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SECURITY NATIONAL FINANCIAL CORP
Form 10-Q
November 14, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

FORM 10-Q

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

For Quarter Ended September 30, 2006

Commission File Number: 0-9341

SECURITY NATIONAL FINANCIAL CORPORATION
Exact Name of Registrant

UTAH
(State or other jurisdiction of
incorporation or organization)

87-0345941
I.R.S. Employer Identification Number

5300 South 360 West, Salt Lake City, Utah
(Address of principal executive offices)

84123
(Zip Code)

Registrant's telephone number, including Area Code (801) 264-1060

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

Indicate by check mark 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 accelerated filer [] Accelerated filer [] Non-accelerated filer [X]

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 X

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 value

5,968,970

Title of Class

Number of Shares Outstanding as of
October 31, 2006

Class C Common Stock, \$.20 par value

6,640,520

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Title of Class

Number of Shares Outstanding as of
October 31, 2006

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES FORM 10-Q

QUARTER ENDED SEPTEMBER 30, 2006

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

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Revenues: -----	Three Months Ended September 30,		Nine Mont Septembe
	2006 -----	2005 -----	2006 -----
Insurance premiums and other considerations	\$ 7,537,345	\$ 6,437,047	\$ 22,494,867
Net investment income	5,742,427	5,475,357	16,321,485
Net mortuary and cemetery sales	2,864,920	2,472,330	9,073,938
Realized gains on sale of investments and other assets	731,658	15,379	789,329
Mortgage fee income	21,602,097	21,055,796	56,161,784
Other	96,328	104,684	283,514
Total revenues	38,574,775	35,560,593	105,124,917
Benefits and expenses:			
Death benefits	3,367,393	3,385,292	10,757,083
Surrenders and other policy benefits	405,824	226,244	1,403,185
Increase in future policy benefits	2,931,798	2,233,110	8,279,678
Amortization of deferred policy and pre-need acquisition costs and costs of insurance acquired	1,383,426	741,378	2,948,423
Selling, general and administrative expenses:			
Commissions	15,997,433	15,193,331	42,045,749
Salaries	4,469,881	3,960,552	12,959,734
Other	5,996,090	5,882,937	17,196,515
Interest expense	1,331,487	1,502,491	3,440,038
Cost of goods and services sold mortuaries and cemeteries	557,908	479,794	1,765,953
Total benefits and expenses	36,441,240	33,605,129	100,796,358
Earnings before income taxes	2,133,535	1,955,464	4,328,559
Income tax expense	(592,238)	(628,751)	(1,049,957)
Net earnings	\$ 1,541,297	\$ 1,326,713	\$ 3,278,602
Net earnings per common share	\$0.23	\$0.22	\$0.50
Weighted average outstanding common shares	6,597,573	6,159,174	6,557,062
Net earnings per common share -assuming dilution	\$0.23	\$0.22	\$0.49
Weighted average outstanding common shares- assuming dilution	6,723,103	6,159,919	6,690,938

See accompanying notes to condensed consolidated financial statements.

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

	September 30, 2006	December 31, 2005
	-----	-----
Assets:		
Fixed maturity securities		
held to maturity, at amortized cost	\$ 94,217,620	\$ 89,780,942
Fixed maturity securities available		
for sale, at estimated fair value	5,682,637	6,597,161
Equity securities available for sale,		
at estimated fair value	5,026,596	12,346,939
Mortgage loans on real estate and construction loans,		
net of allowances for losses	79,739,607	72,793,811
Real estate, net of accumulated		
depreciation and allowances for losses	5,538,484	7,012,399
Policy, student and other loans net of allowance for		
doubtful accounts	12,659,311	12,391,569
Short-term investments	12,510,843	3,211,590
	-----	-----
Total investments	215,375,098	204,134,411
	-----	-----
Restricted assets of cemeteries and mortuaries	5,380,154	5,240,099
	-----	-----
Cash and cash equivalents	22,999,288	16,632,966
	-----	-----
Receivables:		
Trade contracts	7,208,798	5,733,142
Mortgage loans sold to investors	48,648,644	53,970,231
Receivable from agents	2,048,611	1,992,877
Other	1,618,902	958,851
	-----	-----
Total receivables	59,524,955	62,655,101
Allowance for loan losses and doubtful accounts	(1,263,635)	(1,191,106)
	-----	-----
Net receivables	58,261,320	61,463,995
	-----	-----
Policyholder accounts on deposit with reinsurer	--	6,572,756
Cemetery land and improvements held for sale	8,628,279	8,498,227
Accrued investment income	2,942,640	2,197,576
Deferred policy and pre-need		
contract acquisition costs	27,591,082	24,048,638
Property and equipment, net	13,949,975	14,747,276
Cost of insurance acquired	12,132,803	12,663,221
Cemetery perpetual care trust investments	1,210,926	1,152,493
Goodwill 683,191	683,191	
Other	2,119,633	1,610,624
	-----	-----
Total assets	\$ 371,274,389	\$ 359,645,473
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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

	September 30, 2006 2006	December 31, 2005
	-----	-----
Liabilities:		
Future life, annuity, and other benefits	\$ 266,873,282	\$ 260,822,803
Unearned premium reserve	4,306,269	3,157,918
Bank loans payable	7,704,276	8,946,321
Notes and contracts payable	799,064	1,326,284
Deferred pre-need cemetery and mortuary contract revenues	11,220,851	10,828,994
Accounts payable	1,718,496	1,533,065
Funds held under reinsurance treaties	--	1,129,747
Other liabilities and accrued expenses	10,866,430	9,427,644
Income taxes	15,456,360	14,601,029
	-----	-----
Total liabilities	318,945,028	311,773,805
	-----	-----
Commitments and contingencies	--	--
	-----	-----
Non-controlling interest in perpetual care trusts	2,259,105	2,173,250
	-----	-----
Stockholders' Equity:		
Common stock:		
Class A: \$2.00 par value, authorized 10,000,000 shares, issued 7,107,188 shares in 2006 and 7,098,363 shares in 2005	14,214,376	14,196,726
Class C: convertible, \$0.20 par value, authorized 7,500,000 shares, issued 6,778,658 shares in 2006 and 6,781,060 shares in 2005	1,355,732	1,356,212
	-----	-----
Total common stock	15,570,108	15,552,938
Additional paid-in capital	15,828,426	15,650,344
Accumulated other comprehensive income (loss) and other items, net of deferred taxes	754,162	117,647
Retained earnings	20,699,548	17,460,024
Treasury stock at cost (1,138,218 Class A shares and 138,138 Class C shares in 2006; 1,251,104 Class A shares and 138,138 Class C shares in 2005 held by affiliated companies)	(2,781,988)	(3,082,535)
	-----	-----
Total stockholders' equity	50,070,256	45,698,418
	-----	-----
Total liabilities and stockholders' equity	\$ 371,274,389	\$ 359,645,473

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See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2006	2005
	----	----
Cash flows from operating activities:		
Net cash provided by (used in)		
operating activities	\$ 23,210,232	\$ (1,921,090)
	-----	-----
Cash flows from investing activities:		
Securities held to maturity:		
Purchase - fixed maturity securities	(8,308,157)	(5,484,347)
Calls and maturities - fixed		
maturity securities	2,802,159	7,381,707
Securities available for sale:		
Purchase - fixed maturity securities	(173,262)	--
Sales (purchases) - equity securities	10,002,660	1,992,991
Purchases of short-term investments	(9,299,253)	(11,924,755)
Sales of short-term investments	--	14,127,733
Purchases of restricted assets	(63,943)	(169,310)
Change in assets for perpetual care trusts	(58,433)	(170,736)
Amount received for perpetual care trusts	85,855	72,585
Mortgage, policy, and other loans made	(51,337,926)	(58,817,295)
Payments received for mortgage,		
policy, and other loans	44,156,058	57,737,641
Purchases of property and equipment	(1,241,988)	(1,403,476)
Disposal of property and equipment	679,769	--
Purchases of real estate	(1,830,877)	(2,995,748)
Sale of real estate	2,914,996	2,294,238
	-----	-----
Net cash provided by		
(used in) investing activities	(11,672,342)	2,641,228
	-----	-----
Cash flows from financing activities:		
Annuity contract receipts	4,484,563	4,237,386
Annuity contract withdrawals	(8,325,520)	(7,111,885)
Sale of treasury stock	454,701	413,965
Repayment of bank loans and notes and		
contracts payable	(2,535,312)	(2,575,517)
Proceeds from borrowing on notes and		
Contracts	750,000	--
	-----	-----
Net cash used in financing activities	(5,171,568)	(5,036,051)
	-----	-----

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Net change in cash and cash equivalents	6,366,322	(4,315,913)
Cash and cash equivalents at beginning of period	16,632,966	15,333,668
	-----	-----
Cash and cash equivalents at end of period	\$ 22,999,288	\$ 11,017,755
	=====	=====

See accompanying notes to condensed consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES Notes to Condensed Consolidated Financial Statements September 30, 2006 (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, 2005, 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 nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

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 2005 amounts have been reclassified to bring them into conformity with the 2006 presentation.

2. Recent Accounting Pronouncements

In September 2005, the AICPA issued Statement of Position 05-1, Accounting by Insurance Enterprises for Deferred Acquisition Costs ("DAC") in Connection with Modifications or Exchanges of Insurance Contracts, ("SOP 05-1"). SOP 05-1 provides guidance on accounting by insurance enterprises for DAC on internal replacements of insurance and investment contracts. An internal replacement is a modification in product benefits, features, rights or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a

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contract. Modifications that result in a replacement contract that is substantially changed from the replaced contract should be accounted for as an extinguishment of the replaced contract. Unamortized DAC, unearned revenue liabilities and deferred sales inducements from the replaced contract must be written-off. Modifications that result in a contract that is substantially unchanged from the replaced contract should be accounted for as a continuation of the replaced contract. SOP 05-1 is effective for internal replacements occurring in fiscal years beginning after December 15, 2006, with earlier adoption encouraged. Initial application of SOP 05-1 should be as of the beginning of the entity's fiscal year. The Company is expected to adopt SOP 05-1 effective January 1, 2007. Adoption of this statement is not expected to have an impact on the Company's consolidated financial statements; however, the impact has not yet been determined.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES Notes to Condensed Consolidated Financial Statements September 30, 2006, (Unaudited)

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments -- an amendment of FASB Statements No. 133 and 140 (SFAS 155). SFAS 155 amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities and related interpretations. SFAS 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation and clarifies which interest-only strips and principal-only strips are not subject to recognition as liabilities. SFAS 155 eliminates the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS 155 is effective for the Company for all financial instruments acquired or issued beginning January 1, 2007. The impact of adoption of this statement on the Company's consolidated financial statements, if any, has not yet been determined.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140 (SFAS 156). SFAS 156 amends SFAS 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities and related interpretations. SFAS 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset. It also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. SFAS 156 permits an entity to use either the amortization method or the fair value measurement method for each class of separately recognized servicing assets and servicing liabilities. SFAS 156 is effective for the Company as of January 1, 2007. The impact of adoption of this statement on the Company's consolidated financial statements, if any, has not yet been determined.

In June 2006, the FASB issued FIN No. 48, Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No 109 (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition classification, interest and penalties, accounting in interim periods, disclosure, and transition. The interpretation is effective for the fiscal years beginning after December 15, 2006. The impact of adoption of this interpretation on the Company's consolidated financial statements, if any, has not yet been

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determined.

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R) ("SFAS 158"). Under SFAS 158, companies must recognize a net liability or asset to report the funded status of their defined benefit pension and other postretirement benefit plans on their balance sheets. The effective date of the recognition and disclosure provisions for calendar-year public companies is for calendar years ending after December 15, 2006. The Company is currently evaluating the impact of this new standard but it is not expected to have a significant effect on the consolidated financial statements for the year ending December 31, 2006.

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 September 30, 2006, (Unaudited)

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 ("SAB 108"). SAB 108 was issued to provide interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The provisions of SAB 108 are effective for the Company for its December 31, 2006 year-end. The adoption of SAB 108 is not expected to have a material impact on the Company's consolidated financial statements.

3. Comprehensive Income

For the three months ended September 30, 2006 and 2005, total comprehensive income amounted to \$1,254,000 and \$2,587,000, respectively. This decrease of \$1,332,000 was primarily the result of an increase in net income of \$215,000, a decrease in derivatives of \$465,000, and a \$1,082,000 decrease in unrealized gains and losses in securities available for sale.

For the nine months ended September 30, 2006 and 2005, total comprehensive income amounted to \$3,915,000 and \$3,292,000 respectively. This increase of \$623,000 was primarily the result of an increase in net income of \$1,121,000, a decrease in derivatives of \$848,000, and an increase of \$350,000 in unrealized gains and losses in securities available for sale.

4. Stock-Based Compensation

Stock-Based Compensation

Effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("FAS 123R") for its stock-based compensation plans. The Company previously accounted for these plans under the recognition and measurement principles of Accounting Principles

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Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations and disclosure requirements established by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") as amended by SFAS No. 148, "Accounting for Stock Based Compensation - Transition and Disclosure."

Under APB 25, no compensation expense was recorded in earnings for the Company's stock-based options granted under its compensation plans. The pro forma effects on net income and earnings per share for the options and awards granted under the plans were instead disclosed in a note to the consolidated financial statements. 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.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2006, (Unaudited)

The Company utilized the Black-Scholes-Merton model for calculating the fair value pro forma disclosures under SFAS 123 and will continue to use this model, which is an acceptable valuation approach under SFAS 123R. The following table summarizes the Black-Scholes-Merton option-pricing model assumptions used to compute the weighted-average fair value of stock options granted during the periods below:

	Nine Months Ended	
	September 30,	
	2006	2005
	-----	-----
Dividend yield	N/A*	5%
Expected volatility	N/A*	39%
Risk-free interest rate	N/A*	3.4%
Expected holding period (in years)	N/A*	7.5
Weighted-average fair value of options granted	N/A*	\$1.92

* Not applicable as there were no options granted during the period.

No options were granted for the nine months ended September 30, 2006. Total compensation costs relating to stock-based compensation was not material during the nine months ended September 30, 2006, including the effects from adoption of SFAS 123R, which would have previously been presented in a pro forma disclosure, as discussed above.

The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair-value recognition provisions of SFAS 123 to all of its stock-based compensation awards for periods prior to adoption of SFAS 123R, and the actual effect on net income and earnings per share for the

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period subsequent to the adoption of SFAS 123R:

	Nine Months Ended September 30,	
	2006	2005
Net earnings, as reported	\$3,278,602	\$2,158,096
Total stock-based employee compensation recognized	--	--
Total stock-based employee compensation expense determined under fair value based method for all awards	--	--
	-----	-----
Pro forma net earnings	\$3,278,602	\$2,158,096
	=====	=====
Basic earnings per share, as reported	\$.50	\$.35
Diluted earnings per share as reported	\$.49	\$.35
Basic earnings per share, pro forma	\$.50	\$.35
Diluted earnings per share, pro forma	\$.49	\$.35

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2006, (Unaudited)

5. Earnings Per Share

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

	Three Months Ended September 30,	
	2006	2005
Numerator:		
Net income	\$1,541,297	\$ 1,326,713
	=====	=====
Denominator:		
Denominator for basic earnings per share- weighted-average shares	6,597,573	6,159,174
	-----	-----
Effect of dilutive securities:		
Employee stock options	124,490	168
Stock appreciation rights	1,040	577
	-----	-----
Dilutive potential common shares	125,530	745
	-----	-----
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions*	6,723,103	6,159,919
	=====	=====
Basic earnings per share	\$.23	\$.22
	=====	=====
Diluted earnings per shar	\$.23	\$.22

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

	Nine Months Ended September 30,	
	2006	2005
	----	----
Numerator:		
Net income	\$3,278,602	\$2,158,096
	=====	=====
Denominator:		
Denominator for basic earnings per share- weighted-average shares	6,557,062	6,119,472
	-----	-----
Effect of dilutive securities:		
Employee stock options	132,795	23,971
Stock appreciation rights	1,081	541
	-----	-----
Dilutive potential common shares	133,876	24,512
	-----	-----
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions*	6,690,938	6,143,984
	=====	=====
Basic earnings per share	\$.50	\$.35
	====	====
Diluted earnings per share	\$.49	\$.35
	====	====

*The Company has two classes of common stock outstanding, Class A and Class C. The Class C share in distribution of earnings on a 10-for-1 basis with the Class A shares; therefore, earnings per share for the Class C shares are converted to Class A shares on a 10-for-1 basis.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2006 (Unaudited)

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

6. Business Segment

	Life Insurance	Cemetery/ Mortuary	Mortgage	Reconciling Items	Consoli
	-----	-----	-----	-----	-----
For the Three Months Ended September 30, 2006					

Revenues from external customers	\$10,932,078	\$3,908,464	\$23,734,233	\$ --	\$38,5

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Intersegment revenues	1,119,078	23,001	103,139	(1,245,218)	-
Segment profit (loss) before income taxes	993,541	662,308	477,686	--	2,1
For the Three Months Ended September 30, 2005					

Revenues from external customers	\$8,927,439	\$2,796,506	\$23,836,648	\$ --	\$35,5
Intersegment revenues	1,297,110	30,668	92,743	(1,420,521)	
Segment profit (loss) before income taxes	470,689	(23,454)	1,508,229	--	1,9
For the Nine Months Ended September 30, 2006					

Revenues from external customers	\$32,541,462	\$10,677,636	\$61,905,819	--	\$105,1
Intersegment revenues	3,773,545	69,003	315,757	(4,158,305)	
Segment profit (loss) before income taxes	3,046,942	1,267,436	14,181	--	4,3
Identifiable assets	356,839,984	54,111,387	19,571,930	(59,248,912)	371,2
For the Nine Months Ended September 30, 2005					

Revenues from external sources	\$28,505,978	\$9,130,423	\$57,590,932	\$ --	\$95,2
Intersegment revenues	3,666,646	69,003	255,783	(3,991,432)	
Segment profit (loss) before income taxes	1,806,834	398,433	715,047	--	2,9
Identifiable assets	309,087,308	49,244,698	18,645,032	(52,398,603)	324,5

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2006, (Unaudited)

7. Merger and Acquisition Transactions

Southern Security Life

As of December 31, 2004, the Company's wholly owned subsidiary, Security National Life Insurance Company ("Security National Life"), and its wholly owned subsidiary, SSLIC Holding, owned approximately 77% of the outstanding shares of common stock of Southern Security Life.

On January 1, 2005, Security National Life and SSLIC Holding Company completed a

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merger transaction with Southern Security Life Insurance Company ("Southern Security Life"). Under the terms of the merger and pursuant to the Agreement and Plan of Reorganization, dated August 25, 2004, including the amendment thereto dated December 27, 2004, SSLIC Holding Company was merged with and into Southern Security Life. The merger transaction resulted in Southern Security Life becoming a wholly owned subsidiary of Security National Life, and the unaffiliated stockholders of Southern Security Life, holding an aggregate of 490,816 shares of common stock, or approximately 23% of the outstanding common shares of Southern Security Life, becoming entitled to receive \$3.84 in cash for each issued and outstanding share of their common stock of Southern Security Life, or an aggregate of \$1,884,733. This consideration was primarily paid to those unaffiliated stockholders during 2005.

Memorial Insurance Company of America

On December 29, 2005, Security National Life and Southern Security Life completed a stock purchase transaction with Memorial Insurance Company of America, an Arkansas domiciled insurance company ("Memorial Insurance Company"), to purchase all of the outstanding shares of common stock of Memorial Insurance Company. Under the terms of the transaction, the stockholders of Memorial Insurance Company received a total purchase consideration of \$13,500,000 for all of the outstanding common shares of Memorial Insurance Company, with each shareholder having received a pro-rata share of the total amount of the purchase consideration based upon the number of shares each shareholder owned. As of December 31, 2005, Memorial Insurance Company had 116,116 policies in force and approximately 50 agents.

The unaudited consolidated pro forma results of operations assuming consummation of the purchase of Memorial Insurance Company as of January 1, 2005, are summarized as follows:

	Unaudited Pro Forma	
	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
	-----	-----
	In thousands except earnings per share	
Total revenue	\$36,476	\$97,972
Net earnings	\$ 1,536	\$ 2,786
Basic earnings per share	\$.25	\$.46
Diluted earnings per share	\$.25	\$.45

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2006, (Unaudited)

8. Other Business Activity

The City of Phoenix (in Arizona) began condemnation proceedings during 2004 on the property where the Camelback Funeral Home was located for purposes of constructing a light rail facility. The city placed \$1,200,000 in escrow to pay the Company for the property that was condemned. The carrying amount on the Company's financial statements for the land and building of the Camelback Funeral Home at December 31, 2005 was \$678,889. The Company has had an independent appraisal and negotiated a higher sales price with the city. In July

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2006, the Company settled with the City of Phoenix for a sales price of \$1,440,000. As a result of the sale, the Company recognized a gain of \$760,231 during the third quarter of 2006. The first payment of \$1,200,000 was made by the City of Phoenix in August 2006 with the remaining amount to be received within 30 days of the city council's approval of the sales price.

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

The claims made in the letter on behalf of Gornichec included but were not limited to, wrongful termination in violation of public policy, misrepresentation, age discrimination, whistle-blower retaliation, interference with economic advantage, breach of contract, breach of the covenant of good faith and fair dealing, and infliction of emotional distress. Gornichec also claimed he was owed a certain amount from a retirement plan. The letter from Gornichec's attorney proposed a settlement in the amount of \$420,000. Based on its investigation, the Company believes Gornichec was an independent contractor rather than an employee, and there was no justification for the claims and the settlement amount sought. The Company reached a settlement with Gornichec, which resulted in the Company paying \$27,000 to Gornichec during the second quarter of 2006.

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

On November 23, 2005, Hood filed a complaint in the Superior Court of the State of California for the County for San Diego (Case No. GIE 028978) against Singing Hills Memorial Park and California Memorial Estates, Inc, wholly owned subsidiaries of the Company. The claims in the complaint include wrongful termination in violation of public policy, retaliation in violation of public policy, race discrimination in violation of the California Fair Employment and Housing Act, retaliation in violation of the California Fair Employment and Housing Act, intentional infliction of emotional distress, plus punitive damages, attorney's fees and costs of the lawsuit. There are no specific amounts requested in the complaint, but damages are in an amount to be proven at a jury trial. The Company contends that Hood voluntarily quit and was not terminated. The trial was set for November 2006. The Company reached a settlement with Hood, which resulted in the Company paying \$30,000 to Hood, during the third quarter of 2006.

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

Overview

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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.

During the nine months ended September 30, 2006, SecurityNational 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 9,665 (\$1,607,842,000) and 9,421 (1,516,694,000) loans, respectively, for the nine months ended September 30, 2006 and 2005.

Results of Operations

Third Quarter of 2006 Compared to Third Quarter of 2005

Total revenues increased by \$3,014,000, or 8.5%, to \$38,575,000 for the three months ended September 30, 2006, from \$35,561,000 for the three months ended September 30, 2005. Contributing to this increase in total revenues was an \$546,000 increase in mortgage fee income, a \$1,100,000 increase in insurance premiums and other considerations, a \$267,000 increase in net investment income, a \$393,000 increase in net mortuary and cemetery sales, and a \$716,000 increase in realized gains on investments and other assets.

Insurance premiums and other considerations increased by \$1,100,000, or 17.1%, to \$7,537,000 for the three months ended September 30, 2006, from \$6,437,000 for the comparable period in 2005. This increase was primarily due to additional premiums realized from new insurance sales and from the acquisition of Memorial Insurance Company on December 29, 2005.

Net investment income increased by \$267,000, or 4.9%, to \$5,742,000 for the three months ended September 30, 2006, from \$5,475,000 for the comparable period in 2005. This increase was primarily attributable to additional interest income from increased long-term bond and mortgage purchases over the comparable period in 2005 and additional investment income from the assets received from the acquisition of Memorial Insurance Company.

Net mortuary and cemetery sales increased by \$393,000, or 15.9%, to \$2,865,000 for the three months ended September 30, 2006, from \$2,472,000 for the comparable period in 2005. This increase was due to increased at-need sales in cemetery and mortuary operations and increased pre-need land sales in cemetery operations.

Realized gains on investments and other assets increased by \$716,000 to \$731,000 for the three months ended September 30, 2006 from \$15,000 for the comparable period in 2005. This was due primarily to a gain of \$760,000 from the sale of the Camelback Funeral Home to the city of Phoenix pursuant to condemnation proceedings to construct a light rail facility.

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Mortgage fee income increased by \$546,000, or 2.6%, to \$21,602,000 for the three months ended September 30, 2006, from \$21,056,000 for the comparable period in 2005. This increase was primarily attributable to an increase in the number of loan originations during the third quarter of 2006 due to the opening of additional mortgage offices and increased production in existing mortgage offices, which resulted in financing a greater number of mortgage loans.

Total benefits and expenses were \$36,441,000, or 94.5% of total revenues, for the three months ended September 30, 2006, as compared to \$33,605,000, or 94.5% of total revenues, for the comparable period in 2005. This increase primarily resulted from increased loan costs at SecurityNational Mortgage Company due to a greater number of loan originations and additional expenses from the operations of Memorial Insurance Company, which the Company acquired on December 29, 2005.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of \$860,000, or 14.7%, to \$6,705,000 for the three months ended September 30, 2006, from \$5,845,000 for the comparable period in 2005. This increase was primarily the result of an increase in death benefits and surrenders and other policy benefits.

Amortization of deferred policy and pre-need acquisition costs and costs of insurance acquired increased by \$642,000, or 86.6%, to \$1,383,000 for the three months ended September 30, 2006, from \$741,000 for the comparable period in 2005. This increase was primarily due to increased business and to adjustments in actuarial assumptions.

Selling, general and administrative expenses increased by \$1,427,000, or 5.7%, to \$26,464,000 for the three months ended September 30, 2006, from \$25,037,000 for the comparable period in 2005. This increase primarily resulted from an increase in commissions due to a greater number of mortgage loan originations made by SecurityNational Mortgage Company during the third quarter of 2006, additional expenses from the operations of Memorial Insurance Company, which the Company purchased on December 29, 2005, and increased salaries of existing employees and an increase in the number of employees.

Interest expense decreased by \$171,000, or 11.4%, to \$1,331,000 for the three months ended September 30, 2006, from \$1,502,000 for the comparable period in 2005. This decrease was primarily due to a reduction in warehouse lines of credit required for a fewer number of warehoused mortgage loans made by SecurityNational Mortgage Company.

Cost of goods and services sold of the mortuaries and cemeteries increased by \$78,000, or 16.3%, to \$558,000 for the three months ended September 30, 2006, from \$480,000 for the comparable period in 2005. This increase was primarily due to increased pre-need cemetery land sales.

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

Total revenues increased by \$9,898,000, or 10.4%, to \$105,125,000 for the nine months ended September 30, 2006, from \$95,227,000 for the nine months ended September 30, 2005. Contributing to this increase in total revenues was a \$4,840,000 increase in mortgage fee income, a \$2,165,000 increase in insurance premiums and other considerations, a \$1,403,000 increase in net investment income, a \$870,000 increase in net mortuary and cemetery sales and a \$750,000 increase in realized gains on investments and other assets. This increase was partially offset by a \$131,000 decrease in other revenues.

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Insurance premiums and other considerations increased by \$2,165,000, or 10.6%, to \$22,495,000 for the nine months ended September 30, 2006, from \$20,330,000 for the comparable period in 2005. This increase was primarily due to additional premiums realized from new insurance sales and from the acquisition of Memorial Insurance Company on December 29, 2005.

Net investment income increased by \$1,403,000, or 9.4%, to \$16,321,000 for the nine months ended September 30, 2006, from \$14,918,000 for the comparable period in 2005. This increase was primarily attributable to additional interest income from increased long-term bond and mortgage purchases over the comparable period in 2005 and additional investment income from the assets received as a result of the acquisition of Memorial Insurance Company.

Net mortuary and cemetery sales increased by \$870,000, or 10.6% to \$9,074,000 for the nine months ended September 30, 2006, from \$8,204,000 for the comparable period in 2005. This increase was due to increased at-need sales at the cemetery and mortuary operations and increased pre-need land sales in cemetery operations.

Realized gains on investments and other assets increased by \$750,000 to \$789,000 for the three months ended September 30, 2006 from \$39,000 for the comparable period in 2005. This was primarily due to a gain of \$760,000 from the sale of the Camelback Funeral Home to the city of Phoenix pursuant to condemnation proceedings to construct a light rail facility.

Mortgage fee income increased by \$4,840,000, or 9.4%, to \$56,162,000 for the nine months ended September 30, 2006, from \$51,322,000 for the comparable period in 2005. This increase was primarily attributable to an increase in the number of loan originations during the first nine months of 2006 due to the opening of additional mortgage offices and increased production in existing mortgage offices, which resulted in financing a greater number of mortgage loans.

Other revenues decreased by \$131,000, or 31.6%, to \$284,000 for the nine months ended September 30, 2006 from \$415,000 for the comparable period in 2005. This decrease was due to a reduction in other revenues from the Company's mortuary operations.

Total benefits and expenses were \$100,796,000, or 95.9% of total revenues, for the nine months ended September 30, 2006, as compared to \$92,307,000, or 96.9% of total revenues, for the comparable period in 2005. This increase primarily resulted from increased loan costs at SecurityNational Mortgage Company due to a greater number of loan originations and additional expenses from the operations of Memorial Insurance Company, which the Company acquired on December 29, 2005.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of \$2,276,000, or 12.5%, to \$20,440,000 for the nine months ended September 30, 2006, from \$18,164,000 for the comparable period in 2005. This increase was primarily due to increased business and to adjustments in actuarial assumptions.

Amortization of deferred policy and pre-need acquisition costs and costs of insurance acquired increased by \$488,000, or 19.8%, to \$2,949,000 for the nine months ended September 30, 2006, from \$2,461,000 for the comparable period in 2005. This increase was primarily due to the realization of improvements in persistency and to expenses.

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Selling, general and administrative expenses increased by \$5,286,000, or 7.9%, to \$72,202,000 for the nine months ended September 30, 2006, from \$66,916,000 for the comparable period in 2005. This increase primarily resulted from an increase in commissions due to a greater number of mortgage loan originations made by SecurityNational Mortgage Company during the first nine months of 2006, additional expenses from the operations of Memorial Insurance Company, which the Company purchased on December 29, 2005, and increased salaries of existing employees and an increase in the number of employees.

Interest expense increased by \$268,000, or 8.4%, to \$3,440,000 for the nine months ended September 30, 2006, from \$3,172,000 for the comparable period in 2005. This increase was primarily due to increased warehouse lines of credit required for a greater number of warehoused mortgage loans made by SecurityNational Mortgage Company.

Cost of goods and services sold of the mortuaries and cemeteries increased by \$171,000, or 10.7%, to \$1,766,000 for the nine months ended September 30, 2006, from \$1,595,000 for the comparable period in 2005. 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.

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 life insurance subsidiaries amounted to \$99,900,000 as of September 30, 2006, compared to \$96,378,000 as of December 31, 2005. This represents 45.3% and 46.0% of the total insurance-related investments as of September 30, 2006, and December 31, 2005, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance

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Commissioners. Under this rating system, there are six categories used for rating bonds. At September 30, 2006 and December 31, 2005, 2% (\$1,575,000) and 4% (\$3,431,000) 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 September 30, 2006 and December 31, 2005, the capital levels of the life insurance subsidiary exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity and bank debt and notes payable was \$58,574,000 as of September 30, 2006, as compared to \$55,971,000 as of December 31, 2005. Stockholders' equity as a percent of total capitalization was 85% and 82% as of September 30, 2006 and December 31, 2005, respectively.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2005 was 7.9% as compared to a rate of 9.0% for 2004. The 2006 lapse rate to date has been approximately the same as 2005.

At September 30, 2006, \$16,884,000 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, 2005.

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 September 30, 2006. 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

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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

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

On November 23, 2005, Hood filed a complaint in the Superior Court of the State of California for the County for San Diego (Case No. GIE 028978) against Singing Hills Memorial Park and California Memorial Estates, Inc, wholly owned subsidiaries of the Company. The claims in the complaint include wrongful termination in

violation of public policy, retaliation in violation of public policy, race discrimination in violation of the California Fair Employment and Housing Act, retaliation in violation of the California Fair Employment and Housing Act, intentional infliction of emotional distress, plus punitive damages, attorney's fees and costs of the lawsuit. There are no specific amounts requested in the complaint, but damages are in an amount to be proven at a jury trial. The Company contends that Hood voluntarily quit and was not terminated. The trial was set for November 2006. The Company reached a settlement with Hood, which resulted in payment of \$30,000 to Hood.

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

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

At the Annual Meeting of Stockholders held on July 7, 2006, the following matters were acted upon: (i) seven directors consisting of George R. Quist, Scott M. Quist, J. Lynn Beckstead, Jr., Charles L. Crittenden, Dr. Robert G. Hunter, H. Craig Moody and Norman G. Wilbur were elected to serve until the next annual stockholders meeting or until their respective successors are

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elected and qualified (for George R. Quist, with Class A and Class C shares voting, 11,462,189 votes were cast in favor of election, no votes were cast against election, and there were 23,963 abstentions; for Scott M. Quist, with Class A and Class C shares voting, 11,451,638 votes were cast in favor of election, no votes were cast against election, and there were 34,514 abstentions; for J. Lynn Beckstead, Jr., with Class A shares voting, 5,329,919 votes were cast in favor of election, no votes were cast against election, and there were 28,129 abstentions; for Charles L. Crittenden, with Class A and Class C shares, 11,464,536 votes were cast in favor of election, no votes were cast against election, and there were 21,616 abstentions; for Dr. Robert G. Hunter, with Class A and Class C shares voting, 11,460,197 votes were cast in favor of election, no votes cast against election, and there were 25,955 abstentions; for H. Craig Moody, with Class A shares voting, 5,337,252 votes were cast in favor of election, no votes cast against election, and there were 20,796 abstentions; and for Norman G. Wilbur, with Class A and Class C shares voting, 11,460,197 votes were cast in favor of election, no votes were cast against election, and there were 25,955 abstentions); and (ii) the appointment of Hansen, Barnett & Maxwell, P.C. as the Company's registered public independent accountants for the fiscal year ending December 31, 2006 was ratified (with 11,475,856 votes cast for appointment, 2,232 votes against appointment, and there were 8,064 abstentions).

Item 5. Other Information

NONE

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 (6)
- 3.2 Amended Bylaws (8)
- 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

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- Agreement (1)
- 10.2 2000 Director Stock Option Plan (3)
- 10.3 2003 Stock Option Plan (7)
- 10.4 Deferred Compensation Agreement with George R. Quist (2)
- 10.5 Promissory Note with George R. Quist (4)
- 10.6 Deferred Compensation Plan (5)
- 10.7 Stock Purchase Agreement with Paramount Security Life Insurance Company (9)
- 10.8 Reinsurance Agreement between Security National Life Insurance Company and Guaranty Income Life Insurance Company(10)
- 10.9 Employment agreement with J. Lynn Beckstead, Jr.(10)
- 10.10 Employment agreement with Scott M. Quist (11)
- 10.11 Agreement and Plan of Reorganization among Security National Life Insurance Company, SSLIC Holding Company, and Southern Security Life Insurance Company (12)
- 10.12 Agreement and Plan of Merger, among Security National Life Insurance Company, SSLIC Holding Company, and Southern Security Life Insurance Company (13)
- 10.13 Agreement to Repay Indebtedness and Convey Option with Monument Title, LLC. (13)
- 10.14 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 (14)
- 10.15 Reinsurance Agreement between Security National Life Insurance Company and Memorial Insurance Company of America(15)
- 10.16 Trust Agreement between Security National Life Insurance Company and Memorial Insurance Company of America(15)
- 10.17 Promissory Note between Memorial Insurance Company as Maker and Security National Life Insurance Company as Payee(15)
- 10.18 Security Agreement between Memorial Insurance Company as Debtor and Security National Life Insurance Company as Secured Party(15)

- 10.19 Surplus Contribution Note between Memorial Insurance Company of America as Maker and Southern Security Life Insurance Company as Payee(15)
- 10.20 Guaranty Agreement by Security National Life Insurance Company and Southern Security Life Insurance Company as Guarantors(15)
- 10.21 Administrative Services Agreement between Security National Life Insurance Company and Memorial Insurance Company of America(15)
- 10.22 Reinsurance Agreement between Security National Life Insurance Company and Southern Security Life Insurance Company(16)
- 10.23 Trust Agreement among Security National Life Insurance Company, Southern Security Life Insurance Company and Zions First National Bank(16)
- 10.24 Subsidiaries of the Registrant
- 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

(1) Incorporated by reference from Registration Statement on Form S-1, as filed on September 29, 1987

(2) Incorporated by reference from Annual Report on Form 10-K, as filed on September 30, 1989

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- (3) Incorporated by reference from Schedule 14A Definitive Proxy Statement, filed August 29, 2000, relating to the Company's Annual Meeting of Shareholders
- (4) Incorporated by reference from Annual Report on Form 10-K, as filed on April 16, 2001
- (5) Incorporated by reference from Annual Report on Form 10-K, as filed on April 3, 2002
- (6) Incorporated by reference from Report on Form 8-K/A as filed on January 8, 2003
- (7) Incorporated by reference from Schedule 14A Definitive Proxy Statement, Filed on September 5, 2003, relating to the Company's Annual Meeting of Shareholders
- (8) Incorporated by reference from Report on Form 10-Q, as filed on November 14, 2003
- (9) Incorporated by reference from Report on Form 8-K, as filed March 30, 2004
- (10) Incorporated by reference from Report on Form 10-K, as filed on March 30, 2004
- (11) Incorporated by reference from Report on Form 10-Q, as filed on August 13, 2004
- (12) Incorporated by reference from Report on Form 8-K, as filed on August 30, 2004
- (13) Incorporated by reference from Report on Form 10-K, as filed on September 30, 2005
- (14) Incorporated by reference from Report on Form 8-K, as filed on September 27, 2005
- (15) Incorporated by reference from Report on Form 8-K, as filed on January 5, 2006
- (16) Incorporated by reference from Report on Form 8-K, as filed on January 11, 2006

(b) Reports on Form 8-K:

No reports were filed by the Company during the quarter ended September 30, 2006

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 14, 2006

By: s/s George R. Quist

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

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DATED: November 14, 2006

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

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(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.

Date: November 14, 2006

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

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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.

Date: November 14, 2006

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 September 30, 2006, 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.

Date: November 14, 2006

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

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

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In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10-Q for the period ending September 30, 2006, 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.

Date: November 14, 2006

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