

FORM 10-Q/A

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

For the quarter ended June 30, 2007, or

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

For the Transition Period from _____ to _____

Commission file number: 0-9341

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

UTAH

(State or other jurisdiction of
incorporation or organization)

87-0345941

(I.R.S. Employer
Identification No.)

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

84123

(Address of principal executive office)

(Zip Code)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one)

Large accelerate filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934): Yes No ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class A Common Stock, \$2.00 par vae	6,297,729
----- Title of Class	----- Number of Shares Outstanding as of July 31, 2007
Class C Common Stock, \$.20 par value	7,500,000
----- Title of Class	----- Number of Shares Outstanding as of July 31, 2007

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10-Q

QUARTER ENDED JUNE 30, 2007

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1	Financial Statements	Page No.
-----	-----	-----
	Condensed Consolidated Balance Sheets June 30, 2007 and December 31, 2006, (unaudited).....	3-4
	Condensed Consolidated Statements of Earnings - Three and Six Months ended June 30, 2007 and 2006 (unaudited).....	5
	Condensed Consolidated Statements of Cash Flows - Six Months ended June 30, 2007 and 2006 (unaudited).....	6
	Notes to Condensed Consolidated Financial Statements (unaudited).....	7-14

Item 2

- - - - -

Management's Discussion and Analysis of Financial Condition
and Results of Operations.....15-20

Item 3

- - - - -

Quantitative and Qualitative Disclosures about Market Risk.....20

Item 4

- - - - -

Controls and Procedures.....20

PART II - OTHER INFORMATION

Other Information.....20-26

Signature Page.....27

Certifications.....28-30

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

Assets	June 30, 2007	December 31, 2006
	-----	-----
Investments:		
Fixed maturity securities, held to maturity, at amortized cost	\$ 94,611,167	\$ 98,317,519
Fixed maturity securities, available for sale, at estimated fair value	2,903,281	3,417,531
Equity securities, available for sale, at estimated fair value	5,588,669	5,261,695
Mortgage loans on real estate and construction loans, net of allowances for losses	70,190,705	85,135,011
Real estate, net of accumulated depreciation	4,869,973	5,002,853
Policy, student and other loans net of allowance for doubtful accounts	12,597,159	12,846,986
Short-term investments	7,008,869	4,586,828
Accrued investment income	3,004,393	2,684,029
Total investments	200,774,216	217,252,452
Cash and cash equivalents	7,260,800	10,376,585
Mortgage loans sold to investors	81,468,491	59,817,248
Receivable, net	17,273,249	14,878,118
Restricted assets of cemeteries and mortuaries	5,691,643	5,430,870
Cemetery perpetual care trust investments	1,424,536	1,306,984
Receivable from reinsurers	718,112	700,850
Cemetery land and improvements sold to investors	9,084,112	8,745,424
Deferred policy and pre-need contract acquisition costs	29,650,710	28,395,762
Property and equipment, net	14,887,037	14,059,529
Cost of insurance acquired	11,395,705	11,882,047
Goodwill	683,191	683,191
Other	5,272,072	3,866,123
Total assets	\$385,583,874	\$377,395,183
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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

	June 30, 2007	December 31, 2006
	-----	-----
Liabilities and Stockholders' Equity		
Liabilities		
Future life, annuity, and other benefits	\$272,144,533	\$268,403,765
Unearned premium reserve	4,807,565	4,519,387
Bank loans payable	8,115,089	6,923,344
Notes and contracts payable	621,159	747,188
Deferred pre-need cemetery and mortuary contract revenues	12,169,581	11,533,798
Accounts payable	1,562,118	1,820,178
Other liabilities and accrued expenses	11,619,716	11,611,033
Income taxes	16,955,923	16,587,284
	-----	-----
Total liabilities	327,995,684	322,145,977
	-----	-----
Non-Controlling Interest in Perpetual Care Trusts	2,352,529	2,278,510
	-----	-----
Stockholders' Equity:		
Common stock:		
Class A: \$2.00 par value, 10,000,000 shares authorized; issued 7,537,394 shares in 2007 and 7,533,230 shares in 2006	15,074,788	15,066,460
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 7,500,000 shares in 2007 and 7,117,591 shares in 2006	1,500,000	1,423,518
Additional paid-in capital	17,075,572	17,064,488
Accumulated other comprehensive income and other items	2,368,249	1,703,155
Retained earnings	22,174,740	20,495,063
Treasury stock at cost - 1,239,665 Class A shares and -0- Class C shares in 2007; 1,195,127 Class A shares and 145,045 Class C shares in 2006	(2,957,688)	(2,781,988)
	-----	-----
Total stockholders' equity	55,235,661	52,970,696
	-----	-----
Total Liabilities and Stockholders' Equity	\$385,583,874	\$377,395,183
	=====	=====

See accompanying notes to condensed consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
Revenues:	2007	2006	2007	2006
	----	----	----	----
Insurance premiums and other considerations	\$7,906,334	\$7,403,252	\$15,868,609	\$14,957,522
Net investment income	9,009,038	5,504,372	16,952,496	10,579,058
Net mortuary and cemetery sales	3,434,182	3,154,220	6,945,119	6,209,018
Realized gains on investments and other assets	758,199	60,255	736,668	57,671
Mortgage fee income	33,079,231	17,930,096	62,601,118	34,559,687
Other	128,904	94,254	258,030	187,186
	-----	-----	-----	-----
Total revenues	54,315,888	34,146,449	103,362,040	66,550,142
	-----	-----	-----	-----
Benefits and expenses:				
Death benefits	4,081,699	3,567,731	8,173,978	7,389,690
Surrenders and other policy benefits	463,580	410,236	1,072,202	997,361
Increase in future policy benefits	2,930,517	3,014,873	5,673,985	5,347,880
Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired	1,362,645	757,542	2,723,485	1,564,997
General and administrative expenses:				
Commissions	24,855,478	13,686,056	47,295,202	26,048,316
Salaries	5,901,947	4,247,101	11,686,845	8,489,853
Other	8,538,985	5,909,659	15,746,867	11,200,425
Interest expense	4,158,004	1,087,760	7,257,325	2,108,551
Cost of goods and services sold-				
Mortuaries and cemeteries	663,183	572,624	1,314,923	1,208,045
	-----	-----	-----	-----
Total benefits and expenses	52,956,038	33,253,582	100,944,812	64,355,118
	-----	-----	-----	-----
Earnings before income taxes	1,359,850	892,867	2,417,228	2,195,024
Income tax expense	(328,822)	(169,228)	(641,659)	(457,719)
	-----	-----	-----	-----
Net earnings	\$ 1,031,028	\$ 723,639	\$ 1,775,569	\$ 1,737,305
	=====	=====	=====	=====
Net earnings per class A equivalent common share	\$0.15	\$0.10	\$0.25	\$0.25
	=====	=====	=====	=====
Net earnings per class A equivalent common share-assuming dilution	\$0.14	\$0.10	\$0.24	\$0.25
	=====	=====	=====	=====
Weighted-average Class A equivalent common shares outstanding	7,049,416	6,914,442	7,047,167	6,914,441
	=====	=====	=====	=====
Weighted-average Class A equivalent common shares outstanding assuming-dilution	7,321,334	7,099,143	7,306,302	7,050,468
	=====	=====	=====	=====

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.

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30, 2007	2006
	-----	-----
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	\$(16,613,660)	\$12,925,511
	-----	-----
Cash flows from investing activities: Securities held to maturity:		
Purchase - fixed maturity securities	(2,026,486)	(6,874,419)
Calls and maturities - fixed maturity securities	5,756,249	1,926,606
Securities available for sale:		
Purchase - fixed maturity securities	(76,974)	(134,262)
Sales - equity securities	789,494	9,164,900
Purchases of short-term investments	(10,817,321)	(7,387,637)
Sales of short-term investments	8,395,280	--
Purchases of restricted assets	(243,851)	12,500
Change in assets for perpetual care trusts	(89,321)	19,897
Amount received for perpetual care trusts	74,019	57,475
Mortgage, policy, and other loans made	(32,831,713)	(36,282,485)
Payments received for mortgage, policy, and other loans	47,986,468	22,858,386
Purchases of property and equipment	(1,981,495)	(664,104)
Disposal of property and equipment	730,242	--
Purchases of real estate	(1,219,465)	(1,686,113)
Sale of real estate	1,195,183	2,039,638
	-----	-----
Net cash provided by (used in) investing activities	15,640,309	(16,949,618)
	-----	-----
Cash flows from financing activities:		
Annuity contract receipts	2,954,809	2,992,944
Annuity contract withdrawals	(6,136,505)	(5,013,124)
Sale of treasury stock	--	19,619
Repayment of bank loans and notes and contracts payable	(787,138)	(1,270,089)
Proceeds from borrowing on bank loans	1,826,400	750,000
	-----	-----
Net cash used in financing activities	(2,142,434)	(2,520,650)
	-----	-----
Net change in cash and cash equivalents	(3,115,785)	(6,544,757)
Cash and cash equivalents at beginning of period	10,376,585	16,632,966
	-----	-----
Cash and cash equivalents at end of period	\$ 7,260,800	\$10,088,209
	=====	=====

See accompanying notes to condensed consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2007 (Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements of the Company and notes thereto for the year ended December 31, 2006, included in the Company's Annual Report on Form 10-K (file number 0-9341). In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

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

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

Certain 2006 amounts have been reclassified to bring them into conformity with the 2007 presentation.

2. Recent Accounting Pronouncements

In July 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes, which attempts to set out a consistent framework for preparers to use to determine the appropriate level of valuation allowance tax reserves to maintain for deferred tax assets relating to uncertain tax positions. This interpretation for FASB Statement No. 109 uses a two-step approach wherein a tax benefit is recognized if a position is more-than-likely-than-not to be sustained. The amount of the benefit is then measured to be the highest tax benefit, which is greater than fifty percent likely to be realized. FIN 48 also sets out disclosure requirements to enhance transparency of an entity's tax reserves. The Company adopted this Interpretation as of January 1, 2007. Management has considered the amounts and the probabilities of the outcomes that could be realized upon ultimate settlement and believes that it is more-likely-than-not that the Company's recorded income tax benefits will be fully realized. There were no unrecognized tax benefits at the beginning or at the end of the six months ended June 30, 2007.

The Company records interest earned on income-tax refunds in other income, and penalties and interest charged on tax deficiencies in interest expense. As of the date of adoption, there were no amounts accrued for penalties or interest related to unrecognized tax benefits.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 will be applied prospectively and is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. SFAS 157 is not expected to have a material impact on the Company's consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2007 (Unaudited)

In February 2007, the FASB issued SFAS No 159, The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No 115 ("SFAS 159"). SFAS 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. If the fair value option for an eligible item is elected, unrealized gains and losses for that item shall be reported in current earnings at each subsequent reporting date. SFAS 159 also establishes presentation and disclosure requirements designed to draw comparison between the different measurement attributes the Company elects for similar types of assets and liabilities. This statement is effective for fiscal years beginning after November 15, 2007. The Company is in the process of evaluating the application of the fair value option and its effect on its financial position and results of operations.

3. Comprehensive Income

For the three months ended June 30, 2007 and 2006, total comprehensive income amounted to \$1,134,604 and \$450,827, respectively. This increase of \$683,777 was primarily the result of an increase in net income of \$307,419, an increase in derivatives of \$111,927, and an increase in unrealized gains and losses in securities available for sale of \$264,431.

For the six months ended June 30, 2007 and 2006, total comprehensive income amounted to \$2,440,663 and \$2,660,626, respectively. This decrease of \$219,963 was primarily the result of an increase in net income of \$38,294, a decrease in derivatives of \$121,887, and a decrease in unrealized gains and losses in securities available for sale of \$136,370.

4. Stock-Based Compensation

The Company accounts for its stock-based compensation plans according to the provisions of Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("FAS 123R") for its stock-based compensation plans. Under SFAS 123R, all stock-based compensation is measured at the grant date, based on the fair value of the option or award, and is recognized as an expense in earnings over the requisite service, which is typically through the date the options vest.

The Company adopted SFAS 123R using the modified prospective method. Under this method, for all stock-based options and awards granted prior to January 1, 2006 that remain outstanding as of that date, compensation cost is recognized for the unvested portion over the remaining requisite service period, using the grant-date fair value measured under the original provisions of SFAS 123 for pro forma and disclosure purposes. Furthermore, compensation costs will also be recognized for any awards issued, modified, repurchased or cancelled after January 1, 2006.

The Company utilized the Black-Scholes-Merton model for calculating the fair value of stock awards and stock options.

No options were granted for the three and six months ended June 30, 2007. Total compensation costs relating to stock-based compensation was not material during the three and six months ended June 30, 2007.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2007 (Unaudited)

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

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

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

If the stockholders approve the amendment at the special stockholders meeting, the Company will issue Mr. Quist the additional 624,474 shares of Class C common stock that are owed pursuant to his exercise of stock options. If the amendment is not approved at the special stockholders meeting, the Company will, alternatively, issue Mr. Quist 62,487 shares of Class A common stock, representing 10% of the 624,474 Class C common shares that are owed to Mr. Quist based on the conversion ratio set forth in the Articles of Incorporation of one share of Class A common stock for each ten shares of Class C common stock. As of June 30, 2007, the Company has recorded the fair value of the derivative liability in the amount of \$175,700 to reflect the Company's obligation to issue the shares of Class C common stock or, alternatively, shares of Class A common stock owed to Mr. Quist pursuant to the exercise of the stock options. This liability is included in other liabilities and accrued expenses in the accompanying condensed consolidated balance sheet.

5. Earnings Per Share

The basic and diluted earnings per share amounts were calculated as follows:

	Three Months Ended June 30,	
	2007	2006
	-----	-----
Numerator:		
Net income	\$ 1,031,028	\$ 723,639
	=====	=====
Denominator:		
Basic weighted-average shares outstanding	7,049,416	6,914,442
	-----	-----
Effect of dilutive securities:		
Employee stock options	257,075	183,470
Stock appreciation rights	--	1,231
Employee deferred compensation rights	14,843	--
	-----	-----
Dilutive potential common shares	271,918	184,701
	-----	-----
Diluted weighted-average shares outstanding	7,321,334	7,099,143
	=====	=====
Basic earnings per share	\$0.15	\$0.10
	=====	=====
Diluted earnings per share	\$0.14	\$0.10
	=====	=====

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

	Six Months Ended June 30,	
	2007	2006
	-----	-----
Numerator:		
Net income	\$1,775,569	\$1,737,305
	=====	=====
Denominator:		
Basic weighted-average shares outstanding	7,047,167	6,914,441
	-----	-----
Effect of dilutive securities:		
Employee stock options	244,292	134,946
Stock appreciation rights	--	1,081
Employee deferred compensation rights	14,843	--
	-----	-----
Dilutive potential common shares	259,135	136,027
	-----	-----
Diluted weighted-average shares outstanding	7,306,302	7,050,468
	=====	=====
Basic earnings per share	\$0.25	\$0.25
	=====	=====
Diluted earnings per share	\$0.24	\$0.25
	=====	=====

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

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2007 (Unaudited)

6. Business Segment

	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consolidated
For the Three Months Ended June 30, 2007					
Revenues from external customers	\$11,428,079	\$4,347,795	\$38,540,014	\$ --	\$54,315,888
Intersegment revenues	1,767,705	23,001	122,184	(1,912,890)	--
Segment profit (loss) Before income taxes	1,039,469	588,153	(267,772)	--	1,359,850
For the Three Months Ended June 30, 2006					
Revenues from external customers	\$10,698,047	\$3,452,483	\$19,995,919	\$ --	\$34,146,449
Intersegment revenues	1,264,601	23,001	121,182	(1,408,784)	--
Segment profit (loss) Before income taxes	947,324	233,273	(287,730)	--	892,867
For the Six Months Ended June 30, 2007					
Revenues from external customers	\$23,227,261	\$8,127,011	\$72,007,768	\$ --	\$103,362,040
Intersegment revenues	3,105,062	46,002	242,344	(3,393,408)	--
Segment profit (loss) before income taxes	1,645,114	1,018,730	(246,616)	--	2,417,228
Identifiable assets	359,542,165	58,490,187	22,721,012	(55,169,490)	385,583,874
For the Six Months Ended June 30, 2006					
Revenues from external customers	\$21,609,384	\$6,769,172	\$38,171,586	\$ --	\$66,550,142
Intersegment revenues	2,654,467	46,002	212,61	(2,913,087)	--
Segment profit (loss) before income taxes	2,053,401	605,128	(463,505)	--	2,195,024
Identifiable assets	352,247,310	51,897,683	18,891,648	(56,761,440)	366,275,201

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2007, (Unaudited)

7. Other Business Activity

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

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

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

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

The Company disputes the terms of the proposed consent order. The Company is not aware of specific concerns that the Florida Office has with the New Success Life Program because it has received no specific administrative complaint from the Florida Office nor is it aware of any recent market conduct examination that the Florida Office has conducted relative to the program. The Company intends to vigorously oppose the proposed consent order. The Company is currently engaged in discussions with the Florida Office in an effort to settle the dispute

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2007, (Unaudited)

7. Other Business Activity (continued)

concerning the proposed order. If the Company is unable to reach a satisfactory resolution with the Florida Office with respect to the terms of the proposed consent order and the Florida Office issues a similar order, the Company intends to take action necessary to protect its rights and interests, including requesting a hearing before an administrative law judge to oppose the order. The Company believes any potential liability would be limited to the net assets of Southern Security Life, which are approximately \$3,914,000.

In June 2007, the Company completed the sale of the Colonial Funeral Home property to the Utopia Station Development Corp. for \$730,242, net of selling costs of \$44,758. The Colonial Funeral Home ceased operations in July 2006 and has been inactive since that date. The carrying amount on the Company's financial statements on June 20, 2007 was \$148,777. As a result of the sale and after the related selling expenses, the Company recognized a gain of \$581,465. The Company received a down payment of \$15,242 with the remaining \$715,000 to be received in a lump sum within one year. The gain has been included as a part of Realized Gains on Investments and Other Assets in the Company's condensed consolidated statement of earnings.

8. Subsequent Event

On July 16, 2007, the Company completed a purchase transaction with C & J Financial, LLC, an Alabama limited liability company ("C & J Financial"). C & J Financial operates a factoring business with offices in Rainbow City, Alabama with an emphasis on providing financing for funeral homes and mortuaries. Under the terms of the Unit Purchase Agreement dated July 16, 2007, (the "Purchase Agreement") among the Company, C & J Financial, Henry Culp, Jr. ("Culp") and Culp Industries, Inc. ("Culp Industries"), the Company purchased all of the outstanding member units of C & J Financial for a purchase consideration of (i) \$1,250,000 in cash, (ii) a promissory note from the Company to Culp in the amount of \$381,500 plus interest at the rate of 5% per annum, payable over a period of 24 months in monthly payments of \$16,737, including interest, until paid in full, and (iii) a quit claim deed from C & J Financial to Culp, conveying ownership of the building and surrounding property located in the Jester Commercial Park in Rainbow City, Alabama, where C & J Financial currently maintains its business offices. At closing, Culp Industries entered into a lease agreement with C & J Financial to lease to C & J Financial approximately 5,000 square feet in the building located at the Jester Commercial Park. The lease is for a term of three years for which C & J Financial, as tenant, is required to make monthly payments of \$1,200, for a total lease payment of \$43,200.

The Purchase Agreement additionally required Culp to deliver to the Company at closing a promissory note (the "Note") in the principal amount of \$1,755,236 plus interest at the rate of 8.25% per annum from C & J Financial, as borrower, to Culp, as lender, with such note to be cancelled and marked "paid in full". Moreover, the agreement provides for the possibility of adjustments. If the total equity on the balance sheet of C & J Financial as of May 31, 2007, defined as total assets minus total liabilities, is greater than the amount of the equity on the balance sheet of C & J Financial as of the closing date, or July 16, 2007, Culp agrees to pay to the Company the difference between the total equity on the balance sheet as of May 31, 2007 and the total equity on the balance sheet as of July 16, 2007 by reducing the amount of the Note by such difference in the amounts of the total equity on such balance sheets. If the amount of the total equity on the balance sheet of C & J Financial as of May 31, 2007 is less than the amount of the total equity on the balance sheet of C & J Financial as of July 16, 2007, the Company agrees to pay Culp the difference between the total equity on the balance sheet as of May 31, 2007 and the total equity on the balance sheet as of July 16, 2007 by increasing the amount of the Note payable by such difference in the amounts of the total equity on such balance sheets.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2007, (Unaudited)

The Purchase Agreement further requires each unitholder to deliver to the Company a non-competition and confidentiality agreement prohibiting the unitholder from competing with C & J Financial for a period of five years from July 16, 2007 through July 16, 2012. The Company also entered into a one year consulting agreement with Culp, which requires Culp to provide part-time consulting services for C & J Financial at \$50.00 per hour, and a five year employment agreement with Kevin O. Smith ("Smith"), Vice President of C & J Financial, who will continue to serve in that position. The employment agreement requires C & J Financial to pay Smith an annual salary of \$96,000 plus a discretionary bonus and a monthly car allowance of \$1,161.

Finally, the Purchase Agreement requires the Company, C & J Financial, Culp and Culp Industries to acknowledge the existence of a business loan agreement between Regions Bank, as lender, and Culp Industries, as borrower, which provides for a line of credit for C & J Financial. The outstanding balance on the line of credit as of July 16, 2007 was \$1,931,764. The line of credit is secured by, among other assets, the accounts receivable of C & J Financial and is personally guaranteed by Culp. The Company has received confirmation that Regions Bank will not authorize any further advances or sweeps with respect to the line of credit. The Company agrees that it will pay off the outstanding balance of the line of credit with Regions Bank relating to the business of C & J Financial. The Company will initially attempt to pay off the line of credit by means of applying the payments from the accounts receivable of C & J Financial as such payments are made in the ordinary course of business.

At June 30, 2007, total assets of C & J Financial were \$3,197,000 and total liabilities were \$3,526,000, which includes the Note to Culp in the amount of \$1,755,000 that was cancelled at closing. For the seven month period from November 1, 2006 to May 31, 2007, total revenues of C & J Financial were \$775,000 and total expenses were \$764,000, resulting in net income of \$11,000. For the fiscal year ended October 31, 2006, total revenues of C & J Financial were \$1,397,000 and total expenses were \$1,351,000, resulting in net income of \$46,000. For the fiscal year ended October 31, 2005, total revenues of C & J Financial were \$1,137,000 and total expenses were \$1,114,000, resulting in net income of \$23,000. The Company anticipates utilizing the employees and operations of C & J Financial to expand its fast funding operations, which provide financing for funeral homes and mortuaries.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

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

Mortgage Operations

During the three months ended June 30, 2007, Security National Mortgage Company ("SNMC") experienced an increase in revenue and expenses due to the increase in loan volume of its operations. SNMC is a mortgage lender incorporated under the laws of the State of Utah. SNMC is approved and regulated by the Federal Housing Administration (FHA), a department of the U.S. Department of Housing and Urban Development (HUD), to originate mortgage loans that qualify for government insurance in the event of default by the borrower. SNMC obtains loans primarily from independent brokers and correspondents. SNMC funds the loans from internal cash flows and lines of credit from financial institutions. SNMC receives fees from the borrowers and other secondary fees from third party investors who purchase the loans from SNMC. SNMC primarily sells all of its loans to third party investors and does not retain servicing to these loans. SNMC pays the brokers and correspondents a commission for loans that are brokered through SNMC. SNMC originated and sold 10,755 loans (\$1,985,066,000 total volume) and 6,002 loans (\$993,094,000 total volume), respectively, for the six months ended June 30, 2007 and 2006.

The mortgage industry is currently experiencing substantial change due to higher than expected delinquencies from subprime loans. The market for new subprime loans has been substantially reduced and several mortgage companies whose primary product was subprime mortgage originations have ceased operations. The Company funded \$4.2 million (.2% of the Company's production) in subprime loans during the six months ending June 30, 2007 and has currently eliminated subprime loans from its product offerings. The Company believes that its potential losses from subprime loans are minimal.

The industry problem with subprime mortgages has created a volatile secondary market for other high risk products, especially alternative documentation (Alt A) loans. Alt A loans are typically offered to qualified borrowers who have relatively high credit scores but are not required to provide full documentation to support personal income and assets owned. Alt A loans can have a loan to value ratio as high as 100%. There is currently a smaller market for Alt A loans and the Company's warehouse line providers have shortened the allowable time for the Company to sell these products to investors. As a result of these changes, the Company is only offering these loans on a limited basis.

Alt A loans represented approximately 21% of the Company's production for the six months ended June 30, 2007. The Company is currently experiencing an increase in production of its other mortgage products. This increased mortgage production will offset some of the loss of income related to the discontinuance of Alt A loans. As of August 13, 2007, the Company had originated a total of \$60,400,000 in Alt A loans that had not been settled by investors. If the Company were unable to sell its Alt A loans it would be required to assume the risk of holding and servicing such loans. The Company believes it has adequate liquidity, however, through its life insurance operations to carry such loans until purchased by investors if warehousing lines are not available.

The Company expects the current mortgage market conditions to continue for the remainder of 2007. Under these circumstances it is difficult to predict profitability. Profitability may be impacted by volume reduction, changes in margins, increased borrowing costs and future loans losses. Management has taken and will continue to take a number of actions, however, in response to the changing market conditions. These include offering Alt A loans on a limited basis, closing unprofitable branch offices, obtaining new warehousing agreements at a lower interest rates, and expense reduction initiatives.

During the six months ending June 30, 2007, the Company experienced loan losses of \$2,459,000. This amount was charged against the provision for loan losses. The balance of the reserve for loan losses at June 30, 2007 was \$1,594,000. The provision for loan losses is included in other general and administrative expenses. The Company adds approximately \$165,000 per month to its loan loss reserves. The Company believes the loan loss reserves are sufficient to cover reasonably foreseeable future loan losses and that its formula for determining the provision for such reserves is adequate.

Results of Operations

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Total revenues increased by \$20,169,000, or 59.1%, to \$54,316,000 for the three months ended June 30, 2007, from \$34,147,000 for the three months ended June 30, 2006. Contributing to this increase in total revenues was a \$15,149,000 increase in mortgage fee income, a \$503,000 increase in insurance premiums and other considerations, a \$3,505,000 increase in investment income, a \$280,000 increase in net mortuary and cemetery sales, a \$34,000 increase in other revenues, and a \$698,000 increase in realized gains on investments and other assets.

Insurance premiums and other considerations increased by \$503,000, or 6.8%, to \$7,906,000 for the three months ended June 30, 2007, from \$7,403,000 for the comparable period in 2006. This increase was primarily due to the additional premiums realized from new insurance sales.

Net investment income increased by \$3,505,000, or 63.7%, to \$9,009,000 for the three months ended June 30, 2007, from \$5,504,000 for the comparable period in 2006. This increase was primarily attributable to additional interest income from increased long-term bond and mortgage purchases over the comparable period in 2006.

Net mortuary and cemetery sales increased by \$280,000, or 8.9%, to \$3,434,000 for the three months ended June 30, 2007, from \$3,154,000 for the comparable period in 2006. This increase was due to increased at-need sales in the cemetery and mortuary operations and increased pre-need land sales in the cemetery operations.

Realized gains on investments and other assets increased by \$698,000, or 1,163% to \$758,000 for the three months ended June 30, 2007 from \$60,000 for the comparable period in 2006. This was primarily due to a gain of \$581,000 from the sale of Colonial Funeral Home in Salt Lake City.

Mortgage fee income increased by \$15,149,000, or 84.5%, to \$33,079,000 for the three months ended June 30, 2007, from \$17,930,000 for the comparable period in 2006. This increase was primarily attributable to an increase in the number of loan originations during the second quarter of 2007 as new mortgage offices were opened and production increased in existing mortgage offices, which resulted in the financing of a greater number of mortgage loans.

Other revenues increased by \$34,000, or 35.8% to \$129,000, for the three months ended June 30, 2007 from \$95,000 for the comparable period in 2006. This increase was due to increases in several small income items throughout the Company's operations.

Total benefits and expenses were \$52,956,000, or 97.5% of total revenues, for the three months ended June 30, 2007, as compared to \$33,254,000, or 97.4% of total revenues, for the comparable period in 2006. This increase primarily resulted from increased loan costs at SecurityNational Mortgage Company due to a greater number of loan originations.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of \$483,000, or 6.9%, to \$7,476,000 for the three months ended June 30, 2007, from \$6,993,000 for the comparable period in 2006. This increase was primarily due to increased insurance business and to the expected increase in reserves for policyholder benefits and death claims.

Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired increased by \$605,000, or 79.8%, to \$1,363,000 for the three months ended June 30, 2007, from \$758,000 for the comparable period in 2006. This increase was primarily due to increased deferred acquisition costs associated with interest sensitive products and pre-need cemetery contracts.

General and administrative expenses increased by \$15,454,000, or 64.8%, to \$39,296,000 for the three months ended June 30, 2007, from \$23,843,000 for the comparable period in 2006. This increase primarily resulted from an increase in commission expenses of \$11,169,000, from \$13,686,000 in 2006 to \$24,855,000 in 2007, due to a greater number of mortgage loan originations made by SecurityNational Mortgage Company during the second quarter of 2007. Salaries increased by \$1,655,000 from \$4,247,000 in 2006 to \$5,902,000 in 2007, primarily due to merit increases in salaries of existing employees, and an increase in the number of employees necessitated by the Company's expanding business operations. Other expenses increased by \$2,629,000 from \$5,910,000 in 2006 to \$8,539,000 in 2007. The increase in other expenses primarily resulted from increased loan costs at SecurityNational Mortgage Company due to a greater number of loan originations.

Interest expense increased by \$3,070,000, or 282.3%, to \$4,158,000 for the three months ended June 30, 2007, from \$1,088,000 for the comparable period in 2006. This increase was primarily due to increased warehouse lines of credit required for a greater number of warehoused mortgage loans by SecurityNational Mortgage Company.

Cost of goods and services sold of the mortuaries and cemeteries increased by \$91,000, or 15.8%, to \$663,000 for the three months ended June 30, 2007, from \$572,000 for the comparable period in 2006. This increase was primarily due to increased at-need cemetery sales.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Total revenues increased by \$36,812,000, or 55.3%, to \$103,362,000 for the six months ended June 30, 2007, from \$66,550,000 for the six months ended June 30, 2006. Contributing to this increase in total revenues was a \$28,042,000 increase in mortgage fee income, a \$911,000 increase in insurance premiums and other considerations, a \$6,373,000 increase in investment income, a \$736,000 increase in net mortuary and cemetery sales, a \$71,000 increase in other revenues, and a \$679,000 increase in realized gains on investments and other assets.

Insurance premiums and other considerations increased by \$911,000, or 6.1%, to \$15,869,000 for the six months ended June 30, 2007, from \$14,958,000 for the comparable period in 2006. This increase was primarily due to the additional insurance premiums realized from new insurance sales.

Net investment income increased by \$6,373,000, or 60.2%, to \$16,952,000 for the six months ended June 30, 2007, from \$10,579,000 for the comparable period in 2006. This increase was primarily attributable to additional interest income from increased long-term bond and mortgage purchases over the comparable period in 2006.

Net mortuary and cemetery sales increased by \$736,000, or 11.9%, to \$6,945,000 for the six months ended June 30, 2007, from \$6,209,000 for the comparable period in 2006. This increase was due to increased at-need sales in the cemetery and mortuary operations and increased pre-need land sales in cemetery operations.

Realized gains on investments and other assets increased by \$679,000, or 1,170.7%, to \$737,000 for the six months ended June 30, 2007 from \$58,000 for the comparable period in 2006. This was primarily due to a one time gain of \$581,000 from the sale of Colonial Funeral Home in Salt Lake City.

Mortgage fee income increased by \$28,042,000, or 81.1%, to \$62,601,000 for the six months ended June 30, 2007, from \$34,559,000 for the comparable period in 2006. This increase was primarily attributable to an increase in the number of loan originations during the six months of 2006 as new mortgage offices were opened and production increased in existing mortgage offices, which resulted in the financing of a greater number of mortgage loans.

Other revenues increased by \$71,000, or 38.0%, to \$258,000 for the six months ended June 30, 2007 from \$187,000 for the comparable period in 2006. This increase was due to increases in several small income items throughout the Company's operations.

Total benefits and expenses were \$100,945,000, or 97.7% of total revenues, for the six months ended June 30, 2007, as compared to \$64,355,000, or 96.7% of total revenues, for the comparable period in 2006. This increase primarily resulted from increased loan costs at SecurityNational Mortgage Company due to a greater number of loan originations.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of \$1,185,000, or 8.6%, to \$14,920,000 for the six months ended June 30, 2007, from \$13,735,000 for the comparable period in 2006. This increase was primarily due to increased insurance business and to the expected increase in reserves for policyholder benefits and death claims.

Amortization of deferred policy and pre-need acquisition costs and cost of insurance acquired increased by \$1,158,000, or 74.0%, to \$2,723,000 for the six months ended June 30, 2007, from \$1,565,000 for the comparable period in 2006. This increase was primarily due to increased deferred acquisition costs associated with interest-sensitive products from the recapture of the Mega reinsurance agreement in the first quarter of 2006, and pre-need cemetery contracts.

General and administrative expenses increased by \$28,990,000, or 63.4%, to \$74,729,000 for the six months ended June 30, 2007, from \$45,739,000 for the comparable period in 2006. This increase primarily resulted from an increase in commission expenses by \$21,247,000 from \$26,048,000 in 2006 to \$47,295,000 in 2007, due to a greater number of mortgage loan originations made by SecurityNational Mortgage Company during the first six months of 2007. Salaries increased by \$3,197,000 from \$8,490,000 in 2006 to \$11,687,000 in 2007, primarily due to merit increases in salaries of existing employees, and an increase in the number of employees necessitated by the Company's expanding business operations. Other expenses increased by \$4,546,000 from \$11,201,000 in 2006 to \$15,747,000 in 2007. The increase in other expenses primarily resulted from increased loan costs at SecurityNational Mortgage Company due to a greater number of loan originations.

Interest expense increased by \$5,149,000, or 244.3%, to \$7,257,000 for the six months ended June 30, 2007, from \$2,108,000 for the comparable period in 2006. This increase was primarily from increased warehouse lines of credit required for a greater number of warehoused mortgage loans by SecurityNational Mortgage Company.

Cost of goods and services sold by the mortuaries and cemeteries increased by \$107,000, or 8.9%, to \$1,315,000 for the six months ended June 30, 2007, from \$1,208,000 for the comparable period in 2006. This increase was primarily due to increased cemetery and mortuary sales.

Liquidity and Capital Resources

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

During the six months ended June 30, 2007, the Company's operations used cash of \$16,614,000, while cash totaling \$12,926,000 was provided by operations during the six months ended June 30, 2006. This is due to an increase in the accrual for mortgage loans sold to investors of \$21,651,000, which is attributed to a higher mortgage loan volume for the first six months of 2007 versus mortgage loan volume during the first six months of 2006. The increase in the accrual resulted from an increase in mortgage loans originated but not yet settled by investors as of June 30, 2007.

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

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

The Company's investment policy is to invest predominantly in fixed maturity securities, mortgage loans, and warehousing of mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiaries. Bonds owned by the insurance subsidiaries amounted to \$97,514,000 as of June 30, 2007, compared to \$101,735,000 as of December 31, 2006. This represents 48.6% and 46.8% of the total investments as of June 30, 2007, and December 31, 2006, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners. Under this rating system, there are six categories used for rating bonds. At June 30, 2007 0.9% (or \$893,000) and at December 31, 2006, 2.3% (or \$2,402,000) of the Company's total bond investments were invested in bonds in rating categories three through six, which are considered non-investment grade.

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

The Company is subject to risk based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. At June 30, 2007, and December 31, 2006, the life insurance subsidiary exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity, and bank debt and notes payable was \$63,972,000 as of June 30, 2007, as compared to \$60,641,000 as of December 31, 2006. Stockholders' equity as a percent of total capitalization was 86 % and 87% as of June 30, 2007 and December 31, 2006, respectively.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2006 was 8.4% as compared to a rate of 7.9% for 2005. The 2007 lapse rate to date has been approximately the same as 2006.

At June 30, 2007, \$19,497,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's life insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes since the annual report Form 10-K filed for the year ended December 31, 2006.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures - The Company's principal executive officer and principal financial officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as of June 30, 2007. Based on that evaluation, the principal executive officer and the principal financial officer have concluded that the Company's disclosure controls and procedures are effective, providing them with material information relating to the Company as required to be disclosed in the reports the Company files or submits under the Exchange Act on a timely basis.

(b) Changes in internal controls - There were no significant changes in the Company's internal controls over financial reporting or in other factors that could significantly affect the Company's internal controls and procedures subsequent to the date of their most recent evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls. As a result, no corrective actions were required or undertaken.

Part II Other Information

Item 1. Legal Proceedings

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

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

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

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

The Company disputes the terms of the proposed consent order. The Company is not aware of specific concerns that the Florida Office has with the New Success Life Program because it has received no specific administrative complaint from the Florida Office nor is it aware of any recent market conduct examination that the Florida Office has conducted relative to the program. The Company intends to vigorously oppose the proposed consent order. The Company is currently engaged in discussions with the Florida Office in an effort to settle the dispute concerning the proposed order. If the Company is unable to reach a satisfactory resolution with the Florida Office with respect to the terms of the proposed consent order and the Florida Office issues a similar order, the Company intends to take action necessary to protect its rights and interests, including requesting a hearing before an administrative law judge to oppose the order. The Company believes any potential liability would be limited to the net assets of Southern Security Life, which are approximately \$3,914,000.

Except for the proposed consent order from the Florida Office of Insurance Regulation, the Company is not a party to any material legal proceedings outside the ordinary course of business or to any other legal proceedings, which if adversely determined, would have a material adverse effect on its financial condition or results of operation.

Item 1A. Risk Factors

Due to changes in the mortgage industry from higher than expected delinquencies in subprime loans, the Company may be unable to sell its alternative documentation loans to investors, which would require the Company to assume the risk of holding and servicing such loans.

The mortgage industry is currently experiencing substantial change due to higher than expected delinquencies from subprime loans. The market for new subprime loans has been substantially reduced and several mortgage companies whose primary product was subprime mortgage originations have ceased operations. The Company funded \$4.2 million (.2% of the Company's production) in subprime loans during the six months ending June 30, 2007 and has currently eliminated subprime loans from its product offerings. The Company believes that its potential losses from subprime loans are minimal.

The industry problem with subprime mortgages has created a volatile secondary market for other high risk products, especially alternative documentation (Alt A) loans. Alt A loans are typically offered to qualified borrowers who have relatively high credit scores but are not required to provide full documentation to support personal income and assets owned. Alt A loans can have a loan to value ratio as high as 100%. There is currently a smaller market for Alt A loans and the Company's warehouse line providers have shortened the allowable time for the Company to sell these products to investors. As a result of these changes, the Company is only offering these loans on a limited basis.

Alt A loans represented approximately 21% of the Company's production for the six months ended June 30, 2007. The Company is currently experiencing an increase in production of its other mortgage products. This increased mortgage production will offset some of the loss of income related to the discontinuance of Alt A loans. As of August 13, 2007, the Company had originated a total of \$60,400,000 in Alt A loans that had not been settled by investors. If the Company were unable to sell its Alt A loans it would be required to assume the risk of holding and servicing such loans. The Company believes it has adequate liquidity, however, through its life insurance operations to carry such loans until purchased by investors if warehousing lines are not available.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

Acquisition of C & J Financial, LLC

On July 16, 2007, the Company completed a purchase transaction with C & J Financial, LLC, an Alabama limited liability company ("C & J Financial"). C & J Financial operates a factoring business with offices in Rainbow City, Alabama with an emphasis on providing financing for funeral homes and mortuaries. Under the terms of the Unit Purchase Agreement dated July 16, 2007 (the "Purchase Agreement") among the Company, C & J Financial, Henry Culp, Jr. ("Culp") and Culp Industries, Inc. ("Culp Industries"), the Company purchased all of the outstanding member units of C & J Financial for a purchase consideration of (i) \$1,250,000 in cash, (ii) a

promissory note from the Company to Culp in the amount of \$381,500 plus interest at the rate of 5% per annum, payable over a period of 24 months in monthly payments of \$16,737, including interest, until paid in full, and (iii) a quit claim deed from C & J Financial to Culp, conveying ownership of the building and surrounding property located in the Jester Commercial Park in Rainbow City, Alabama, where C & J Financial currently maintains its business offices. At closing, Culp Industries entered into a lease agreement with C & J Financial to lease to C & J Financial approximately 5,000 square feet in the building located at the Jester Commercial Park. The lease is for a term of three years for which C & J Financial, as tenant, is required to make monthly payments of \$1,200, for a total lease payment of \$43,200.

The Purchase Agreement additionally required Culp to deliver to the Company at closing a promissory note (the "Note") in the principal amount of \$1,755,236 plus interest at the rate of 8.25% per annum from C & J Financial, as borrower, to Culp, as lender, with such note to be cancelled and marked "paid in full". Moreover, the agreement provides for the possibility of adjustments. If the total equity on the balance sheet of C & J Financial as of May 31, 2007, defined as total assets minus total liabilities, is greater than the amount of the equity on the balance sheet of C & J Financial as of the closing date, or July 16, 2007, Culp agrees to pay to the Company the difference between the total equity on the balance sheet as of May 31, 2007 and the total equity on the balance sheet as of July 16, 2007 by reducing the amount of the Note by such difference in the amounts of the total equity on such balance sheets. If the amount of the total equity on the balance sheet of C & J Financial as of May 31, 2007 is less than the amount of the total equity on the balance sheet of C & J Financial as of July 16, 2007, the Company agrees to pay Culp the difference between the total equity on the balance sheet as of May 31, 2007 and the total equity on the balance sheet as of July 16, 2007 by increasing the amount of the Note payable by such difference in the amounts of the total equity on such balance sheets.

The Purchase Agreement further requires each unitholder to deliver to the Company a non-competition and confidentiality agreement prohibiting the unitholder from competing with C & J Financial for a period of five years from July 16, 2007 through July 16, 2012. The Company also entered into a one year consulting agreement with Culp, which requires Culp to provide part-time consulting services for C & J Financial at \$50.00 per hour, and a five year employment agreement with Kevin O. Smith ("Smith"), Vice President of C & J Financial, who will continue to serve in that position. The employment agreement requires C & J Financial to pay Smith an annual salary of \$96,000 plus a discretionary bonus and a monthly car allowance of \$1,161.

Finally, the Purchase Agreement requires the Company, C & J Financial, Culp and Culp Industries to acknowledge the existence of a business loan agreement between Regions Bank, as lender, and Culp Industries, as borrower, which provides for a line of credit for C & J Financial. The outstanding balance on the line of credit as of July 16, 2007 was \$1,931,764. The line of credit is secured by, among other assets, the accounts receivable of C & J Financial and is personally guaranteed by Culp. The Company has received confirmation that Regions Bank will not authorize any further advances or sweeps with respect to the line of credit. The Company agrees that it will pay off the outstanding balance of the line of credit with Regions Bank relating to the business of C & J Financial. The Company will initially attempt to pay off the line of credit by means of applying the payments from the accounts receivable of C & J Financial as such payments are made in the ordinary course of business.

At June 30, 2007, total assets of C & J Financial were \$3,197,000 and total liabilities were \$3,526,000, which includes the Note to Culp in the amount of \$1,755,000 that was cancelled at closing. For the seven month period from November 1, 2006 to May 31, 2007, total revenues of C & J Financial were \$775,000 and total expenses were \$764,000, resulting in net income of \$11,000. For the fiscal year ended October 31, 2006, total revenues of C & J Financial were \$1,397,000 and total expenses were \$1,351,000, resulting in net income of \$46,000. For the fiscal year ended October 31, 2005, total revenues of C & J Financial were \$1,137,000 and total expenses were \$1,114,000, resulting in net income of \$23,000. The Company anticipates utilizing the employees and operations of C & J Financial to expand its fast funding operations, which provide financing for funeral homes and mortuaries.

Exercise of Stock Options and Special Stockholders Meeting

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

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

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

If the stockholders approve the amendment at the special stockholders meeting, the Company will issue Mr. Quist the additional 624,474 shares of Class C common stock that are owed pursuant to his exercise of stock options. If the amendment is not approved at the special stockholders meeting, the Company will, alternatively, issue Mr. Quist 62,487 shares of Class A common stock, representing 10% of the 624,474 Class C common shares that are owed to Mr. Quist based on the conversion ratio set forth in the Articles of Incorporation of one share of Class A common stock for each ten shares of Class C common stock. As of June 30, 2007, the Company has recorded the fair value of the derivative liability in the amount of \$175,700 to reflect the Company's obligation to issue the shares of Class C common stock or, alternatively, shares of Class A common stock owed to Mr. Quist pursuant to the exercise of the stock options. This liability is included in other liabilities and accrued expenses in the accompanying condensed consolidated balance sheet.

Item 6. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) Financial Statements

See "Table of Contents - Part I - Financial Information" under page 2 above

(a)(2) Financial Statement Schedules

None

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

(3) Exhibits

The following Exhibits are filed herewith pursuant to Rule 601 of Regulation S-K or are incorporated by reference to previous filings.

- 3.1 Articles of Restatement of Articles of Incorporation (4)
- 3.2 Amended Bylaws (6)
- 4.1 Specimen Class A Stock Certificate (1)
- 4.2 Specimen Class C Stock Certificate (1)
- 4.3 Specimen Preferred Stock Certificate and Certificate of Designation of Preferred Stock (1)
- 10.1 Restated and Amended Employee Stock Ownership Plan and Trust Agreement (1)
- 10.2 2003 Stock Option Plan (5)
- 10.3 2006 Director Stock Option Plan
- 10.4 Deferred Compensation Agreement with George R. Quist (2)
- 10.5 Deferred Compensation Plan (3)
- 10.6 Employment agreement with J. Lynn Beckstead, Jr. (7)
- 10.7 Employment agreement with Scott M. Quist (8)
- 10.8 Stock Purchase Agreement among Security National Life Insurance Company, Southern Security Life Insurance Company, Memorial Insurance Company of America, and the shareholders of Memorial Insurance Company (9)
- 10.9 Reinsurance Agreement between Security National Life Insurance Company and Memorial Insurance Company of America (10)
- 10.10 Trust Agreement between Security National Life Insurance Company and Memorial Insurance Company of America (10)
- 10.11 Promissory Note between Memorial Insurance Company as Maker and Security National Life Insurance Company as Payee (10)
- 10.12 Security Agreement between Memorial Insurance Company as Debtor and Security National Life Insurance Company as Secured Party (10)
- 10.13 Surplus Contribution Note between Memorial Insurance Company of America as Maker and Southern Security Life Insurance Company as Payee (10)
- 10.14 Guaranty Agreement by Security National Life Insurance Company and Southern Security Life Insurance Company as Guarantors (10)
- 10.15 Administrative Services Agreement between Security National Life Insurance Company and Memorial Insurance Company of America (10)
- 10.16 Reinsurance Agreement between Security National Life Insurance Company and Southern Security Life Insurance Company (11)
- 10.17 Trust Agreement among Security National Life Insurance Company, Southern Security Life Insurance Company and Zions First National Bank (11)
- 10.18 Stock Purchase Agreement among Security National Life Insurance Company, Southern Security Life Insurance Company and American Network Insurance Company (12)
- 10.19 Escrow Agreement among Security National Life Insurance Company, Southern Security Life Insurance Company, American Network Insurance Company and Mackey Price Thompson & Ostler (12)
- 10.20 Escrow Agreement among American Network Insurance Company, Security National Life Insurance Company, Southern Security Life Insurance Company, and Preferred Insurance Capital Consultants, LLC (12)
- 10.21 Agreement and Plan of Complete Liquidation of Southern Security Life Insurance Company into Security National Life Insurance Company (12)
- 10.22 Assignment between Southern Security Life Insurance Company and Security National Life Insurance Company (12)

- 10.23 Assignment between Southern Security Life Insurance Company and Security National Life Insurance Company (12)
- 10.24 Unit Purchase Agreement among Security National Financial Corporation, C&J Financial, LLC, Henry Culp, Jr., and Culp Industries, Inc. (13)
- 10.25 Loan Agreement between Zions First National Bank as Lender and Security National Life Insurance Company as Borrower
- 10.26 Promissory Note between Security National Life Insurance Company as Maker and Zions First National Bank as Payee
- 10.27 Security Agreement among Security National Life Insurance Company as Borrower, Security National Financial Corporation as Guarantor, and Zions First National Bank as Lender
- 10.28 Guarantee by Security National Financial Corporation as Guarantor

- 31.1 Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification pursuant to 18 U.S.C. Section 1350, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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- (1) Incorporated by reference from Registration Statement on Form S-1, as filed on June 29, 1987
 - (2) Incorporated by reference from Annual Report on Form 10-K, as filed on June 30, 1989
 - (3) Incorporated by reference from Annual Report on Form 10-K, as filed on April 3, 2002
 - (4) Incorporated by reference from Report on Form 8-K/A as filed on January 8, 2003
 - (5) Incorporated by reference from Schedule 14A Definitive Proxy Statement, Filed on June 5, 2003, relating to the Company's Annual Meeting of Shareholders
 - (6) Incorporated by reference from Report on Form 10-Q, as filed on November 14, 2003
 - (7) Incorporated by reference from Report on Form 10-K, as filed on March 30, 2004
 - (8) Incorporated by reference from Report on Form 10-Q, as filed on August 13, 2004
 - (9) Incorporated by reference from Report on Form 8-K, as filed on September 27, 2005
 - (10) Incorporated by reference from Report on Form 8-K, as filed on January 5, 2006
 - (11) Incorporated by reference from Report on Form 8-K, as filed on January 11, 2006
 - (12) Incorporated by reference from Report on Form 8-K, as filed on January 12, 2007
 - (13) Incorporated by reference from Report on Form 8-K, as filed on August 8, 2007

(b) Reports on Form 8-K:

No reports were filed by the Company during the quarter ended June 30, 2007.

SIGNATURES

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

REGISTRANT

SECURITY NATIONAL FINANCIAL CORPORATION
Registrant

Dated: November 15, 2007

By: s/s George R. Quist

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

Dated: November 15, 2007

By: s/s Stephen M. Sill

Stephen M. Sill
Vice President, Treasurer and Chief
Financial Officer
(Principal Financial and Accounting
Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. ss. 1350,
AS ENACTED BY
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, George R. Quist, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Security National Financial Corporation.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) for the registrant to have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period covered in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: August 14, 2007

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

Exhibit 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. ss. 1350,
AS ENACED BY
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen M. Sill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Security National Financial Corporation.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) for the registrant to have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period covered in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: August 14, 2007

By: Stephen M. Sill
Vice President, Treasurer and
Chief Financial Officer

EXHIBIT 32.1
CERTIFICATION PURSUANT TO
18 U.S.C. ss. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10-Q for the period ending June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George R. Quist, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: August 14, 2007

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

EXHIBIT 32.2
CERTIFICATION PURSUANT TO
18 U.S.C. ss. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10-Q for the period ending June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen M. Sill, Vice President, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: August 14, 2007

By: Stephen M. Sill
Vice President, Treasurer and
Chief Financial Officer

LOAN AGREEMENT

Between

ZIONS FIRST NATIONAL BANK
Lender

and

SECURITY NATIONAL LIFE INSURANCE COMPANY
Borrower

Effective Date: June 12, 2007

23

LOAN AGREEMENT

This Loan Agreement is made and entered into by and between Zions First National Bank and Security National Life Insurance Company as of June 12, 2007 (the "Effective Date").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions

1.1 Definitions

Terms defined in the singular shall have the same meaning when used in the plural and vice versa. As used herein, the term:

"Acknowledgment" means a written statement, substantially in the form attached hereto as Exhibit B, executed by the maker of an Underlying Note acknowledging that Borrower has collaterally assigned the Underlying Note as payable to the order of Lender and has further collaterally assigned to Lender all rights as beneficiary under the Underlying Deed of Trust securing the Underlying Note together with all right, title and interest of Borrower in and to all other documents, instruments and agreements executed and delivered by the maker of the Underlying Note. In the alternative, Borrower may insert into any Underlying Notes language wherein the Maker acknowledges that the Note is assignable, such as "borrower acknowledges that lender has the right to assign an interest in this note to another lender."

"Banking Business Day" means any day not a Saturday, Sunday, legal holiday in the State of Utah, or day on which national banks in the State of Utah are authorized to close.

"Borrower" means Security National Life Insurance Company, including each of its successors, and, if permitted, assigns.

"Borrowing Base" means the aggregate of the following:

(a) for Eligible Notes that are Underlying Notes encumbered by Underlying Property that is Commercial Property, the lesser of seventy-five percent (75%) of the face amount of such Eligible Notes or sixty percent (60%) of the appraised value of the Underlying Property.

(b) for Eligible Notes that are Underlying Notes encumbered by Underlying Property that is Residential Property, Construction Property, or Land Property, twenty percent (20%) of the face amount of such Eligible Notes, with the portion of the Borrowing Base attributable to such Eligible Notes not exceeding, in the aggregate, Two Million Dollars (\$2,000,000.00). (Underlying Property that is Construction Property may be included under this subsection (b) or the next subsection (c).)

(c) Underlying Notes encumbered by Underlying Property that is Construction Property, the lesser of one hundred percent (100%) of the amounts loaned by Borrower on the Underlying Note or eighty percent (80%) of the appraised value of the Underlying Property. The portion of the Borrowing Base attributable to Construction Property under this subsection (c) may not exceed, in the aggregate, Ten Million Dollars (\$10,000,000.00).

(d) The maximum amount of any individual Eligible Note that may be added to the Borrowing Base is limited to not more than Five Million Dollars (\$5,000,000.00).

(e) No Eligible Note that is more than Ninety (90) days past the Eligible Note's maturity date may be included within the Borrowing Base.

"Borrowing Base Certificate" means a certificate executed by Borrower, as set forth in Section 6.7 Financial Statements and Reports, in a form approved by Lender and including information such as the exact name of the maker of each Underlying Note, including the maker's address; the date of the funding of each Underlying Note or advance based upon the Underlying Note; the amount advanced by Lender on each Underlying Note; the identity, values, and the amount advanced by Lender on all Real Estate Owned; the Underlying Notes collateral value; and the current Loan-to-Value ratio of the Loan.

"Collateral" shall have the meaning set forth in Section 3.1 Collateral.

"Collateral Pool Report" means a report created by Borrower, as set forth in Section 6.7 Financial Statements and Reports, in a form approved by Lender and including the information set forth in section 6.7(e).

"Commercial Property" means Underlying Property upon which there are existing improvements that are designed for and suited for commercial or business use and for which necessary or applicable land use or zoning approval has been obtained.

"Construction Property" means Underlying Property for which the funds derived from the Underlying Note would be used to construct new improvements on the Underlying Property.

"Effective Date" shall mean the date the parties intend this Loan Agreement to become binding and enforceable, which is the date stated in the introductory paragraph of this Loan Agreement.

"Eligible Note" means an Underlying Note described on the most recent Borrowing Base Certificate delivered to Lender in accordance herewith and which at all times meets the following requirements:

a. The Underlying Note is secured by an Underlying Deed of Trust which is in form and content acceptable to Lender in its sole and absolute discretion and which is otherwise sufficient to create a first priority lien in and to the Underlying Property described therein in favor of Borrower, subject only to Permitted Encumbrance; however, Lender shall also accept an Underlying Note where the Underlying Deed of Trust is in a second priority lien position so long as the Borrower also holds the first priority lien position on the Underlying Property, and the Loan-to-Value ratio from both liens is not more than 75%;

b. Borrower has (i) collaterally assigned the Underlying Note as payable to the order of Lender, which endorsement shall be in the form attached hereto as Exhibit C;

c. Borrower has collaterally assigned to Lender all rights as beneficiary or mortgagee under the Underlying Deed of Trust securing the Underlying Note together with all right, title and interest of Borrower in and to all other documents, instruments and agreements executed and delivered by the maker of the Underlying Note, which assignment shall be in the form attached hereto as Exhibit D;

d. Borrower has delivered to Lender for all Underlying Notes where the Underlying Deed of Trust encumbers either Commercial Property or Construction Property for which 100% of the face value or 80% of the appraised value has been applied to the Borrowing Base, the original Underlying Note, the Assignment of the Underlying Note, the Assignment of Deed of Trust, and a copy of the recorded Underlying Deed of Trust, provided that Lender will not record an Assignment of Deed of Trust except in the case of an Event of Default pursuant to paragraph 7.1 or in the event that Lender has reasonable cause to believe it is justified in receiving notice of any possible claims or issues involving title to the Underlying Property and the applicable state does not provide for a "request for notice" or similar type document to be recorded;

e. The loan represented by the Underlying Note must meet all applicable provisions and requirements set forth in the Borrower's written loan policy for underwriting loans secured by Commercial, Residential, Land or Construction Loans;

f. No default in payment or performance by the maker under the Underlying Note, and no condition, which with notice, passage of time or both would constitute a default in payment or performance by the maker under the Underlying Note has occurred and is continuing under the Underlying Note, except that defaults are allowed under which Borrower in the ordinary course of business has imposed a default interest rate or an extension of time, or other classes or types of defaults for which Lender has consented to Borrower in writing;

g. For an Underlying Note whose face amount is Two Hundred Fifty-Thousand Dollars (\$250,000.00) or more, the Underlying Property has had an appraisal performed that supports the value assigned to the Underlying Property, and, in the case of Commercial Property, the appraisal has been submitted to the Lender's Appraisal Review Department (who may review the appraisal to assure compliance with requirements of the Financial Institution Reform Recovery and Enforcement Act and any other applicable laws, regulations, or standards). Lender may periodically provide Borrower with lists of appraisers from whom Lender will not accept appraisals, and the appraisal may be rejected on the basis of the identity of the appraiser; otherwise, Lender may not reject any appraisals based solely upon the identity of the appraiser;

h. For an Underlying Note whose face amount is less than Two Hundred Fifty-Thousand Dollars (\$250,000.00), the value assigned to the Underlying Property has been established by documentation that sets forth the square footage of any improvements to the Underlying Property and the acreage if the Underlying Property is Land Property, the tax-assessed value of the Underlying Property; and either (i) a sales price within the last six months of the Underlying Property, or (ii) documentation of two sales of comparable properties;

i. The Underlying Property encumbered by the Underlying Deed of Trust accompanying the Underlying Note consists of Commercial Property, Construction Property, Residential Property, or Land Property (specifically, no recreation property is allowed); and

j. Each of the representations and warranties of Borrower set forth in Section 5.13 Underlying Notes and Underlying Deeds of Trust, and Standards for Collateral Examination hereof with respect to the Underlying Notes and the Underlying Deeds of Trust is true and correct as of the date of the most recent Borrowing Base Certificate.

"Environmental Condition" shall mean any condition involving or relating to Hazardous Materials and/or the environment affecting the Real Property, whether or not yet discovered, which could or does result in any damage, loss, cost, expense, claim, demand, order, or liability to or against Borrower or Lender by any third party (including, without limitation, any government entity), including, without limitation, any condition resulting from the operation of Borrower's business and/or operations in the vicinity of the Real Property and/or any activity or operation formerly conducted by any person or entity on or off the Real Property.

"Environmental Health and Safety Law" shall mean any legal requirement that requires or relates to:

a. advising appropriate authorities, employees, or the public of intended or actual releases of Hazardous Materials, violations of discharge limits or other prohibitions, and of the commencement of activities, such as resource extraction or construction, that do or could have significant impact on the environment;

b. preventing or reducing to acceptable levels the release of Hazardous Materials;

c. reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes or Hazardous Materials that are generated or are present in the environment;

d. assuring that products are designed, formulated, packaged, and used so that they do not present unreasonable risks to human health or the environment when used or disposed of;

e. protecting resources, species, or ecological amenities;

f. use, generation, storage, transportation, sale, disposal, treatment, or transfer of Hazardous Materials or other potentially harmful substances;

g. cleaning up Hazardous Materials that have been released, preventing the threat of release, and/or paying the costs of such clean up or prevention;

h. conducting remedial investigations, feasibility studies, risk assessments, and any other such study or investigation as consistent with applicable state or federal law to characterize or examine the actual or potential release or presence of Hazardous Materials in the environment; or

i. making responsible parties pay for damages done to the health of others or the environment or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

"Event of Default" shall have the meaning set forth in Section 7.1 Events of Default.

"Hazardous Materials" means (i) "hazardous waste" as defined by the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 et. seq.), including any future amendments thereto, and regulations promulgated thereunder, and as the term may be defined by any contemporary state counterpart to such act; (ii) "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et. seq.), including any future amendments thereto, and regulations promulgated thereunder, and as the term may be defined by any contemporary state counterpart of such act; (iii) asbestos; (iv) polychlorinated biphenyls; (v) underground or above ground storage tanks, whether empty or filled or partially filled with any substance; (vi) any substance the presence of which is or becomes prohibited by any federal, state, or local law, ordinance, rule, or regulation; and (vii) any substance which under any federal, state, or local law, ordinance, rule or regulation requires special handling or notification in its collection, storage, treatment, transportation, use or disposal.

"Land Property" means Underlying Property on which no structural improvements exist (specifically excluding such infrastructure such as utilities, parking areas, or adjacent roads).

"Lender" means Zions First National Bank, its successors, and assigns.

"Loan" means the loan to be made pursuant to Section 2 Loan Description, in the maximum principal amount of the Loan Amount.

"Loan Agreement" means this agreement, together with any exhibits, amendments, addendums, and modifications.

"Loan Amount" means the amount of up to Forty million dollars (\$40,000,000.00), to be disbursed pursuant to the terms and conditions of this

Loan Agreement, plus any sum in addition thereto advanced by Lender in its discretion in accordance with the Loan Documents.

"Loan Availability Amount" means the lesser of (i) the Loan Amount or (ii) the Borrowing Base.

"Loan Documents" means the Loan Agreement, Promissory Note, Guarantee, Security Documents, Acknowledgments, all other agreements and documents contemplated by any of the aforesaid documents, and all amendments, modifications, addendums, and replacements, whether presently existing or created in the future.

"Loan-to-Value Ratio" means the ratio of (i) the face amount of the Underlying Note (or, if the context requires, the aggregate of debt encumbering the Underlying Property) to (ii) the value of the Underlying Property.

"Organizational Documents" means, in the case of Borrower as a corporation, its Articles or Certificate of Incorporation and By-Laws. For any other entity, the Organizational Documents shall consist of all documents of organization filed in the entity's state of creation, any operating agreements, governing articles, partnership agreements, a Trust Agreement or Declaration of Trust.

"Permitted Encumbrances" means, with respect to any particular Underlying Deed of Trust, (a) any matters other than monetary liens set forth in the policy of title insurance issued to the beneficiary under the Underlying Deed of Trust insuring such beneficiary's interest in the Underlying Property, which are acceptable to Lender as of the date of the related Underlying Note, (b) the lien of current real property taxes and assessments not yet due and payable, (c) first priority liens as specifically allowed in this Agreement and (d) any other lien or encumbrance that Lender shall expressly approve in its sole and absolute discretion.

"Promissory Note" means the promissory note to be executed by Borrower pursuant to Section 2.4 Promissory Note in the form of Exhibit A hereto, which is incorporated herein by reference, and any and all renewals, extensions, modifications, and replacements thereof.

"Real Property" means any and all real property and improvements thereon, owned or leased by Borrower or in which Borrower has any other interest of any nature whatsoever.

"Residential Property" means Underlying Property that has an existing improvement designed for residential use and is zoned or otherwise designated by the appropriate land use authority for residential use.

"Security Documents" means all security agreements, assignments, pledges, financing statements, deeds of trust, mortgages, and other documents which create or evidence any security interest, assignment, lien or other encumbrance in favor of Lender to secure any or all of the obligations created or contemplated by any of the Loan Documents, and all amendments, modifications, addendums, and replacements, whether presently existing or created in the future.

"Underlying Deed of Trust" means a deed of trust or mortgage which creates a lien in favor of Borrower in and to the Underlying Property described therein and which secures the related Underlying Note.

"Underlying Documents" means the Underlying Deed of Trust and the Underlying Note

"Underlying Note" means a promissory note originally issued or subsequently assigned to Borrower, which is executed and delivered by an owner or purchaser of Underlying Property to evidence the owner's or purchaser's obligation to repay a loan made to such purchaser or owner and which is secured by an Underlying Deed of Trust.

"Underlying Property" means the real property together with all buildings, fixtures, and improvements thereon; all waters and water rights on, relating, or appertaining thereto; all easements, licenses and rights of way relating or appertaining thereto; all rents, issues, royalties, income and profits; all awards made for taking by eminent domain or any proceeding or purchase in lieu thereof; the proceeds of any insurance; all tenements, hereditaments, rights, privileges, and appurtenances belonging or relating thereto or any improvements thereon; and including any of the foregoing now existing or created or arising in the future, if any, which are described in an Underlying Deed of Trust and which act as security for an Underlying Note.

2. Loan Description

2.1 Amount of Loan

Upon fulfillment of all conditions precedent set forth in this Loan Agreement, and so long as no Event of Default exists, and no other breach has occurred under the Loan Documents, Lender agrees to loan Borrower up to, in the aggregate, the Loan Availability Amount.

2.2 Nature and Duration of Loan

The Loan shall be a revolving loan payable in full upon the date and upon the terms and conditions provided in the Promissory Note. Lender and Borrower intend the Loan to be in the nature of a line of credit under which Borrower may repeatedly draw funds on a revolving basis in accordance with the terms and conditions of this Loan Agreement and the Promissory Note. The right of Borrower to draw funds and the obligation of Lender to advance funds shall not accrue

until all of the conditions set forth in Section 4 Conditions to Loan Disbursements have been fully satisfied, and shall terminate: (i) upon occurrence of an Event of Default or (ii) upon maturity of the Promissory Note, unless the Promissory Note is renewed or extended by Lender, in which case such termination shall occur upon the maturity of the final renewal or extension of the Promissory Note. Upon such termination, any and all amounts owing to Lender pursuant to the Promissory Note and this Loan Agreement shall thereupon be due and payable in full.

2.3 Redetermination of Borrowing Base

Lender shall redetermine the Borrowing Base and the Loan Availability Amount at monthly meetings with Borrower (or more often as Lender may agree). Such meetings shall be scheduled to accommodate Lender's requirements as to time and place. Lender shall redetermine the Borrowing Base, and upon such redetermination, Borrower shall make any required payments to Lender pursuant to Section 2.7 Prepayment of Principal to reduce the outstanding balance of the Loan to no more than the amounts permitted hereunder. Lender shall also make available as provided herein all advances under the Loan as supported by the redetermined Borrowing Base.

2.4 Promissory Note and Interest Rate

The Loan shall be evidenced by the Promissory Note. The Promissory Note shall be executed by Borrower on the form as supplied by Lender, and such Promissory Note shall be delivered to Lender upon execution and delivery of this Loan Agreement.

Interest shall accrue from the date of disbursement of the principal amount or portion thereof until paid, both before and after judgment, in accordance with the terms set forth herein. The interest rate on the Promissory Note will be subject to change from time to time based on changes in an independent index which is the 1 year LIBOR rate. Lender's LIBOR rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. Lender's LIBOR rate may not necessarily be the same as the quoted offered side in the Eurodollar time deposit market by any particular institution or service applicable to any interest period. As used herein, Lender's LIBOR rate shall mean the rates per annum quoted by Lender as Lender's 1 year LIBOR rate based upon quotes from the London Interbank Offered Rate from the British Bankers Association Interest Settlement Rates, as quoted for U.S. Dollars by Bloomberg, or other comparable services selected by the Lender (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. The interest rate change will not occur more often than each year. Borrower understands that Lender may make loans based on other rates as well. Borrower understands that Lender may make loans based on other rates as well. The interest rate to be applied to the unpaid balance of the Promissory Note will be a rate of 1.64 percentage points (1.64%) over the Index.

2.5 Notice and Manner of Borrowing

Borrower shall be able to obtain advances under this Loan Agreement by setting up with Lender a loan sweep account using Lender's documentation (or in any other manner agreed to by Lender).

2.6 Fees

a. Commitment Fee. Upon execution and delivery of this Loan Agreement, Borrower shall pay Lender a loan fee representing fourteen-and-a-half hundredths of one percent (0.145%) of the Loan Amount, which fee is Fifty-eight Thousand Dollars (\$58,000.00), with a credit of Twenty-three thousand Dollars for prior commitment fees paid on prior loans, which shall make the Commitment Fee due Thirty-five thousand Dollars (\$35,000.00). This Commitment Fee from Borrower is due upon entering this Loan Agreement, notwithstanding any other provision in this Loan Agreement, payment of this Commitment Fee is a condition precedent to any disbursements under the Loan, and Lender is under no obligation to make any advances until the Commitment Fee is paid. No portion of such fee shall be refunded in the event of early termination of this Loan Agreement or any termination or reduction of the right of Borrower to request advances under this Loan Agreement. The Commitment Fee may be paid through an advance on the Loan.

b. Loan Fee. Borrower shall pay to Lender a fee for the Loan for so long as this Loan Agreement is in effect. The loan fee shall be amount equal to one-quarter of one percent (0.25%) per annum of the unused portion of the Loan, calculated on the average unused portion of the Loan for each calendar month. The loan fee shall be payable quarterly, in arrears, and shall be due upon receipt of a statement therefor from Lender.

2.7 Prepayment of Principal and Curtailments

a. Discretionary. Borrower may prepay all or any portion of the principal amount of the Loan at any time without premium or penalty.

b. Mandatory. In the event the aggregate outstanding principal balance of the Loan exceeds the Loan Availability Amount at any time, Borrower shall, unless Lender shall otherwise consent in writing, without notice or demand of any kind, immediately make such repayments of the Loan or take such other actions as shall be necessary to eliminate such excess.

3. Security for Loan

3.1 Collateral

The Loan, Promissory Note, and all obligations of Borrower under the Loan Documents shall be secured by such collateral as is provided in the Security Documents (the "Collateral"), which shall include, without limitation, the following:

- a. The Underlying Notes.
- b. The Underlying Deeds of Trust.

Lender will not record the Assignments of Deeds of Trust, except in the event of default pursuant to paragraph 7.1 or in the event that Lender has reasonable cause to believe it is justified in receiving notice of any possible claims or issues involving title to the Underlying Property and the applicable state does not provide for a "request for notice" or similar type document to be recorded.

3.2 Release of Collateral

Borrower may request the release of an Underlying Note, whether or not the same is deemed at the time of such release to be an Eligible Note, and the release, reassignment, and/or reconveyance of any related Underlying Deed of Trust from the lien and encumbrance of the Security Documents from time to time, as well as the physical return of any such Underlying Note and related Underlying Deed of Trust. Lender's obligation to release any such items of Collateral is subject to the following:

a. **Qualified Release.** Lender shall release any Underlying Note and Underlying Deed of Trust if each of the following conditions precedent are satisfied:

- i. Borrower has notified Lender in writing of the requested release or has otherwise noted the need for the Qualified Release in the Borrowing Base Certificate;
- ii. Borrower has been paid all amounts due under the Underlying Documents; and
- iii. Borrower agrees to make all payments required pursuant to Section 2.7(b) Prepayment of Principal - Mandatory after giving effect to such release.

b. **Discretionary Release.** Collateral not eligible to be released pursuant to the conditions specified in subparagraph (a) above will be released upon such terms and conditions and for payment as determined by Lender in its sole and absolute discretion.

c. **Adjustment to Borrowing Base.** Any Underlying Note released shall no longer be available for consideration as an Eligible Note and, if necessary, the Borrowing Base shall be immediately and automatically redetermined to reflect such release.

d. **Prompt Release.** Lender shall make available to Borrower within 2 business days and upon notice from Borrower all Underlying Documents qualifying for release, together with all releases, assignments, and reconveyances necessary to effectuate the release.

4. Conditions to Loan Disbursements

4.1 Conditions to Loan Disbursements

Lender's obligation to disburse any of the Loan is expressly subject to, and shall not arise until all of the conditions set forth below have been satisfied. All of the documents referred to below must be in a form and substance acceptable to Lender.

a. Lender is allowed to perform an examination of the Collateral and the Borrowing Base, including any analysis of Borrower's lending practices and operations (in which Lender shall be able to exam any Underlying Documents and other documents as required by Lender in order to determine the initial Borrowing Base to Lender's satisfaction), and Borrower has satisfied any of Lender's concerns. The Parties acknowledge that Lender has performed an initial Collateral Examination prior to the execution of this Loan Agreement, and the representations and warranties in section 5.13 relating thereto (and to any subsequent Collateral Examination) must be correct. Lender may perform subsequent Collateral Examinations as Lender determines at its discretion.

b. Borrower shall have paid the Commitment Fee.

c. Borrower has complied with its obligations to deliver to Lender the Borrowing Base Certificate and the Collateral Pool Report and to present all required reporting under Section 6.7 Financial Statements and Reports.

d. The Loan must be used to pay off immediately the three-month Fifteen Million Dollar (\$15,000,000.00) bridge loan that Lender has extended to Borrower, and no funds will be made available to Borrower under this Loan that would not allow the bridge loan to be paid in full from the funds of this Loan.

e. All of the Loan Documents and all other documents contemplated to be delivered to Lender prior to funding have been fully executed and delivered to Lender.

f. All of the documents contemplated by the Loan Documents which require filing or recording have been properly filed and recorded so that all of the liens and security interests granted to Lender in connection with the Loan will be properly created and perfected and will have a priority acceptable to Lender.

g. All other conditions precedent provided in or contemplated by the Loan Documents or any other agreement or document have been performed.

h. As of the date of disbursement of all or any portion of the Loan, the following shall be true and correct: (i) all representations and warranties made by Borrower and Guarantor in the Loan Documents are true and correct as of the date of such disbursement; and (ii) no Event of Default has occurred and no conditions exist and no event has occurred, which, with the passage of time or the giving of notice, or both, would constitute an Event of Default, except those defaults, such as instances where the Borrower in the ordinary course of business has granted extensions of time or imposed default rates of interest, as provided for in this Loan Agreement.

All conditions precedent set forth in this Loan Agreement and any of the Loan Documents are for the sole benefit of Lender and may be waived unilaterally by Lender.

4.2 No Default, Adverse Change, False or Misleading Statement

Lender's obligation to advance any funds at any time pursuant to this Loan Agreement and the Promissory Note shall, at Lender's sole discretion, terminate upon the occurrence of any Event of Default or upon the occurrence of any material adverse change in Borrower's or any Guarantor's organization or affairs or in any matter concerning which an agreement, covenant, representation, or warranty has been made herein, or upon the determination by Lender that any of Borrower's or any Guarantor's representations made in any of the Loan Documents were false or materially misleading when made.

5. Representations and Warranties

5.1 Organization and Qualification

Borrower represents and warrants that it is a corporation duly incorporated and existing in good standing under the laws of the State of Utah, and that it is qualified and in good standing to do business in the State of Utah.

Borrower represents and warrants that it is duly qualified to do business in each jurisdiction where the conduct of its business requires qualification.

Borrower represents and warrants that it has the full power and authority to own its properties and to conduct the business in which it engages and to enter into and perform its obligations under the Loan Documents.

Borrower represents and warrants that it has delivered to Lender or Lender's counsel accurate and complete copies of Borrower's Organizational Documents which are operative and in effect as of the Effective Date.

5.2 Authorization

Borrower represents and warrants that the execution, delivery, and performance by the respective entity of the Loan Documents has been duly authorized by all necessary action on the part of the Borrower and are not inconsistent with the Borrower's Organizational Documents or any operating agreement, do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract, or other instrument to which the Borrower is a party or by which it is bound, and that upon execution and delivery thereof, the Loan Documents will constitute legal, valid, and binding agreements and obligations of the Borrower, enforceable in accordance with their respective terms.

5.3 No Governmental Approval Necessary

Borrower represents and warrants that no consent by, approval of, giving of notice to, registration with, or taking of any other action with respect to or by any federal, state, or local governmental authority or organization is required for the Borrower's execution, delivery, or performance of the Loan Documents.

5.4 Accuracy of Financial Statements

Borrower represents and warrants that all of its audited financial statements heretofore delivered to Lender have been prepared in accordance with generally accepted accounting principles consistently applied and fully and fairly represent Borrower's financial condition as of the date thereof and the results of Borrower's operations for the period or periods covered thereby.

Borrower represents and warrants that all of its unaudited financial statements heretofore delivered to Lender fully and fairly represent the Borrowing entity's financial condition as of the date thereof and the results of the Borrowing entity's operations for the period or periods covered thereby and are consistent with other financial statements previously delivered to Lender.

Borrower represents and warrants that since the dates of the most recent audited and unaudited financial statements delivered to Lender, there has been no material adverse change in its financial condition.

Borrower represents and warrants that all of its pro forma financial

statements heretofore delivered to Lender have been prepared consistently with the Borrower's actual financial statements and fully and fairly represent the Borrower's anticipated financial condition and the anticipated results of the Borrower's operation for the period or periods covered thereby.

5.5 No Pending or Threatened Litigation

Borrower represents and warrants that except as Lender has been otherwise advised in writing, together with an analysis by Borrower's counsel, there are no actions, suits, or proceedings pending or, to Borrower's knowledge, threatened against or affecting the Borrower in any court or before any governmental commission, board, or authority which, if adversely determined, would have a material adverse effect on the Borrower's financial condition, conduct of its business, or ability to perform its obligations under the Loan Documents. Lender has been advised in writing of pending litigation and proceedings through delivery of Security National Financial Corporation's Form 10-K for the year 2006.

5.6 Full and Accurate Disclosure

Borrower represents and warrants that this Loan Agreement, the financial statements referred to herein, any loan application submitted to Lender, and all other statements furnished by Borrower to Lender in connection herewith contain no untrue statement of a material fact and omit no material fact necessary to make the statements contained therein or herein not misleading. Borrower represents and warrants that it has not failed to disclose in writing to Lender any fact that materially and adversely affects, or is reasonably likely to materially and adversely affect, Borrower's business, operations, properties, prospects, profits, condition (financial or otherwise), or ability to perform its obligations under this Loan Agreement, the Promissory Note, the Security Documents, or any other agreement, document, obligation, or transaction contemplated by this Loan Agreement.

5.7 Compliance with ERISA

Borrower represents and warrants that Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and the regulations and published interpretations thereunder. Neither a Reportable Event as set forth in Section 4043 of ERISA or the regulations thereunder ("Reportable Event") nor a prohibited transaction as set forth in Section 406 of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended, has occurred and is continuing with respect to any employee benefit plan established, maintained, or to which contributions have been made by Borrower or any trade or business (whether or not incorporated) which together with Borrower would be treated as a single employer under Section 4001 of ERISA ("ERISA Affiliate") for its employees which is covered by Title I or Title IV of ERISA ("Plan"); no notice of intent to terminate a Plan has been filed nor has any Plan been terminated which is subject to Title IV of ERISA; no circumstances exist that constitute grounds under Section 4042 of ERISA entitling the Pension Benefit Guaranty Corporation ("PBGC") to institute proceedings to terminate, or appoint a trustee to administer a Plan, nor has the PBGC instituted any such proceedings; neither Borrower nor any ERISA Affiliate has completely or partially withdrawn under Section 4201 or 4204 of ERISA from any Plan described in Section 4001(a)(3) of ERISA which covers employees of Borrower or any ERISA Affiliate ("Multi-employer Plan"); Borrower and each ERISA Affiliate has met its minimum funding requirements under ERISA with respect to all of its Plans and the present fair market value of all Plan assets equals or exceeds the present value of all vested benefits under or all claims reasonably anticipated against each Plan, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA and the regulations thereunder and the applicable statements of the Financial Accounting Standards Board ("FASB") for calculating the potential liability of Borrower or any ERISA Affiliate under any Plan; neither Borrower nor any ERISA Affiliate has incurred any liability to the PBGC (except payment of premiums, which is current) under ERISA.

Borrower, each ERISA Affiliate and each group health plan (as defined in ERISA Section 733) sponsored by Borrower and each ERISA Affiliate, or in which Borrower or any ERISA Affiliate is a participating employer, are in compliance with, have satisfied and continue to satisfy (to the extent applicable) all requirements for continuation of group health coverage under Section 4980B of the Internal Revenue Code and Sections 601 et seq. of ERISA, and are in compliance with, have satisfied and continue to satisfy Part 7 of ERISA and all corresponding and similar state laws relating to portability, access and renewability of group health benefits and other requirements included in Part 7.

5.8 Compliance with USA Patriot Act

Borrower represents and warrants that it is not subject to any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits Lender from making any advance or extension of credit to Borrower or from otherwise conducting business with Borrower.

5.9 Compliance with All Other Applicable Law

Borrower represents and warrants that it has complied with all applicable statutes, rules, regulations, orders, and restrictions of any domestic or foreign government, or any instrumentality or agency thereof having jurisdiction over the conduct of Borrower's business or the ownership of its properties, which may have a material impact or effect upon the conduct of Borrower's business or the ownership of its properties, including, but not limited to, compliance by Borrower, with respect to the origination of each Underlying Note and associated loan and transaction, with the Federal Truth-in-Lending Act and

any state counterpart or similar law; the Equal Credit Opportunity Act and Federal Reserve Board Regulation B; the Fair Credit Reporting Act; the Federal Trade Commission Act; the FTC Credit Practices Trade Regulation Rule; the FTC Trade Regulation Rule Concerning the Preservation of Consumers' Claims and Defenses; the Real Estate Settlement Procedures Act and any state counterpart or similar law; state adaptations of, or analogies to, any title or chapter of the Federal Consumer Credit Protection Act; state laws proscribing unfair and/or deceptive acts or practices; state laws regulating consumer sales practices; state co-signer laws, and any other applicable consumer credit, consumer protection and insurance laws, rules and regulations. To the extent that the loan evidenced by an Underlying Note was serviced by Borrower prior to the date hereof, it was serviced by Borrower in compliance with all such applicable consumer credit, consumer protection, debt collection, insurance and other laws, rules and regulations.

5.10 Environmental Representations and Warranties

Borrower represents and warrants that no Hazardous Materials are now located on, in, or under the Real Property, nor is there any Environmental Condition on, in, or under the Real Property and neither Borrower nor, to Borrower's knowledge, after due inquiry and investigation, any other person has ever caused or permitted any Hazardous Materials to be placed, held, used, stored, released, generated, located or disposed of on, in or under the Real Property, or any part thereof, nor caused or allowed an Environmental Condition to exist on, in or under the Real Property, except in the ordinary course of Borrower's business under conditions that are generally recognized to be appropriate and safe and that are in strict compliance with all applicable Environmental Health and Safety Laws. Borrower further represents and warrants that no investigation, administrative order, consent order and agreement, litigation or settlement with respect to Hazardous Materials and/or an Environmental Condition is proposed, threatened, anticipated or in existence with respect to the Real Property.

5.11 Operation of Business

Borrower represents and warrants that Borrower possesses all licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, to conduct its business substantially as now conducted and as presently proposed to be conducted, and Borrower is not in violation of any valid rights of others with respect to any of the foregoing. The foregoing shall include, but not be limited to, a representation and warranty by Borrower that it has obtained, and at all relevant times has possessed and maintained, all necessary licenses and/or approvals (including, as applicable, finance company licenses) in all jurisdictions in which the ownership or lease of property or the conduct of Borrower's business (including the extension of credit or origination of loans to third parties) requires such licenses and/or approvals.

5.12 Payment of Taxes

Borrower represents and warrants that Borrower has filed all tax returns (federal, state, and local) required to be filed and has paid all taxes, assessments, and governmental charges and levies, including interest and penalties, on Borrower's assets, business and income, except such as are being contested in good faith by proper proceedings and as to which adequate reserves are maintained.

5.13 Underlying Notes, Underlying Deeds of Trust, and Standards for Collateral Examination

Borrower represents and warrants to Lender that for those Underlying Notes and Underlying Deeds of Trust, if any, presented for the initial or subsequent Collateral Examinations, or in the Borrowing Base Certificate or the Collateral Pool Report, the following will be true:

a. Schedule of Underlying Notes and Underlying Deeds of Trust. The information concerning each Underlying Note and each Underlying Deed of Trust set forth in any list or schedule of Underlying Notes and Underlying Deeds of Trust provided to Lender for the Collateral Examination, Borrowing Base Certificate, or Collateral Pool Report will be true and correct as of the date presented. The information concerning the payment history of any Underlying Note provided to Lender by Borrower will be true and correct in all material respects.

b. Enforceability.

The Underlying Documents are genuine and represent the legal, valid and binding obligation of the relevant maker of an Underlying Note and trustor of an Underlying Deed of Trust (as applicable, "Obligor"), enforceable against such Obligor in accordance with their terms except as such enforcement may be limited by fraudulent conveyance, moratorium, bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law). Lender may review any of the forms of Underlying Documents employed by Borrower and may, at its discretion, require reasonable revisions or adjustments to such forms, or, in the alternative, require an opinion by legal counsel suitable to Lender that such forms are enforceable, in compliance with applicable laws, requirements, and other regulations, and will work for the purposes of this Loan Agreement. No Underlying Document has been satisfied, subordinated, assigned or rescinded, in whole or in part, or altered, waived, canceled or modified in any material respect that is not reflected in a writing also presented to Lender with such Document, nor, to Borrower's knowledge.

c. No Encumbrances; Liens.

i. Each of the Underlying Documents is free and clear of all encumbrances, except for Permitted Encumbrances. Borrower is the sole owner of the right to receive all principal, interest, and other amounts required to be paid to the holder under each Underlying Note. Borrower is the sole owner and beneficiary of each Underlying Deed of Trust. Borrower has the full right and authority, subject to no interest or participation of, or agreement with, any third party, to sell, transfer and assign the Underlying Documents pursuant to this Loan Agreement.

ii. The security interest granted by the relevant Obligor in each Underlying Property is and shall remain, as of the date hereof, a valid, perfected security interest. No broker or other individual or entity is entitled to any unpaid commission or other compensation with respect to any Underlying Document.

d. Condemnation;

Casualty Loss. To Borrower's knowledge, there is no pending or threatened condemnation proceeding or similar proceedings affecting any Underlying Property or any part of any Underlying Property which could have a material adverse effect upon such interest in the Underlying Property. To Borrower's knowledge, there has been no uninsured destruction or loss of any Underlying Property. Each Underlying Property which contains any improvements thereon is insured by a fire and extended perils insurance policy, in an amount not less than the replacement cost and the amount necessary to avoid the operation of any co-insurance provisions with respect to such Underlying Property; each Underlying Property is covered by comprehensive general liability insurance in amounts generally required by institutional lenders for similar properties; each Underlying Property is also covered by flood insurance if necessary if located in a flood zone; to Borrower's knowledge, all premiums on such insurance policies required to be paid as of the date hereof have been paid; such insurance policies require at least ten (10) days' prior written notice to Borrower of termination or cancellation, and no such notice has been received by Borrower with respect to any Underlying Properties; such insurance names the beneficiary under the Underlying Deeds of Trust as a named or additional insured under a standard mortgage endorsement; each related Underlying Note or Underlying Deed of Trust obligates Obligor thereunder to maintain all such insurance and, at such Obligor's failure to do so, authorizes the lender or beneficiary thereunder, as applicable, to maintain such insurance at Obligor's cost and expense and to seek reimbursement therefor from such Obligor.

e. Guarantees.

No notice to or consent of any guarantor under any guarantee related to the Underlying Documents is required to consummate the transactions contemplated herein or, except as may be required by applicable law, to proceed against the Underlying Property or any such guarantor in an event of default under the Underlying Documents.

f. Underlying Documents.

Before or at any disbursement under the Loan, Borrower shall deliver to Lender the original or copies of the original Underlying Documents assigned to Lender, as required by this Agreement. Each Underlying Note that is delivered to Lender is the only original of such Underlying Note (or if a copy is delivered to Lender, there is only one original that is retained by Borrower). The Underlying Documents are the only documents executed by Borrower and Obligor with respect to the Underlying Property covered thereby. The entire agreement between Borrower and each Obligor is contained in the Underlying Documents and any additional documents executed by such Obligor and made available to Lender and there are no warranties, agreements or options related thereto that are not set forth therein. Other than such documents, there are no agreements with respect to the Underlying Property between Borrower and any Obligor.

g. No Defenses. No Obligor has asserted in writing to Borrower nor, to Borrower's knowledge, does any Obligor have any basis to assert, any defense, right of rescission, counterclaim or set off to its obligations under any Underlying Document.

h. Security Interests.

i. Borrower has taken all actions and precautions with respect to the Underlying Notes secured by Underlying Property that a reasonably prudent lender would take to protect and preserve the security interest therein, including filing for record with all appropriate governmental entities in all jurisdictions in which the related Underlying Deed of Trust is required to be filed and recorded to create a valid, binding and enforceable lien on the related Underlying Property, and each Underlying Deed of Trust creates a valid, binding and enforceable lien in the related Underlying Property (except as such enforcement may be limited by fraudulent conveyance, moratorium, bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

ii. No Underlying Note is cross-collateralized with any other loan or extension of credit that is not also an Underlying Note

iii. Each Underlying Note is a whole loan and not a participation certificate or subject to any participation interest except as Lender may consent.

i. Taxes. To Borrower's knowledge, there are no delinquent taxes, ground rents, water or sewer charges, assessments or other outstanding charges payable to a governmental entity affecting any Underlying Property.

j. Environmental Laws.

To Borrower's knowledge, neither the current condition nor use of any Underlying Property violates any Environmental Health and Safety Laws or could reasonably be expected to result in the owner or occupant of the Underlying Property incurring material liability under any Environmental Health and Safety Laws. To Borrower's knowledge, no material amount of Hazardous Materials have been disposed of or identified on, under or at any Underlying Property. To Borrower's knowledge, there is no remediation in progress on any Underlying Property nor is there any pending or in-progress remediation disclosed or identified in any environmental report or analysis performed in connection with any Underlying Property or necessary to comply with any Environmental Health and Safety Laws.

k. Underlying Documents.

i. To Borrower's knowledge, no Obligor under any Underlying Document is involved in bankruptcy or other similar proceeding, and no bankruptcy, insolvency or other similar proceeding is pending or contemplated by or against any Obligor.

ii. Each Underlying Document arose out of and constitutes a bona fide business transaction entered into in the ordinary course of Borrower's business.

iii. All principal, interest and any other amounts due under each Underlying Note are payable in United States dollars in regularly scheduled installments as set forth in the Underlying Note.

l. Use of Underlying Property.

i. To Borrower's knowledge, with respect to each Underlying Note, the related Underlying Property is being used for the purpose set forth in the related loan application or loan commitment or such other documentation as Borrower may have required in connection with the origination of the Underlying Note.

ii. To Borrower's knowledge, and in reliance on any applicable policy of title insurance, survey and other certificates, instruments and reports issued by governmental officials or other independent third parties relating to the Underlying Property and such Obligor:

(1) the related Underlying Property is in compliance with, and is used and occupied in accordance with, all material contractual obligations and restrictive covenants applicable to such Underlying Property, and in material compliance with all applicable laws;

(2) Obligor is in possession of, and in compliance with, all material licenses, permits, franchises and certificates and other governmental authorizations (including but not limited to certificates of occupancy) necessary or required by applicable law for the use, occupancy, development, construction, repair, or improvement of such Underlying Property, and the Underlying Property is lawfully occupied under applicable law; and all such material licenses, permits and other authorizations are valid and in full force and effect; and

(3) no improvement located on the Underlying Property is in violation of any applicable zoning law or regulation.

iii. Borrower has not received notification from any governmental entity that the Underlying Property is in non-compliance with any laws or regulations, or is being used, operated or occupied unlawfully.

m. Title Insurance.

i. Borrower has, with respect to each Underlying Deed of Trust presented in the Collateral Examination, a Borrowing Base Certificate, or a Collateral Pool Report, a valid and enforceable ALTA (or state equivalent where ALTA is not available) lender's policy of title insurance which (a) has been issued by and is a binding obligation of a title insurer in the jurisdiction where the related Underlying Property is located in connection with such Underlying Deed of Trust in an amount not less than the original principal amount secured by such Underlying Deed of Trust, (b) is presently in full force and effect, (c) with respect to which all premiums have been paid in full and (d)

insures Borrower, and its successors and assigns (as limited by applicable law), that the Underlying Deed of Trust relating thereto is a valid lien on the related Underlying Property therein described and that the related Underlying Property is otherwise free and clear of all encumbrances and liens having priority over the lien of the Underlying Deed of Trust, subject only to Permitted Encumbrances (each such policy is referred to in this Section 5.13 as a "Title Policy").

- ii. To Borrower's knowledge, there is no reason Lender will not be able to obtain an endorsement of the Title Policies in Lender's name. Any additional costs and premiums associated with such endorsements shall be at Lender's expense.

n. Review and Delivery of Underlying Documents. Borrower will provide Lender, if requested, the opportunity to review all of Borrower's books and records relating to each Underlying Document, including, without limitation, all files, payment histories, credit reports and other documentation relating to each Underlying Document. Borrower will provide to Lender copies of any such documentation requested by Lender, including, without limitation, correspondence to or from any Obligor relating to any Underlying Document.

o. Litigation. There is no action, suit, legal or arbitration proceeding or administrative proceeding or investigation pending to which Borrower is a party or, to Borrower's knowledge, threatened against Borrower relating to or affecting any Underlying Document, Obligor or Underlying Property. To Borrower's knowledge, there is no action, suit, legal or arbitration proceeding or administrative proceeding or investigation pending or threatened against any person other than Borrower relating to or affecting any Underlying Document, Obligor or Underlying Property.

p. Compliance With Laws.

- i. Each Underlying Document has been originated and serviced in compliance with all applicable laws and regulations. Borrower has not received any written notice of violation of any law or regulation relating to any of the Underlying Documents or the ownership or operation thereof.
- ii. Borrower is not subject to any judgment, writ, decree, injunction or order of any federal, foreign, state or local court or governmental entity relating to the acquisition, collection, administration or enforcement of any Underlying Note or the foreclosure, acquisition or disposition of any Underlying Property or, in each case, any transactions or activities incidental thereto.

q. No Change.

- i. Since the date of origination of each Underlying Note, Borrower has administered and serviced each Underlying Note in the ordinary course of its business, consistent with past practices, and has not (i) amended, modified or waived any provision of, or extended, renewed, supplemented, reduced, subordinated, or terminated the term of, or anticipated the payments under or accepted the surrender of, any Underlying Note, except that the Parties acknowledge and recognize that Borrower will issue extensions of time for up to 12 months in the ordinary course of business and will also impose default rates of interests as responses to some defaults, (ii) disposed of any Underlying Note, (iii) commenced or initiated any lawsuit, action or proceeding with respect to any Underlying Note except in the ordinary and usual course of business or (iv) taken possession of, or caused any other person to take possession of, any Underlying Property or other collateral securing a related Underlying Note, other than insurance proceeds, except for those properties that qualify as Real Estate Owned.
- ii. Since the date of origination of each Underlying Note, Borrower has not through its action or inaction created any encumbrances on any Underlying Property.

r. Confirmation of Representations and Warranties. Borrower's delivery of each Borrowing Base Certificate under this Loan Agreement shall constitute Borrower's confirmation that each of the representations and warranties made pursuant to this Section 5.13 are true and correct with respect to the Underlying Notes described in such Borrowing Base Certificate as of the date thereof.

6. Borrower's Covenants

Borrower makes the following agreements and covenants, which shall continue so long as this Loan Agreement is in effect and so long as Borrower is indebted to Lender for obligations arising out of, identified in, or contemplated by this Loan Agreement.

6.1 Use of Proceeds

Borrower shall use the proceeds of the Loan solely for the purposes identified to Lender in applying for the Loan.

Borrower shall not, directly or indirectly, use any of the proceeds of the Loan for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System,

or to extend credit to any person or entity for the purpose of purchasing or carrying any such margin stock or for any purpose which violates, or is inconsistent with, Regulation X of said Board of Governors, or for any other purpose not permitted by Section 7 of the Securities Exchange Act of 1934, as amended, or by any of the rules and regulations respecting the extension of credit promulgated thereunder.

6.2 Continued Compliance with ERISA

Borrower covenants that, with respect to all Plans (as defined in Section 5.7 Compliance with ERISA) which Borrower or any ERISA Affiliate currently maintains or to which Borrower or any ERISA Affiliate is a sponsoring or participating employer, fiduciary, party in interest or disqualified person or which Borrower or any ERISA Affiliate may hereafter adopt, Borrower and each ERISA Affiliate shall continue to comply with all applicable provisions of the Internal Revenue Code and ERISA and with all representations made in Section 5.7 Compliance with ERISA, including, without limitation, conformance with all notice and reporting requirements, funding standards, prohibited transaction rules, multi-employer plan rules, necessary reserve requirements, and health care continuation, coverage and portability requirements.

6.3 Compliance with USA Patriot Act

Borrower shall (a) not be or become subject at any time to any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits Lender from making any advance or extension of credit to Borrower or from otherwise conducting business with Borrower, and (b) provide documentary and other evidence of Borrower's identity as may be requested by Lender at any time to enable Lender to verify Borrower's identity or to comply with any applicable law or regulation, including, without limitation, Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318.

6.4 Continued Compliance with Applicable Law

Borrower shall conduct its business in a lawful manner and in material compliance with all applicable federal, state, and local laws, ordinances, rules, regulations, and orders; shall maintain in good standing all licenses and organizational or other qualifications reasonably necessary to its business and existence; and shall not engage in any business not authorized by and not in accordance with its Organizational Documents and other governing documents.

6.5 Amendment or Change of Organizational Documents

In the event of an alteration of Borrower's Organizational Documents, Borrower shall provide to Lender, within a reasonable time after the same has been adopted by Borrower, the revised Organizational Documents.

6.6 Payment of Taxes and Obligations

Borrower shall pay when due all taxes, assessments, and governmental charges and levies on Borrower's assets, business, and income, and all material obligations of Borrower of whatever nature, except such as are being contested in good faith by proper proceedings and as to which adequate reserves are maintained.

6.7 Financial Statements and Reports

Borrower shall provide Lender with such financial statements and reports as Lender may reasonably request. Audited financial statements and reports shall be prepared in accordance with generally accepted accounting principles (GAAP) or in accordance with statutory accounting principles (SAP) as designated (or if not designated, as Lender shall require, and if Lender has not designated the requirement, as is appropriate to the context) and shall fully and fairly represent Borrower's financial condition as of the date thereof and the results of Borrower's operations for the period or periods covered thereby. Unaudited financial statements and reports shall fully and fairly represent Borrower's financial condition as of the date thereof and the results of Borrower's operations for the period or periods covered thereby and shall be consistent with other financial statements previously delivered to Lender and compliant with GAAP or SAP as designated by Lender.

Until requested otherwise by Lender, Borrower shall provide the following financial statements and reports to Lender:

a. Annual audited financial statements with an unqualified opinion for each fiscal year of Borrower from an independent accounting firm and in a form acceptable to Lender and compliant with SAP, to be delivered to Lender within one hundred sixty (160) days of the end of the fiscal year. Borrower shall also submit to Lender copies of any management letters or other reports submitted to Borrower by independent certified public accountants in connection with examination of the financial statements of Borrower made by such accountants.

b. Quarterly financial statements for each fiscal quarter prepared by Borrower, statements to be compliant with both GAAP and SAP, in forms acceptable to Lender, to be delivered to Lender within sixty (60) days of the end of the quarter. The quarterly financial statements shall include a certification by the chief financial officer or chief executive officer of Borrower that the quarterly financial statements fully and fairly represent Borrower's financial condition as of the date thereof and the results of operations for the period covered thereby and are consistent with other financial statements previously delivered to Lender.

c. Within fifteen (15) days of the end of each fiscal quarter, Borrower shall submit to Lender a compliance certificate in a form acceptable to Lender certifying that Borrower is in compliance with all terms and conditions of this Loan Agreement, including compliance with the financial covenants provided in Section 6.14 Financial Covenants. The compliance certificate shall include the data and calculations supporting all financial covenants, whether in compliance or not, and shall be signed by the chief executive officer or chief financial officer of Borrower.

d. Borrower shall submit to Lender on a monthly basis (or more frequently if requested by Lender) within fifteen (15) days of the end of each month a Borrowing Base Certificate in a form provided by or acceptable to Lender demonstrating that the outstanding balance on the Loan is in compliance with the terms and conditions of this Loan Agreement. Such Borrowing Base Certificate must contain at a minimum the following details for each loan in the Borrowing Base where the Underlying Property is Commercial Property::

- i. The exact name and address of the maker of each Underlying Note;
- ii. The funding date of the Underlying Note;
- iii. The original face amount of the Underlying Note and the current outstanding amount under the loan represented by the Underlying Note;
- iv. The Loan-to-Value ratio of each loan in relation to the Underlying Property;
- v. The maturity date of the Underlying Note; and
- vi. Any delinquency or charge-off information on the Underlying Note.

The Borrowing Base Certificate shall also contain for all Underlying Property that is also Commercial Property a description both by individual property and in the aggregate of the collateral value of the Underlying Property; the amount entered into the Collateral Pool, and an aging status of the Underlying Notes.

Where the Underlying Property is Residential, Construction, or Land Property, the Borrowing Base Certificate must contain at a minimum a summary of outstanding principal balance of the Underlying Notes, a summary of the Loan-to-Value ratios of all Underlying Notes to the value of the Underlying Property, and a summary of delinquency and charge-off information on the Underlying Notes.

e. Borrower shall submit to Lender on a quarterly basis (or more frequently if requested by Lender) within fifteen days of the end of each quarter a Collateral Pool Report in a form provided by or acceptable to Lender demonstrating that the outstanding balance on the Loan is in compliance with the terms and conditions of this Loan Agreement. Such Collateral Pool Report shall contain at a minimum the following:

- i. The exact name and address of the maker of each Underlying Note;
- ii. The funding date of the Underlying Note;
- iii. The original face amount of the Underlying Note and the current outstanding amount under the loan represented by the Underlying Note;
- iv. The Loan-to-Value ratio of each loan in relation to the Underlying Property;
- v. The maturity date of the Underlying Note; and
- vi. Any delinquency or charge-off information on the Underlying Note.

The Collateral Pool Report shall also contain for all Underlying Property a description both by individual property and in the aggregate of the collateral value of the Underlying Property (using appraised values for Commercial Property) and an aging status of the Underlying Notes.

6.8 Depository Relationship

Borrower shall use its best efforts to move at least one of its (or an affiliate's) significant depository bank accounts to Lender within 12 months from the date of this Loan Agreement, so long as Lender is able to provide the services required by Borrower for any such accounts.

6.9 Insurance

Borrower shall maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, which insurance may provide for reasonable deductibility from coverage thereof.

6.10 Inspection

Borrower shall at any reasonable time and from time to time permit Lender or any representative of Lender to examine and make copies of and abstracts from the records and books of account of, and visit and inspect the properties and assets of, Borrower, and to discuss the affairs, finances, and accounts of

Borrower with any of Borrower's officers and directors and with Borrower's independent accountants.

6.11 Operation of Business

Borrower shall maintain all licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, necessary or advisable to conduct its business and Borrower shall not violate any valid rights of others with respect to any of the foregoing. Borrower shall continue to engage in a business of the same general type as now conducted.

6.12 Maintenance of Records and Properties

Borrower shall keep adequate records and books of account in which complete entries will be made in accordance with generally accepted accounting principles consistently applied, reflecting all financial transactions of Borrower. Borrower shall maintain, keep and preserve all of its properties (tangible and intangible) necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted.

6.13 Notice of Claims

Borrower shall promptly notify Lender in writing of all actions, suits or proceedings filed or threatened against or affecting Borrower in any court or before any governmental commission, board, or authority which, if adversely determined, would have a material adverse effect on Borrower's financial condition, conduct of its business, or ability to perform its obligations under the Loan Documents.

6.14 Environmental Covenants

Borrower covenants that it will:

a. Not permit the presence, use, disposal, storage or release of any Hazardous Materials on, in, or under the Real Property, except in the ordinary course of Borrower's business under conditions that are generally recognized to be appropriate and safe and that are in strict compliance with all applicable Environmental Health and Safety Laws.

b. Not permit any substance, activity or Environmental Condition on, in, under or affecting the Real Property which is in violation of any Environmental Health and Safety Laws.

c. Comply with the provisions of all Environmental Health and Safety Laws.

d. Notify Lender immediately of any discharge of Hazardous Materials, Environmental Condition, or environmental complaint or notice received from any governmental agency or any other party.

e. Upon any discharge of Hazardous Materials or upon the occurrence of any Environmental Condition, immediately contain and remove the same in strict compliance with all Environmental Health and Safety Laws, promptly pay any fine or penalty assessed in connection therewith, and immediately notify Lender of such events.

f. Permit Lender to inspect the Real Property for Hazardous Materials and Environmental Conditions, to conduct tests thereon, and to inspect all books, correspondence, and records pertaining thereto.

g. Immediately advise Lender of any additional, supplemental, new, or other information concerning any Hazardous Materials or Environmental Conditions relating to the Real Property.

6.15 Financial Covenants

Except as otherwise provided herein, each of the accounting terms used in this Section 6.14 Financial Covenants shall have the meanings used in accordance with generally accepted accounting principles consistent with those used in preparation of the financial statements of Borrower submitted to Lender.

a. Risk-Based Capital Ratio. Borrower shall maintain a Risk-Based Capital Ratio greater than or equal to 300% based upon and in accordance with current period NAIC guidelines. The Risk-Based Capital Ratio calculation, with accompanying detail, will be prepared by Borrower and provided to Lender with Borrower's annual financial statements.

b. Net Income. Net Income as measured annually will be One Million Dollars (\$1,000,000.00) measured on a GAAP basis.

6.16 Mergers, Consolidations, and Purchase and Sale of Assets

Borrower shall not wind up, liquidate, or dissolve itself; or reorganize, merge, or consolidate with or into any other entity without the consent of Lender, which shall not be unreasonably withheld; or convey, sell, assign, transfer, lease, or otherwise dispose of (whether in one transaction or a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any person or entity.

6.17 No Forgiveness of Amounts Owed or Release of Liens

Borrower shall not, without Lender's prior written consent, forgive any amounts owing to Borrower under any Underlying Note or release, in whole or in part, the lien and encumbrance of any Underlying Deed of Trust; provided,

however, that (i) the lien and encumbrance of an Underlying Deed of Trust may be released upon satisfaction of the conditions set forth in Section 3.2 Release of Collateral; and (ii) Borrower may also in the course of ordinary business forgive up to 30 days' of interest on any Underlying Note.

7. Default

7.1 Events of Default

Time is of the essence of this Loan Agreement. The occurrence of any of the following events shall constitute a default under this Loan Agreement and under the Loan Documents and shall be termed an "Event of Default":

a. Borrower fails in the payment or performance of any obligation, covenant, agreement, or liability created by any of the Loan Documents.

b. Any representation, warranty, or financial statement made by or on behalf of Borrower in any of the Loan Documents, or any document contemplated by the Loan Documents, is materially false or materially misleading.

c. Default occurs or Borrower fails to comply with any term in any of the Loan Documents.

d. Guarantor fails to perform any of its obligations or covenants in the Guarantee or this Loan Agreement or is otherwise in default of with any provisions of the Guarantee or the Loan Agreement.

e. Borrower is dissolved or substantially ceases business operations.

f. A receiver, trustee, or custodian is appointed for any part of Borrower's property, or any part of Borrower's property is assigned for the benefit of creditors.

g. Any proceeding is commenced or petition filed under any bankruptcy or insolvency law by or against Borrower.

h. Any judgment or regulatory fine is entered against Borrower which may materially affect Borrower's ability to perform under this Agreement.

i. Borrower becomes insolvent or fails to pay its debts as they mature.

j. Any material adverse change occurs in Borrower's condition or any event occurs which may cause a material adverse change in Borrower's condition.

k. Any of the foregoing events occur concerning any Guarantor.

7.2 No Waiver of Event of Default

No course of dealing or delay or failure to assert any Event of Default shall constitute a waiver of that Event of Default or of any prior or subsequent Event of Default.

8. Remedies

8.1 Remedies upon Event of Default

Upon the occurrence of an Event of Default, and at any time thereafter, all or any portion of the obligations due or to become due from Borrower to Lender, whether arising under this Loan Agreement, the Promissory Note, the Security Documents or otherwise, at the option of Lender and without notice to Borrower of the exercise of such option, shall accelerate and become at once due and payable in full, and Lender shall have all rights and remedies created by or arising from the Loan Documents, and all other rights and remedies existing at law, in equity, or by statute.

Lender shall have the immediate remedy to take all its assignments of any Underlying Deeds of Trust and to record such Assignments and to collect all payments under the Underlying Documents.

8.2 Rights and Remedies Cumulative

The rights and remedies herein conferred are cumulative and not exclusive of any other rights or remedies and shall be in addition to every other right, power, and remedy that Lender may have, whether specifically granted herein or hereafter existing at law, in equity, or by statute. Any and all such rights and remedies may be exercised from time to time and as often and in such order as Lender may deem expedient.

8.3 No Waiver of Rights

No delay or omission in the exercise or pursuance by Lender of any right, power, or remedy shall impair any such right, power, or remedy or shall be construed to be a waiver thereof.

9. General Provisions

9.1 Governing Agreement

In the event of conflict or inconsistency between this Loan Agreement and the other Loan Documents, excluding the Promissory Note, the terms, provisions and intent of this Loan Agreement shall govern.

9.2 Borrower's Obligations Cumulative

Every obligation, covenant, condition, provision, warranty, agreement, liability, and undertaking of Borrower contained in the Loan Documents shall be deemed cumulative and not in derogation or substitution of any of the other obligations, covenants, conditions, provisions, warranties, agreements, liabilities, or undertakings of Borrower contained herein or therein.

9.3 Payment of Expenses and Attorney's Fees

In the event of a dispute regarding this Agreement or any part of the documentation of this Loan, the prevailing party shall be awarded reasonable attorney fees and costs in prosecuting or defending the claims involved in such dispute. Upon occurrence of an Event of Default, Borrower agrees to pay all costs and expenses, including reasonable attorney fees and legal expenses, incurred by Lender in enforcing, or exercising any remedies under, the Loan Documents, and any other rights and remedies.

Borrower agrees to pay all expenses, including reasonable attorney fees and legal expenses, incurred by Lender in any bankruptcy proceedings of any type involving Borrower, Guarantor, the Loan Documents, or the Collateral, including, without limitation, expenses incurred in modifying or lifting the automatic stay, determining adequate protection, use of cash collateral or relating to any plan of reorganization.

9.4 Right to Perform for Borrower

Lender may, in its sole discretion and without any duty to do so, elect to discharge taxes, tax liens, security interests, or any other encumbrance upon the Collateral or any other property or asset of Borrower, to pay any filing, recording, or other charges payable by Borrower, or to perform any other obligation of Borrower under this Loan Agreement or under the Security Documents.

9.5 Assignability

Borrower may not assign or transfer any of the Loan Documents and any such purported assignment or transfer is void.

Lender may assign or transfer any of the Loan Documents. Funding of this Loan may be provided by an affiliate of Lender.

9.6 Third Party Beneficiaries

The Loan Documents are made for the sole and exclusive benefit of Borrower, Lender and Guarantor and are not intended to benefit any other third party. No third party may claim any right or benefit or seek to enforce any term or provision of the Loan Documents.

9.7 Governing Law

The Loan Documents shall be governed by and construed in accordance with the laws of the State of Utah, except to the extent that any such document expressly provides otherwise.

9.8 Severability of Invalid Provisions

Any provision of this Loan Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction only, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.9 Interpretation of Loan Agreement

The article and section headings in this Loan Agreement are inserted for convenience only and shall not be considered part of the Loan Agreement nor be used in its interpretation.

All references in this Loan Agreement to the singular shall be deemed to include the plural when the context so requires, and vice versa. References in the collective or conjunctive shall also include the disjunctive unless the context otherwise clearly requires a different interpretation.

9.10 Survival and Binding Effect of Representations, Warranties, and Covenants

All agreements, representations, warranties, and covenants made herein by Borrower shall survive the execution and delivery of this Loan Agreement and shall continue in effect so long as any obligation to Lender contemplated by this Loan Agreement is outstanding and unpaid, notwithstanding any termination of this Loan Agreement. All agreements, representations, warranties, and covenants made herein by Borrower shall survive any bankruptcy proceedings involving Borrower. All agreements, representations, warranties, and covenants in this Loan Agreement shall bind the party making the same, its successors and, in Lender's case, assigns, and all rights and remedies in this Loan Agreement shall inure to the benefit of and be enforceable by each party for whom made, their respective successors and, in Lender's case, assigns.

9.11 Indemnification

Borrower shall indemnify Lender for any and all claims and liabilities, and for damages which may be awarded or incurred by Lender, and for all reasonable

attorney fees, legal expenses, and other out-of-pocket expenses incurred in defending such claims, arising from or related in any manner to the negotiation, execution, or performance by Borrower or by Lender in good faith of any of the Loan Documents, but excluding any such claims based upon breach or default by Lender or gross negligence or willful misconduct of Lender.

9.12 Environmental Indemnification

Borrower shall indemnify Lender for any and all claims and liabilities, and for damages which may be awarded or incurred by Lender, and for all reasonable attorney fees, legal expenses, and other out-of-pocket expenses arising from or related in any manner, directly or indirectly, to (i) Hazardous Materials located on, in, or under the Real Property; (ii) any Environmental Condition on, in, or under the Real Property; (iii) violation of or non-compliance with any Environmental Health and Safety Law; (iv) any breach or violation of Section 5.10 Environmental Representations and Warranties and/or Section 6.14 Environmental Covenants; and/or (v) any activity or omission, whether occurring on or off the Real Property, whether prior to or during the term of the loans secured hereby, and whether by Borrower or any other person or entity, relating to Hazardous Materials or an Environmental Condition. The indemnification obligations of Borrower under this Section shall survive any reconveyance, release, or foreclosure of the Real Property, any transfer in lieu of foreclosure, and satisfaction of the obligations secured hereby.

9.13 Interest on Expenses and Indemnification, Collateral, Order of Application

All expenses, out-of-pocket costs, attorneys fees and legal expenses, amounts advanced in performance of obligations of Borrower, and indemnification amounts owing by Borrower to Lender under or pursuant to this Loan Agreement, the Promissory Note, and/or any Security Documents shall be due and payable upon demand. If not paid upon demand, all such obligations shall bear interest at the default rate provided in the Promissory Note from the date of disbursement until paid to Lender, both before and after judgment. Lender is authorized to disburse funds under the Promissory Note for payment of all such obligations.

Payment of all such obligations shall be secured by the Collateral and by the Security Documents.

All payments and recoveries shall be applied to payment of the foregoing obligations, the Promissory Note, and all other amounts owing to Lender by Borrower in such order and priority as determined by Lender. Unless provided otherwise in the Promissory Note, payments on the Promissory Note shall be applied first to accrued interest and the remainder, if any, to principal.

9.14 Limitation of Consequential Damages

Lender and its officers, directors, employees, representatives, agents, and attorneys, shall not be liable to Borrower or any Guarantor for consequential damages arising from or relating to any breach of contract, tort, or other wrong in connection with the negotiation, documentation, administration or collection of the Loan.

9.15 Waiver and Release of Claims

Borrower (i) represents that it has no current knowledge of any defenses to or setoffs against any indebtedness or other obligations owing to Lender or its affiliates (the "Obligations"), nor claims against Lender or its affiliates for any matter whatsoever, related or unrelated to the Obligations. This provision shall not apply to claims for performance of express contractual obligations owing to Borrower by Lender or its affiliates.

9.16 Revival Clause

If the incurring of any debt by Borrower or the payment of any money or transfer of property to Lender by or on behalf of Borrower or Guarantor should for any reason subsequently be determined to be "voidable" or "avoidable" in whole or in part within the meaning of any state or federal law (collectively "voidable transfers"), including, without limitation, fraudulent conveyances or preferential transfers under the United States Bankruptcy Code or any other federal or state law, and Lender is required to repay or restore any voidable transfers or the amount or any portion thereof, or upon the advice of Lender's counsel is advised to do so, then, as to any such amount or property repaid or restored, including all reasonable costs, expenses, and attorneys fees of Lender related thereto, the liability of Borrower and Guarantor, and each of them, shall automatically be revived, reinstated and restored and shall exist as though the voidable transfers had never been made.

9.17 Arbitration

ARBITRATION DISCLOSURES:

- i. ARBITRATION IS FINAL AND BINDING ON THE PARTIES AND SUBJECT TO ONLY VERY LIMITED REVIEW BY A COURT.
- ii. IN ARBITRATION THE PARTIES ARE WAIVING THEIR RIGHT TO LITIGATE IN COURT, INCLUDING THEIR RIGHT TO A JURY TRIAL.
- iii. DISCOVERY IN ARBITRATION IS MORE LIMITED THAN DISCOVERY IN COURT.
- iv. ARBITRATORS ARE NOT REQUIRED TO INCLUDE FACTUAL FINDINGS OR LEGAL REASONING IN THEIR AWARDS. THE RIGHT TO APPEAL OR TO SEEK MODIFICATION OF ARBITRATORS' RULINGS IS VERY LIMITED.
- v. A PANEL OF ARBITRATORS MIGHT INCLUDE AN ARBITRATOR WHO IS OR WAS

vi. IF YOU HAVE QUESTIONS ABOUT ARBITRATION, CONSULT YOUR ATTORNEY OR THE AMERICAN ARBITRATION ASSOCIATION.

a. Any claim or controversy ("Dispute") between or among the parties and their employees, agents, affiliates, and assigns, including, but not limited to, Disputes arising out of or relating to the Loan, the Collateral, the Loan Documents, Section 9.7 Governing Law, this arbitration provision ("arbitration clause"), or any related agreements or instruments relating hereto or delivered in connection herewith ("Related Agreements"), and including but not limited to a Dispute based on or arising from an alleged tort, shall at the request of any party be resolved by binding arbitration in accordance with the applicable arbitration rules of the American Arbitration Association (the "Administrator"). The provisions of this arbitration clause shall survive any termination, amendment, or expiration of this Loan Agreement or Related Agreements. The provisions of this arbitration clause shall supersede any prior arbitration agreement between or among the parties.

b. The arbitration proceedings shall be conducted in a city mutually agreed by the parties. Absent such an agreement, arbitration will be conducted in Salt Lake City, Utah or such other place as may be determined by the Administrator. The Administrator and the arbitrator(s) shall have the authority to the extent practicable to take any action to require the arbitration proceeding to be completed and the arbitrator(s)' award issued within one hundred fifty (150) days of the filing of the Dispute with the Administrator. The arbitrator(s) shall have the authority to impose sanctions on any party that fails to comply with time periods imposed by the Administrator or the arbitrator(s), including the sanction of summarily dismissing any Dispute or defense with prejudice. The arbitrator(s) shall have the authority to resolve any Dispute regarding the terms of this Loan Agreement, this arbitration clause, or Related Agreements, including any claim or controversy regarding the arbitrability of any Dispute. All limitations periods applicable to any Dispute or defense, whether by statute or agreement, shall apply to any arbitration proceeding hereunder and the arbitrator(s) shall have the authority to decide whether any Dispute or defense is barred by a limitations period and, if so, to summarily enter an award dismissing any Dispute or defense on that basis. The doctrines of compulsory counterclaim, res judicata, and collateral estoppel shall apply to any arbitration proceeding hereunder so that a party must state as a counterclaim in the arbitration proceeding any claim or controversy which arises out of the transaction or occurrence that is the subject matter of the Dispute. The arbitrator(s) may in the arbitrator(s)' discretion and at the request of any party: (i) consolidate in a single arbitration proceeding any other claim arising out of the same transaction involving another party that is substantially related to the Dispute where that other party to that transaction that is bound by an arbitration clause with Lender, such as borrowers, guarantors, sureties, and owners of collateral and (ii) consolidate or administer multiple arbitration claims or controversies as a class action in accordance with the provisions of Rule 23 of the Federal Rules of Civil Procedure.

c. The arbitrator(s) shall be selected in accordance with the rules of the Administrator from panels maintained by the Administrator. A single arbitrator shall have expertise in the subject matter of the Dispute. Where three arbitrators conduct an arbitration proceeding, the Dispute shall be decided by a majority vote of the three arbitrators, at least one of whom must have expertise in the subject matter of the Dispute and at least one of whom must be a practicing attorney. The arbitrator(s) shall award to the prevailing party recovery of all costs and fees (including attorneys' fees and costs, arbitration administration fees and costs, and arbitrator(s)' fees). The arbitrator(s), either during the pendency of the arbitration proceeding or as part of the arbitration award, also may grant provisional or ancillary remedies including but not limited to an award of injunctive relief, foreclosure, sequestration, attachment, replevin, garnishment, or the appointment of a receiver.

d. Judgment upon an arbitration award may be entered in any court having jurisdiction, subject to the following limitation: the arbitration award is binding upon the parties only if the amount does not exceed four million dollars (\$4,000,000.00); if the award exceeds that limit, any party may demand the right to a court trial. Such a demand must be filed with the Administrator within thirty (30) days following the date of the arbitration award; if such a demand is not made within that time period, the amount of the arbitration award shall be binding. The computation of the total amount of an arbitration award shall include amounts awarded for attorneys' fees and costs, arbitration administration fees and costs, and arbitrator(s)' fees.

e. No provision of this arbitration clause, nor the exercise of any rights hereunder, shall limit the right of any party to: (i) judicially or non-judicially foreclose against any real or personal property collateral or other security; (ii) exercise self-help remedies, including but not limited to repossession and setoff rights; or (iii) obtain from a court having jurisdiction thereover any provisional or ancillary remedies including but not limited to injunctive relief, foreclosure, sequestration, attachment, replevin, garnishment, or the appointment of a receiver. Such rights can be exercised at any time, before or after initiation of an arbitration proceeding, except to the extent such action is contrary to the arbitration award. The exercise of such rights shall not constitute a waiver of the right to submit any Dispute to arbitration, and any claim or controversy related to the exercise of such rights shall be a Dispute to be resolved under the provisions of this arbitration clause. Any party may

initiate arbitration with the Administrator. If any party desires to arbitrate a Dispute asserted against such party in a complaint, counterclaim, cross-claim, or third-party complaint thereto, or in an answer or other reply to any such pleading, such party must make an appropriate motion to the trial court seeking to compel arbitration, which motion must be filed with the court within forty-five (45) days of service of the pleading, or amendment thereto, setting forth such Dispute. If arbitration is compelled after commencement of litigation of a Dispute, the party obtaining an order compelling arbitration shall commence arbitration and pay the Administrator's filing fees and costs within forty-five (45) days of entry of such order.

f. Notwithstanding the applicability of any other law to this Loan Agreement, the arbitration clause, or Related Agreements between or among the parties, the Federal Arbitration Act, 9 U.S.C. ss. 1 et. seq., shall apply to the construction and interpretation of this arbitration clause. If any provision of this arbitration clause should be determined to be unenforceable, all other provisions of this arbitration clause shall remain in full force and effect.

9.18 Consent to Utah Jurisdiction and Exclusive Jurisdiction of Utah Courts

Borrower and Guarantor acknowledge that by execution and delivery of the Loan Documents Borrower and Guarantor have transacted business in the State of Utah and Borrower and Guarantor voluntarily submit to, consent to, and waive any defense to the jurisdiction of courts located in the State of Utah as to all matters relating to or arising from the Loan Documents and/or the transactions contemplated thereby. EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER AND EXCEPT AS PROVIDED IN THE ARBITRATION PROVISIONS ABOVE, THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF UTAH SHALL HAVE SOLE AND EXCLUSIVE JURISDICTION OF ANY AND ALL CLAIMS, DISPUTES, AND CONTROVERSIES, ARISING UNDER OR RELATING TO THE LOAN DOCUMENTS AND/OR THE TRANSACTIONS CONTEMPLATED THEREBY. NO LAWSUIT, PROCEEDING, OR ANY OTHER ACTION RELATING TO OR ARISING UNDER THE LOAN DOCUMENTS AND/OR THE TRANSACTIONS CONTEMPLATED THEREBY MAY BE COMMENCED OR PROSECUTED IN ANY OTHER FORUM EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER.

9.19 Joint and Several Liability

Borrower and Guarantor shall each be jointly and severally liable for all obligations and liabilities arising under the Loan Documents.

9.20 Notices

All notices or demands by any party to this Loan Agreement shall, except as otherwise provided herein, be in writing and may be sent by certified mail, return receipt requested. Notices so mailed shall be deemed received when deposited in a United States post office box, postage prepaid, properly addressed to Borrower or Lender at the mailing addresses stated herein or to such other addresses as Borrower or Lender may from time to time specify in writing. Any notice so addressed and otherwise delivered shall be deemed to be given when actually received by the addressee.

Mailing addresses:

Lender:

Zions First National Bank
Commercial Loan Center
310 South Main Street, Suite 1400
Salt Lake City, Utah 84101
Attention: Todd Harris

Borrower:

Security National Life Insurance Company
5300 South 360 West
Salt Lake City, Utah 84123
Attention: Scott M. Quist

9.21 Duplicate Originals

Two or more duplicate originals of the Loan Documents may be signed by the parties, each duplicate of which shall be an original but all of which together shall constitute one and the same instrument.

9.22 Disclosure of Financial and Other Information

Borrower and Guarantor hereby consent to Lender disclosing to any other lender who may participate in the Loan any and all information, knowledge, reports, and records, including, without limitation, financial statements, relating in any manner whatsoever to the Loan, Borrower, and Guarantor.

9.23 Integrated Agreement and Subsequent Amendment

The Loan Documents constitute the entire agreement between Lender, Borrower and Guarantor, and may not be altered or amended except by written agreement signed by Lender, Borrower, and, if applicable, Guarantor. PURSUANT TO UTAH CODE SECTION 25-5-4, BORROWER AND GUARANTOR ARE NOTIFIED THAT THESE AGREEMENTS ARE A FINAL EXPRESSION OF THE AGREEMENT BETWEEN LENDER, BORROWER AND GUARANTOR AND THESE AGREEMENTS MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED ORAL AGREEMENT.

All prior and contemporaneous agreements, arrangements and understandings between the parties hereto as to the subject matter hereof are, except as otherwise expressly provided herein, rescinded.

IN WITNESS WHEREOF, Lender and Borrower have caused this Loan Agreement to be duly executed and delivered as of the date first above written.

Lender:

Zions First National Bank

By: s/s Todd Harris

Todd Harris
Vice President

Borrower:

Security National Life Insurance Company

By: s/s Scott M. Quist

Scott M. Quist
President

Guarantor:

Security National Financial Corporation

By: s/s Scott M. Quist

Scott M. Quist
President

Promissory Note
(Revolving Line of Credit)

June 12, 2007

Borrower: Security National Life Insurance Company

Lender: Zions First National Bank

Amount: \$40,000,000.00

Maturity: June 12, 2008

For value received, Borrower promises to pay to the order of Lender at Zions First National Bank, Commercial Banking Division, One South Main Street, Second Floor, Salt Lake City, Utah, the sum of Forty Million dollars (\$40,000,000.00) or such other principal balance as may be outstanding hereunder in lawful money of the United States with interest thereon at a variable rate computed on the basis of a 365/360 basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balances is outstanding.

Interest shall accrue from the date of disbursement of the principal amount or portion thereof until paid, both before and after judgment, in accordance with the terms set forth herein. The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the 1 year LIBOR rate. Lender's LIBOR rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. Lender's LIBOR rate may not necessarily be the same as the quoted offered side in the Eurodollar time deposit market by any particular institution or service applicable to any interest period. As used herein, Lender's LIBOR rate shall mean the rates per annum quoted by Lender as Lender's 1 year LIBOR rate based upon quotes from the London Interbank Offered Rate from the British Bankers Association Interest Settlement Rates, as quoted for U.S. Dollars by Bloomberg, or other comparable services selected by the Lender (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each year. Borrower understands that Lender may make loans based on other rates as well. Borrower understands that Lender may make loans based on other rates as well. The interest rate to be applied to the unpaid balance of this Note will be a rate of 1.64 percentage points (1.64%) over the Index. Whenever increases occur in the interest rate, Lender may increase Borrower's payments to cover accruing interest.

Principal and interest shall be payable as follows: Interest accrued is to be paid monthly commencing July 12, 2007, and on the same day of each month thereafter. All principal and unpaid interest shall be paid in full on June 12, 2008.

All payments shall be applied first to late charges, if any, then accrued interest and the remainder, if any, to principal.

This Promissory Note shall be a revolving line of credit under which Borrower may repeatedly draw and repay funds, so long as no default has occurred under the Loan Agreement of even date herewith between Lender and Borrower (the "Loan Agreement") and so long as the aggregate, outstanding principal balance at any time does not exceed the principal amount of this Promissory Note or the Borrowing Base (as defined in the Loan Agreement). Disbursements under this Promissory Note shall be made in accordance with the Loan Agreement.

This Promissory Note is made in accordance with the Loan Agreement and is secured by the collateral identified in and contemplated by the Loan Agreement.

Borrower may prepay all or any portion of this Promissory Note at any time without penalty. Any prepayment received by Lender after 2:00 p.m. Mountain Time shall be deemed received on the following Banking Business Day (as defined in the Loan Agreement).

If any Event of Default (as defined in the Loan Agreement) occurs, time being the essence hereof, then the entire unpaid balance, with interest as aforesaid, shall, at the election of the holder hereof and without notice of such election, become immediately due and payable in full.

Upon default in payment of any principal or interest when due, whether due at stated maturity, by acceleration, or otherwise, all outstanding principal shall bear interest at a default rate from the date when due until paid, both before and after judgment, which default rate shall be equal to three percent (3.0%) per annum above the interest rate otherwise in effect, as provided herein, adjusted as of the date of any change in the LIBOR rate.

If any Event of Default occurs, Borrower agrees to pay to the holder hereof all collection costs, including reasonable attorney fees and legal expenses, in addition to all other sums due hereunder.

This Promissory Note shall be governed by and construed in accordance with the laws of the State of Utah.

Borrower acknowledges that by execution and delivery of this Promissory Note Borrower has transacted business in the State of Utah and Borrower

voluntarily submits to, consents to, and waives any defense to the jurisdiction of courts located in the State of Utah as to all matters relating to or arising from this Promissory Note. EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER AND EXCEPT AS PROVIDED IN THE ARBITRATION PROVISIONS IN THE LOAN AGREEMENT, THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF UTAH SHALL HAVE SOLE AND EXCLUSIVE JURISDICTION OF ANY AND ALL CLAIMS, DISPUTES, AND CONTROVERSIES, ARISING UNDER OR RELATING TO THIS PROMISSORY NOTE. NO LAWSUIT, PROCEEDING, OR ANY OTHER ACTION RELATING TO OR ARISING UNDER THIS PROMISSORY NOTE MAY BE COMMENCED OR PROSECUTED IN ANY OTHER FORUM EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER.

Borrower and all endorsers, sureties and guarantors hereof hereby jointly and severally waive presentment for payment, demand, protest, notice of protest, notice of protest and of non-payment and of dishonor, and consent to extensions of time, renewal, waivers or modifications without notice and further consent to the release of any collateral or any part thereof with or without substitution.

IN WITNESS WHEREOF, Borrower has executed and delivered this Promissory Note as of the day and year first above written.

SECURITY NATIONAL LIFE INSURANCE COMPANY,
a Utah corporation

By: s/s Scott M. Quist

Scott M. Quist, President

Security Agreement

This Security Agreement (the "Security Agreement") is made as of June 12, 2007, between Security National Life Insurance Company, a Utah corporation, the "Borrower" under a Loan Agreement with Lender of the same date of this Security Agreement, and Security National Financial Corporation, a Utah corporation, the "Guarantor" under that Loan Agreement (collectively, "Grantor"), and Zions First National Bank ("Lender"), pursuant to a Loan Agreement of even date herewith between Borrower and Lender (the "Loan Agreement").

For good and valuable consideration, receipt of which is hereby acknowledged, Grantors and Lender hereby agree as follows:

1. Definitions. Except as otherwise provided herein, terms defined in the Loan Agreement shall have the same meanings when used herein. Terms defined in the singular shall have the same meaning when used in the plural and vice versa. Terms defined in the Uniform Commercial Code which are used herein shall have the meanings set forth in the Uniform Commercial Code, except as expressly defined otherwise. As used herein, the term:

"Collateral" means the collateral described in Section 2, Grant of Security Interest, below.

"Default Rate" means the default interest rate provided in the Promissory Note.

"Financial Obligations Collateral" means all Underlying Notes, instruments, deeds of trust, mortgages, guarantees, and security agreements that are part of the Collateral.

"Liquidation Costs" means the reasonable costs and out of pocket expenses incurred by Lender in obtaining possession of any Collateral, in storage and preparation for sale, lease or other disposition of any Collateral, in the sale, lease, or other disposition of any or all of the Collateral, and/or otherwise incurred in foreclosing on any of the Collateral, including, without limitation, (a) reasonable attorneys fees and legal expenses, (b) transportation and storage costs, (c) advertising costs, (d) sale commissions, (e) sales tax and license fees, (f) costs for improving or repairing any of the Collateral, and (g) costs for preservation and protection of any of the Collateral.

"Permitted Encumbrances" means liens for taxes and assessments not yet due and payable or, if due and payable, those being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained, security interests and liens created by the Loan Documents, and security interests and liens authorized in writing by Lender.

"Uniform Commercial Code" means the Uniform Commercial Code as adopted now or in the future in the State of Utah or any other state in which the Collateral is located.

2. Grant of Security Interest. Grantors hereby grant to Lender a security interest in the following personal property of Grantors (the "Collateral"):

a. Any and all Underlying Notes and instruments payable to or owing to Security National Life Insurance Company or held by Security National Life Insurance Company;

b. Any and all Underlying Notes and instruments payable to or owing to Security National Mortgage Company that have been assigned to or are held by Security National Life Insurance Company and which also qualify as Underlying Notes under the Loan Agreement of the same date herewith between Lender and Borrower;

c. Any and all deeds of trust, mortgages, and security agreements, collateral that secure any of the foregoing obligations;

d. All guarantees and supporting obligations that are related to any of the foregoing obligations; and

e. All amendments, modifications, renewals, extensions, replacements, additions, and accessions to the foregoing and all proceeds thereof.

Grantors and Lender acknowledge their mutual intent that all security interests contemplated herein are given as a contemporaneous exchange for new value to Grantors, regardless of when advances to Grantors are actually made or when the Collateral is acquired.

3. Debts Secured. The security interest granted by this Security Agreement shall secure the following debts, obligations and liabilities of Grantors, to Lender, including, without limitation, (a) the Promissory Note of Borrower in favor of Lender of even date herewith in the original principal amount of Forty Million Dollars (\$40,000,000.00) (the "Promissory Note"), and all renewals, extensions, modifications and replacements thereof (including any which increase the original principal amount), (b) all obligations of Borrower or Guarantor arising from or relating to the Loan Documents, including, without limitation, this Security Agreement, (c) advances of the same kind and quality or relating to this transaction, and (d) all overdrafts on any account of Grantors maintained with Lender, now existing or hereafter arising.

Grantors and Lender expressly acknowledge their mutual intent that the security interest created by this Security Agreement secure any and all future debts, obligations, and liabilities of Grantors to Lender only upon the mutual agreement of the parties at the time Lender extends such future credit to

Grantors.

4. Location of Grantors and Collateral. Grantors represents and warrants that:

a. Borrower and Guarantor are corporations incorporated under the laws of the State of Utah.

b. The complete and exact name of Borrower is Security National Life Insurance Company. The complete and exact name of Guarantor is Security National Financial Corporation.

c. During the five (5) years preceding the date of this Security Agreement:

i. Grantors has not been known by nor used any legal, fictitious or trade name;

ii. Grantors has not changed its name in any respect;

iii. Grantors has not been the surviving entity of a merger or consolidation;

d. Grantors' chief executive office and principal place of business is located at 5300 South 360 West, Salt Lake City, Utah, 84157.

e. Grantors' place of business is located at 5300 South 360 West, Salt Lake City, Utah, 84157.

f. During the five (5) years preceding the date of this Security Agreement, there has not been any change in any of the above locations.

Grantors agrees that they will not change its state of organization, name, or any of the above locations or create any new locations for such matters without giving Lender at least thirty (30) days prior written notice thereof.

5. Representations and Warranties Concerning Collateral. Grantors represent and warrant that:

a. Grantors are the sole owner of the Collateral.

b. The Collateral is not subject to any security interest, lien, prior assignment, or other encumbrance of any nature whatsoever except Permitted Encumbrances.

c. The Financial Obligations Collateral, if any, are each a bona fide obligation of the obligor identified therein for the amount identified in the records of Grantors, except for normal and customary disputes which arise in the ordinary course of business and which do not affect a material portion of the Financial Obligations Collateral.

d. There are no defenses or setoffs to payment of the Financial Obligations Collateral, if any, which can be asserted by way of defense or counterclaim against Grantors or Lender, except for normal and customary disputes which arise in the ordinary course of business and which do not affect a material portion of the Financial Obligations Collateral.

e. Grantors have no knowledge of any fact or circumstance which would materially impair the ability of any obligor on the Financial Obligations Collateral, if any, to timely perform its obligations thereunder, except those which arise in the ordinary course of business and which do not affect a material portion of the Financial Obligations Collateral.

f. Any services performed or goods sold giving rise to the Financial Obligations Collateral, if any, have been rendered or sold in compliance with applicable laws, ordinances, rules, and regulations and in the ordinary course of Grantors' business.

6. Covenants Concerning Collateral. Grantors covenant that:

a. Grantors will keep the Collateral free and clear of any and all security interests, liens, assignments or other encumbrances, except Permitted Encumbrances.

b. Grantors agree to furnish Lender with any information reasonably needed to identify Collateral that Lender wishes to describe in its financing statement promptly upon request. Grantors will execute and deliver any documents (properly endorsed, if necessary) reasonably requested by Lender for perfection or enforcement of any security interest or lien, give good faith, diligent cooperation to Lender, and perform such other acts reasonably requested by Lender for perfection and enforcement of any security interest or lien, including, without limitation, obtaining control for purposes of perfection with respect to Collateral consisting of investment property, letter-of-credit rights, and electronic chattel paper. Lender is authorized to file, record, or otherwise utilize such documents as it deems necessary to perfect and/or enforce any security interest or lien in the Collateral. Grantors acknowledges that they are not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of Lender and agrees that it will not do so without the prior written consent of Lender, subject to Grantors' rights under U.C.A. ss. 70A-9-509 of the Utah Uniform Commercial Code or equivalent section of the Uniform Commercial Code in any other jurisdiction. Grantors will pay the cost of recording and filing the same in all public offices wherever recording or

filing is deemed by Lender to be necessary or desirable.

c. Borrower shall submit to Lender reports as to the Collateral, at such times and in such form as Lender may reasonably request. Grantors will at all times keep accurate and complete records of the Collateral. Lender or its representatives may, at any time and from time to time, enter any premises where the Collateral and/or the records pertaining to the Collateral are located and inspect, inventory, audit, check, copy, and otherwise review the Collateral and the records concerning the Collateral.

d. Upon the occurrence of an Event of Default and when Lender so requests, all collections and other proceeds from the Financial Obligations Collateral, if any, shall be deposited into an account designated by Lender (the "Cash Collateral Account"), which account shall be under the sole and exclusive control of Lender. Such proceeds and collections shall not be commingled with any other funds and shall be promptly and directly deposited into such account in the form in which received by Grantors. Such proceeds and collections shall not be deposited in any other account and said Cash Collateral Account shall contain no funds other than such proceeds and collections. All or any portion of the funds on deposit in said Cash Collateral Account may, in the sole discretion of Lender, be applied from time to time as Lender elects to payment of obligations secured by this Security Agreement or Lender may elect to turn over to Grantors, from time to time, all or any portion of such funds.

e. Grantors agree to use diligent and good faith efforts to collect the Financial Obligations Collateral, if any. Until written notice is given by Lender, Grantors are authorized to collect the Financial Obligations Collateral in a commercially reasonable manner. Lender, in its discretion, may terminate such authority at any time whereupon Lender is authorized by Grantors, without further act, to notify any and all account debtors and obligors to make payment thereon directly to Lender, and to take possession of all proceeds from the Financial Obligations Collateral, and to take any action which Grantors might or could take to collect the Financial Obligations Collateral, including the right to make any compromise, discharge, or extension. Lender may exercise such collection rights at any time, when either Grantor is in default under this Security Agreement or the Loan Documents. Upon request of Lender, Grantors agree to execute and deliver to Lender a notice to the account debtors and obligors instructing said account debtors and obligors to pay Lender. Grantors further agree to execute and deliver to Lender all other notices and similar documents requested by Lender to facilitate collection of the Financial Obligations Collateral.

f. All costs of collection of the Financial Obligations Collateral, if any, including attorneys fees and legal expenses, shall be borne solely by Grantors, whether such costs are incurred by or for Grantors or Lender. In the event Lender elects to undertake direct collection of the Financial Obligations Collateral, Grantors agree to deliver to Lender, if so requested, all books, records, and documents in Grantors' possession or under its control as may relate to the Financial Obligations Collateral or as may be helpful to facilitate such collection. Lender shall have no obligation to cause an attorneys demand letter to be sent, to file any lawsuit, or to take any other legal action in collection of the Financial Obligations Collateral. It is agreed that collection of the Financial Obligations Collateral in a commercially reasonable manner does not require that any such legal action be taken.

g. Grantors do hereby make, constitute, and appoint Lender and its designees as Grantors' true and lawful attorney in fact, with full power of substitution, such power to be exercised in the following manner: (1) upon occurrence of an Event of Default, Lender may institute procedures whereby payments and other proceeds of the Financial Obligations Collateral shall be paid under a remittance account or lock box arrangement with Lender, or Lender's agent, and pursuant to which Lender shall receive and open all mail addressed to Grantors and remove therefrom any payments of the Financial Obligations Collateral, if any; (2) upon occurrence of an Event of Default, Lender may cause mail relating to the Financial Obligations Collateral to be delivered to a designated address of Lender where Lender may open all such mail and remove therefrom any payments of the Financial Obligations Collateral; (3) upon occurrence of an Event of Default, Lender may endorse Grantors' names upon notes, checks, acceptances, drafts, money orders, or other forms of payment of the Financial Obligations Collateral; (4) upon occurrence of an Event of Default, Lender may settle or adjust disputes or claims in respect to the Financial Obligations Collateral for amounts and upon such terms as Lender, in good faith, deems to be advisable, in such case crediting Grantors with only the proceeds received and collected by Lender after deduction of Lender's costs, including reasonable attorneys fees and legal expenses; and (5) Lender may do any and all other things necessary or proper to perfect and, upon occurrence of an Event of Default, to protect the liens and rights of Lender created under this Security Agreement.

h. Prior to the advancing of any funds under the Loan Agreement, Grantors shall deliver to Lender the original of any of such instruments or notes that are secured by Commercial Property or Construction Property under the Loan Agreement that are being used as part of the Borrowing Base as set forth in the Loan Agreement. For all other instruments or notes that are secured by Underlying Property that is not Commercial Property or Construction Property, Grantors may retain the original document or note. Lender grants Grantors a revocable license to receive payments or rents under all instruments or notes. Lender may revoke such license at any time upon an occurrence of default under the Note, the Loan Agreement, this Security Agreement. Upon such a revocation, Grantors shall immediately

endorse and deliver all instruments or notes to Lender as required by Lender, along with all profits, payments, rents, or other monies received by Grantors pursuant to such instruments or notes. For such other instruments retained in original form by Grantors, Grantors may also sell or assign such instruments or notes in the ordinary course of business as long as Grantors are not in default under this Security Agreement, the Loan Agreement, or the Promissory Note. In such instances, Lender will cooperate with Grantors in allowing for the security interest in any such specific instruments or chattel that are being sold to a bona fide purchaser to terminate.

i. Grantors shall, immediately upon obtaining knowledge thereof, report to Lender in writing any material claim or dispute asserted by any obligor on any item of that Collateral, and any other material matters that may affect the value, enforceability or collectability of any of that Collateral. Grantors shall also immediately report to Lender (which may be accomplished in any meetings with Lender to report on Collateral under the Loan Agreement) any default on any item of Financial Obligations Collateral under which Grantors shall take such action as foreclosing on or repossessing any such Collateral.

j. Grantors shall not, without Lender's written consent, make any material settlement, compromise or adjustment of any item of Financial Obligations Collateral or grant any material discounts, extensions, allowances or credits thereon. Grantors, however, may take such actions that are customary and normal in its ordinary course and practice of business without the Lender's written consent, such as granting extensions of time for up to one year consistent with the Loan Agreement or imposing default rates of interest in the event of default.

7. Right to Perform for Grantors. Lender may, in its sole discretion and without any duty to do so, elect to discharge taxes, tax liens, security interests, or any other encumbrance upon the Collateral, perform any duty or obligation of Grantors, pay filing, recording, insurance and other charges payable by Grantors, or provide insurance as provided herein if Grantors fail to do so. Any such payments advanced by Lender shall be repaid by Grantors upon demand, together with interest thereon from the date of the advance until repaid, both before and after judgment, at the Default Rate.

8. Default. Time is of the essence of this Security Agreement. The occurrence of any Event of Default shall constitute a default under this Security Agreement.

No course of dealing or any delay or failure to assert any Event of Default shall constitute a waiver of that Event of Default or of any prior or subsequent Event of Default.

9. Remedies. Upon the occurrence of an Event of Default, Lender shall have the following rights and remedies, in addition to all other rights and remedies existing at law, in equity, or by statute or provided in the Loan Documents:

a. Lender shall have all the rights and remedies available under the Uniform Commercial Code;

b. Lender shall have the right to enter upon any premises where the Collateral or records pertaining to the Collateral may be and take possession of the Collateral and such records;

c. Upon request of Lender, Grantors shall, at the expense of Grantors, assemble the Collateral and records pertaining to the Collateral at a place designated by Lender and tender the Collateral and such records to Lender; and

d. Lender may sell, lease or otherwise dispose of any or all of the Collateral and, after deducting the Liquidation Costs, apply the remainder to pay, or to hold as a reserve against, the obligations secured by this Security Agreement.

Grantors shall be liable for all deficiencies owing on any obligations secured by this Security Agreement after liquidation of the Collateral. Lender shall not have any obligation to clean-up or otherwise prepare any Collateral for sale, lease, or other disposition.

The rights and remedies herein conferred are cumulative and not exclusive of any other rights and remedies and shall be in addition to every other right, power and remedy herein specifically granted or hereafter existing at law, in equity, or by statute which Lender might otherwise have, and any and all such rights and remedies may be exercised from time to time and as often and in such order as Lender may deem expedient. No delay or omission in the exercise of any such right, power or remedy or in the pursuance of any remedy shall impair any such right, power or remedy or be construed to be a waiver thereof or of any default or to be an acquiescence therein.

Upon the occurrence of any Event of Default, Grantors agree to pay all costs and expenses, including reasonable attorneys fees and legal expenses, incurred by or on behalf of Lender in enforcing, or exercising any remedies under, this Security Agreement, and any other rights and remedies. Additionally, Grantors agree to pay all Liquidation Costs. Any and all such costs, expenses, and Liquidation Costs shall be payable by Grantors upon demand, together with interest thereon from the date of the advance until repaid, both before and after judgment, at the Default Rate.

Regardless of the occurrence of any Event of Default, Grantors agree to pay all expenses, including reasonable attorneys fees and legal expenses, incurred

by Lender in any bankruptcy proceedings of any type involving Grantors, the Collateral, or this Security Agreement, including, without limitation, expenses incurred in modifying or lifting the automatic stay, determining adequate protection, use of cash collateral, or relating to any plan of reorganization.

10. Notices. All notices or demands by any party hereto shall be in writing and shall be sent as provided in the Loan Agreement.

11. Indemnification. Grantors shall indemnify Lender for any and all claims and liabilities, and for damages which may be awarded or incurred by Lender, and for all reasonable attorneys fees, legal expenses, and other out-of-pocket expenses incurred in defending such claims, arising from or related in any manner to the negotiation, execution, or performance by Grantors or by Lender in good faith of this Security Agreement, but excluding any such claims based upon breach or default by Lender or gross negligence or willful misconduct of Lender.

12. General. This Security Agreement is made for the sole and exclusive benefit of Grantors and Lender and is not intended to benefit any third party. No such third party may claim any right or benefit or seek to enforce any term or provision of this Security Agreement.

Lender and its officers, directors, employees, representatives, agents, and attorneys, shall not be liable to Grantors or any Guarantor for consequential damages arising from or relating to any breach of contract, tort, or other wrong in connection with or relating to this Security Agreement or the Collateral.

If the incurring of any debt by Grantors or the payment of any money or transfer of property to Lender by or on behalf of Grantors or any Guarantor should for any reason subsequently be determined to be "voidable" or "avoidable" in whole or in part within the meaning of any state or federal law (collectively "voidable transfers"), including, without limitation, fraudulent conveyances or preferential transfers under the United States Bankruptcy Code or any other federal or state law, and Lender is required to repay or restore any voidable transfers or the amount or any portion thereof, or upon the advice of Lender's counsel is advised to do so, then, as to any such amount or property repaid or restored, including all reasonable costs, expenses, and attorneys fees of Lender related thereto, the liability of Grantors and Guarantor, and each of them, and this Security Agreement, shall automatically be revived, reinstated and restored and shall exist as though the voidable transfers had never been made.

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

Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction only, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

All references in this Security Agreement to the singular shall be deemed to include the plural if the context so requires and vice versa. References in the collective or conjunctive shall also include the disjunctive unless the context otherwise clearly requires a different interpretation.

All agreements, representations, warranties and covenants made by Grantors shall survive the execution and delivery of this Security Agreement, the filing and consummation of any bankruptcy proceedings, and shall continue in effect so long as any obligation to Lender contemplated by this Security Agreement is outstanding and unpaid, notwithstanding any termination of this Security Agreement. All agreements, representations, warranties and covenants in this Security Agreement shall bind the party making the same and its heirs and successors, and shall be to the benefit of and be enforceable by each party for whom made and their respective heirs, successors and assigns.

This Security Agreement, together with the Loan Documents, constitute the entire agreement between Grantors and Lender as to the subject matter hereof and may not be altered or amended except by written agreement signed by Grantors and Lender. All other prior and contemporaneous agreements, arrangements, and understandings between the parties hereto as to the subject matter hereof are, except as otherwise expressly provided herein, rescinded.

IN WITNESS WHEREOF, Lender and Grantors have caused this Security Agreement to be duly executed and delivered as of the date first above written.

Lender:

Zions First National Bank

By: s/s Todd Harris

Todd Harris
Vice President

Grantors:

Security National Life Insurance Company,
a Utah corporation

By: s/s Scott M. Quist

Scott M. Quist, President

Security National Financial Corporation,
a Utah corporation

By: s/s Scott M. Quist

Scott M. Quist, President

Guarantee

This Guarantee is made as of June 12, 2007, by Security National Financial Corporation, a Utah corporation ("Guarantor"), to Zions First National Bank ("Lender"), as an inducement to Lender to enter into a Loan Agreement with and to loan monies to Security National Life Insurance Company, a Utah corporation ("Borrower").

Lender, Borrower, and Guarantor are entering into a Loan Agreement of even date herewith (the "Loan Agreement") pursuant to which Lender has agreed to make a loan to Borrower evidenced by a Promissory Note in the original principal amount of Forty Million Dollars (\$40,000,000.00).

For good and valuable consideration, receipt of which is hereby acknowledged, Guarantor agrees as follows:

1. Definitions. Except as otherwise provided herein, terms defined in the Loan Agreement shall have the same meanings when used herein. Terms defined in the singular shall have the same meaning when used in the plural and vice versa. As used herein, the term:

"Collateral" includes, in addition to the meaning set forth in the Loan Agreement, any other collateral for the Indebtedness which may be taken in the future.

"Guarantee" includes, in addition to the meaning set forth in the Loan Agreement, any other guarantee of the Indebtedness, now existing or given in the future.

"Guarantor" includes, in addition to the meaning set forth in the Loan Agreement, any other person or entity who guarantees the Indebtedness, now or in the future.

"Indebtedness" means all liabilities, obligations, and indebtedness of Borrower arising under the Loan Documents, including the Promissory Note and including all costs and expenses, including reasonable attorneys fees and legal expenses, for which Borrower is liable under the Loan Documents.

2. Guarantee. Guarantor absolutely and unconditionally guarantees to Lender that Borrower shall promptly and fully perform, pay and discharge the Indebtedness. If Borrower fails to pay any Indebtedness promptly as the same becomes due, Guarantor agrees to pay the Indebtedness on demand.

3. Guarantee Unconditional. This Guarantee is an absolute and unconditional guarantee of payment and not of collectability. The liability of Guarantor hereunder is not conditional or contingent upon the genuineness, validity, or enforceability of the Indebtedness or any of the Loan Documents or the value or sufficiency of any Collateral.

4. Agreement to Pay Attorneys Fees. Guarantor agrees to pay all collection costs, including reasonable attorneys fees and legal expenses, incurred by Lender in enforcing this Guarantee.

Guarantor agrees to pay all expenses, including attorneys fees and legal expenses, incurred by Lender in any bankruptcy proceedings of any type involving Guarantor, including, without limitation, expenses incurred in modifying or lifting the automatic stay, determining adequate protection, use of cash collateral, or relating to any plan of reorganization.

5. Waiver by Guarantor. Guarantor expressly and absolutely, without affecting the liability of Guarantor hereunder:

a. Waives notice of acceptance of this Guarantee, the offer of guarantee contemplated by this Guarantee, or any other notice which may be required relative to the acceptance of this Guarantee;

b. Waives demand, protest, notice of dishonor or nonpayment or presentment for payment of the Promissory Note or any other evidence of the Indebtedness;

c. Waives notice of transactions which have occurred under or relating to or affecting this Guarantee;

d. Waives notice of any adverse change in the condition, financial or otherwise, of Borrower or any Guarantor, any change concerning any Collateral, or of any other fact which might materially increase Guarantor's risk, whether or not Lender has knowledge of the same;

e. Waives any right to require Lender to (i) proceed against Borrower by suit or otherwise, (ii) foreclose, proceed against, liquidate or exhaust any Collateral, or (iii) exercise, pursue or enforce any right or remedy Lender may have against Borrower, any Collateral, any Guarantor, any other person or entity, or otherwise, prior to proceeding against Guarantor; and

6. Consent to Lender's Acts. Guarantor hereby authorizes and consents to Lender at any time and from time to time, without notice or further consent of Guarantor, doing the following and Guarantor agrees that the liability of Guarantor shall not be released or affected by:

a. The taking or accepting, or the failure by Lender to take or accept, any other Collateral or Guarantee for the Indebtedness;

b. Any modifications, amendments, extensions, renewals, replacements,

or termination of any of the Loan Documents, to the granting of any other credit, and to the acceleration of maturity of the Indebtedness;

c. Any complete or partial release, substitution, subordination, impairment, loss, compromise, or other modification of any Collateral or any Guarantee;

d. The complete or partial release or substitution of Borrower or any Guarantor;

e. Any renewal, extension, modification, replacement, acceleration, consolidation, adjustment, indulgence, forbearance, waiver or compromise of the payment of any part or all of the Indebtedness, or any liability of any Guarantor, or the performance of any covenant contained in the Loan Documents;

f. Any neglect, delay, omission, failure, or refusal of Lender to take or prosecute any action for the collection of the Indebtedness or any part thereof, or for the enforcement of any provision of any of the Loan Documents, or any action in connection with any Collateral or any Guarantee, including, without limitation, the failure of Lender to perfect any security interest in any Collateral;

g. Any increase or decrease in the rate of interest on the Indebtedness;

h. Acceptance of any partial and/or late payments on the Indebtedness;

i. Application of payments by, or recoveries from, Borrower or any Guarantor, or any sums realized from any Collateral, in such manner and in such order of priority as Lender deems proper, whether or not the obligation to which the payment or recovery is applied is due at the time of such application; and

j. Lender exercising any and all rights and remedies available to Lender by law, at equity or by agreement, even if the exercise thereof may affect, modify, or eliminate any Guarantor's right of subrogation against Borrower or any other party.

7. Term of Guarantee. This Guarantee shall remain in full force and effect until all Indebtedness has been fully paid. No termination of this Guarantee by Guarantor shall be effective.

8. Cumulative Rights. The rights and remedies herein conferred are cumulative and not exclusive of any other rights or remedies, and shall be in addition to every other right, power, and remedy that Lender may have, whether specifically granted herein, or hereafter existing at law, in equity, or by statute; and any and all such rights and remedies may be exercised from time to time and as often and in such order as Lender may deem expedient.

No delay or omission in the exercise or pursuance by Lender of any right, power, or remedy shall impair any such right, power, or remedy or shall be construed to be a waiver thereof.

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

10. Binding Effect. This Guarantee may be executed and delivered to Lender prior to the execution and delivery of the Loan Documents. This Guarantee shall nonetheless be binding and enforceable upon its execution and delivery to Lender.

11. Revival Clause. If the incurring of any debt by Borrower or the payment of any money or transfer of property to Lender by or on behalf of Borrower, Guarantor, or any other party should for any reason subsequently be determined to be "voidable" or "avoidable" in whole or in part within the meaning of any state or federal law (collectively "voidable transfers"), including, without limitation, fraudulent conveyances or preferential transfers under the United States Bankruptcy Code or any other federal or state law, and Lender is required to repay or restore any voidable transfers or the amount or any portion thereof, or upon the advice of Lender's counsel is advised to do so, then, as to any such amount or property repaid or restored, including all reasonable costs, expenses, and attorneys fees of Lender related thereto, the liability of Guarantor shall automatically be revived, reinstated and restored and shall exist as though the voidable transfers had never been made.

12. Financial Reports of Guarantor. Audited financial statements and reports shall be prepared in accordance with generally accepted accounting principles and shall fully and fairly represent Guarantor's financial condition as of the date thereof and the results of Borrower's operations for the period or periods covered thereby. Unaudited financial statements and reports shall fully and fairly represent Guarantor's Borrower's financial condition as of the date thereof and the results of Borrower's operations for the period or periods covered thereby and shall be consistent with other financial statements previously delivered to Lender.

Guarantor shall provide the following financial statements and reports to Lender:

(a) Annual audited consolidating financial statements with an unqualified opinion for each fiscal year of Borrower from an independent accounting firm and in a form acceptable to Lender, to be delivered to Lender within one hundred sixty (160) days of the end of the fiscal year.

(b) Quarterly financial statements for each fiscal quarter in a form acceptable to Lender, to be delivered to Lender within sixty (60) days of the end of the quarter. The quarterly financial statements shall include a certification by the chief financial officer or chief executive officer of Borrower that the quarterly financial statements fully and fairly represent Borrower's financial condition as of the date thereof and the results of operations for the period covered thereby and are consistent with other financial statements previously delivered to Lender.

13. Financial Covenants of Guarantor. Guarantor covenants to comply with the following financial covenants.

(a) Guarantor shall maintain a ratio of less than or equal to 1.25 of funded senior debt to net worth (thereby allowing senior debt of up to 125% of net worth) measured quarterly, compliance to be measured at a minimum on Guarantor's quarterly and annual financial statements.

(b) Guarantor shall maintain a minimum net worth of Fifty Million Dollars (\$50,000,000.00) as measured by generally accepted accounting principles, compliance to be measured at a minimum on Guarantor's quarterly and annual financial statements. Minimum net worth is defined as total assets minus total liabilities.

(c) Guarantor shall maintain a Trailing Twelve Month EBITDA of greater than Thirteen Million Dollars (\$13,000,000.00), compliance to be measured at a minimum on Guarantor's quarterly and annual financial statements. "EBITDA" means earnings (excluding extraordinary gains and losses realized other than in the ordinary course of business and excluding the sale or writedown of intangible or capital assets) before interest, taxes, depreciation, and amortization, determined in accordance with generally accepted accounting principles.

14. Severability and Interpretation. Any provision of this Guarantee which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction only, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The headings in this Guarantee are inserted for convenience only and shall not be considered part of the Guarantee nor be used in its interpretation. All references in this Guarantee to the singular shall be deemed to include the plural when the context so requires, and vice versa. References in the collective or conjunctive shall also include the disjunctive unless the context otherwise clearly requires a different interpretation.

15. Continuing Agreement. All agreements, representations, warranties, and covenants made herein by Guarantor shall survive the execution and delivery of this Guarantee and shall continue in effect so long as the Indebtedness or any portion thereof is outstanding and unpaid. All agreements, representations, warranties, and covenants made herein by Guarantor shall survive any bankruptcy proceedings. This Guarantee shall bind the party making the same, and its successors, assigns, heirs, executors, and personal representatives. The death, insolvency, bankruptcy, disability, or lack of corporate power of Borrower, Guarantor, or any other person or entity at any time will not affect this Guarantee.

16. Joint and Several Liability. Guarantor shall be jointly and severally liable with Borrower for the Indebtedness and for all obligations and liabilities arising under this Guarantee.

17. Disclosure of Information. Guarantor hereby consents to Lender disclosing to any financial institution or investor providing financing for Lender, any and all information, knowledge, reports and records, including, without limitation, financial statements, concerning Guarantor.

18. Consent to Utah Jurisdiction and Exclusive Jurisdiction of Utah Courts. Guarantor acknowledges that by execution and delivery of this Guarantee, Guarantor has transacted business in the State of Utah and Guarantor voluntarily submits to, consents to, and waives any defense to the jurisdiction of courts located in the State of Utah as to all matters relating to or arising from this Guarantee. EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER AND EXCEPT AS PROVIDED IN THE ARBITRATION PROVISIONS IN THE LOAN AGREEMENT, THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF UTAH SHALL HAVE SOLE AND EXCLUSIVE JURISDICTION OF ANY AND ALL CLAIMS, DISPUTES, AND CONTROVERSIES, ARISING UNDER OR RELATING TO THIS GUARANTEE. NO LAWSUIT, PROCEEDING, OR ANY OTHER ACTION RELATING TO OR ARISING UNDER THIS GUARANTEE MAY BE COMMENCED OR PROSECUTED IN ANY OTHER FORUM EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER.

19. Entire Agreement. This Guarantee together with the Loan Agreement (and any other loan documents referenced in the Loan Agreement) constitute the entire agreement between Lender and Guarantor concerning the subject matter hereof and may not be altered or amended except by written agreement signed by Lender and Guarantor. All other prior and contemporaneous agreements, arrangements, and understandings between the parties hereto as to the subject matter hereof are rescinded.

IN WITNESS WHEREOF, the parties hereto have caused this Guarantee to be duly executed and delivered as of the date first above written.

Guarantor:

Security National Financial Corporation

By: s/s Scott M. Quist

Scott M. Quist
President