made available for issuance under the plan; (3) to approve the adoption of the 2006 Director Stock Option Plan for the outside directors and the reserving of 100,000 shares of Class A common stock for issuance thereunder; (4) to ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for the fiscal year ending December 31, 2007; and (5) 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 25, 2007, will be entitled to vote at the Annual Meeting. As of May 25, 2007, there were issued and outstanding 6,356,105 shares of Class A common stock, $2.00 par value per share and 6,966,849 shares of Class C common stock, $.20 par value per share, resulting in a total of 13,322,954 shares of both Class A and Class C common shares. A majority of the outstanding shares (or 6,661,478 shares) of common stock will constitute a quorum for the transaction of business at the meeting. A list of our stockholders will be available for review at the Company s executive offices during regular business hours for a period of 20 days before the Annual Meeting.

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

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

Proxies received at any time before the Annual Meeting, and not revoked or superseded before being voted, will be voted at the Annual Meeting. If a Proxy indicates a specification, it will be in accordance with the specification. If no specification is indicated, the Proxy will be voted for approval of the election of the directors recommended by the Board of Directors, for approval of the amendment to the 2003 to Stock Option Plan to authorize an additional 400,000 shares of Class A common stock and an additional 1,000,000 shares of Class C common stock to be made available for issuance thereunder, for approval of the adoption of the 2006 Director Stock Option Plan for the outside directors and the reserving of 100,000 shares of Class A common stock for issuance thereunder, for the ratification of the appointment of Hansen, Barnett & Maxwell, P.C. as the Company s independent registered public accountants for the fiscal year ending December 31, 2007 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 2006 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.	53	2002	Vice President of Mortgage Operations and Director
H. Craig Moody	55	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	87	1979	Director
Robert G. Hunter, M.D.	47	1998	Director
George R. Quist	86	1979	Chairman of the Board and Chief Executive Officer
Scott M. Quist	54	1986	President, Chief Operating Officer and Director
Norman G. Wilbur	68	1998	Director

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

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

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

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

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

Robert G. Hunter, M.D. has been a director of the Company since 1998. Dr. Hunter is currently a practicing physician in private practice. Dr. Hunter created the statewide E.N.T. Organization (Rocky Mountain E.N.T., Inc.) where he is currently a member of the Executive Committee. 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 1995. Mr. Moody is owner of Moody & Associates, a political consulting and real estate company. He is a former Speaker and House Majority Leader of the House of Representatives of the State of Utah.

Norman G. Wilbur has been a director of the Company since 1998. Mr. Wilbur worked for J.C. Penny's regional offices in budget and analysis. His final position was Manager of Planning and Reporting for J.C. 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 Habitat for Humanity in Plano, Texas.

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

The Board of Directors, Board Committees and Meetings

The Company's Bylaws provide that the Board of Directors shall consist of not less than three nor more than eleven members. The term of office of each director is for a period of one year or until the election and qualification of his successor. A director is not required to be a resident of the State of Utah but must be a stockholder of the Company. The Board of Directors held a total of four meetings during the fiscal year ended December 31, 2006. No directors attended fewer than 75% of all meetings of the Board of Directors during the 2006 fiscal year.

The size of the Board of Directors of the Company for the coming year is seven members. A majority of the Board of Directors must qualify as "independent" as that term is defined in Rule 4200 of the listing standards of the Nasdaq Stock Market. The Board of Directors has affirmatively determined that four of the seven members of the Board of Directors, Messrs. Charles L. Crittenden, Robert G. Hunter, M.D., H. Craig Moody and Norman G. Wilbur, are independent under the listing standards of the Nasdaq Stock Market.

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

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

The Audit Committee directs the auditing activities of the Company's internal auditors and outside public accounting firm and approves the services of the outside public accounting firm. The Audit Committee consists of Messrs. Charles L. Crittenden, H. Craig Moody and Norman G. Wilbur (Chairman of the committee). During 2006, the Audit Committee met on three occasions.

The Compensation Committee is responsible for recommending to the Board of Directors for approval the annual compensation of each executive officer of the Company and the executive officers of the Company's subsidiaries, developing policy in the areas of compensation and fringe benefits, contributions under the Employee Stock Ownership Plan, contributions under the 401(k) Retirement Savings 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), Robert G. Hunter, M.D., H. Craig Moody and Norman G. Wilbur. During 2006, the Compensation Committee met on one occasion.

The Executive Committee reviews Company policy, major investment activities and other pertinent transactions of the Company. The Executive Committee consists of Messrs. George R. Quist, Scott M. Quist, and H. Craig Moody. During 2006, the Executive Committee met on two occasions

The Nominating and Corporate Governance Committee identifies individuals qualified to become board members consistent with criteria approved by the board, recommends to the board the persons to be nominated by the board for election as directors at a meeting of stockholders, and develops and recommends to the board a set of corporate governance principles. The Nominating and Corporate Governance Committee consists of Messrs. Charles L. Crittenden, Robert G. Hunter, M.D., H. Craig Moody (Chairman of the committee), and Norman G. Wilbur. The Nominating and Corporate Governance Committee is composed solely of independent directors, as defined in the listing standards of the Nasdaq Stock Market. During 2006, the Nominating and Corporate Governance Committee met on one occasion.

Director Nominating Process

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

The Nominating and Corporate Governance Committee will consider nominees proposed by stockholders. To recommend a perspective nominee for the Nominating and Corporate Governance Committee's consideration, stockholders may submit the candidate's name and qualifications to: 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 2008" 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 independent directors meet regularly in executive session without management. The Board of Directors has designated a lead director to preside at executive sessions of independent directors. Mr. H. Craig Moody is currently the lead director.

Stockholder Communications with the Board of Directors

Stockholders who wish to communicate with the Board of Directors or a particular director may send a letter to 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 George R. Quist, Scott M. Quist and J. Lynn Beckstead, Jr. are set forth above):

Name	Age	Title
George R. Quist[1]	86	Chairman of the Board and Chief Executive Officer
Scott M. Quist[1]	54	President, Chief Operating Officer and Director
Stephen M. Sill	61	Vice President, Treasurer and Chief Financial Officer
G. Robert Quist[1]	55	First Vice President and Secretary
J. Lynn Beckstead, Jr.	53	Vice President of Mortgage Operations and Director
Christie Q. Overbaugh[1]	58	Senior Vice President of Internal Operations

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

G. Robert Quist has been First Vice President and Secretary of the Company since 2002. Mr. Quist has served as President of Memorial Estates since 2005 and its Vice President from 1982 to 2005. He began working for Memorial Estates in 1978. Mr. Quist has also served as First Vice President of Singing Hills Memorial Park since 1996. In addition, 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 of the Company since June 2006, and a Vice President of the Company from 1998 to June 2006. Ms. Overbaugh has also served as Vice President of Underwriting for Security National Life Insurance Company since 1998. From 1986 to 1991, she was Chief Underwriter for Investors Equity Life Insurance Company of Hawaii and Security National Life Insurance Company. From 1990 to 1991, Ms. Overbaugh was President of the Utah Home Office Underwriters Association. Ms. Overbaugh is currently a member of the Utah Home Office Underwriters Association and an Associate Member of LOMA (Life Office Management Association).

The Board of Directors of the Company has a written procedure that requires disclosure to the board of any material interest or any affiliation on the part of any of its officers, directors or employees that is in conflict or may be in conflict with the 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 2006 or 2005.

Corporate Governance

Corporate Governance Guidelines. The Board of Directors has adopted the Security National Financial Corporation Corporate Governance Guidelines. These guidelines outline the functions of the board, director qualifications and responsibilities, and various processes and procedures designed to insure effective and responsive governance. The guidelines are reviewed from time to time in response to regulatory requirements and best practices and are revised accordingly. The full text of the guidelines is published on the Company's website at www.securitynational.com. A copy of the Corporate Governance Guidelines may also be obtained at no charge by written request to the attention of 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 the named executive officers comprised of all individuals who served as the Company's Chief Executive Officer or Chief Financial Officer at any time during 2006, and the Company's three other most highly compensated executive officers who were serving as executive officers at the end of 2006 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

Non-Equity Incentive Plan Compen-sation($)	Change in Pension Value and Non-qualified Deferred Compen-	All Other Compen-

Name and Principal Position	Year	Salary$	Bonus($)	Stock Awards($)	Option Awards($)		sation Earnings($)(2)	sation($)(3)	Total($)
George R. Quist(1)	2006	$203,013	$40,000	--	--	--	$21,967	$ 7,053	$272,033
Chairman of the	2005	186,300	35,000	--	--	--	21,340	7,053	249,693
Board and Chief	2004	165,600	50,000	--	--	--	21,341	8,233	245,174
Executive Officer									
Scott M. Quist(1)	2006	$275,400	$75,000	--	--	--	$24,150	$16,034	$390,584
President and Chief	2005	246,900	75,000	--	--	--	23,978	27,711	373,589
Operating Officer	2004	215,900	75,000	--	--	--	23,001	18,972	332,873
Stephen M. Sill	2006	$120,292	$ 3,000	--	--	--	$13,922	$ 7,493	$144,707
Vice President,	2005	115,063	6,000	--	--	--	12,518	7,484	141,065
Treasurer and Chief	2004	102,855	6,000	--	--	--	11,134	4,150	124,139
Financial Officer									
J. Lynn Beckstead, Jr.	2006	$246,292	$ 6,000	--	--	--	$21,945	$ 4,450	$278,687
	2005	220,306	24,000	--	--	--	21,735	4,441	270,482
Vice President of									
	2004	195,796	85,000	--	--	--	21,000	4,750	306,546
Mortgage Operations									
G. Robert Quist(1)	2006	$126,221	$10,000	--	--	--	$12,209	$ 7,373	$155,803
First Vice President	2005	115,063	6,000	--	--	--	10,205	5,239	136,507
and Secretary	2004	104,814	--	--	--	--	10,161	2,950	117,925

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

(2) The amounts indicated under Change in Pension Value and Non-qualified Deferred Compensation Earnings consist of amounts contributed by the Company into a trust for the benefit of the Named Executive Officers under the Security National Financial Corporation Deferred Compensation Plan.

(3) The amounts indicated under All Other Annual Compensation consist of (a) payments related to the operation of automobiles by the Named Executive Officers. Such amounts were for George R. Quist $2,400 for each of the years 2006, 2005 and 2004; Scott M. Quist $7,200 for each of the years 2006, 2005 and 2004; Stephen M. Sill $3,600 for each of the years 2006, 2005 and 2004; G. Robert Quist $4,525 for 2006, $2,400 for each of the years 2005 and 2004. However, such payments do not include the furnishing of an automobile by the Company to George R. Quist, Scott M. Quist, J. Lynn Beckstead Jr., and G. Robert Quist, nor the payment of insurance and property taxes with respect to the automobiles operated by the Named Executive Officers (b) 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 2006, 2005 and 2004, such amounts were for George R. Quist $9, $9 and $17, respectively; for Scott M. Quist, G. Robert Quist, Stephen M. Sill and J. Lynn Beckstead, Jr., $250, $241, and $550 each, respectively); (c) life insurance premiums paid by the Company for the benefit of George R. Quist ($4,644 for each of the years 2006, 2005 and 2004); Scott M. Quist ($8,584 for the year 2006, $20,270 for the year 2005, and $11,222 for 2004); J. Lynn Beckstead, Jr. $4,200 for each of the years 2006, 2005 and 2004); G. Robert Quist, ($2,598 for each of the years 2006 and 2005), and Stephen M. Sill ($3,643, for each of the years 2006 and 2005) respectively; (d) the amounts under All Other Compensation includes 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. As of January 1, 2004 and January 1, 2005, the outstanding balance on the loan was $37,540 and $1,540, respectively. The final payment on the loan was made on January 25, 2005.

SUPPLEMENTAL ALL OTHER COMPENSATION TABLE

Name	Year	Perks and Other Personal Benefits	Tax Reimburse-ments	Discounted Securities Purchases	Payments/ Accruals on Termin-ation Plans	Registrant Contribu-tions to Defined Contribu-tion Plans	Insurance Premiums	Dividends or Earnings on Stock or Option Awards	Other(1)
George R. Quist	2006	$2,400	--	--	--	--	$4,653	--	--
	2005	2,400	--	--	--	--	4,653	--	--
	2004	2,400	--	--	--	--	4,661	--	$1,172(1)
Scott M. Quist	2006	$7,200	--	--	--	--	$ 8,834	--	--
	2005	7,200	--	--	--	--	20,511	--	--
	2004	7,200	--	--	--	--	11,772	--	--
Stephen M. Sill	2006	$3,600	--	--	--	--	$ 3,893	--	--
	2005	3,600	--	--	--	--	3,884	--	--
	2004	3,600	--	--	--	--	550	--	--
J. Lynn Beckstead, Jr.	2006	--	--	--	--	--	$ 4,450	--	--
	2005	--	--	--	--	--	4,441	--	--
	2004	--	--	--	--	--	4,750	--	--
G. Robert Quist	2006	$4,525	--	--	--	--	$ 2,848	--	--
	2005	2,400	--	--	--	--	2,839	--	--
	2004	2,400	--	--	--	--	550	--	--

(1) Represents compensation in the form of a non-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. As of January 1, 2004 and January 1, 2005, the outstanding balance on the loan was $37,500 and $1,540, respectively. The final payment was made on January 25, 2005.

GRANTS OF PLAN-BASED AWARDS

The following table sets forth all plan-based awards granted to the Named Executive Officers.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Under-lying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Options Awards ($)
George R.	07/16/04	--	--	--	--	--	--	--	50,000	$3.96	$1.71
Quist	12/10/04	--	--	--	--	--	--	--	50,000	3.55	1.71
	03/25/05	--	--	--	--	--	--	--	70,000	3.86	1.92
Scott M.	03/21/03	--	--	--	--	--	--	--	70,000	$5.90	$2.63
Quist	07/16/04	--	--	--	--	--	--	--	50,000	3.60	1.71
	12/10/04	--	--	--	--	--	--	--	50,000	3.23	1.71
	03/25/05	--	--	--	--	--	--	--	70,000	3.51	1.92
Stephen M. Sill	--	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--	--
J. Lynn Beckstead, Jr	03/21/03	--	--	--	--	--	--	--	15,000	$5.90	$2.63
	12/10/04	--	--	--	--	--	--	--	5,000	3.23	1.71
	03/25/05	--	--	--	--	--	--	--	35,000	3.51	1.92
G. Robert	03/21/03	--	--	--	--	--	--	--	35,000	$5.90	$2.63
Quist	12/10/04	--	--	--	--	--	--	--	10,000	3.23	1.71
	03/25/05	--	--	--	--	--	--	--	30,000	3.51	1.92

OUTSTANDING EQUITY AWARDS AT FISCAL 2006 YEAR END

The following table sets forth all outstanding equity awards held by Named Executive Officers as of December 31, 2006.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options: (#) Unexer-cisable	Equity Incentive Pan Awards Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock Held That Have Not Vested(#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
George R. Quist(1)	170,000	--	--	$3.55-3.96	2009-2010	--	--	--	--
Scott M. Quist(1)	240,000	--	--	$3.23-5.90	2014-2015	--	--	--	--
Stephen M. Sill	--	--	--	--	--	--	--	--	--
J. Lynn Beckstead, Jr.	55,000	--	--	$3.23-5.90	2013-2015	--	--	--	--

G. Robert Quist	75,000	--	--	$3.23-5.90	2013-2015	--	--	--	--

(1) Includes options to purchase 1,102,500 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.

OPTION EXERCISES AND STOCK VESTED FOR FISCAL 2006

The following table sets forth all stock options exercised and value received upon exercise, and all stock awards vested and value realized upon vesting, by the Named Executive Officers during for fiscal 2006.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
George R. Quist	51,051	$171,557	--	--
Scott M. Quist	--	--	--	--
Stephen M. Sill	8,379	44,744	--	--
J. Lynn Beckstead, Jr.	--	--	--	--
G. Robert Quist	--	--	--	--

PENSION BENEFITS FOR FISCAL 2006

The following table sets forth the present value as of December 31, 2006, of the benefit of the Named Executive Officers under a defined benefit pension plan.

	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During Last Fiscal Year

Name	Plan Name	(#)	($)	($)
George R. Quist	None	--	--	--
Scott M. Quist	None	--	--	--
Stephen M. Sill	None	--	--	--
J. Lynn Beckstead, Jr.	None	--	--	--
G. Robert Quist	None	--	--	--

Retirement Plans

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

The plan also provides that the Board of Directors may, in its discretion, pay the amounts due under the plan in a single, lump-sum payment. In the event that Mr. Quist dies before the ten annual payments are made, the unpaid balance will continue to be paid to his designated beneficiary. The plan further requires the Company to furnish an automobile for Mr. Quist s use and to pay all reasonable expenses incurred in connection with its use for a ten year period, and to provide Mr. Quist with a hospitalization policy with similar benefits to those provided to him the day before his retirement or disability. However, in the event Mr. Quist s employment with the Company is terminated for any reason other than retirement, death, or disability, the entire amount of deferred compensation payments under the plan shall be forfeited by him. The Company accrued $37,000 and $34,000 in fiscal 2006 and 2005, respectively, to cover the present value of anticipated retirement benefits under the employment agreement, which was $419,000 as of December 31, 2006.

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 paying Mr. Quist s current compensation and benefits for seven years following the merger or sale. The agreement further provides that Mr. Quist is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 65), (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to 75% of his then current rate of compensation. However, in the event that Mr. Quist dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company accrued $79,900 and $37,800 in fiscal 2006 and 2005, respectively, to cover the present value of anticipated retirement benefits under the employment agreement, which was $486,000 as of December 31, 2006.

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 was not retained in his current position, the Company would be obligated to continue paying Mr. Beckstead s current compensation and benefits for five years following the merger or sale. The agreement further provides that Mr. Beckstead is entitled to receive annual retirement benefits beginning (i) one month from the date of his retirement (to commence no sooner than age 62½) (ii) five years following complete disability, or (iii) upon termination of his employment without cause. These retirement benefits are to be paid for a period of ten years in annual installments in the amount equal to one-half of his then current annual salary. However, in the event that Mr. Beckstead dies prior to receiving all retirement benefits thereunder, the remaining benefits are to be paid to his heirs. The Company accrued $44,900 and $46,300 in 2006 and 2005, respectively, to cover the present value of the retirement benefits of the employment agreement, which was $273,000 as of December 31, 2006.

Director Compensation

Directors of the Company (but not including directors who are employees) are currently 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. An additional fee of $750 is paid to each audit committee member for each audit committee meeting attended in 2006. Each director is provided with an annual grant of stock options to purchase 1,000 shares of Class A Common Stock, which occurred under the 2000 Director Stock Option Plan for years 2000 to 2005 and under the 2006 Director Stock Option Plan for year 2006.

DIRECTOR COMPENSATION FOR FISCAL 2006

The following table sets forth the compensation of the Company's non-employee directors for fiscal 2006.

Name	Fees Earned or Paid In Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Charles L. Crittenden	$14,700	--	$1,920	--	--	--	$16,620
Robert G. Hunter	13,200	--	1,920	--	--	--	15,120

H. Craig Moody	14,700	--	1,920	--	--	--	16,620
Norman G. Wilbur	14,700	--	1,920	--	--	--	16,620

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 ½ of 1% of a participating employee's compensation, as defined by the plan.

All persons who have completed at least one year's service with the Company and satisfy other plan requirements are eligible to participate in the 401(k) plan. All Company matching contributions are invested in the Company's Class A common stock. The Company's matching contributions for 2006, 2005 and 2004 were approximately $8,656, $5,142 and $5,746, 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 2006, 2005 and 2004, were $162,584, $135,589 and $128,949, 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 335 participants and had $138,286 contributions payable to the Plan in 2006. 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 2006, 2005 and 2004 was $125,558, $141,710 and $123,249, respectively.

NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL 2006

The following table sets forth contributions to the deferred compensation account of the Named Executive Officers in fiscal 2006 and the aggregate balance of deferred compensation of the Named Executive Officers as of December 31, 2006.

Name	Executive Contributions In Last FY ($)	Registrant Contributions In Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
George R. Quist	--	$21,967	--	--	$226,947
Scott M. Quist	--	24,150	--	--	252,874
Stephen M. Sill	--	13,922	--	--	72,754
J. Lynn Beckstead, Jr.	--	21,945	--	--	118,223
G. Robert Quist		12,209			111,480

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. The Director Plan terminated on November 1, 2006 and the 2006 Director Stock Option Plan was adopted by the Board of Directors on December 7, 2006.

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

Based solely on its review of the copies of stock reports received by it with respect to fiscal 2006, or written representations from certain reporting persons, the Company believes that its directors, officers and greater than 10% beneficial owners complied with all Section 16(a) filing requirements applicable to them, except George R. Quist, Chairman and Chief Executive Officer, Stephen M. Sill, Vice President, Treasurer and Chief Financial Officer, and Robert G. Hunter, H. Craig Moody, and Norman G. Wilbur, directors of the Company, through an oversight, each filed one late Form 4 report disclosing the exercise of stock options.

Certain Relationships and Related Transactions

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

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, 2007, (i) for persons who own beneficially more than 5% of the Company's outstanding Class A or Class C common stock, (ii) each director of the Company, and (iii) for all executive officers and directors of the Company as a group.

	Class A Common Stock		Class C Common Stock		Class A and Class C Common Stock	
Name and Address	Amount Beneficially Owned	Percent of Class	Amount Beneficially Owned	Percent of Class	Amount Beneficially Owned	Percent of Class
George R. and Shirley C. Quist Family Partnership, Ltd. (2)	522,817	7.4%	3,702,953	45.6%	4,225,770	27.8%
Employee Stock Ownership Plan (3)	657,115	9.3%	1,712,228	21.1%	2,369,343	15.7%
George R. Quist (4)(5)(7)(8)	527,014	7.4%	518,816	6.4%	1,045,830	6.9%
Scott M. Quist (4)(7)(9)	482,805	6.8%	1,441,056	17.7%	1,923,861	12.6%
Associated Investors (10)	102,310	1.4%	722,812	8.9%	825,122	5.4%
G. Robert Quist (6)(11)	141,836	2.0%	257,608	3.2%	399,464	2.6%
J. Lynn Beckstead, Jr., (6)(12)	174,586	2.5%	--	--	174,586	1.1%
Stephen M. Sill (6)	77,180	1.1%	--	--	77,180	0.5%
Christie Q. Overbaugh (13)	94,534	1.3%	116,315	1.4%	210,849	1.4%
Robert G. Hunter, M.D., (4)(14)	8,996	*	--	--	8,996	*
Norman G. Wilbur (15)	7,534	*	--	--	7,534	*
Charles L. Crittenden (16)	8,789	*	--	--	8,789	*
H. Craig Moody (17)	7,231	*	--	--	7,231	*

All directors and executive officers (10 persons) (4)(5)(6)(7)	2,053,342	29.0%	6,036,748	74.3%	8,090,090	53.2%

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 657,115 shares of Class A common stock and 1,712,228 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 102,310 shares of Class A common stock and 722,812 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 374,574 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 236,656 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 192,938 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, 2007.
(9) Includes options to purchase 162,260 shares of Class A common stock and 1,157,625 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, 2007.
(10) The managing partner of Associated Investors is George R. Quist, who exercises sole voting and investment powers.
(11) Includes options to purchase 42,543 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, 2007.
(12) Includes options to purchase 62,608 shares of Class A common stock granted to Mr. Beckstead that are currently exercisable or will become exercisable within 60 days of March 31, 2007.
(13) Includes options to purchase 30,732 shares of Class A common stock granted to Ms. Overbaugh that are currently exercisable or will become exercisable within 60 days of March 31, 2007.
(14) 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, 2007.
(15) 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, 2007.
(16) Includes options to purchase 3,477 shares of Class A common stock granted to Mr. Crittenden that are currently exercisable or will become exercisable within 60 days of March 31, 2007.
(17) Includes options to purchase 4,753 shares of Class A common stock granted to Mr. Moody that are currently exercisable or will become exercisable within 60 days of March 31, 2007.

The Company s officers and directors, as a group, own beneficially approximately 53.2% of the outstanding shares of the Company s Class A and Class C common stock.

REPORT OF THE COMPENSATION COMMITTEE

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

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

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

Base Salary. Base salaries for executive officers are set at levels believed by the Compensation Committee to be sufficient to attract and retain qualified executive officers. Base pay increases are provided to executive officers based on an evaluation of each executive s performance, as well as the performance of the Company as a whole. In establishing base salaries, the Compensation Committee not only considers the financial performance of the Company, but also the success of the executive officers in developing and executing the Company s strategic plans, developing management employees and exercising leadership. The Compensation Committee believes that executive officer base salaries for 2006 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 2006 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 2006. Mr. Quist received a base salary of $203,013 for 2006. 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 2006 the Audit Committee met three times. The Audit Committee has met with management and discussed the Company's internal controls, the quality of the Company's financial reporting, the results of internal and external audit examinations, and the audited financial statements. In addition, the Audit Committee met with the Company's independent registered public accountants, Hansen, Barnett & Maxwell, P.C. and discussed all matters required to be discussed by the auditors with the Audit Committee under Statement on Auditing Standards No. 61 (communication with audit committees). The Audit Committee reviewed and discussed with the auditors their annual written report on their independence from the Company and its management, which is made under Independence Standards Board Standard No. 1 (independence discussions with audit committees), and 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 2006 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, 2006, for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

Norman G. Wilbur, Chairman

Charles L. Crittenden

H. Craig Moody

APPROVAL OF AMENDMENT TO THE 2003 STOCK OPTION PLAN

PROPOSAL 2

The Board of Directors adopted on December 7, 2006, subject to the approval by the shareholders, an amendment to the Company's 2003 Stock Option Plan. The amendment increases from 549,182 to 949,182 the number of shares of the Company's Class A common stock available for issuance under the 2003 Stock Option Plan, and from 1,157,811 to 2,157,811 the number of shares of the Company's Class C common stock available for issuance thereunder. The Company has in the past used, and intends in the future to use, stock options as incentive devices to motivate and compensate its salaried officers and other key employees, and believes that equity incentives represented by stock options enhances the Company s ability in attracting and retaining the best possible persons for positions of significant responsibility by providing its officers and other key employees with additional incentives to contribute to the Company s success.

Management further believes that the availability of such equity incentives has served, and will continue to serve, an important part in the implementation of the Company s acquisition strategy. As of March 31, 2007, options to purchase 93,150 shares of Class A common stock and no shares of Class C common stock have been exercised under the 2003 plan; as of such date, options to purchase 434,646 shares of Class A common stock and 1,157,625 shares of Class C common stock were outstanding under the 2003 Stock Option Plan. Accordingly, options to purchase only 72,407 shares of Class A common stock and 57,881 shares of Class C common stock remain available for future grants under the 2003 Stock Option Plan as of such date.

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

APPROVAL OF 2006 DIRECTOR STOCK OPTION PLAN

PROPOSAL 3

On December 7, 2006, the Board of Directors adopted the 2006 Director Stock Option Plan (the 2006 Director Plan), effective December 7, 2006. This section, which summarizes the material terms of the 2006 Director Plan, is qualified in its entirety by reference to the 2006 Director Plan itself as set forth in Appendix A. The 2006 Director Plan provides for the grant by the Company of options to purchase up to an aggregate of 100,000 shares of Class A common stock for issuance thereunder. The 2006 Director Plan provides that each member of the Company s Board of Directors who is not an employee or paid consultant of the Company is automatically eligible to receive options to purchase the Class A common stock under the 2006 Director Plan.

Effective as of December 7, 2006, and on each anniversary date thereof during the term of the 2006 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 2006 Director Plan. The options granted to outside directors shall vest in their entirety by the first anniversary date of the grant. The primary purposes of the 2006 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 2006 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.

The Board of Directors recommends that stockholders vote "FOR" adoption of the 2006 Director Stock Option Plan and the reservation of 100,000 shares of Class A common stock for issuance thereunder.

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

PROPOSAL 4

The independent public accounting firm of Hansen, Barnett & Maxwell, P.C. has been the Company's independent registered public accountants since May 20, 2005. The Audit Committee has recommended and the Board of Directors has appointed Hansen, Barnett & Maxwell, P.C. for purposes of auditing the consolidated financial statements of the Company for the fiscal year ending December 31, 2007. It is anticipated that representatives of Hansen, Barnett & Maxwell, P.C. will be present at the Annual Meeting and will be provided an opportunity to make a statement if they desire, and to be available to respond to appropriate questions.

The Board of Directors recommends that stockholders vote "FOR" ratification of the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for fiscal year ending December 31, 2007.

AUDIT FEES, FINANCIAL INFORMATION SYSTEMS DESIGN

AND IMPLEMENTATION FEES AND ALL OTHER FEES

Fees for the year 2006 for the annual audit of the financial statements and employee benefit plans and related quarterly reviews by the Company s independent registered public accountants were $340,300. There were $14,800 in other fees during 2006.

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, 2006. The annual report is incorporated in this Proxy Statement and is not to be considered part of the soliciting material. The Company will provide, without charge to each stockholder upon written request, a copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2006 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 2008

Any proposal by a stockholder to be presented at the Company's next Annual Meeting of Stockholders expected to be held in July 2008 must be received at the offices of the Company, P.O. Box 57250, Salt Lake City, Utah 84157-0250, no later than March 31, 2008.

By order of the Board of Directors,

/s/ G. Robert Quist

G. Robert Quist

First Vice President and Secretary

June 8, 2007

Salt Lake City, Utah

Appendix A

SECURITY NATIONAL FINANCIAL CORPORATION

2006 Director Stock Option Plan

1. PURCHASE OF THE PLAN. The purpose of this 2006 Director Stock Option Plan is to attract and retain the best available personal to serve as Outside Directors of the Company.

All options granted hereunder shall be non-statutory stock options.

2. DEFINITIONS. A used herein, the following definitions shall apply:

(a) BOARD means the Board of Directors of the Company.

(b) CHANGE IN CONTROL means (i) the acquisition, directly or indirectly, by any person or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of the beneficial ownership of more than fifty percent (50%) of the outstanding securities of the Company; (ii) a merger or consolidation in which the Company is not the surviving entity except for a transaction the principal purpose of which is to change the state in which the Company is incorporated; (iii) the sale, transfer or other disposition of all or substantially all of the assets of the Company; (iv) a complete liquidation or dissolution of the Company or (v) any reverse merger in which the Company is the surviving entity but in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company s outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such a merger.

(c) CODE means the Internal Revenue Code of 1986, as amended.

(d) COMMON STOCK means the Class A Common Stock of the Company.

(e) COMPANY means Security National Financial Corporation, a Utah corporation.

(f) CONTINUOUS STATUS AS A DIRECTOR means the absence of any interruption of termination of service as a Director.

(g) DIRECTOR means a member of the Board

(h) EMPLOYEE means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director s fee by the Company shall not be sufficient in and of itself to constitute employment by the Company.

(i) EXCHANGE ACT means the Securities Exchange Act of 1934, as amended.

(j) FAIR MARKET VALUE means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the National Market System of the National Association of Securities Dealers. Inc. Automated Quotation (Nasdaq) Systems, the Fair Market Value of a Share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such system or exchange (or the exchange with the greatest volume of trading in Common Stock) on the last market trading day prior to the day of determination, as reported by the Wall Street Journal or such other source as the Board deems reliable;

(ii) If the Common Stock is quoted on the Nasdaq System (but not on the National Market System thereof) or regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked priced for the Common Stock on the last market trading day prior to the day of determination, as reported in the Wall Street Journal or such other source as the Board deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

(k) OPTION means a stock option granted pursuant to the Plan.

(l) OPTIONED STOCK means the Common Stock subject to an Option.

(m) OPTIONEE means an Outside Director who receivers an Option.

(n) OUTSIDE DIRECTOR means a Director who is not an Employee

(o) PARENT means a parent corporation, whether now or hereafter existing, as defined in Section 424(e) of the Code,

(p) PLAN means this 2006 Director Stock Option Plan.

(q) SHARE means a share of the Common Stock, as adjusted in accordance with Section 10 of the Plan.

(r) SUBSIDIARY means a subsidiary corporation, whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. STOCK SUBJECT TO THE PLAN. Subject to the provisions of Section10 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the plan is 100,000 Shares (the Pool) of Common Stock. The Shares may be authorized but unissued, or reacquired Common Stock.

If an Option should expire or become unexercisable for any reason without having been exercised in full. The unpurchased Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan.

4. ADMINISTRATION OF AND GRANTS OF OPTIONS UNDER THE PLAN.

(a) ADMINISTRATOR. Except as otherwise required herein, the Plan shall be administered by the Board.

(b) PROCEDURE FOR GRANTS. The provisions set forth in this Section 4(b) shall not be amended more than once every six months, other than to comply with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder. All grants of Options hereunder shall be automatic and non-discretionary and shall be made strictly in accordance with the following provisions:

(i) No person shall have any discretion to select which Outside Directors shall be granted Options or to determine the number of Shares to be covered by Options granted to Outside Directors.

(ii) Effective as of December 7, 2006 (the Effective Date) and on each anniversary date thereof during the term of this Plan, each Outside Director shall automatically receive an Option to purchase 1,000 Shares (an Annual Grant). In addition, each new Outside Director who shall first join the Board on or after the Effective Date shall automatically be granted an Option to purchase 1,000 Shares upon the date on which such person first becomes an Outside Director, whether through election by the shareholders of the Company, appointment by the Board to fill a vacancy, or termination of employment by the Company while remaining as a Director (a One-time Grant) and an Annual Grant of an option to purchase 1,000 Shares on each anniversary date thereof during the term of this Plan.

(iii) The terms of each Option granted hereunder shall be as follows:

(A) the term of the Option shall have ten (10) years:

(B) the Option shall be exercisable while the Outside Director remains a Director of the Company and for a period of six months from the date Optionee s continuous status as a Director terminates, as set forth in Section 8 hereof;

(C) the exercise price per Share shall be 100% of the Fair Market Value per Share on the date of grant of the Option; and

(D) each Annual Grant and One-Time Grant shall become exercisable at the rate of 250 shares each three month period, so that 100% of the Optioned Stock granted under any One-Time Grant or Annual Grant shall be exercisable one year after the date of grant of the Option, assuming Continuous Status as a Director and attendance at each board meeting.

(iv) In the event that any Option granted under the Plan would cause the number of Shares subject to outstanding Options plus the number of Shares previously purchased upon exercise of Options to exceed the Pool, then each such automatic grant shall be for that number of shares determined by dividing the total number of Shares remaining available for grant date. No further grants shall be made until such time, if any, as additional Shares become available for grant under the Plan through action of the shareholders to increase the number of Shares which may be issued under the Plan or through cancellation or expiration of Options preciously granted hereunder.

(c) POWERS OF THE BOARD. Subject to the provisions and restrictions of the Plan, the Board shall have the authority, in its discretion: (i) to determine, upon review of relevant information and in accordance with Section 2(i) of the Plan, the Fair Market Value of the Common Stock; (ii) to interpret the Plan; (iii) to prescribe, amend and rescind rules and regulations relating to the Plan; (iv) to authorize any person to execute on behalf of the Company and instrument required to effectuate the grant of an Option previously granted hereunder; and (v) to make all other determinations deemed necessary or advisable for the administration of the Plan.

(d) EFFECT OF BOARD S DECISION. All decisions, determinations and interpretations of the Board shall be final.

5. ELIGIBILITY. Options may be granted only to Outside Directors. All Options shall be automatically granted in accordance with the terms set forth in Section 4(b) hereof. An Outside Director who has been granted an option may, if he or she is otherwise eligible, be granted an additional Option or Options in accordance with such precision.

The Plan shall not confer upon any Optionee any right with respect to continuation of service as a Director or nomination to serve as a Director, nor shall it interfere in any way with any rights which the Director or the Company may have to terminate his or her directorship at any time.

6. TERM OF PLAN. The plan shall become effective as of December 7, 2006 and shall continue in effect until the tenth anniversary of the Effective Date, unless sooner terminated under Section 12 of the plan.

7. CONSIDERATION. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Board and may consist entirely of (i) cash; (ii) check; (iii) promissory note; (iv) other shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised and which, in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more that 12 months on the date of surrender; (v) delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds required to pay the exercise price; (vi) delivery of an irrevocable subscription agreement for the Shares not more than 12 months after the date of delivery of the subscription agreement; (vii) by a combination of the foregoing methods of payment; or (viii) such other consideration and method of payment for the issuance of Shares to the extent permitted under applicable law.

8. EXERCISE OF OPTION.

(a) PROCEDURE FOR EXERCISE; RIGHTS AS A STOCKHOLDER. Any Option granted hereunder shall be exercisable at such times as are set forth in Section 4(b) hereof; provided, however, that no Options shall be exercisable until stockholder approval of the Plan in accordance with Section 17 hereof has been obtained.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may consist of any consideration and method of payment allocable under Section 7 of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned stock, notwithstanding the exercise of the Option. A share certificate for the number of Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 10 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Options is exercised.

(b) TERMINATION OF CONTINUOUS STATUS AS A DIRECTOR. In the event an Optionee s Continuous Status as a Director terminates, the Optionee may exercise his or her Option but only within six months from the date of such termination, and only to the extent that the Optionee was entitled to exercise it at the date of such termination (but in no event later than the expiration of its ten-year term). To the extent that the Optionee was not entitled to exercise an Option at the date of such termination, and to he extent that the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

9. NON-TRANSFERABILITY OF OPTIONS. The Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will, by law of descent or distribution or pursuant to qualified domestic relations order, and may be exercised, during the lifetime of the Optionee, only by the Optionee or a permitted transferee.

10. ADJUSTMENTS

(a) CHANGES IN CAPITALIZATION. In the event that the stock of the Company is changed by reason of any stock split, reverse stock split, recapitalization, or other change in the capital structure of the Company, or converted into or exchanged for other securities as a result of any merger, consolidation or reorganization, or in the event that the outstanding number of shares of stock of the Company is increased through payment of a stock dividend, appropriate proportionate adjustments shall be made in the number and class of shares of stock subject to the Plan, the number and class of shares subject to any Option outstanding Option; provided, however, that the Company shall not be required to issue fractional shares as a result of any such adjustment. Any such adjustment shall be make upon approval by the Board, whose determination shall be conclusive. If there is any other change in the number or type of he outstanding shares of stock of the Company, or of any other security into which such stock shall have been changed or for which it shall have been exchanged, and if he Board in its sole discretion determines that such change equitably requires an adjustment shall be made in accordance with the determination of the Board. No adjustments shall be required by reason of the issuance or sale by the Company for cash or other consideration of additional shares of its stock or securities convertible into or exchangeable for shares of its stock.

(b) CORPORATE TRANSACTIONS. New Options (substantially equivalent to the Options) may be substituted for the Options granted under the Plan, or the Company s duties as to Options outstanding under the plan may be assumed, by an employer corporation other that the Company or by a parent or subsidiary of such employer corporation, in connection with any merger consolidation, acquisition of assets or stock, separation, reorganization, liquidation, or like occurrence in which the Company is involved; provided, however, in the event such employer the Options granted hereunder or substituted for such Options substantially equivalent options, or if the Board determined, in its sole discretion, that Options outstanding under the Plans should not then continue to be outstanding, the Options granted hereunder shall terminate and thereupon become null and void (i) upon dissolution or liquidation of the Company, acquisition, separation, or similar occurrence, or (ii) upon any merger, consolidation or similar occurrence; provided, however, that each Optionee shall be given notice of such dissolution, liquidation, merger, consolidation or similar occurrence, and shall have the right, at any time prior to, but contingent upon the consummation of such transaction, to exercise (x) any unexpired Options granted hereunder to the extent they are then exercisable, and (y) in the case of a merger consolidation or similar occurrence Company is not the surviving corporation, those Options which are not them; provided, further, that such exercise right shall not in any event expire less than 30 days after the date notice of such transaction is sent to the Optionee.

11. CHANGE IN CONTROL. In the event of a Change in Control of the Company, if the Change of Control is not approved by a majority of the Directors, the Administrator shall cause written notice of the proposed transaction to be given to all Optionees not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction and, concurrent with the effective date of the proposed transaction, all Options shall be accelerated and concurrent with such date the holders of such Options shall have the right to exercise such Options in respect to any or all shares subject thereto. The Administrator in its discretion may, at any time an Option is granted, or at any time thereafter (regardless of its acceleration or non-acceleration), take on or more of the following actions: (A) provide for the purchase of each Option for an amount of cash or other property that could have been received upon the exercise of the Option, (B) adjust the terms of the Options in a manner determined by the Administrator to reflect the Change in Control, (C) cause the Options to be continued or assumed, or new rights substitute therefore, by the surviving or another entity, through the continuance of the Plan and the continuation or assumption of outstanding Options or the substitution for such Options of new options of comparable value covering shares of a successor corporation, with appropriate adjustments as to the number and kind of shares and Exercise Prices, in which event the Plan and such Options, or the new options substituted therefore, shall continue in the manner and under the terms so provided or (D) make such other provision as the Administrator may consider equitable. In the event of a Change in Control in which the Options are not continued, assumed or substituted therefore by the surviving or another entity, regardless of whether such Change in Control is approved by a majority of the Continuing Directors, the Options shall be accelerated and fully exercisable upon the effective date of the Change in Control and the Administrator shall cause written notice of the proposed transaction to be given to all Optionees not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction. The Administrator shall have the right with respect to any specific Option granted under the Plan, to provide that such Options shall be accelerated in any event upon the effective date of the Change of Control.

12. AMENDMENT AND TERMINATION OF THE PLAN.

(a) AMENDMENT AND TERMINATION. The Board may at any time amend, alter, suspend or discontinue the plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with any applicable law or regulation, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as may be required.

(b) EFFECT OF AMENDMENT OR TERMINATION. Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated.

13. TIME OF GRANTING OPTIONS. The date of grant of an Option shall. For all purposes, be the date determined in accordance with the Section 4(b) hereof. Notice of the determination shall be given to each Outside Director to whom an Option is so granted within a reasonable time after the date of such grant.

14. CONDITIONS UPON ISSUANCE OF SHARES. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, state securities laws and the requirements of any stock exchange or market system upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company s counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

15. RESERVATION OF SHARES. The Company, during the term of this plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

16. OPTION AGREEMENT. Options shall be evidenced by written option agreements in such form as the Board shall approve.

17. STOCKHOLDER APPROVAL. Continuance of the Plan shall be subject to approval by the stockholders of the Company at or prior to the first annual meeting of stockholders held subsequent to the first granting of an Option hereunder. Such stockholder approval shall be obtained in the degree and manner appropriate under applicable state and federal law.

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 13, 2007, at

Valley Center Towers, 5373 South Green Street, Conference Room 105, Salt Lake City, Utah, at 10:00 a.m. Mountain Daylight Time, and hereby appoints Messrs. George R. Quist, Scott M. Quist and 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:

o FOR all nominees listed below (except as marked to the contrary below)

o WITHHOLD AUTHORITY to vote for all nominees listed below.

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

Charles L. Crittenden, Robert G. Hunter, M.D., Scott M. Quist

George R. Quist and Norman G. Wilbur

2. To amend the Company's 2003 Stock Option Plan to authorize an additional 400,000 shares of Class A common stock and an additional 1,000,000 shares of Class C common stock to be made available for issuance thereunder;

o FOR o AGAINST

3. To approve the adoption of the 2006 Director Stock Option Plan for the outside directors and to reserve 100,000 shares of Class A common stock for issuance thereunder;

o FOR o AGAINST

4. To ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for the fiscal year ending December 31, 2007;

o FOR o AGAINST

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

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

Dated____ 2007

____

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 13, 2007, at Valley Center Towers, 5373 South Green Street, Conference Room 105, Salt Lake City, Utah, at 10:00 a.m., Mountain Daylight Time, and hereby appoints Messrs. George R. Quist, Scott M. Quist and 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:

o FOR all nominees listed below (except as marked to the contrary below)

o 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:

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

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

Charles L. Crittenden, Robert G. Hunter, M.D., George R. Quist

Scott M. Quist, and Norman G. Wilbur

3. To amend the Company's 2003 Stock Option Plan to authorize an additional 400,000 shares of Class A common stock and an additional 1,000,000 shares of Class C common stock to be made available for issuance thereunder;

o FOR o AGAINST

4. To approve the adoption of the 2006 Director Stock Option Plan for the outside directors and to reserve 100,000 shares of Class A common stock for issuance thereunder;

o FOR o AGAINST

5. To ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's independent registered public accountants for the fiscal year ending December 31, 2007;

o FOR o AGAINST

6. 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, 4, 5 and 6.

Dated____, 2007

____

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.

2006 ANNUAL REPORT

My Fellow Shareholders:

I am pleased to report to you on the affairs of the Company for the year ended December 31, 2006 and invite you to attend the annual stockholders meeting to be held on July 13, 2007 in Salt Lake City, Utah.

The year 2006 was marked by significant milestones for our Company. Some selected financial statistics and results are illustrative: Earnings per share increased 45% to $.74 per share. Total revenue increased 17% over 2005 levels to $152,531,000, which was a little below our five year average revenue growth rate of 20%. Stockholders equity as calculated, in conformity with accounting principles generally accepted in the United States of America, moved past the $50,000,000 mark for the first time to $52,971,000 and book value per share, using weighted average outstanding common shares rose 7% to $7.53.

Our Memorial operations performed well under the direction of Robert Quist in his first year as President of that group, realizing a 16% growth in revenue to $14,043,000 which resulted in a 43% growth in profitability (exclusive of realized gains on assets sold) to $602,000.

Our Life Insurance segment used 2006 as the year to improve the quality of life sales which resulted in a profitability increase of 60% to $4,471,000 on a pre-tax basis on a revenue increase of nearly 14% to $49,624,000. The acquisition of Memorial Insurance Company of America, which was accomplished last year, appears to be tracking as expected and contributed to the increased profitability this year.

Our Mortgage Operations saw a 30% decrease in profitability on an 18% increase in revenue. Continuing in 2006 we have expanded our operations in the face of a declining market. The mortgage market has been characterized by great consolidation over the last several years with many capable people losing their positions. While expensive in the short run, by hiring such people in well placed locations, we continue to build our branch organization and believe it will pay good dividends in the future. We now operate in 34 wholesale and retail branches located in 16 states.

Thank you for your confidence in our company. We continue in our efforts to both grow and increase in profitability.

The roots of our Company were planted deep in 1965 with the founding of Security National Life Insurance Company. Starting with only $543,000 in assets, in a small rented house in Salt Lake City, Utah, Security National has grown into a strong industry leader in several fields of service.

Over the past four decades we have grown consistently through new sales and investment opportunities, and through the acquisition of life insurance companies, funeral homes and cemeteries, as well as the formation and growth of our mortgage operations.

Our Company operates three main business segments: life insurance, funeral service and mortgage loans. The design and structure of our Company is that each segment is related to the others, and contributes to the profitability of the whole. For example, our cemetery and mortuary operations enjoy a high level of public awareness that assists in the sales and marketing of our insurance and pre-need cemetery/funeral products. Security National Life Insurance Company in turn invests its assets in high quality mortgage loans. Thus, while each segment is a stand-alone profit center, this horizontal integration is planned to improve profitability. Our Company also actively pursues growth through acquisitions of life insurance companies and mortuaries, and by expanding our mortgage operations.

We offer **affordable life insurance** with minimal qualifications. Our Preferred Plan is one of America s newest and best pre-need insurance programs. First day coverage is available for clients ages 0 to 85. Some additional included benefits are the early pay-off option (same as cash), double indemnity for accidental death and accidental common carrier death benefits. Premiums will never increase and your basic death benefit will never decrease. At participating funeral establishments, you can have lifetime protection against funeral inflation cost by answering three simple health questions. Participating funeral homes also may offer complimentary child, grandchild, and great-grandchild protection.

Our **single premium** and **flexible premium annuities** offer great savings vehicles and are perfect for funding your funeral pre-need contract, while you earn tax-deferred interest on the monies deposited. Additionally, annuity contracts require **no medical or health questions.**

Our **Basic Life Plans** are available for people ages 0-85 years old at the time of application. The Basic Life 1 Plan has first day coverage with a guaranteed death benefit to age 100, and premiums which will never increase. The Basic Life 2 Plan is for people with health conditions that may prevent them from obtaining first day coverage. The Basic Life 3 Plan is for people with high blood pressure and diabetes.

Our **Flexible Life Accumulator** (FLA) life insurance product is specifically designed to build cash value in addition to offering the protective services of life insurance. Because the FLA product is a 10-year whole life insurance product with an annuity rider the product is portable and can be used in a number of ways. For instance you can use the cash value to help repay your college debt and/or you can keep the policy as a long-term investment, and for the security of life insurance.

As a policyholder you will have access to our **Student Service Center** which will guide you through the complexities of college finance. Applying for financial aid can be an overwhelming and daunting task. Government rules and regulations are constantly changing and our professional staff is here to advise you throughout the process of obtaining financial aid.

Our Student Service Center can help you and your student fund some or all of their college education through the use of federally guaranteed student loans. As well, we can help with scholarship searches and grant searches that may help fund your student s education. Security National Life Insurance Company is an authorized lender of the Federal Family Education Loan Program (FFELP). Since 1980, we have loaned over $200-million dollars to students through FFELP. Though you do not need to be a policyholder in order to received federal financial aid, we are proud to be a frontrunner in developing an innovative program which helps families provide for their educational funding needs as well as offering a well thought-out plan for helping you and your student repay the costs of obtaining a higher education.

Home Service Insurance is one of the oldest forms of insurance. It originated in England in 1854. Typically, the insurance was less than $1,000, which provided **personal security** for low and middle-income families. Today, Home Service Insurance is primarily used as burial insurance designed to pay the **funeral and cemetery expenses** that could shatter a family of limited means.

Home Service Insurance is a consumer friendly way to arrange and pay for funeral and burial expenses. Our product is sold through either a local funeral home or by a neighborhood agent. The personal approach continues with the payment options. Each month the customer may visit the funeral home or the agent will make a personal visit to the home to collect the premium. This allows the older population we serve to have the **peace of mind** that their personal choices will be honored.

Today, Security National Life Insurance Company is filling this key need for thousands of families by offering our **Home Service Insurance Plans** through local funeral homes and agents throughout the southern United States. Each of these funeral homes and agents are a **Team Member** with Security National Life and has the ability to customize a variety of pre-need funeral plans for the families and communities they serve.

Through **Fast Funding,** funeral homes assign the insurance policy a customer presents for payment of funeral services to Security National s Fast Funding Department. The Funeral Home simply completes the Request for Funding Worksheet and Assignment Form which are then faxed to our Lake Mary office for verification.

As soon as the status of the insurance policy is determined and amount of benefit is verified, payment is made to the funeral home. This is typically a twenty-four hour process from the funding request to receipt of funds.

Funeral Fast Funding Benefits:

- Eliminate cash flow delays - limited paperwork
- Simplifies initial claims paperwork
- Funds are wired, or sent overnight, to funeral home from ONE SOURCE, Security National Life Insurance Company
- Certified Death Certificate not required for initial funding to funeral home

SecurityNational Mortgage currently operates **34 branch offices** within the United States, and is headquartered in Salt Lake City, Utah.

We have worked diligently to establish **strong relationships** with the nation s leading mortgage servicers, in order to provide a wide range of products to our **mortgage brokers** and business partners. We **offer a full line** of first and second mortgage products for residential real estate.

Depending on borrower s credit and qualifications, financed amounts can be as high as 103% of the property value. We also offer reduced documentation alternatives for self-employed borrowers and others. In addition to standard FHA, VA, and conventional mortgages, we provide a full line of mortgage loans on loan sizes up to $1 million. In most cases, our mortgage loans are processed through our **rapid response** underwriting system, receiving **same day** decisions, saving time and money. In addition, we offer commercial and **new construction** financing for a variety of needs.

In this day and age, **service** and **information** are **key**. Our support staff and information systems are second to none. Our brokers, branch managers and business partners have **confidence** in knowing that business is getting done when they work with SecurityNational Mortgage.

Security National Capital complements SecurityNational Mortgage s residential lending platform and provides an additional investment vehicle for our life insurance company. The company business plan is to successfully compete in the national commercial mortgage market as a direct lender and as a mortgage banker.

Security National Capital is located in our corporate headquarters in Salt Lake City, Utah. Commercial mortgage programs are made available to approved residential mortgage brokers through the branch offices of SecurityNational Mortgage, strengthening and enhancing those important relationships. Through active internet marketing, commercial mortgages are also offered in all fifty states. Our target loan size is between $300,000 and $3,000,000.

We provide a full range of term conventional commercial mortgages for apartments, office buildings, retail and industrial properties. We distinguish ourselves in the marketplace through providing short term bridge financing on commercial properties that need to close quickly and that will be repaid within six to twelve months. We also offer stated income loans for established owner-occupied businesses. For a presentation of the mortgage products offered, please visit our state of the industry website: www.sncloans.com

Security National Capital is a direct lender originating commercial loans through its network of mortgage brokers; for its own portfolio, and for resale in the capital markets. Using relationships with other life insurance companies, commercial banks, and Wall Street investors, we package and sell closed loans, thereby leveraging the company s capital and enhancing the return to Security National. We are originating and selling term commercial loans that are placed into rated Commercial Mortgage-Backed Securities, and Collateralized Debt Obligations sold on Wall Street. Accessing the capital market increases Security National s ability to provide competitive products and service to its borrowers and the desired returns to its shareholders.

We serve more than two thousand families annually who are faced with the burden of making decisions following the loss of a loved one. **Uncertainty, stress and grief** may aggravate the process, forcing decisions to be made within hours of the death. **Plan today - together** so that you do not leave undone what could and should be pre-arranged.

Facts regarding **pre-planning:**

Fact: **Every household** has, or will, experience the death of a loved one.

Fact: Most people find themselves **poorly prepared** to deal with the decisions and cost that a death will force upon them.

Fact: Making pre-arrangements is a precious and **wise economic decision.**

Togetherness: Loved ones share in the choices and decisions. This reduces heartache, expense and indecision. **Inflation protection:** Based upon the past five decades, the cost of funeral arrangements will continue to increase. Pre-planning allows these **costs to be secured,** regardless of inflation. **Conserve life insurance:** Life insurance you may have purchased to secure your loved ones future should not be used to pay for funeral expenses. It is there to compensate for loss of income and to preserve your family s way of life**Peace of mind:** because you have made your own decisions, you are leaving answers and comfort for those you love. This peace of mind provides benefit far beyond the dollars spent.

Contact us today for a complimentary Gift of Love Memorial Guide Book which will allow you to record important information that can ease the burden left to those you love.

Security National Financial Corporation

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

Toll Free: (800) 574-7117; Phone: (801) 264-1060

MANAGEMENT REPORT AND FINANCIAL INFORMATION

The consolidated financial statements of Security National Financial Corporation and all information in the annual report are the responsibility of management. The statements have been prepared in conformity with generally accepted accounting principles generally accepted in the United States of America. Financial information elsewhere in this report is consistent with that in the consolidated financial statements. The consolidated financial statements have been audited by the independent registered public accounting firm of Hansen, Barnett & Maxwell, P.C. for the years ended December 31, 2006 and December 31, 2005 and Tanner LC for the year ended December 31, 2004. Their role is to render independent professional opinions on Security National Financial Corporation s financial statements.

Management maintains a system of internal controls designed to meet its responsibilities for reliable financial statements. This system is designed to provide reasonable assurance, 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 to satisfy itself that they are properly discharging their responsibilities. The independent accountants have free access to the Committee, without the presence of management, to discuss their opinions on the adequacy of internal controls and to review the quality of financial reporting.

HANSEN, BARNETT & MAXWELL, P.C.

Registered with the Public Company

Accounting Oversight Board

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

AND

BUSINESS CONSULTANTS

5 Triad Center, Suite 750

Salt Lake City, UT 84180-1128

Phone: (801) 532-2200

Fax: (801) 532-7944

www.hbmcpas.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Stockholders

Security National Financial Corporation

We have audited the accompanying consolidated balance sheets of Security National Financial Corporation and subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of earnings, stockholders equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 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, 2006 and 2005 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah

March 23, 2007

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
Assets	**2006**	**2005**
Investments:		
Fixed maturity securities held to maturity, at amortized cost	$ 98,317,519	$ 89,780,942
Fixed maturity securities, available for sale, at estimated fair value	3,417,531	6,597,161
Equity securities, available for sale, at estimated fair value	5,261,695	12,346,939
Mortgage loans on real estate and construction loans, net of allowances for losses of $1,026,576 and $562,909 for 2006 and 2005	85,135,011	72,470,902
Real estate, net of accumulated depreciation of $4,024,710 and $3,766,259 for 2006 and 2005	5,002,853	7,012,399
Policy, student and other loans net of allowance for doubtful accounts of $435,726 and $339,218 for 2006 and 2005	12,846,986	12,391,569
Short-term investments	4,586,828	3,211,590
Accrued investment income	2,684,029	2,197,576
Total investments	217,252,452	206,009,078
Cash and cash equivalents	10,376,585	16,632,966
Mortgage loans sold to investors	59,817,248	53,970,231
Receivables, net	14,878,118	7,816,673
Restricted assets of cemeteries and mortuaries	5,430,870	5,240,099
Cemetery perpetual care trust investments	1,306,984	1,152,493
Receivable from reinsurers	700,850	6,572,756
Cemetery land and improvements sold to investors	8,745,424	8,498,227
Deferred policy and pre-need contract acquisition costs	28,395,762	24,048,638
Property and equipment, net	14,059,529	14,747,276
Cost of insurance acquired	11,882,047	12,663,221
Goodwill	683,191	683,191
Other	3,866,123	1,610,624

Total Assets	$ 377,395,183	$ 359,645,473

See accompanying notes to consolidated financial statements.

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

	December 31,	
Liabilities and Stockholders' Equity	**2006**	**2005**
Liabilities		
Future life, annuity, and other benefits	$ 268,403,765	$ 260,822,803
Unearned premium reserve	4,519,387	3,157,918
Bank loans payable	6,923,344	8,946,321
Notes and contracts payable	747,188	1,326,284
Deferred pre-need cemetery and mortuary contract revenues	11,533,798	10,828,994
Accounts payable	1,820,178	1,533,065
Funds held under reinsurance treaties	--	1,129,747
Other liabilities and accrued expenses	11,611,033	9,427,644
Income taxes	16,587,284	14,601,029
Total liabilities	322,145,977	311,773,805
Commitments and Contingencies	--	--
Non-Controlling Interest in Perpetual Care Trusts	2,278,510	2,173,250
Stockholders Equity		
Class A common stock - $2.00 par value; 10,000,000 shares authorized; issued 7,533,230 shares in 2006 and 7,098,363 shares in 2005	15,066,460	14,196,726
Class B non-voting common stock - $1.00 par value; 5,000,000 shares authorized; none issued or outstanding	--	--
Class C convertible common stock - $0.20 par value; 7,500,000 shares authorized; issued 7,117,591 shares in 2006 and 6,781,060 shares in 2005	1,423,518	1,356,212
Additional paid-in capital	17,064,488	15,650,344
Accumulated other comprehensive income and other items	1,703,155	117,647
Retained earnings	20,495,063	17,460,024
Treasury stock, at cost - 1,195,127 Class A shares and 145,045 Class C shares in 2006; 1,251,104 Class A shares and 138,138 Class C shares In 2005	(2,781,988)	(3,082,535)
Total stockholders equity	52,970,696	45,698,418
Total Liabilities and Stockholders Equity	$ 377,395,183	$ 359,645,473

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION

AND SUBSIDIARIES

Consolidated Statements of Earnings

	Years Ended December 31,		
Revenues:	2006	2005	2004
Insurance premiums and other considerations	$ 30,776,491	$ 27,170,109	$ 25,979,341

Net investment income	23,245,631	19,386,571	15,939,176
Net mortuary and cemetery sales	12,122,728	10,838,878	11,661,053
Realized gains (losses) on investments and other assets	891,304	74,246	74,431
Mortgage fee income	85,112,831	71,859,272	62,689,391
Other	381,548	620,751	854,425
Total revenues	152,530,533	129,949,827	117,197,817
Benefits and expenses:			
Death benefits	15,155,711	13,250,080	13,248,960
Surrenders and other policy benefits	1,697,857	1,484,284	1,291,621
Increase in future policy benefits	10,465,268	9,742,218	8,821,497
Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired	4,124,747	3,030,734	4,602,072
Selling, general and administrative expenses:			
Commissions	63,500,035	53,807,368	48,690,807
Salaries	17,947,902	15,716,813	14,391,958
Other	24,280,011	21,166,024	19,014,776
Interest expense	6,141,298	4,921,238	2,173,778
Cost of goods and services sold - mortuaries and cemeteries	2,322,066	2,103,432	2,303,821
Total benefits and expenses	145,634,895	125,222,191	114,539,290
Earnings before income taxes	6,895,638	4,727,636	2,658,527
Income tax expense	(1,771,188)	(1,239,756)	(651,536)
Minority interest			115,281
Net earnings	$ 5,124,450	$ 3,487,880	$ 2,122,272
Net earnings per common share (1)	$ 0.74	$ 0.51	$ 0.31
Net earnings per common share - assuming dilution (1)	$ 0.72	$ 0.50	$ 0.30
Weighted average outstanding common shares (1)	6,955,439	6,881,036	6,851,287
Weighted average outstanding common Shares -assuming dilution (1)	7,106,474	6,911,587	7,067,377

(1) Earnings per share amounts have been adjusted retroactively for the effect of annual stock dividends. The weighted-average shares outstanding includes the weighted-average Class A common shares and the weighted-average Class C common shares determined on an equivalent Class A common stock basis. Net earnings per common share represent net earnings per equivalent Class A common share. Net earnings per Class C common share is equal to one-tenth (1/10) of such amount or $0.08, $0.06 and $0.04 per share of 2006, 2005 and 2004, respectively and $0.08, $0.06 and $0.03 per share-assuming dilution for 2006, 2005 and 2004, respectively.

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Class A Common	Class C Common	Additional Paid-in	Accumulated Other Comprehensive Income (loss), and	Retained	Treasury

	Stock	Stock	Capital	Other Items	Earnings	Stock	Total
Balance as of January 1, 2004	**$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
Comprehensive income:							
Net earnings					3,487,880	--	3,487,880
Unrealized gains				128,999			128,999
Total comprehensive income							3,616,879
Exercise of stock options	6,892		3,926		(8,084)		2,734
Sale of Treasury stock			79,201			334,764	413,965
Stock dividends	676,084	64,581	644,366		(1,385,031)		
Conversion Class C to Class A	2,010	(2,010)					
Balance at December 31, 2005	14,196,726	1,356,212	15,650,344	117,647	17,460,024	(3,082,535)	45,698,418
Comprehensive income:							
Net earnings							