

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

\$7,500,000

RTC TRUST 02

MAXIMUM OFFERING \$7,500,000 CONTRACT CERTIFICATES

MINIMUM OFFERING \$100,000 CONTRACT CERTIFICATES

SIXTY SIX MONTHS: 11.00 %

RTC TRUST 02 (the "Trust Fund") is hereby offering \$7,500,000 of Contract Certificates, entitled to interest at the rate of 11.00% per annum (the "Certificates"). Principal and interest on the Certificates will be payable in monthly installments commencing on July 1, 2002. See "Description of the Certificates and the Trust Agreement".

The Certificates will be issued and registered in the names of the purchasing Certificateholders. Interests in the Certificates will be shown on, and transfers thereof will be effected through, records maintained by the Trustee under the Trust Agreement. See "Description of the Certificates and the Trust Agreement."

Price of Certificates 100%

See "Risk Factors" for a discussion of certain risks that should be considered by prospective purchasers of the Certificates offered hereby.

THESE CERTIFICATES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to the Public	Underwriting Discount	Proceeds to the Trust Fund
	100%	5.0%	95%
Minimum Offering	\$100,000	\$5,000	\$95,000
Maximum Offering	\$7,500,000	\$375,000	\$7,125,000

The date of this Memorandum is May 22, 2002

MCGINN, SMITH & CO., INC.
Capital Center • 99 Pine Street
Albany, New York 12207

Div Ex - 471

MS-E-1978498

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The Offering of Certificates will terminate on August 21, 2002, unless the Minimum Amount of Certificates are sold prior to that date. All subscriptions will be held in an escrow account (the "Escrow Account") at Charter One Bank , FSB (the "Escrow Agent") or such other financial institution as may be selected by the Trust Fund in the event that the Escrow Agent is unable or unwilling to serve. Interest will be earned on funds held in the Escrow Account commencing three days after the funds are deposited until the earlier of the termination of this Offering or the investment of such funds in Certificates. During the period that an investor's funds are held in the Escrow Account, he will not be a Certificateholder of the Trust Fund. An investor's funds will not be held in the Escrow Account more than two months before being invested in the Certificates, with Escrow Agent fees being deducted from escrow interest payable to investors. See "Terms of the Offering".

The Trust Fund will furnish to investors certain reports, financial statements and tax information. See "Description of the Certificates and the Trust Agreement - Reports".

WHO MAY INVEST

The Certificates will be offered only to accredited investors as that term is defined under Regulation D promulgated under the Act ("Accredited Investors"). With certain exceptions (primarily with respect to institutional investors) an Accredited Investor is an individual who (i) has a net worth (along and together with the Investor's spouse) in excess of \$1,000,000 or (ii) has had gross income in excess of \$200,000 in each of the past two years or joint income with that person's spouse in excess of \$300,000 in each of those years and reasonably expects gross income at the same level in the current year. Corporations, partnerships and other entities will be considered Accredited Investors if each of its beneficial owners individually qualify as Accredited Investors, or if such entity has total assets in excess of \$5 million. Prospective investors to be admitted as Accredited Investors will be required to represent that they satisfy the requirements of an Accredited Investor. See "Suitability".

The Certificates offered hereby are suitable only for those investors whose business and investment experience makes them capable of evaluating the merits and risks of their prospective investment in the Certificates, who can afford to bear the economic risk of their investment for an indefinite period of time and have no need for liquidity in this investment. Each investor will be required to represent in the Subscription Agreement that he is acquiring the Certificates for his own account as principal for investment, and not with a view to resale or distribution, and that he is aware that (a) his transfer rights are restricted; and (b) that the Certificates have not been registered under the Securities Act of 1933, as amended, and therefore, cannot be resold unless they are so registered or unless exemption from registration is available with respect to such transaction. (See "Suitability".) Since there can be no assurance that the Contracts will generate sufficient income Necessary to pay the Certificates, investment in the Certificates is suited for persons who have substantial income from other sources. See "Risk Factors".

The Trust Fund may require prospective investors to complete a questionnaire relating to the suitability on the investment for them, and may make or cause to be made such further inquiry as it deems appropriate. The Trust Fund and Sales Agent will collectively have the sole discretion regarding sale of the Certificates to any prospective investor. The Trust Fund and Sales Agent reserve the right to reject any subscription for any reason and to allocate to any investor a smaller amount of Certificates, or fractions thereof, than that for which he has subscribed. See "Suitability".

THE SECURITIES OFFERED PURSUANT TO A CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM DATED MAY 22, 2002, AND EXHIBITS A, B, C, D, AND E ATTACHED THERETO (COLLECTIVELY, THE "OFFERING MATERIALS"), HAVE NOT BEEN FILED OR REGISTERED WITH OR APPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"), NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING MATERIALS. NO STATE SECURITIES LAW ADMINISTRATOR HAS PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR THE ADEQUACY OF THE OFFERING MATERIALS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

IT IS INTENDED THAT THE SECURITIES OFFERED HEREBY WILL BE MADE AVAILABLE ONLY TO ACCREDITED INVESTORS, AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE SECURITIES OFFERED HEREBY ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS FOR NON-PUBLIC OFFERINGS. SUCH EXEMPTIONS LIMIT THE NUMBER AND TYPES OF INVESTORS TO WHICH THE OFFERING WILL BE MADE AND RESTRICT SUBSEQUENT TRANSFER OF THE INTERESTS.

CONFIDENTIAL INFORMATION

THE INFORMATION CONTAINED IN THE MEMORANDUM IS CONFIDENTIAL AND PROPRIETARY TO THE TRUST AND BEING SUBMITTED TO PROSPECTIVE INVESTORS SOLELY FOR SUCH INVESTORS' CONFIDENTIAL USE WITH THE EXPRESS UNDERSTANDING THAT, WITHOUT THE PRIOR WRITTEN PERMISSION OF THE TRUST, SUCH PERSONS WILL NOT RELEASE THIS DOCUMENT OR DISCUSS THE INFORMATION CONTAINED HEREIN OR MAKE REPRODUCTIONS OF OR USE THIS MEMORANDUM FOR ANY PURPOSE OTHER THAN EVALUATING A POTENTIAL INVESTMENT IN THE SECURITIES.

THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT UNDER APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

WE DRAW YOUR ATTENTION TO THE ANTI-FRAUD PROVISIONS OF THE FEDERAL AND STATE SECURITIES LAWS, PARTICULARLY RULE 10b-5 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, WHICH PROHIBITS THE PURCHASE OR SALE OF SECURITIES ON THE BASIS OF MATERIAL NON-PUBLIC INFORMATION. IN LIGHT OF THESE PROVISIONS, INCLUDING RULE 10b-5, WE ADVISE YOU THAT, IF YOU ARE IN POSSESSION OF MATERIAL INFORMATION RELATING TO THE TRUST WHICH YOU KNOW OR HAVE REASON TO KNOW IS NON-PUBLIC, YOU SHOULD NOT PURCHASE OR SELL OR CAUSE TO BE PURCHASED OR SOLD ANY OF THE TRUST'S SECURITIES. IN ADDITION, YOU SHOULD NOT DISCLOSE ANY OF SUCH INFORMATION UNLESS AND UNTIL SUCH INFORMATION HAS BEEN PUBLICLY DISCLOSED.

THE MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE OFFEREE TO WHOM THE MEMORANDUM IS INITIALLY DISTRIBUTED AND DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY BY ANYONE IN ANY COUNTRY OR STATE

IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION. THE TRUST AND THE SALES AGENT RESERVE THE RIGHT TO ACCEPT OR REJECT ANY SUBSCRIPTION FOR SECURITIES, IN WHOLE OR IN PART, OR TO ALLOT TO ANY PROSPECTIVE INVESTOR FEWER THAN THE NUMBER OF SECURITIES SUCH INVESTOR DESIRES TO PURCHASE.

IN DECIDING WHETHER TO PURCHASE SECURITIES, EACH INVESTOR MUST CONDUCT AND RELY ON ITS OWN EVALUATION OF THE TRUST AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED IN MAKING AN INVESTMENT DECISION WITH RESPECT TO THE SECURITIES. PROSPECTIVE INVESTORS SHOULD NOT CONSTRUCT THE CONTENTS OF THIS MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE TRUST, OR ANY PROFESSIONAL ASSOCIATED WITH THE OFFERING, AS LEGAL OR TAX ADVICE. THE OFFEREE AUTHORIZED TO RECEIVE THE MEMORANDUM SHOULD CONSULT ITS OWN TAX COUNSEL, ACCOUNTANT OR BUSINESS ADVISOR, RESPECTIVELY, AS TO LEGAL, TAX AND RELATED MATTERS CONCERNING ITS PURCHASE OF THE SECURITIES.

THE INFORMATION PRESENTED HEREIN WAS PREPARED BY THE TRUST AND IS BEING FURNISHED SOLELY FOR USE BY PROSPECTIVE INVESTORS IN CONNECTION WITH THE OFFERING. THE INFORMATION CONTAINED IN THIS MEMORANDUM HAS BEEN SUPPLIED BY THE TRUST AND HAS BEEN INCLUDED HEREIN IN RELIANCE ON THE TRUST. THIS MEMORANDUM CONTAINS SUMMARIES OF CERTAIN DOCUMENTS, BELIEVED BY THE TRUST TO BE ACCURATE, BUT REFERENCE IS HEREBY MADE TO SUCH DOCUMENTS FOR COMPLETE INFORMATION CONCERNING THE RIGHTS AND OBLIGATIONS OF THE PARTIES THERETO. COPIES OF SUCH DOCUMENTS ARE AVAILABLE AT THE OFFICES OF THE TRUST. ALL OF SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THIS REFERENCE.

EXCEPT AS OTHERWISE INDICATED, THE MEMORANDUM SPEAKS AS OF THE DATE HEREOF. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGES IN THE AFFAIRS OF THE TRUST AFTER THE DATE HEREOF.

NO GENERAL SOLICITATION WILL BE CONDUCTED AND NO OFFERING LITERATURE OR ADVERTISING IN ANY FORM WILL OR MAY BE EMPLOYED IN THE OFFERING OF THE COMMON STOCK, EXCEPT FOR THIS MEMORANDUM (INCLUDING AMENDMENTS OR SUPPLEMENTS HERETO) AND THE DOCUMENTS SUMMARIZED HEREIN. NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS MEMORANDUM OR THE DOCUMENTS SUMMARIZED HEREIN AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON.

BY ACCEPTING DELIVERY OF ANY OFFERING MATERIAL, THE OFFEREE AGREES (I) TO KEEP CONFIDENTIAL THE CONTENTS THEREOF, AND NOT TO DISCLOSE THE SAME TO ANY THIRD PARTY OR OTHERWISE USE THE SAME FOR ANY PURPOSE OTHER THAN EVALUATION BY SUCH OFFEREE OF A POTENTIAL PRIVATE INVESTMENT IN THE TRUST, AND (II) TO RETURN THE SAME TO THE SALES AGENT IF (A) THE OFFEREE DOES NOT SUBSCRIBE TO PURCHASE ANY SECURITIES, (B) THE OFFEREE'S SUBSCRIPTION IS NOT ACCEPTED, OR (C) THE OFFERING IS TERMINATED OR WITHDRAWN.

THE TRUST WILL MAKE AVAILABLE TO ANY PROSPECTIVE INVESTOR, PRIOR TO THE CLOSING, THE OPPORTUNITY TO ASK QUESTIONS OF AND TO RECEIVE ANSWERS FROM REPRESENTATIVES OF THE TRUST CONCERNING THE TRUST OR THE TERMS AND CONDITIONS OF THE OFFERING AND TO OBTAIN ANY ADDITIONAL RELEVANT INFORMATION TO THE EXTENT THE TRUST POSSESSES SUCH INFORMATION OR CAN OBTAIN IT WITHOUT UNREASONABLE EFFORT OR EXPENSE. INVESTORS AGREE TO ADVISE THE TRUST IN WRITING IF THEY ARE RELYING UPON ANY SUCH INFORMATION.

FOR RESIDENTS OF ALL STATES

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATIONS TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF SECURITIES, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

SUMMARY OF THE OFFERING

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Memorandum and the exhibits attached to the Memorandum.

The Trust Fund

RTC Trust 02 (the "Trust Fund") is a common law trust formed under the laws of the State of New York on May 20, 2002. The Trustee of the Trust Fund is McGinn Smith Capital Holdings Corp., a New York Corporation. The Trustee will have no liability in connection with the Certificates or the affairs of the Trust Fund in the absence of willful misconduct or gross negligence. Although Certificateholders will have recourse to all assets of the Trust Fund, the Portfolios of Contracts acquired with the proceeds of this Offering will be the Trust Fund's only asset. See "Risk Factors", "The Trust Fund" and "Disclaimer of Liability of Trustee."

The sole business activity of the Trust Fund will be to acquire the portfolio of contracts (the "Contracts"), consisting of payment rights in exchange for the provision of electronic security monitoring services for security alarm systems in residential homes ("Residential Monitoring Contracts"). Security monitoring is the process of notifying designated parties (either individuals or public authorities) if an unauthorized entry, fire, medical or other emergency signal from a customer alarm system is received at a central monitoring station.

The Trust Fund will acquire a portfolio of Contracts (the "Portfolio") consisting of Contracts acquired by Integrated Alarm Services, Inc., a Delaware corporation ("IAS"), and originated by various security alarm dealers, herein sometimes collectively referred to as the "Security Alarm Dealers".

The Trust Fund will enter into a Monitoring Receivable Financing Participation Agreement (the "Participation Agreement") for acquisition of the Portfolio. The Portfolio of Contracts consists of the

monthly scheduled cash flow received from the Portfolio of Contracts as set forth on Exhibit B to the Participation Agreement.

The Trust Fund intends to apply the entire net proceeds of the Offering to the purchase of the Portfolio of Contracts. The Contracts in the Portfolio to be purchased will require the subscriber to make monthly or quarterly payments for a term up to sixty months (the "Mandatory Period"). See "Use of Proceeds", "The Trust Fund" and "Portfolio Acquisition and Monitoring."

As the owner of the Portfolio, the Trust Fund will receive a scheduled amount of payments from subscribers for monitoring services provided to them by the Security Alarm Dealers. See "Portfolio Acquisition and Monitoring". For more detailed information concerning the proposed business activity of the Trust Fund, see "The Trust Fund - Business of the Trust Fund."

Risk Factors

In evaluating this Offering, prospective investors should consider carefully, among others, the following risk factors:

- No assurance that the Certificates will be paid;
- No market for resale of Certificates;
- Illiquid collateral;
- Potential for Contract defaults;
- Potential conflicts of interest in connection with the acquisition of the Portfolio of Contracts by the Trust Fund.

See "Risk Factors" and "Conflicts of Interest."

Description of the Certificates and the Trust Agreement

The Certificates will be issued under a Declaration of Trust by McGinn Smith Capital Holdings Corp., the Trustee. The Certificates will be available for purchase in denominations of \$10,000.00 and increments of \$1,000.00. The Certificates will be registered in the name of the individual Certificateholders. See "Description of the Trust Agreement and the Certificates."

The Certificates will bear interest at a per annum rate of 11.00%. Principal and interest on the Certificates will be payable to Certificateholders in monthly installments commencing on July 1, 2002 to and including December 1, 2007, in accordance with Exhibit B of the "Participation Agreement" set forth in "Exhibit D".

Compensation and Fees

McGinn Smith Acceptance Corp., an affiliate of McGinn Smith & Co., the Sales Agent, will be paid a brokerage fee in connection with the acquisition of the Portfolio by the Trust Fund. See "Compensation and Fees" and "Conflicts of Interest."

Uses of Proceeds

The net proceeds from the Offering of the Certificates will be used to purchase the Portfolio of Contracts. See "Use of Proceeds" and "Portfolio Acquisition and Monitoring".

Income Tax Considerations

The Certificates will be treated as indebtedness of the Trust Fund for federal income tax purposes. Each Certificateholder will generally be required to report interest income on a Certificate in accordance with such Certificateholder's method of accounting. Each prospective investor should consult with his or her own tax advisor with respect to the tax consequences of the acquisition, ownership and disposition of the Certificates.

RISK FACTORS

In evaluating this Offering, prospective investors should consider carefully all of the information contained in this Memorandum and, in particular, the factors discussed below. The following summary is not intended to state in full or replace portions of this Memorandum that discuss these factors and others in greater depth. Although the risk factors are intended to be presented in order of their materiality to investors, such order may not be indicative of their relative importance to any particular investor.

Limitation of Transfer of Certificates

The Certificates may not be offered for resale to any person without the consent of the Trust Fund. Prior to this offering, there has been no market for the Certificates of the Trust Fund. Each investor will be required to represent that his purchase of the Certificates will be for investment only and not with a view towards the resale or distribution thereof. A Certificateholder will not have any right to sell, transfer, exchange or otherwise dispose of his Certificates, or to cause a security interest to be created therein, unless the Trust Fund has received evidence satisfactory to it that such disposition or creation of a security interest is not in violation of federal or state securities laws. The Certificates have not been registered or qualified under the Securities Act of 1933 or applicable state securities laws and may not be sold or transferred without such registration or qualification or an exemption therefrom.

Limited Liquidity of Collateral

In the event of a default under the Certificates which necessitates a liquidation of the Portfolio of Contracts, the ability of the Trustee to sell the Collateral may be restricted since it is anticipated that there will be a limited market for the Contracts. In that event, the Trustee may have to wait for the Contracts to mature.

Potential for Contract Defaults

Defaults by subscribers under Contracts may result in reduced scheduled cash flow to the Trust Fund. Defaults may occur for a variety of reasons, including relocation of subscribers, dissatisfaction with service, defaults by monitoring companies, and changes in economic conditions. An attrition reserve account (the "Attrition Reserve Account") will be established in the amount of \$50,000.00 to help insure that the Security Alarm Dealers comply with their obligations (the "Monitoring Recourse Obligation") to repurchase or substitute a performing Contract of equal value for a non-performing Contract. The Security Alarm Dealers will represent that each Contract will legally obligate the subscriber to pay for monitoring services for the Mandatory Period. Nevertheless, should the level of Contract defaults exceed that anticipated, the ability of the Trust Fund to pay the Certificates will be adversely affected. See "Portfolio Acquisition and Monitoring."

No Assurance as to Financial Worthiness or Capabilities of Response

The Trust Fund will use the entire proceeds of this Offering to purchase the Portfolio of Contracts which require subscribers to pay fees for a Mandatory Period in exchange for monitoring services. In the event that the Security Alarm Dealers do not meet their obligations under the Contracts, it is likely that the affected subscribers will cancel the Contracts and refuse to pay, either in whole or in part, the fees due and owing thereunder. Furthermore, because the Monitoring Recourse Obligation to repurchase or replace non-performing Contracts depends on the financial capability of the Security Alarm Dealers, the ability of the Trust Fund to pay the principal of and interest on the Certificates can be adversely affected by the failure or weakened financial position of the Security Alarm Dealers.

No Independent Counsel to Investors

No independent counsel has been retained to represent the interests of the Certificateholders. Each investor is therefore urged to consult with his own counsel regarding the terms and provisions of the Certificates and all other documents relating to this offering.

Lack of Financial Statements

This Memorandum does not include financial statements for the Trust Fund. The Trust Fund is newly formed for the limited purpose of acquiring the Portfolio of Contracts.

Mandatory Term of the Residential Monitoring Contracts May Be Less Than Term of Monthly Scheduled Cash Flow

The Residential Monitoring Contracts in the Portfolio to be acquired from the Security Alarm Dealers with the proceeds of the Certificates may not be terminated by the subscriber for a Mandatory Period of up to sixty months. The Trust Fund is acquiring the Portfolio of Contracts which is the monthly scheduled cash flow received from the Portfolio of Contracts over a period of sixty-six months. Although the Contracts automatically renew unless canceled by the subscriber in writing, some of the subscribers may elect to cancel their Contracts, thereby affecting the monthly amount of Cash Flow received from the Portfolio of Contracts. Nevertheless, the Security Alarm Dealers have an obligation to repurchase or substitute a performing Contract of equal value for a non-performing or canceled Contract (the "Monitoring Recourse Obligation").

Availability of the Residential Monitoring Contracts

The portfolio of contracts is comprised of Residential Monitoring Contracts to be acquired by IAS from various Security Alarm Dealers doing business in different geographic locations. The time at which these Residential Monitoring Contracts are acquired from each Security Alarm Dealer may vary. At the time the entire Offering is subscribed for, only the amount of Offering Proceeds necessary to acquire the available Residential Monitoring Contracts will be released from escrow. The remainder of the Offering Proceeds will continue to be held in escrow until such time as the additional Residential Monitoring Contracts comprising the balance of the Portfolio are available for financing. In the event there is a substantial delay in acquiring the total amount of Residential Monitoring Contracts comprising the Portfolio, there may be a shortfall in the monthly amount of Cash Flow received from the Portfolio and the Trust Fund's ability to pay the Certificates will be adversely affected. See "Use of Proceeds".

No Tax Opinion

The Trust Fund has not obtained an independent tax opinion with regard to this offering of Certificates. Each potential investor is encouraged to seek his own tax advisor with respect to his personal tax situation and the tax consequences of the acquisition, ownership and disposition of the Certificates.

Conflicts of Interest

The Trust Fund is acquiring the Portfolio of Contracts from Integrated Alarm Services, Inc. ("IAS"), a Delaware corporation. The common stock of IAS is owned by M&S Partners, a New York partnership. M&S Partners is owned equally by Timothy M. McGinn and David L. Smith.

The Trust Fund will purchase the Portfolio of Contracts through McGinn Smith Acceptance Corp., an affiliate of the Trustee. McGinn Smith Acceptance Corp. will receive a broker's fee in connection with such transaction. The close relationship between McGinn Smith Acceptance Corp. and McGinn Smith Capital Holdings Corp. may affect the price paid for the Portfolio of Contracts. Although there is no specified formula for determining the purchase price, and Certificateholders will not have a voice in the amount paid by the Trust Fund, the Trustee will purchase the Portfolio of Contracts only when McGinn Smith Acceptance Corp. represents to the Trustee, that the price of such Portfolio will allow the Trust Fund to pay its operating expenses and discharge its obligations with respect to the Certificates. In addition, the Trustee's liability is limited. See Section entitled "Disclaimer of Liability of Trustee". McGinn, Smith & Co., Inc. will receive an Underwriting Discount equal to Five (5%) of the gross proceeds of the Offering.

USE OF PROCEEDS

The net proceeds to the Trust Fund from the sale of the Certificates offered hereby, after deducting the Underwriting Discount, will be approximately \$7,125,000 (95% of gross proceeds) if the Maximum Offering for the Certificates is achieved. The Trust Fund intends to use all of the net proceeds of the Offering to purchase the Portfolio of Contracts.

The net proceeds to the Trust Fund from the sale of the Certificates offered hereby, after deducting the Underwriting Discount, will be approximately \$95,000 (95% of gross proceeds) if the Minimum Offering for the Certificates is achieved. The Trust Fund intends to use all of the net proceeds of the Offering to purchase a proportionate interest in the Portfolio of Contracts.

The Residential Monitoring Contracts comprising the Portfolio are to be acquired by IAS from various Security Alarm Dealers doing business in various geographic locations. The time at which all of the Residential Monitoring Contracts are acquired from the Security Alarm Dealers may vary.

At the time the entire Offering is subscribed for, only the funds necessary to finance the available Residential Monitoring Contracts will be released from escrow. The remainder of the Offering Proceeds will be held in escrow until such time as the additional Residential Monitoring Contracts comprising the balance of the Portfolio are available for financing. McGinn Smith Acceptance Corp., the Portfolio Financial Manager, anticipates that all of the Residential Monitoring Contracts comprising the Portfolio will be available for financing within two (2) months of the time in which the entire Offering is subscribed for.

THE TRUST FUND

The Trust Fund is a common law trust formed under the laws of the State of New York on May 20, 2002. The principal executive office of the Trust Fund is located at c/o McGinn Smith Capital Holdings Corp., Trustee, Capital Center, 99 Pine Street, Albany, NY 12207, and its telephone number is (518) 449-5131. McGinn Smith Capital Holdings Corp. is the Trustee of the Trust Fund. McGinn, Smith & Co., Inc. is the Sales Agent for the Offering. The owners of all issued and outstanding common stock of the Sales Agent are Timothy M. McGinn (50%) and David L. Smith (50%). McGinn Smith Acceptance Corp. will receive a broker's fee in connection with the purchase of the Portfolio of Contracts by the Trust Fund. McGinn Smith Acceptance Corp. is an affiliate of the Sales Agent.

Business of the Trust Fund

The Trust Fund has been formed solely for the acquisition of the Portfolio of Contracts to be acquired from the Security Alarm Dealers. Subsequent to the Closing Date the Trust Fund will utilize the net proceeds from the Offering to acquire the Portfolio.

Each Contract in the Portfolio to be acquired will include the obligation of the Security Alarm Dealers to provide central station monitoring services for the subscriber in consideration for the subscriber's payment of a monthly or quarterly monitoring fee. The Trust Fund does not intend to acquire equity interests in monitoring companies or other security alarm monitoring or installation firms; rather, a scheduled amount of cash flow from the Contracts entered into or originated by the Security Alarm Dealers will be acquired by the Trust Fund through McGinn Smith Acceptance Corp.. The Security Alarm Dealers will perform the monitoring and other services required under the Contracts.

The Security Alarm Industry

The security alarm industry involves (i) manufacturers of alarm system components, (ii) wholesalers who distribute such components, (iii) parties that sell or lease, install and maintain security alarm systems, and (iv) parties that monitor security alarm signals. Sales, leasing, installation, maintenance and monitoring overlap significantly. Within each geographic market, many companies sell or lease, install, maintain, and monitor systems. Larger local and regional full service firms and national companies with branch offices, as well as numerous regional and local security companies, also may be present in each geographic market.

Monitoring Companies in the security alarm industry typically sell or lease, maintain, monitor and service alarm equipment (directly through their own facilities or indirectly through a contractual relationship with a third party) installed with their subscribers. Generally, the monitoring company and the subscriber enter into a monitoring agreement with respect to the security alarm system when the

equipment is installed. The typical monitoring agreement provides that the monitoring company will monitor the system 24 hours per day for a specified fee, payable monthly or quarterly in advance. The monitoring agreement, either a contract or a lease, will typically require the subscriber to pay for monitoring and other services over a specified mandatory period of months, usually 24 to 60 months, at a specified cost per month, usually between \$20.00-\$60.00 per month. Such agreements may also provide that title to the monitoring system equipment during the Mandatory Period remains with the monitoring company.

The Contracts in the Portfolio to be acquired from the Security Alarm Dealers with the proceeds of the Certificates will not be terminable by the subscriber for a specified Mandatory Period of up to sixty months from the day of system installation. The Contracts will automatically renew for one year periods unless canceled by the subscriber upon thirty days prior written notice to the Security Alarm Dealers. Accordingly, the Contracts may continue in effect after the end of the Mandatory Period, subject to the subscriber's right to terminate, and the Trust Fund will purchase the right to receive payments under Contracts for sixty-six months. At the end of sixty-six months, if the Security Alarm Dealers have complied with all of their obligations under the agreement pursuant to which the Trust Fund intends to acquire the Contracts (the "Monitoring Receivable Financing Agreement"), the Contracts are returned to IAS or its assigns.

The Contracts may provide that the Monitoring Company is not responsible for interruption of monitoring services due to conditions or circumstances beyond its control, and may include a limitation of liability provision which specifies that the Monitoring Company is not to be considered an insurer of the system and that the system or service supplied will not avert or prevent occurrences or the consequences therefrom which the system or service is designed to detect. These clauses typically specify that the Monitoring Company's liability is limited to an amount equal to a percentage of the annual service charge or a fixed dollar amount, whichever is greater, in the event of a failure of the system or service. However, there can be no assurance that such clauses will be given full force and effect by a court of law.

Security Alarm Competition

The security alarm business is highly competitive and includes large national and regional companies, as well as small local dealers/installers. Competition is based on the cost of providing a given service and the quality of the service. During recent years, consolidation has occurred in the industry, partially as a result of companies realizing that monitoring cost are relatively fixed and profits can be increased directly by increasing the number of Contracts monitored. It is anticipated that this industry consolidation will continue. These competitors include national companies which are currently or may become vertically integrated to the point of generating their own Contracts by selling the installation of security alarm systems.

PORTFOLIO ACQUISITION AND MONITORING

Acquisition of Portfolio

The Trust Fund intends to apply the net proceeds of the Offering, \$7,125,000, to the purchase of a Portfolio of Contracts. The Trust Fund will acquire the Monitoring Revenue Payment (the "Scheduled Amount") generated from the Residential Monitoring Contracts to be acquired from the Security Alarm Dealers. The Residential Monitoring Contracts from the Security Alarm Dealers comprise the "Portfolio". McGinn Smith Acceptance Corp., an affiliate of the sales agent, will receive a broker's fee in connection with the Trust Fund's purchase of the Portfolio. The Portfolio will be acquired upon the terms and conditions set forth in the Monitoring Receivable Financing Agreement, subject to payment of the McGinn Smith Acceptance Corp. broker's fee.

The Portfolio will include Contracts that meet the acquisition criteria specified in the Monitoring Receivable Financing Agreement discussed below. See the form of "Monitoring Receivable Financing Agreement". These criteria include certain credit standards for subscribers, and standards governing the terms and conditions of Contracts to be purchased. The Security Alarm Dealers are required to

make appropriate representations that the Contracts conform to the requirements set forth in the Monitoring Receivable Financing Agreement. See "Monitoring Receivable Financing Agreement," below.

Monitoring Receivable Financing Agreement

McGinn Smith Acceptance Corp. will enter into agreements (the "Monitoring Receivable Financing Agreement") IAS which specify the terms and conditions under which the Contracts will be acquired from the Security Alarm Dealers.

In the Monitoring Receivable Financing Agreement, the Security Alarm Dealers covenant, represent, and/or warrant to McGinn Smith Acceptance Corp. , its successors and assigns, among other things, that: (a) all Contracts will be valid mandatory deferred payment obligations covering the monitoring services to be provided to the subscriber, which the Security Alarm Dealers have a legal right to sell, assign and transfer; (b) the Contracts are not subject to any disputes, offsets or counterclaims; (c) the subscriber is neither delinquent in payment nor in default under the Contract at the time of the financing; (d) the Security Alarm Dealers have performed, except for future obligations, all of its obligations to the subscriber; (e) the information contained in the Contract is true in all respects; (f) McGinn Smith Acceptance Corp., its successors and assigns will have absolute right to the Scheduled Amounts of the Monitoring Revenue Payment generated from the Contracts, and the Contracts are not subject to any prior assignments or security interests; (g) the Contracts and the underlying transaction giving rise to the Contracts do not violate any law, rule or regulation; and (h) the Security Alarm Dealers and the subscriber will not modify the Contract. McGinn Smith Acceptance Corp., its successors and assigns, must approve the form of each Contract and the terms and conditions thereof.

McGinn Smith Acceptance Corp. will assign all of its right, title and interest in and to the Monitoring Receivable Financing Agreement to the Trust Fund.

McGinn Smith Acceptance Corp., its successors and assigns do not assume any obligations or liabilities of the Security Alarm Dealers in connection with the Contracts, including any monitoring duties and responsibilities. The Security Alarm Dealers will each indemnify and hold McGinn Smith Acceptance Corp., its successors and assigns, harmless from and against any claim, suit, loss, liability or expense incurred by McGinn Smith Acceptance Corp., its successors and assigns, in connection with the Contracts.

The Security Alarm Dealers will direct the subscribers under the Contracts to remit all payments to a pre-designated remittance call box servicer. Preferred Data, Inc., a New York Corporation, ("Preferred") will act as such a servicer. The Security Alarm Dealers will also agree not to accept any payment made by a subscriber and to refer all such payments to Preferred. The Security Alarm Dealers will be required to prudently and effectively pursue the collection of all delinquent payments due to the Trust Fund immediately upon receipt of appropriate payment advice reports from Preferred. The Security Alarm Dealers will provide the Trust Fund with monthly status reports on all purchased Contracts, reflecting current payment status, delinquency and unpaid balances due and owing. See the "Lock Box Agreement" below.

Under the Monitoring Receivable Financing Agreement, McGinn Smith Acceptance Corp., its successors or assigns, may require the Security Alarm Dealers to repurchase a Contract, or substitute a performing Contract in place of a non-performing Contract, upon the occurrence of (a) a subscriber's failure to make two (2) consecutive monthly monitoring service payments; (b) the failure of the Security Alarm Dealers to perform any of their obligations under the Monitoring Receivable Financing Agreement or a Contract; or (c) the breach of any warranty or representation by the Security Alarm Dealers under the Monitoring Receivable Financing Agreement or a Contract (such repurchase or substitution obligation being referred to herein as the "Monitoring Recourse Obligation").

An Attrition Reserve Account will be established for the Portfolio of Contracts. The Attrition Reserve Account will be established by withholding \$50,000.00 of the purchase price paid by the Trust Fund for

the Portfolio. The Attrition Reserve Account will at all times be the property of the Trust Fund, and will be held by McGinn Smith Acceptance Corp. for the benefit of the Trust Fund to assure performance by the Security Alarm Dealers of their obligations under the Monitoring Receivable Financing Agreement, including the Monitoring Recourse Obligation. The Attrition Account will remain in place until such time as the Trust Fund has received the Scheduled Amounts of the Monitoring Revenue Payment from the Portfolio. Any balance remaining in the Attrition Reserve Account at that time shall be transferred to the Security Alarm Dealers. (See "Monitoring Receivable Financing Participation Agreement" below.) Withdrawals from the Attrition Reserve Account may be made by McGinn Smith Acceptance Corp. if the total amount remitted to the Trust Fund by Preferred for the month is less than the Scheduled Amount due to the Trust Fund pursuant to Exhibit A-1 of the Monitoring Receivable Financing Agreement with the Security Alarm Dealers.

The Security Alarm Dealers may elect to utilize the services of an independent, third party Central Station to perform the monitoring services due to Subscribers under the Contracts. The Trust Fund shall be a third party beneficiary to any monitoring service contract executed between the Security Alarm Dealers and any independent Central Station. The Security Alarm Dealers and/or the Central Station will agree to perform all monitoring services under the Contracts in accordance with generally accepted industry practices, and the Security Alarm Dealers or the Central Station shall, in all respects, service, bill, perform collection efforts and enforce the Trust Fund's contractual right to receive the Scheduled Amounts of the Monitoring Revenue Stream associated with each Contract.

In the event the Security Alarm Dealers or the Central Station are unable to perform their monitoring duties and responsibilities to the Subscribers (collectively) or to the Trust Fund, as the alarm monitoring servicer of the Subscribers (collectively) security systems under the Contracts, they will immediately notify the Trust Fund of such fact and will promptly arrange for the orderly transfer of monitoring services to a third party alarm monitoring service company selected in the sole discretion of the Trust Fund. The Trust Fund shall have the right to unilaterally demand and effect the immediate transfer of monitoring services on Contracts from the Security Alarm Dealers or the Central Station to a third party monitoring service company, with the complete cooperation of the Security Alarm Dealers and/or the Central Station, upon the happening of any of the following events:

- A) The filing of a petition of bankruptcy protection with respect to any business of the Security Alarm Dealers or the Central Station, either voluntary or involuntary;
- B) The Security Alarm Dealers or the Central Station, or any of their principal officers being found guilty of any felony or upon the finding of liability in any criminal or civil action involving impropriety in business dealings or operations which, in either case materially affects the operation of the Security Alarm Dealers or the Central Station, or the performance of the Contracts;
- C) The abandonment of monitoring service operations by the Security Alarm Dealers or the Central Station.
- D) The occurrence of a material default under the Monitoring Receivable Financing Agreement, which results in the inability of the Security Alarm Dealers or the Central Station to substantially perform under the Monitoring Receivable Financing Agreement, or any Central Station agreement, or the failure of the Security Alarm Dealers to, or inability to perform under the recourse (repurchase or replacement) provisions of the Monitoring Receivable Financing Agreement.

The Security Alarm Dealers are also obligated to maintain comprehensive general liability insurance, including errors and omissions on monitoring operations, in the minimum amount of \$1,000,000 covering bodily injury and property damage resulting from the performance of monitoring operations under the Contracts. In the event of a sale or transfer of a controlling interest in the Security Alarm Dealers, the Security Alarm Dealers must guarantee that the Security Alarm Dealer's obligations under

the Monitoring Receivable Financing Agreement shall not be impaired or disrupted by such sale or transfer and that the Monitoring Receivable Financing Agreement shall continue in effect and be accepted by the purchaser or transferee of such controlling interest.

IAS irrevocably and unconditionally will guarantee to the Trust Fund the full and timely payment of all sums constituting the Scheduled Amounts of the Monitoring Revenue Payments which are due and owing under the Contracts in the Portfolio. In addition, IAS has agreed to tender to the Trust Fund additional Contracts so as to maintain a ratio of 1.57/1 of available monthly cash flow as set forth on Exhibit A-2 to the Monitoring Receivable Financing Agreement. Contract additions will be calculated quarterly in arrears and the contracts tendered shall have an average monthly recurring revenue of not less than the average monthly revenue for the initial Portfolio.

Monitoring Receivable Financing Participation Agreement

The Trust Fund and McGinn Smith Acceptance Corp. will enter into a Monitoring Receivable Financing Participation Agreement (the "Participation Agreement") which will outline the rights of the Trust Fund in connection with the acquisition of the Portfolio of Contracts.

McGinn Smith Acceptance Corp., as the Portfolio Financial Manager, will covenant that it has inspected all Contracts in the Portfolio and reviewed them for creditworthiness pursuant to the credit standards and procedures set forth in the Monitoring Receivable Financing Agreement discussed above. In addition, McGinn Smith Acceptance Corp., as the Portfolio Financial Manager, will perform a due diligence review of the Security Alarm Dealers so as to insure their capabilities of performing in accordance with the terms of the Monitoring Receivable Financing Agreement.

All Contracts in the Portfolio shall be held by McGinn Smith Acceptance Corp. for the benefit of the Trust Fund, accompanied by the original Contract Obligation Instrument and all other original documents executed by the Subscriber.

The Trust Fund will be provided a yield on the Portfolio of Contracts of 11.00%. The Trust Fund will fund \$7,125,000 for the Portfolio of Contracts if the Maximum Offering is achieved. If the Minimum Offering is achieved, the Trust Fund will fund \$95,000 for a proportionate interest in the Portfolio of Contracts.

The Trust Fund will be entitled to the monthly scheduled cash flow ("Scheduled Cash Flow") received from the Portfolio of Contracts as set forth on Exhibits B to the Participation Agreement.

The Participation Agreement provides that the Trust Fund will receive the Scheduled Amounts due from the Portfolio of Contracts each month. The Trust Fund shall be entitled to the Scheduled Cash Flow as set forth on Exhibit "B" to the Participation Agreement on the 1st day of each month commencing July 1, 2002. In the event the collected payments from the Portfolio of Contracts for any month are less than the Scheduled Cash Flow due the Trust Fund for that month, McGinn Smith Acceptance Corp. will make withdrawals from the Attrition Reserve Account discussed above. In the event there are insufficient funds in the Attrition Reserve Account, any remaining shortfall for that month will be paid out of the first payments received in the following month. Any Scheduled Amounts not received by the Trust Fund in the month when due shall bear interest at the rate of 15.0% per annum until paid. Thereafter, the Scheduled Amount due the Trust Fund for that month shall be paid from the balance of the Contract payments received that month from Preferred. Thereafter, funds remaining shall be deposited into the Attrition Reserve Account to the extent necessary to restore the Attrition Reserve Account to its initial balance; any funds remaining shall be paid to IAS or its assigns.

Upon receipt by the Trust Fund of all Scheduled Cash Flow, all of the Trust Fund's right, title and interest in the Portfolio of Contracts shall terminate and the Contracts shall be transferred by the Trust Fund to IAS or its assigns without recourse and without warranty. At the same time, the Trust Fund shall also transfer to IAS, all of its right, title and interest to funds held in the Attrition Reserve Account discussed below. See "The Collection Process" below.

The Collection Process

McGinn Smith Acceptance Corp. and Preferred intend to enter into a remittance processing agreement (the "Lock Box Agreement") pursuant to which payments made under the Contracts by subscribers are forwarded to Preferred. Prior to the purchase of Contracts by the Trust Fund, Preferred will open a lock box at a U.S. Postal Service General Mail Facility, which will serve as a receptacle for the receipt of payments from Contract subscribers. During each business day the contents of the lock box will be picked up by Preferred. All payments will be sorted and subsequently deposited, on a daily basis, into an account established by and in the name of the Trust Fund (the "Portfolio Depository Account") at M&T Bank. The Security Alarm Dealers will have no right, title or interest in, or any right to withdraw any amounts held in the Portfolio Depository Account. McGinn Smith Acceptance Corp. will be responsible for any fees charged or imposed by Preferred.

Out of the funds held in the Portfolio Depository Account, McGinn Smith Acceptance Corp. will transfer to the Trust Fund the Scheduled Cash Flow the Trust Fund is entitled to pursuant to Exhibit B to the Participation Agreement. The Trust Fund will then pay the Certificateholders their percentage of the Scheduled Cash Flow to which they are entitled.

The Attrition Reserve Account will also be established. As discussed elsewhere in this Memorandum, the Attrition Reserve Account will be held by McGinn Smith Acceptance Corp. for the benefit of the Trust Fund.

DESCRIPTION OF TRUST AGREEMENT AND THE CERTIFICATES

On May 20, 2002, Timothy M. McGinn as the Chairman of the Board of Directors of McGinn Smith Capital Holdings Corp., executed the Declaration of Trust ("Declaration") of RTC Trust 02 ("Trust"), declaring that McGinn Smith Capital Holdings Corp. was the Trustee of the Trust, establishing the Trust for the benefit of Certificateholders, and defining its purpose.

The Trust is intended to be a common law trust under the laws of the State of New York, with its principal office at Capital Center, 99 Pine Street, Albany, New York 12207, which is the office of McGinn Smith Capital Holdings Corp. The initial capital of the Trust was established at \$100.00, and the purpose of the Trust is to acquire, pursuant to the terms of the Participation Agreement, and subject to the terms of the Monitoring Receivable Financing Agreement, the right to receive the Scheduled Amounts of cash flow generated from the Portfolio of Contracts. Under the Declaration, the Trustee acquires virtually complete discretion in the operation of the Trust, so long as that discretion is exercised within the purpose of the Trust. The Declaration limits the liability of the Trustee in two ways. The Trustee will not be liable in the absence of willful misconduct or gross negligence. Further, the Trustee will not be liable, in any event, to pay sums of money beyond the corpus of the Trust. The Trustee is entitled to indemnification from the funds of the Trust (except in the case of willful misconduct or gross negligence) and to reimbursement for the reasonable and Necessary fees and expenses incurred in the administration of the Trust. The Trustee is entitled to indemnification and reimbursement from the corpus of the Trust before payments are made to Certificateholders.

The Declaration specifically provides that the Certificateholder shall not have any legal or equitable title to the Trust Estate, that no Certificateholder shall have a voice in the management or control of the property or affairs of the Trust, that the Trustee has no authority to require additional capital contributions from any Certificateholder, and that the Trustee is precluded from taking any action to make Certificateholders liable for the debts or obligations of the Trust.

Certificates

The Certificates will be issued under the Declaration, a copy of which is included as an exhibit to this Memorandum. The rights of the Certificateholders and the obligations of the Trustee as they relate to the Certificates will be governed by the Declaration. Reference should be made to the Declaration for its

complete terms. The statements contained in this Memorandum concerning the Declaration are merely a summary thereof, do not purport to be complete, and do not modify or amend the Declaration.

Subject to the conditions set forth in this Memorandum, Certificates in the maximum amount of \$7,500,000 will be offered by the Trust Fund. The Certificates will be retired in sixty six (66) months from the date of issuance. The Certificates will bear interest on the outstanding principal at a per annum rate of 11.00%. Principal and interest on the Certificates will be paid in monthly installments commencing on the first day of July, 2002 to and including December 1, 2007, in accordance with the Scheduled Cash Flow set forth on Exhibit B to the Participation Agreement.

The Certificates will be issued and registered in the name of the purchasing Certificateholder(s). Interest on the Certificates will be shown on, and transfers thereof will be effected through, records maintained by the Trustee.

Payments

Payments on the Certificates will be made out of the Scheduled Amount of the Monitoring Revenue Payments from the Portfolio of Contracts received by the Trust Fund each month.

Prepayments

The Certificates are not subject to a mandatory prepayment or redemption provision.

Registration

Each Certificate will be registered in the name of the purchaser thereof.

Limited Transferability of the Certificates

The Certificates are not freely transferable, and there is no secondary market for the Certificates and none is expected to develop. The Certificates should not be treated by Certificateholders as securities.

The Certificates have not been registered under the Securities Act of 1933. They may not be offered for resale in the absence of an opinion of counsel, satisfactory to the Trust Fund, that registration is not required.

Reports

Not later than January 31 of each year, the Trust Fund will furnish to the Certificateholders statements of interest income on IRS Form 1099-INT and such tax information as shall be Necessary in the preparation of such person's Federal income tax return.

CONFLICTS OF INTEREST

The common stock of Integrated Alarm Services, Inc. is owned by M&S Partners, a New York partnership. M&S Partners is owned equally by Timothy M. McGinn and David L. Smith.

Timothy M. McGinn and David L. Smith collectively own 100% of the issued and outstanding common shares of McGinn Smith & Co., Inc. McGinn, Smith & Co., Inc. is acting as the Sales Agent for this Offering and will receive an Underwriting Discount equal to five percent (5%) of the gross proceeds of this Offering. The Underwriting Discount was not negotiated at arms length. In addition, McGinn Smith Acceptance Corp., an affiliate of McGinn, Smith & Co., Inc. will receive a broker's fee in connection with the purchase of the Portfolio by the Trust Fund.

McGinn Smith Capital Holdings Corp. may experience a conflict of interest in performing its obligation to exercise due diligence with respect to the statements made in this Memorandum and, therefore, its due diligence review cannot be considered independent. A qualified independent underwriter has not been retained by the Trust Fund in connection with this offering. However, McGinn Smith Capital Holdings Corp. believes that such due diligence has, in fact, been exercised.

As discussed above, McGinn Smith Acceptance Corp. will receive a broker's fee in connection with the purchase of the Portfolio by the Trust Fund. In addition, McGinn Smith Acceptance Corp. will pay the Trustee's expenses as set forth in the section entitled "Compensation and Fees". Due to the close relationship between these parties, the purchase price paid by the Trust Fund could be affected by the interests of McGinn Smith Acceptance Corp. in its contract brokerage fee.

There has been no independent counsel retained to represent the interests of the Certificateholders. Certain legal matters in connection with the validity of the Certificates will be passed upon by Mary Ann McGinn, Esq. Mary Ann McGinn, is Vice President and General Counsel of McGinn, Smith & Co., Inc. and is the wife of Timothy M. McGinn.

THE TRUSTEE

The names and positions of the directors and executive officers of the Trustee are as follows:

<u>Name</u>	<u>Position</u>
Timothy M. McGinn	Chairman of the Board and Director
David L. Smith	President and Director

The officers and directors of the Trustee will devote such time and effort to the business of the Trust Fund as they may deem Necessary and will actively be engaged in other business ventures.

The principal business occupations of the officers and directors during the past five (5) years are as follows:

Timothy M. McGinn, age 53, is the Chairman of the Board and Secretary of McGinn, Smith & Co., Inc. He has served as Chairman of the Board since the inception of this firm in 1980. Prior to founding McGinn, Smith & Co., Inc. he was with Paine, Webber, Jackson & Curtis. He has served on a number of corporate and charitable boards of directors and holds a bachelor's degree in Mechanical Engineering from Rochester Institute of Technology.

David L. Smith, age 57, is the President of McGinn, Smith & Co., Inc. and a member of the Board of Directors. he has served in this capacity since 1980. Prior to founding McGinn, Smith & Co., Inc. he was with Paine Webber, Jackson & Curtis. Mr. Smith has served on a number of charitable and corporate boards of directors and holds a bachelor's degree from Hamilton College.

COMPENSATION AND FEES

The Trustee of the Trust Fund will serve without fee but will be reimbursed for expenses incurred by the Trustee in connection with the Trust Fund by McGinn Smith Acceptance Corp. Furthermore, McGinn Smith Acceptance Corp., an affiliate of the Sales Agent, McGinn, Smith & Co., Inc., will receive a broker's fee in connection with the acquisition of the Portfolio by the Participants.

SUITABILITY

Certificates will be sold only to investors who make a minimum purchase of \$10,000.00.

As described elsewhere in this Memorandum, the Certificates will be sold only to Accredited Investors as defined in Rule 501 of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended. Included in the definition of "Accredited Investor", as defined in Rule 501, are the following:

(a) any natural person whose individual net worth (including personal residences, furnishings and automobiles), or joint net worth with that person's spouse, at the time of purchase exceeds \$1,000,000;

(b) any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and who reasonably expects gross income at the same level in the current year; and

(c) any entity in which all of the equity owners are Accredited Investors or which has total assets in excess of \$5,000,000.

Each investor accepted as an Accredited Investor will be required to represent that he satisfies the requirements of an Accredited Investor under Rule 501.

Among other things, each investor will be required to acknowledge and represent in the Subscription Agreement that: (i) he is purchasing the Certificates for his own account for investment and not with a view to the sale or distribution thereof; (ii) he is aware that the Certificates have not been registered for sale under the Securities Act of 1933 as amended, and that he will not transfer his Certificates in the absence of an opinion of counsel satisfactory to the Trust Fund that the Certificates have been registered or that registration is not required under the Securities Act of 1933, as then in effect, and under applicable state securities laws, if any; (iii) he understands that this investment involves a high degree of risk; (iv) he has adequate means of providing for his current needs and foreseeable personal contingencies, has no need for liquidity in this investment; (v) all books, records and documents pertaining to this investment have been made available to him; and (vi) his overall commitment to investments which are not readily marketable is not disproportionate to his net worth and his purchase of Certificates will not cause such overall commitment to become excessive.

The Sales Agent and Trust Fund reserve the right to reject any subscription in its entirety for any reason or to allocate to any investor Certificates in an aggregate principal amount less than that for which he has subscribed. In the event a subscription is rejected, the investor's subscription check for his Certificates (or the amount thereof) will be returned, and in the event of a partial rejection, a pro rata amount of his subscription check for his Certificates will be refunded.

Prospective investors may be required to complete an Investor Representation Letter relating to the suitability of the investment for them, and the Trust Fund may make or cause to be made such further inquiry as the Trust Fund deems appropriate.

Any prospective investor will be afforded the opportunity to obtain from the Trust Fund prior to the consummation of the transaction contemplated herein any additional information he may request necessary to verify the accuracy of the contents of this Memorandum and which the Trust Fund possesses or can acquire without unreasonable effort or expense and to confer with, ask questions of, and receive answers from the Trust Fund or persons authorized to act on its behalf, concerning the terms and conditions of the transaction, this memorandum and any additional information which has been requested and supplied to a prospective investor or his purchaser representative.

The purchase of Certificates may be suitable for individuals seeking an investment intended to provide income. An investment in Certificates may also be appropriate for corporations and trusts seeking investments which are structured to provide income. Nevertheless, this investment involves a number of significant risks, including no assurance that the Certificates will be paid and illiquidity. See "Risk Factors." Accordingly, the suitability of a purchase of Certificates for any particular investor will depend upon, among other things, such investor's investment objectives and such investor's ability and willingness to accept the risks of an investment in the Certificates.

The Sales Agent Agreement between the Trust Fund and the Sales Agent requires the Sales Agent to make diligent inquiries as required by law of all prospective purchasers in order to ascertain whether a purchase of Certificates is suitable for such person and to transmit promptly to the Trust Fund all fully completed Subscription Agreements. By tendering payment for a Certificate and by acceptance of the confirmation of purchase, an investor represents that he or it satisfies any applicable suitability standards. See "Plan of Distribution."

TERMS OF THE OFFERING

Subject to the conditions set forth in this Memorandum, Certificates in the maximum amount of \$7,500,000 (the "Maximum Offering") and the minimum amount of \$100,000 (the "Minimum Offering") will be offered by the Trust Fund.

The Certificates will be offered through McGinn, Smith & Co., Inc., the Sales Agent, on a best efforts basis over a period of three months. The Sales Agent is a member of the National Association of Securities Dealers, Inc.

All funds received by the Sales Agent from subscriptions for the Certificates will be placed in an escrow account (the "Escrow Account") maintained at Charter One Bank, FSB, (the "Escrow Agent"). Interest will be earned on funds held in the Escrow Account commencing three (3) business days after the funds are deposited until the earlier of the termination of this Offering or the investment of the funds in the Certificates. During the period that an investor's funds are held in the Escrow Account he will not be considered a Certificateholder.

With respect to the Certificates, no funding from the Escrow Account will occur until the Minimum Offering is subscribed for. If subscriptions for the Minimum Offering are not received within two months from the date of this Memorandum, subscriptions received with respect to the Certificates will be promptly returned in full to the investor by the Escrow Agent, together with all interest earned while funds were held in the Escrow Account after deducting fees payable to the Escrow Agent. Fees payable to the Escrow Agent will be deducted from interest earned on the Escrow Account.

How to Subscribe.

The Certificates will be available for purchase in the minimum denomination of \$10,000.00 and increments of \$1,000.00. An investor who meets the qualifications set forth under "Who May Invest" and "Suitability" may subscribe for Certificates by completing, signing and delivering to the Sales Agent an executed copy of the Subscription Agreement contained in this Memorandum. All subscriptions must be accompanied by a check in the amount of the Certificate(s) purchased payable to "*Charter One Bank, FSB, Escrow Agent for RTC Trust 02*". Upon execution of a Subscription Agreement, the investor agrees to all of the terms and conditions contained in the Agreement. Subscriptions are, however, subject to acceptance by the Trust Fund.

PLAN OF DISTRIBUTION

The Trust Fund is offering a maximum of \$7,500,000 of Certificates, and a minimum of \$100,000. The minimum investment by an investor is \$10,000.00 with increments of \$1,000.00. The Offering period will end not later than three (3) months from the date of this Memorandum. No Certificates will be sold unless subscriptions for the Minimum Offering are received and accepted within two months of the date of this Memorandum. Subscriptions are subject to acceptance by the Trust Fund. See "Suitability"; "Who May Invest".

During the course of the Offering, the subscription payments will be promptly forwarded by the Sales Agent to the Escrow Agent for deposit in the Escrow Account. For a description of the distribution of funds from the Escrow Account, see "Terms of the Offering".

The Certificates will be offered on a "best efforts" basis by the Sales Agent.

DISCLAIMER OF LIABILITY OF TRUSTEE

Reference is hereby made to the Declaration of Trust dated May 20, 2002, a copy of which is attached hereto as Exhibit "A". Other than potential liability under the Securities Act, the Trustee, nor any

shareholder, manager, officer, employee, affiliate or agent of the Trustee may be held to any liability in connection with the Offering or the Certificates, or in connection with the affairs of the Trust Fund, in the absence of willful misconduct or gross negligence. Further, the Trustee will not be liable, in any event, to pay sums of money beyond the corpus of the Trust.

INCOME TAX CONSIDERATIONS

The following discussion summarizes certain material anticipated federal income tax consequences relevant to the acquisition, ownership and disposition of Certificates, but does not purport to address all potential consequences. The summary is for general information only and does not discuss all of the tax consequences that may be relevant to particular investors in light of their personal investment circumstances or holders who receive special treatment under the Internal Revenue Code of 1986, as amended (the "Code"), such as insurance companies, financial institutions, and broker-dealers. In addition, this discussion does not describe any tax consequences arising out of foreign, state or local jurisdictions.

The discussion is based upon current provisions of the Code, applicable regulations promulgated thereunder, judicial authority and administrative rulings and practice. All of the foregoing are subject to change which may be retroactive and could affect the continuing validity of this discussion. There can be no assurance that the Internal Revenue Service (the "IRS") will not take a contrary view, and no ruling from the IRS has been or will be sought.

The Trust Fund has not obtained an independent tax opinion with regard to this Offering. Prospective investors should consult their own tax advisors regarding the federal, foreign, state, local and other tax consequences of purchasing, holding and disposing of the Certificates.

Interest Income to Certificateholders

It is anticipated that the Certificates will be issued at par value and, therefore, no original issue discount will arise with respect to the Certificates. Accordingly, a Certificateholder will be required to report interest on a Certificate as income for federal income tax purposes in accordance with such holder's method of accounting.

Gain or Loss on Disposition of Certificates

In general, the holder of a Certificate will recognize gain or loss on the sale, exchange, redemption or other disposition of a Certificate equal to the difference between the amount realized (except to the extent attributable to the payment of accrued interest) and the adjusted basis in his Certificate. Any gain or loss recognized will generally be a Trust gain or loss if the Certificate is held as a Trust asset and will be long-term gain or loss if the Certificate is held for more than one year.

Information Reporting

The Trust Fund will report interest income to Certificateholders on IRS Form 1099-INT and as otherwise consistent with such treatment.

Backup Withholding

A Certificateholder may be subject to "backup withholding" at the rate of 31% (see IRC§3406(a)) with respect to interest paid on, or the proceeds of a sale, exchange or redemption of, such Certificates, unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable exemption from backup withholding rules. Any amount withheld under these rules will be creditable against the Certificateholder's federal tax liability.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISER WITH RESPECT TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE CERTIFICATES.

LEGAL MATTERS

Legal matters in connection with the validity of the Certificates offered hereby will be passed upon for the Trust Fund by Mary Ann McGinn, Esq., Capital Center, 99 Pine Street, Albany, New York 12207.

TABLE OF CONTENTS OF EXHIBITS

The discussion in this Memorandum of each Exhibit set forth below is qualified in its entirety by reference to such Exhibit.

Exhibit "A"	Declaration of Trust
Exhibit "B"	Subscription Agreement
Exhibit "C"	Purchaser Questionnaire
Exhibit "D"	Monitoring Receivable Financing Agreement
Exhibit "E"	Monitoring Receivable Financing Participation Agreement
Exhibit "F"	Lock Box Agreement

ADDITIONAL INFORMATION

Additional information is available upon request to the Trust Fund. Only additional information provided by the Trust Fund may be relied upon. Prospective investors may request such information from the Sales Agent, McGinn, Smith & Co., Inc., Fifth Floor, 99 Pine Street, Albany, New York 12207.

April 7, 2008

Dear Investor:

As an investor in SAI Trust 00 and SAI 03 you are well aware that you have not received principal and interest payments for February, March and April of 2008. I apologize for the delay in this correspondence, but up until the end of February the Company assured us several times that our payments would be forthcoming immediately. I have no doubt that the Company was sincere, but on February 22nd, the Company was served a notice of default by their Senior lender, Cordell Funding, LLLP ("Lender"), and by the terms of a certain Intercreditor Agreement among Borrower, Lender, and the Subordinated Lenders, of which SAI Trust 00 and SAI 03 are Subordinated Lenders, no payments of principal or interest may be made by the Borrower on the subordinated debt. Thus, until the Company and its senior lenders reach some accommodation we are precluded from receiving any payments. In a conversation that I had on March 27, 2008 with Ray Gross, Chief Executive Officer of SAI, Inc., Mr. Gross informed me that he believed a resolution was likely in the next two weeks. Considering the complexity of the issues, the state of the credit markets, and the preliminary proposals put forth by the Company, I am highly suspect that a resolution will be reached in that time frame.

The following is a brief chronological history of the events leading to the default as explained to me by Mr. Gross in two conversations that I have had with him, February 26, 2008 and March 27, 2008.

In my conversation of February 26, 2008 I expressed to Mr. Gross my frustration and displeasure of having been promised multiple times during the last few weeks that our payment was imminent. I reminded him that I had several emails from his associates making such promises. Mr. Gross apologized, but indicated that while working on their short term cash difficulties, they were "blindsided" by the February 22nd default notice from Cordell Funding LLLP and were now in a position that legally they could not forward any monies until Cordell was in agreement. Mr. Gross stated that Cordell put SAI into default because they noticed that we and Whitecap Advisors, LLC (another subordinated lender with an additional \$60,000,000 in invested equity) were not being paid and they were concerned that we would preempt their payments.

SAI's problems are evidently, but not surprisingly, related to the sub-prime debt crisis presently engulfing all of the financial markets. In August of 2007, SAI purchased some 80,000 alarm accounts from several dealers at a price of approximately \$70 million. The West LB Bank had given SAI a financing commitment, but was unable to honor the commitment when they got into financial difficulty as a result of their substantial investment in Countrywide Credit, the country's largest sub-prime lender. Unfortunately,

the 80,000 accounts had been already transferred to SAI and they felt a moral obligation to service the accounts. The dealers who transferred the accounts and did not receive their money for selling the accounts, did not feel a similar obligation to pay SAI for the servicing, an amount that approximated \$500,000 per month. Since SAI has not been paid since September 2007 and has accrued a receivable of some \$3,500,000 dollars, they in turn were unable to meet their obligations, and thus fell into default.

In my conversation of March 27, 2008 with Mr. Gross, I was informed that Cordell has foreclosed on the stock of SAI held for collateral and has taken control of the Company. SAI has since received \$1,500,000 of the \$3,500,000 that they are owed which has allowed them to continue to operate, but not sufficient to meet their debt service. The Company has plans to sell their wholesale business and concentrate on the retail business with a downsized company. The proceeds from the sale will enable them to get current with their creditors. Mr. Gross anticipated that sale would take approximately 30 days. I am doubtful of that time frame as well. In addition, the Senior creditors, depending on the level of debt reduction from the sale proceeds, will then have to grant permission for the subordinated lenders to be paid.

On, March 7, 2008, we sent our in house attorney, Mr. Joseph Carr, to a Creditors' Committee meeting in New York City. It was more informational than action oriented, and we await further word on any future meetings to be scheduled.

In conclusion, I suspect that the creditors will eventually reach accommodation and the Company will be allowed to operate and meet their debt service. However, we may be asked (or forced) to modify our loan. McGinn, Smith will stay diligently involved and do everything within their legal capability to protect our clients' interest! As events unfold, we will keep you apprised.

Respectfully,

David L. Smith
President
McGinn, Smith & Company, Inc.

MCGINN, SMITH & CO., INC.

FACSIMILE TRANSMITTAL SHEET

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TO:	FROM:
Jay Kaplowitz	David Smith
COMPANY:	DATE:
Gersten, Savage, Kaplowitz, Wolf & Marcus, LLC	5/14/04
FAX NUMBER:	TOTAL NO. OF PAGES INCLUDING COVER:
212-813-9768	20
PHONE#	SENDER'S PHONE NUMBER:
212-750-8686	518-449-5131
	SENDER'S FAX NUMBER:
	518-449-4894

NOTES/COMMENTS

99 PINE STREET, ALBANY, NEW YORK 12207-2776

GERSAV 0013349
Div Ex 473 -1

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM**\$5,840,000****SAI TRUST 00****MAXIMUM OFFERING \$5,840,000 CONTRACT CERTIFICATES****MINIMUM OFFERING \$100,000 CONTRACT CERTIFICATES****SIXTY SIX MONTHS: 12.5%**

SAI TRUST 00 (the "Trust Fund") is hereby offering \$5,840,000 of Junior Contract Certificates, entitled to interest at the rate of 12.5% per annum (the "Certificates"). Principal and interest on the Certificates is payable in monthly installments with interest only commencing February 1, 2001 and principal and interest commencing on January 1, 2006. See "Description of the Certificates and the Trust Agreement".

The Certificates will be issued and registered in the names of the purchasing Certificateholders. Interests in the Certificates will be shown on, and transfers thereof will be effected through, records maintained by the Trustee under the Trust Agreement. See "Description of the Certificates and the Trust Agreement".

Price of Certificates 100%

See "Risk Factors" for a discussion of certain risks that should be considered by prospective purchasers of the Certificates offered hereby.

THESE CERTIFICATES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to the Public	Underwriting Discount	Proceeds to the Trust Fund
	100%	6.0%	94%
Minimum Offering	\$100,000	\$6,000	\$94,000
Maximum Offering	\$5,840,000	\$350,400	\$5,489,600

The date of this Memorandum is December 18, 2000

MCGINN, SMITH & CO., INC.
Capital Center • 99 Pine Street
Albany, New York 12207

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The Offering of Certificates will terminate on February 17, 2001, unless the Minimum Amount of Certificates are sold prior to that date. All subscriptions will be held in an escrow account (the "Escrow Account") at Charter One Bank, FSB (the "Escrow Agent") or such other financial institution as may be selected by the Trust Fund in the event that the Escrow Agent is unable or unwilling to serve. Interest will be earned on funds held in the Escrow Account commencing three days after the funds are deposited until the earlier of the termination of this Offering or the investment of such funds in Certificates. During the period that an investor's funds are held in the Escrow Account, he will not be a Certificateholder of the Trust Fund. An investor's funds will not be held in the Escrow Account more than two months before being invested in the Certificates, with Escrow Agent fees being deducted from escrow interest payable to investors. See "Terms of the Offering".

The Trust Fund will furnish to investors certain reports, financial statements and tax information. See "Description of the Certificates and the Trust Agreement - Reports".

WHO MAY INVEST

The Certificates will generally be offered only to accredited investors as that term is defined under Regulation D promulgated under the Act ("Accredited Investors"). The Sales Agent may, however, offer and sell Certificates to 35 or fewer non-accredited investors. With certain exceptions (primarily with respect to institutional investors) an Accredited Investor is an individual who (i) has a net worth (along and together with the Investor's spouse) in excess of \$1,000,000 or (ii) has had gross income in excess of \$200,000 in each of the past two years or joint income with that person's spouse in excess of \$300,000 in each of those years and reasonably expects gross income at the same level in the current year. Corporations, partnerships and other entities will be considered Accredited Investors if each of its beneficial owners individually qualify as Accredited Investors, or if such entity has total assets in excess of \$5 million. Prospective investors to be admitted as Accredited Investors will be required to represent that they satisfy the requirements of an Accredited Investor. See "Suitability".

The Certificates offered hereby are suitable only for those investors whose business and investment experience makes them capable of evaluating the merits and risks of their prospective investment in the Certificates, who can afford to bear the economic risk of their investment for an indefinite period of time and have no need for liquidity in this investment. Each investor will be required to represent in the Subscription Agreement that he is acquiring the Certificates for his own account as principal for investment, and not with a view to resale or distribution, and that he is aware that (a) his transfer rights are restricted; and (b) that the Certificates have not been registered under the Securities Act of 1933, as amended, and therefore, cannot be resold unless they are so registered or unless exemption from registration is available with respect to such transaction. (See "Suitability".) Since there can be no assurance that the Contracts will generate sufficient income necessary to pay the Certificates, investment in the Certificates is suited for persons who have substantial income from other sources. See "Risk Factors".

The Trust Fund may require prospective investors to complete a questionnaire relating to the suitability on the investment for them, and may make or cause to be made such further inquiry as it deems appropriate. The Trust Fund and Sales Agent will collectively have the sole discretion regarding sale of the Certificates to any prospective investor. The Trust Fund and Sales Agent reserve the right to reject any subscription for any reason and to allocate to any investor a smaller amount of Certificates, or fractions thereof, than that for which he has subscribed. See "Suitability".

SUMMARY OF THE OFFERING

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Memorandum and the exhibits attached to the Memorandum.

The Trust Fund

SAI TRUST 00 (the "Trust Fund") is a common law trust formed under the laws of the State of New York on December 15, 2000. The Trustee of the Trust Fund is McGinn, Smith & Co., Inc., a New York Corporation. The Trustee will have no liability in connection with the Certificates or the affairs of the Trust Fund in the absence of willful misconduct or gross negligence. Although Certificateholders will have recourse to all assets of the Trust Fund, the Portfolio of Contracts acquired with the proceeds of this Offering will be the Trust Fund's only asset. See "Risk Factors", "The Trust Fund" and "Disclaimer of Liability of Trustee."

The sole business activity of the Trust Fund will be to acquire the Junior Tranche of a portfolio of contracts (the "Contracts"), consisting of payment rights in exchange for the provision of electronic security monitoring services for security alarm systems in residential homes ("Residential Monitoring Contracts"). Security monitoring is the process of notifying designated parties (either individuals or public authorities) if an unauthorized entry, fire, medical or other emergency signal from a customer alarm system is received at a central monitoring station.

The Trust Fund will acquire the Junior Tranche of a portfolio of Contracts (the "Portfolio") consisting of Contracts originated by Security Associates International, Inc., an Illinois Corporation, and acquired by SAI Funding Corporation, a Delaware Corporation ("SAI"), in accordance with the terms of a Purchase and Contribution Agreement dated as of December 27, 2000. SAI is herein referred to as the "Security Alarm Dealer".

The Trust Fund will enter into a Monitoring Receivable Financing Participation Agreement (the "Participation Agreement") with the Senior Participant ("Senior Participant") for acquisition of the Portfolio. The Trust Fund will acquire the Junior Tranche and the Senior Participant will acquire the Senior Tranche. The Senior Participant and the Trust Fund are sometimes collectively referred to herein as the "Participants". The Junior Tranche of the Portfolio of Contracts is the monthly scheduled cash flow received from the Portfolio of Contracts as set forth on Exhibit B-1 to the Participation Agreement.

The Trust Fund intends to apply the entire net proceeds of the Offering to the purchase of the Junior Tranche of the Portfolio of Contracts. The Contracts in the Portfolio to be purchased will require the subscriber to make monthly or quarterly payments for a term up to sixty months (the "Mandatory Period"). See "Use of Proceeds", "The Trust Fund" and "Portfolio Acquisition and Monitoring."

As the owner of the Junior Tranche, the Trust Fund will receive a scheduled amount of monthly payments from subscribers for Central Station monitoring services provided to them by the Security Alarm Dealer. See "Portfolio Acquisition and Monitoring". For more detailed information concerning the proposed business activity of the Trust Fund, see "The Trust Fund - Business of the Trust Fund."

Risk Factors

In evaluating this Offering, prospective investors should consider carefully, among others, the following risk factors:

- No assurance that the Certificates will be paid;
- No market for resale of Certificates;
- Illiquid collateral;
- Potential for Contract defaults;
- Potential conflicts of interest in connection with the acquisition of the Junior Tranche of the Portfolio of Contracts by the Trust Fund.
- Junior Tranche is subordinate to the Senior Tranche. See "Risk Factors" and "Conflicts of Interest."

Description of the Certificates and the Trust Agreement

The Certificates will be issued under a Declaration of Trust by McGinn, Smith & Co., Inc., the Trustee. The Certificates will be available for purchase in denominations of \$10,000.00 and increments of \$1,000.00. The Certificates will be registered in the name of the individual Certificateholders. See "Description of the Trust Agreement and the Certificates."

The Certificates will bear interest at a per annum rate of 12.50%. Interest will accrue commencing on the Closing Date for the purchase of such Certificate and will be payable to Certificateholders monthly on the first day of each month commencing February 1, 2001. Principal payments together with interest will commence on January 1, 2006 in accordance with Exhibit B-1 of the "Participation Agreement" set forth in "Exhibit D".

Compensation and Fees

McGinn Smith Capital Holdings Corp., an affiliate of McGinn Smith & Co., the Trustee, will be paid a brokerage fee in connection with the acquisition of the Portfolio by the Trust Fund and the Senior Participant. See "Compensation and Fees" and "Conflicts of Interest."

Uses of Proceeds

The net proceeds from the Offering of the Certificates will be used to purchase the Junior Tranche of the Portfolio of Contracts. See "Use of Proceeds" and "Portfolio Acquisition and Monitoring".

Income Tax Considerations

The Certificates will be treated as indebtedness of the Trust Fund for federal income tax purposes. Each Certificateholder will generally be required to report interest income on a Certificate in accordance with such Certificateholder's method of accounting. Each prospective investor should consult with his or her own tax advisor with respect to the tax consequences of the acquisition, ownership and disposition of the Certificates.

RISK FACTORS

In evaluating this Offering, prospective investors should consider carefully all of the information contained in this Memorandum and, in particular, the factors discussed below. The following summary is not intended to state in full or replace portions of this Memorandum that discuss these factors and others in greater depth. Although the risk factors are intended to be presented in order of their materiality to investors, such order may not be indicative of their relative importance to any particular investor.

Limitation of Transfer of Certificates

The Certificates may not be offered for resale to any person without the consent of the Trust Fund. Prior to this offering, there has been no market for the Certificates of the Trust Fund. Each investor will be required to represent that his purchase of the Certificates will be for investment only and not with a view towards the resale or distribution thereof. A Certificateholder will not have any right to sell, transfer, exchange or otherwise dispose of his Certificates, or to cause a security interest to be created therein, unless the Trust Fund has received evidence satisfactory to it that such disposition or creation of a security interest is not in violation of federal or state securities laws. The Certificates have not been registered or qualified under the Securities Act of 1933 or applicable state securities laws and may not be sold or transferred without such registration or qualification or an exemption therefrom.

Limited Liquidity of Collateral

In the event of a default under the Certificates which necessitates a liquidation of the Portfolio of Contracts, the ability of the Trustee to sell the Collateral may be restricted since it is anticipated that there will be a limited market for the Contracts. In that event, the Trustee may have to wait for the Contracts to mature.

Potential for Contract Defaults

Defaults by subscribers under Contracts may result in reduced scheduled cash flow to the Trust Fund. Defaults may occur for a variety of reasons, including relocation of subscribers, dissatisfaction with service, defaults by monitoring companies, and changes in economic conditions. An attrition reserve account (the "Attrition Reserve Account") will be established in the amount of \$500,000 to help insure that the Security Alarm Dealer complies with its obligations (the "Monitoring Recourse Obligation") to repurchase or substitute a performing Contract of equal value for a non-performing Contract. Also, the Security Alarm Dealer will represent that each Contract will legally obligate the subscriber to pay for monitoring services for the Mandatory Period. Nevertheless, should the level of Contract defaults exceed that anticipated, the ability of the Trust Fund to pay the Certificates will be adversely affected. See "Portfolio Acquisition and Monitoring."

No Assurance as to Financial Worthiness or Capabilities of the Security Alarm Dealer

The Trust Fund will use the entire proceeds of this Offering to purchase the Junior Tranche of the Portfolio of Contracts which require subscribers to pay fees for a Mandatory Period in exchange for monitoring services. In the event that the Security Alarm Dealer does not meet its obligations under the Contracts, it is likely that the affected subscribers will cancel the Contracts and refuse to pay, either in whole or in part, the fees due and owing thereunder. Furthermore, because the Monitoring Recourse Obligation to repurchase or replace non-performing Contracts depends on the financial capability of the Security Alarm Dealer, the ability of the Trust Fund to pay the principal of and interest on the Certificates can be adversely affected by the failure or weakened financial position of the Security Alarm Dealer.

No Independent Counsel to Investors

No independent counsel has been retained to represent the interests of the Certificateholders. Each investor is therefore urged to consult with his own counsel regarding the terms and provisions of the Certificates and all other documents relating to this offering.

Lack of Financial Statements

This Memorandum does not include financial statements for the Trust Fund. The Trust Fund is newly formed for the limited purpose of acquiring the Junior Tranche of the Portfolio of Contracts.

Mandatory Term of the Residential Monitoring Contracts May Be Less Than Term of Monthly Scheduled Cash Flow

The Residential Monitoring Contracts in the Portfolio to be acquired from the Security Alarm Dealer with the proceeds of the Certificates may not be terminated by the subscriber for a Mandatory Period from twelve months up to sixty months. The Trust Fund is acquiring the Junior Tranche of the Portfolio of Contracts which is the monthly scheduled cash flow received from the Portfolio of Contracts over a period of sixty-six months. Although the Contracts automatically renew unless canceled by the subscriber in writing, some of the subscribers may elect to cancel their Contracts, thereby affecting the monthly amount of Cash Flow received from the Portfolio of Contracts. Nevertheless, the Security Alarm Dealer has an obligation to repurchase or substitute a performing Contract of equal value for a non-performing or canceled Contract (the "Monitoring Recourse Obligation").

No Tax Opinion

The Trust Fund has not obtained an independent tax opinion with regard to this offering of Certificates. Each potential investor is encouraged to seek his own tax advisor with respect to his personal tax situation and the tax consequences of the acquisition, ownership and disposition of the Certificates.

Junior Tranche is Subordinate to the Senior Tranche

The Trust Fund will acquire the Junior Tranche of the Portfolio of Contracts which is the monthly scheduled cash flow received from the Portfolio of Contracts as set forth on Exhibit B-1 to the Participation Agreement. The Certificateholders will not receive any principal payments on their Certificates until the Senior Participant has received its entire principal and interest payments as set forth on Exhibit B to the Participation Agreement.

Conflicts of Interest

The Trust Fund will purchase the Junior Tranche of the Portfolio of Contracts through McGinn Smith Capital Holdings Corp., an affiliate of McGinn, Smith & Co., Inc. McGinn Smith Capital Holdings Corp. will receive a broker's fee in connection with such transaction. The close relationship between the Trust Fund, McGinn Smith Capital Holdings Corp. and McGinn, Smith & Co., Inc. may affect the price paid for the Portfolio of Contracts. Although there is no specified formula for determining the purchase price, and Certificateholders will not have a voice in the amount paid by the Trust Fund, the Trustee will purchase the Portfolio of Contracts only when McGinn Smith Capital Holdings Corp. represents to the Trustee, that the price of such Portfolio will allow the Trust Fund to pay its operating expenses and discharge its obligations with respect to the Certificates. In addition, the Trustee's liability is limited. See Section entitled "Disclaimer of Liability of Trustee". McGinn, Smith & Co., Inc. will receive an Underwriting Discount equal to six percent (6%) of the gross proceeds of the Offering.

USE OF PROCEEDS

The net proceeds to the Trust Fund from the sale of the Certificates offered hereby, after deducting the Underwriting Discount, will be approximately \$5,489,600 (94% of gross proceeds) if the Maximum Offering for the Certificates is achieved. The Trust Fund intends to use all of the net proceeds of the Offering to purchase the Junior Tranche of the Portfolio of Contracts.

The net proceeds to the Trust Fund from the sale of the Certificates offered hereby, after deducting the Underwriting Discount, will be approximately \$94,000 (94% of gross proceeds) if the Minimum Offering for the Certificates is achieved. The Trust Fund intends to use all of the net proceeds of the Offering to purchase a proportionate interest in the Junior Tranche of the Portfolio of Contracts.

The Residential Monitoring Contracts comprising the Portfolio of Contracts are to be acquired from SAI Funding Corp.

THE TRUST FUND

The Trust Fund is a common law trust formed under the laws of the State of New York on December 15, 2000. The principal executive office of the Trust Fund is located at c/o McGinn, Smith & Co., Inc., Trustee, Capital Center, 99 Pine Street, Albany, New York 12207, and its telephone number is 518-449-5131. McGinn, Smith & Co., Inc. is the Trustee of the Trust Fund. The owners of all issued and outstanding common stock of the Trustee are Timothy M. McGinn (50%) and David L. Smith (50%). McGinn, Smith & Co., Inc. is also the Sales Agent for the offering. McGinn Smith Capital Holdings Corp. will receive a broker's fee in connection with the purchase of Portfolio Contracts by the Trust Fund. McGinn Smith Capital Holdings Corp. is an affiliate of the Sales Agent.

Business of the Trust Fund

The Trust Fund has been formed solely for the acquisition of the Junior Tranche of the Portfolio of Contracts to be acquired. Subsequent to the Closing Date, the Trust Fund will utilize the net proceeds from the Offering to acquire the Junior Tranche of the Portfolio.

Each Contract in the Portfolio to be acquired will include the obligation of the Security Alarm Dealer to provide central station monitoring services for the subscriber in consideration for the subscriber's payment of a monthly or quarterly monitoring fee. The Trust Fund does not intend to acquire equity interests in monitoring companies or other security alarm monitoring or installation firms; rather, a scheduled amount of cash flow from the Contracts entered into or originated by the Security Alarm

Dealer will be acquired by the Trust Fund through McGinn Smith Capital Holdings Corp.. The Security Alarm Dealer will perform the monitoring and other services required under the Contracts.

The Security Alarm Industry

The security alarm industry involves (i) manufacturers of alarm system components, (ii) wholesalers who distribute such components, (iii) parties that sell or lease, install and maintain security alarm systems, and (iv) parties that monitor security alarm signals. Sales, leasing, installation, maintenance and monitoring overlap significantly. Within each geographic market, many companies sell or lease, install, maintain and monitor systems. Larger local and regional full service firms and national companies with branch offices, as well as numerous regional and local security companies, also may be present in each geographic market.

Monitoring Companies in the security alarm industry typically sell or lease, maintain, monitor and service alarm equipment (directly through their own facilities or indirectly through a contractual relationship with a third party) installed with their subscribers. Generally, the monitoring company and the subscriber enter into a monitoring agreement with respect to the security alarm system when the equipment is installed. The typical monitoring agreement provides that the monitoring company will monitor the system 24 hours per day for a specified fee, payable monthly or quarterly in advance. The monitoring agreement, either a contract or a lease, will typically require the subscriber to pay for monitoring and other services over a specified mandatory period of months, usually 24 to 60 months, at a specified cost per month, usually between \$20.00-\$60.00 per month. Such agreements may also provide that title to the monitoring system equipment during the Mandatory Period remains with the monitoring company.

The Contracts in the Portfolio to be acquired from the Security Alarm Dealer with the proceeds of the Certificates will not be terminable by the subscriber for a specified Mandatory Period of up to sixty months from the date of system installation. The Contracts will automatically renew for one year periods unless canceled by the subscriber upon thirty days prior written notice to the Security Alarm Dealer. Accordingly, the Contracts may continue in effect after the end of the Mandatory Period, subject to the subscriber's right to terminate, and the Trust Fund will purchase the right to receive payments under the Contracts for sixty-six months. At the end of sixty-six months, if the Security Alarm Dealer has complied with all of its obligations under the agreement pursuant to which the Trust Fund intends to acquire the Contracts (the "Monitoring Receivable Financing Agreement"), the Contracts are returned to the Security Alarm Dealer.

The Contracts may provide that the Monitoring Company is not responsible for interruption of monitoring services due to conditions or circumstances beyond its control, and may include a limitation of liability provision which specifies that the Monitoring Company is not to be considered an insurer of the system and that the system or service supplied will not avert or prevent occurrences or the consequences thereof from which the system or service is designed to detect. These clauses typically specify that the Monitoring Company's liability is limited to an amount equal to a percentage of the annual service charge or a fixed dollar amount, whichever is greater, in the event of a failure of the system or service. However, there can be no assurance that such clauses will be given full force and effect by a court of law.

Security Alarm Competition

The security alarm business is highly competitive and includes large national and regional companies, as well as small local dealers/installers. Competition is based on the cost of providing a given service and the quality of the service. During recent years, consolidation has occurred in the industry, partially as a result of companies realizing that monitoring costs are relatively fixed and profits can be increased directly by increasing the number of Contracts monitored. It is anticipated that this industry consolidation will continue. These competitors include national companies which are currently or may become vertically integrated to the point of generating their own Contracts by selling the installation of security alarm systems.

PORTFOLIO ACQUISITION AND MONITORING

Acquisition of Portfolio

The Trust Fund intends to apply the net proceeds of the Offering, \$5,489,600, to the purchase of the Junior Tranche of the Portfolio of Contracts. The Trust Fund and the Senior Participant will acquire a percentage of the Monitoring Revenue Payment (the "Scheduled Amount") generated from the Monitoring Contracts to be acquired from SAI Funding Corp. The Monitoring Contracts from SAI Funding Corp. comprise the "Portfolio". McGinn Smith Capital Holdings Corp., an affiliate of the sales agent, will receive a broker's fee in connection with the Trust Fund's purchase of the Portfolio. The Portfolio will be acquired upon the terms and conditions set forth in the Monitoring Receivable Financing Agreement, subject to payment of the McGinn Smith Capital Holdings Corp. broker's fee.

The Portfolio will include Contracts that meet the acquisition criteria specified in the Monitoring Receivable Financing Agreement discussed below. See the form of "Monitoring Receivable Financing Agreement". These criteria include certain credit standards for subscribers, and standards governing the terms and conditions of Contracts to be purchased. The Security Alarm Dealer is required to make appropriate representations that the Contracts conform to the requirements set forth in the Monitoring Receivable Financing Agreement. See "Monitoring Receivable Financing Agreement," below.

Monitoring Receivable Financing Agreement

McGinn Smith Capital Holdings Corp. will enter into an agreement (the "Monitoring Receivable Financing Agreement") with the Security Alarm Dealer, which specifies the terms and conditions under which the Contracts will be acquired from the Security Alarm Dealer.

In the Monitoring Receivable Financing Agreement, the Security Alarm Dealer covenants, represents, and/or warrants to McGinn Smith Capital Holdings Corp., its successors and assigns, among other things, that: (a) all Contracts will be valid mandatory deferred payment obligations covering the monitoring services to be provided to the subscriber; (b) the Security Alarm Dealer has a legal right to sell, assign and transfer; (c) the Contracts are not subject to any disputes, offsets or counterclaims; (d) the subscriber is neither delinquent in payment nor in default under the Contract at the time of the financing; (e) the Security Alarm Dealer has performed, except for future obligations, all of its obligations to the subscriber; (f) the information contained in the Contract is true in all respects; (g) McGinn Smith Capital Holdings Corp., its successors and assigns will have absolute right to the Scheduled Amounts of the Monitoring Revenue Payment generated from the Contracts, and the Contracts are not subject to any prior assignments or security interests; (h) the Contracts and the underlying transaction giving rise to the Contracts do not violate any law, rule or regulation; and (i) the Security Alarm Dealer and the subscriber will not modify the Contract. McGinn Smith Capital Holdings Corp., its successors and assigns, must approve the form of each Contract and the terms and conditions thereof.

McGinn Smith Capital Holdings Corp. will assign all of its right, title and interest in and to the Monitoring Receivable Financing Agreement to the Trust Fund and Senior Participant.

McGinn Smith Capital Holdings Corp., its successors and assigns, do not assume any obligations or liabilities of the Security Alarm Dealer in connection with the Contracts, including any monitoring duties and responsibilities. The Security Alarm Dealer will indemnify and hold McGinn Smith Capital Holdings Corp., its successors and assigns, harmless from and against any claim, suit, loss, liability or expense incurred by McGinn Smith Capital Holdings Corp., its successors and assigns, in connection with the Contracts.

The Security Alarm Dealer will direct the subscribers under the Contracts to remit all payments to a pre-designated remittance call box servicer. Preferred Data, Inc., a New York Corporation, ("Preferred") will act as such a servicer. The Security Alarm Dealer will also agree not to accept any payment made by a subscriber and to refer all such payments to Preferred. The Security Alarm Dealer will be required to prudently and effectively pursue the collection of all delinquent payments due to the Participants immediately upon receipt of appropriate payment advice reports from Preferred. The Security Alarm Dealer will provide the Participants with monthly status reports on all purchased Contracts, reflecting

current payment status, delinquency and unpaid balances due and owing. See the "Lock Box Agreement" below.

Under the Monitoring Receivable Financing Agreement, McGinn Smith Capital Holdings Corp., its successors or assigns, may require the Security Alarm Dealer to repurchase a Contract, or substitute a performing Contract in place of a non-performing Contract, upon the occurrence of (a) a subscriber's failure to make two (2) consecutive monthly monitoring service payments; (b) the failure of the Security Alarm Dealer to perform any of its obligations under the Monitoring Receivable Financing Agreement or a Contract; or (c) the breach of any warranty or representation by the Security Alarm Dealer under the Monitoring Receivable Financing Agreement or a Contract (such repurchase or substitution obligation being referred to herein as the "Monitoring Recourse Obligation").

An Attrition Reserve Account will be established for the Portfolio of Contracts. The Attrition Reserve Account will be established by withholding \$500,000 of the purchase price paid by the Senior Participant and the Trust Fund for the Portfolio. The Attrition Reserve Account will at all times be the property of the Participants, and will be held by Senior Participant for the benefit of the Participants to assure performance by the Security Alarm Dealer of its obligations under the Monitoring Receivable Financing Agreement, including the Monitoring Recourse Obligation. The Attrition Account will remain in place until such time as the Senior Participant has received its share of the Scheduled Amounts of the Monitoring Revenue Payment from the Portfolio and the Trust Fund has received its share of the Scheduled Amounts of the Monitoring Revenue Payment from the Portfolio. Any balance remaining in the Attrition Reserve Account at that time shall be transferred to the Security Alarm Dealer. (See "Monitoring Receivable Financing Participation Agreement" below.) Withdrawals from the Attrition Reserve Account may be made by the Senior Participant if the total amount remitted to the Participants by Preferred for the month is less than the Scheduled Amount due to the Trust Fund and the Senior Participant pursuant to Exhibit A-1 of the Monitoring Receivable Financing Agreement with the Security Alarm Dealer.

The Security Alarm Dealer may elect to utilize the services of an independent, third party Central Station to perform the monitoring services due to Subscribers under the Contracts. The Trust Fund and the Senior Participant shall be a third party beneficiary to any monitoring service contract executed between the Security Alarm Dealer and any independent Central Station. The Security Alarm Dealer and/or the Central Station will agree to perform all monitoring services under the Contracts in accordance with generally accepted industry practices, and the Security Alarm Dealer or the Central Station shall, in all respects, service, bill, perform collection efforts and enforce the Participants' contractual right to receive the Scheduled Amounts of the Monitoring Revenue Stream associated with each Contract.

In the event the Security Alarm Dealer or the Central Station are unable to perform their monitoring duties and responsibilities to the Subscribers (collectively) or to the Participants, as the alarm monitoring service of the Subscribers (collectively) security systems under the Contracts, they will immediately notify the Participants of such fact and will promptly arrange for the orderly transfer of monitoring services to a third party alarm monitoring service company selected in the sole discretion of the Trust Fund and the Senior Participant. The Participants shall have the right to unilaterally demand and effect the immediate transfer of monitoring services on Contracts from the Security Alarm Dealer or the Central Station to a third party monitoring service company, with the complete cooperation of the Security Alarm Dealer and/or the Central Station, upon the happening of any of the following events:

- A) The filing of a petition of bankruptcy protection with respect to any business of the Security Alarm Dealer or the Central Station, either voluntary or involuntary;
- B) The Security Alarm Dealer or the Central Station, or any of their principal officers being found guilty of any felony or upon the finding of liability in any criminal or civil action involving impropriety in business dealings or operations which, in either case materially affects the operation of the Security Alarm Dealer or the Central Station, or the performance of the Contracts;

C) The abandonment of monitoring service operations by the Security Alarm Dealer or the Central Station.

D) The occurrence of a material default under the Monitoring Receivable Financing Agreement, which results in the inability of the Security Alarm Dealer or the Central Station to substantially perform under the Monitoring Receivable Financing Agreement, or any Central Station agreement, or the failure of the Security Alarm Dealer to, or inability to perform under the recourse (repurchase or replacement) provisions of the Monitoring Receivable Financing Agreement.

The Security Alarm Dealer is also obligated to maintain comprehensive general liability insurance, including errors and omissions on monitoring operations, in the minimum amount of \$1,000,000 covering bodily injury and property damage resulting from the performance of monitoring operations under the Contracts. In the event of a sale or transfer of a controlling interest in the Security Alarm Dealer, the Security Alarm Dealer and its present shareholders must guarantee that the Security Alarm Dealer's obligations under the Monitoring Receivable Financing Agreement shall not be impaired or disrupted by such sale or transfer and that the Monitoring Receivable Financing Agreement shall continue in effect and be accepted by the purchaser or transferee of such controlling interest.

The Security Alarm Dealer irrevocably and unconditionally will guarantee to the Participants the full and timely payment of all sums constituting the Scheduled Amounts of the Monitoring Revenue Payments which are due and owing under the Contracts in the Portfolio. In addition, the Security Alarm Dealer has agreed to tender to the Trust Fund additional Contracts so as to maintain a ratio of 1.40/1 of available monthly cash flow as set forth on Exhibit A-2 to the Monitoring Receivable Financing Agreement. Contract additions will be calculated quarterly in arrears and the contracts tendered shall have an average monthly recurring revenue of not less than the average monthly revenue for the initial Portfolio.

Monitoring Receivable Financing Participation Agreement

The Trust Fund, the Senior Participant and McGinn Smith Capital Holdings Corp. will enter into a Monitoring Receivable Financing Participation Agreement (the "Participation Agreement") which will outline the respective rights of the Trust Fund, as the "Junior Participant", and the Senior Participant in connection with the acquisition of the Portfolio of Contracts.

McGinn Smith Capital Holdings Corp., as the Portfolio Financial Manager, will covenant that it has inspected all Contracts in the Portfolio and reviewed them for creditworthiness pursuant to the credit standards and procedures set forth in the Monitoring Receivable Financing Agreement discussed above. In addition, McGinn Smith Capital Holdings Corp., as the Portfolio Financial Manager, will perform a due diligence review of the Security Alarm Dealer so as to insure its capabilities of performing in accordance with the terms of the Monitoring Receivable Financing Agreement.

All Contracts in the Portfolio shall be held by the Senior Participant for the benefit of the Participants, accompanied by the original Contract Obligation Instrument and all other original documents executed by the Subscriber.

The Participation Agreement provides that the Senior Participant will be provided a yield on the Portfolio of Contracts of 10.50% and the Junior Certificateholders will be provided with a yield of 12.50%. The Senior Participant will fund \$19,000,000 for the Senior Tranche of the Portfolio of Contracts and the Junior Participant will fund \$5,489,600 for the Junior Tranche of the Portfolio of Contracts, if the Maximum Offering is achieved. If the Minimum Offering is achieved, the Junior Participant will fund \$94,000 for a proportionate interest in the Junior Tranche of the Portfolio of Contracts.

The Senior Participant and the Junior Participant will be entitled to their respective monthly scheduled cash flow ("Scheduled Cash Flow") received from the Portfolio of Contracts as set forth respectively on Exhibits B and B-1 to the Participation Agreement.

The Participation Agreement provides that the Senior Participant and the Junior Participant will receive the Scheduled Amounts due from the Portfolio of Contracts each month. Out of that amount, the Senior Participant shall be entitled to the Scheduled Cash Flow as set forth on Exhibit "B" to the Participation Agreement on the 1st day of each month commencing February 1, 2001. After the Senior Participant receives its monthly Scheduled Cash Flow for the month, the Senior Participant shall then remit to the Trust Fund an amount equal to the monthly Junior Payment set forth on Exhibit B-1 to the Participation Agreement ("Junior Payment"). In the event the collected payments from the Portfolio of Contracts for any month are less than the Scheduled Cash Flow due the Senior Participant or the Junior Participant for that month, the Senior Participant will make withdrawals from the Attrition Reserve Account discussed above. In the event there are insufficient funds in the Attrition Reserve Account, any remaining shortfall for that month will be paid out of the first payments received in the following month. Any Scheduled Amounts not received by the Participants in the month when due shall bear interest at the rate of 21.5% per annum until paid. Thereafter, the Scheduled Amount due the Participants for that month shall be paid from the balance of the Contract payments received that month from Preferred. Thereafter, funds remaining shall be deposited into the Attrition Reserve Account to the extent necessary to restore the Attrition Reserve Account to its initial balance; any funds remaining shall be paid to the Security Alarm Dealer.

Upon receipt by the Senior Participant of all Scheduled Cash Flow to which it is entitled, all of the Senior Participant's right, title and interest in the Portfolio of Contracts shall terminate and the Contracts shall be transferred by the Senior Participant to the Junior Participant without recourse and without warranty. At the same time, the Senior Participant shall also transfer to the Junior Participant its right, title and interest to all funds held in the Attrition Reserve Account and the Portfolio Depository Account discussed below. See "The Collection Process" below.

The Collection Process

The Participants, the Security Alarm Dealer and Preferred intend to enter into a remittance processing agreement (the "Lock Box Agreement") pursuant to which payments made under the Contracts by subscribers are forwarded to Preferred. Prior to the purchase of Contracts by the Participants, Preferred will open a call box at a U.S. Postal Service General Mail Facility, which will serve as a receptacle for the receipt of payments from Contract subscribers. During each business day the contents of the call box will be picked up by Preferred. All payments will be sorted and subsequently deposited, on a daily basis, into an account established by and in the name of the Trust Fund (the "Portfolio Depository Account") at KeyBank, National Association. The Security Alarm Dealer will have no right, title or interest in, or any right to withdraw any amounts held in the Portfolio Depository Account. The Security Alarm Dealer will be responsible for any fees charged or imposed by Preferred.

Out of the funds held in the Portfolio Depository Account, the Senior Participant will withdraw an amount equal to the Scheduled Cash Flow the Senior Participant is entitled to pursuant to Exhibit B to the Participation Agreement. Thereafter, the Senior Participant will transfer an amount equal to the Junior Payment on a monthly basis from the Portfolio Depository Account into an account in the name of the Trust Fund at KeyBank, National Association (the "Operations Account"). Out of the funds held in the Operations Account, the Trust Fund will pay the Junior Participant the Scheduled Cash Flow the Junior Participant is entitled to pursuant to Exhibit B-1 to the Participation Agreement.

The Attrition Reserve Account will also be established. As discussed elsewhere in this Memorandum, the Attrition Reserve Account will be held by the Senior Participant for the benefit of the Senior Participant and the Trust Fund.

DESCRIPTION OF TRUST AGREEMENT AND THE CERTIFICATES

On December 15, 2000, David L. Smith, as President of McGinn, Smith & Co., Inc., ("McGinn, Smith") executed the Declaration of Trust ("Declaration") of SAI Trust 00 ("Trust"), declaring that McGinn, Smith was the Trustee of the Trust, establishing the Trust for the benefit of Certificateholders, and defining its purpose.

The Trust is intended to be a common law trust under the laws of the State of New York, with its principal office at Capital Center, 99 Pine Street, Albany, New York 12207, which is the office of McGinn, Smith. The initial capital of the Trust was established at \$100.00, and the purpose of the Trust is to acquire, pursuant to the terms of the Participation Agreement, and subject to the terms of the Monitoring Receivable Financing Agreement, the right to receive the Senior and Junior Tranche of the Scheduled Amounts of cash flow generated from the Portfolio of Contracts. Under the Declaration, the Trustee acquires virtually complete discretion in the operation of the Trust, so long as that discretion is exercised within the purpose of the Trust. The Declaration limits the liability of the Trustee in two ways. The Trustee will not be liable in the absence of willful misconduct or gross negligence. Further, the Trustee will not be liable, in any event, to pay sums of money beyond the corpus of the Trust. The Trustee is entitled to indemnification from the funds of the Trust (except in the case of willful misconduct or gross negligence) and to reimbursement for the reasonable and necessary fees and expenses incurred in the administration of the Trust. The Trustee is entitled to indemnification and reimbursement from the corpus of the Trust before payments are made to Certificateholders.

The Declaration specifically provides that the Certificateholder shall not have any legal or equitable title to the Trust Estate, that no Certificateholder shall have a voice in the management or control of the property or affairs of the Trust, that the Trustee has no authority to require additional capital contributions from any Certificateholder, and that the Trustee is precluded from taking any action to make Certificateholders liable for the debts or obligations of the Trust.

Certificates

The Certificates will be issued under the Declaration, a copy of which is included as an exhibit to this Memorandum. The rights of the Certificateholders and the obligations of the Trustee as they relate to the Certificates will be governed by the Declaration. Reference should be made to the Declaration for its complete terms. The statements contained in this Memorandum concerning the Declaration are merely a summary thereof, do not purport to be complete, and do not modify or amend the Declaration.

Subject to the conditions set forth in this Memorandum, Certificates in the maximum amount of \$5,840,000 will be offered by the Trust Fund. The Certificates will be retired in sixty-six (66) months from the date of issuance. The Certificates will bear interest on the outstanding principal at a per annum rate of 12.50%. Interest on the Certificates will be paid in monthly installments on the first day of each month commencing February 1, 2001. Principal and interest on the Certificates will be paid commencing on the first day of January, 2006 to and including July 1, 2006, in accordance with the Scheduled Cash Flow set forth on Exhibit B-1 to the Participation Agreement.

The Certificates will be issued and registered in the name of the purchasing Certificateholder(s). Interest on the Certificates will be shown on, and transfers thereof will be effected through, records maintained by the Trustee.

Payments

Payments on the Certificates will be made out of the Scheduled Amount of the Monitoring Revenue Payments from the Portfolio of Contracts received by the Trust Fund each month.

Prepayments

The Certificates are not subject to a mandatory prepayment or redemption provision.

Registration

Each Certificate will be registered in the name of the purchaser thereof.

Limited Transferability of the Certificates

The Certificates are not freely transferable, and there is no secondary market for the Certificates and none is expected to develop. The Certificates should not be treated by Certificateholders as securities.

The Certificates have not been registered under the Securities Act of 1933. They may not be offered for resale in the absence of an opinion of counsel, satisfactory to the Trust Fund, that registration is not required.

Reports

Not later than January 31 of each year, the Trust Fund will furnish to the Certificateholders statements of interest income on IRS Form 1099-INT and such tax information as shall be necessary in the preparation of such person's Federal income tax return.

CONFLICTS OF INTEREST

Timothy M. McGinn and David L. Smith collectively own 100% of the issued and outstanding common shares of McGinn, Smith & Co., Inc. McGinn, Smith & Co., Inc. is acting as the Sales Agent for this Offering and will receive an Underwriting Discount equal to six percent (6%) of the gross proceeds of this Offering. The Underwriting Discount was not negotiated at arms length. In addition, McGinn Smith Capital Holdings Corp., an affiliate of McGinn, Smith & Co., Inc., will receive a broker's fee in connection with the purchase of the Portfolio by the Participants.

McGinn, Smith & Co., Inc. may experience a conflict of interest in performing its obligation to exercise due diligence with respect to the statements made in this Memorandum and, therefore, its due diligence review cannot be considered independent. A qualified independent underwriter has not been retained by the Trust Fund in connection with this offering. However, McGinn, Smith & Co., Inc. believes that such due diligence has, in fact, been exercised.

As discussed above, McGinn Smith Capital Holdings Corp. will receive a broker's fee in connection with the purchase of the Portfolio by the Participants. In addition, McGinn Smith Capital Holdings Corp. will pay the Trustee's expenses as set forth in the section entitled "Compensation and Fees". Due to the close relationship between these parties, the purchase price paid by the Trust Fund could be affected by the interests of McGinn Smith Capital Holdings Corp. in its contract brokerage fee.

There has been no independent counsel retained to represent the interests of the Certificateholders. Certain legal matters in connection with the validity of the Certificates will be passed upon by Mary Ann McGinn, Esq. Mary Ann McGinn, is Vice President and General Counsel of McGinn, Smith & Co., Inc. and is the wife of Timothy M. McGinn.

THE TRUSTEE

The names and positions of the directors and executive officers of the Trustee are as follows:

<u>Name</u>	<u>Position</u>
Timothy M. McGinn	Chairman of the Board and Director
David L. Smith	President and Director

The officers and directors of the Trustee will devote such time and effort to the business of the Trust Fund as they may deem necessary and will actively be engaged in other business ventures.

The principal business occupations of the officers and directors during the past five (5) years are as follows:

Timothy M. McGinn, age 52, is the Chairman of the Board and Secretary of McGinn, Smith & Co., Inc. He has served as Chairman of the Board since the inception of this firm in 1980. Prior to founding McGinn, Smith & Co., Inc. he was with Paine, Webber, Jackson & Curtis. He has served on a number of corporate and charitable boards of directors and holds a bachelor's degree in Mechanical Engineering from Rochester Institute of Technology.

David L. Smith, age 55, is the President of McGinn, Smith & Co., Inc. and a member of the Board of Directors. He has served in this capacity since 1980. Prior to founding McGinn, Smith & Co., Inc. he was with Paine Webber, Jackson & Curtis. Mr. Smith has served on a number of charitable and corporate boards of directors and holds a bachelor's degree from Hamilton College.

COMPENSATION AND FEES

The Trustee of the Trust Fund will serve without fee but will be reimbursed for expenses incurred by the Trustee in connection with the Trust Fund by McGinn Smith Capital Holdings Corp.. Furthermore, McGinn Smith Capital Holdings Corp., an affiliate of the Trustee, will receive a broker's fee in connection with the acquisition of the Portfolio by the Trust Fund.

SUITABILITY

Certificates will be sold only to investors who make a minimum purchase of \$10,000.00.

As described elsewhere in this Memorandum, the Certificates will generally be sold only to Accredited Investors as defined in Rule 501 of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended; provided, however, that at the discretion of the Sales Agent and the Company, Certificates may be sold to up to 35 non-accredited investors. Included in the definition of "Accredited Investor", as defined in Rule 501, are the following:

(a) any natural person whose individual net worth (including personal residences, furnishings and automobiles), or joint net worth with that person's spouse, at the time of purchase exceeds \$1,000,000;

(b) any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and who reasonably expects gross income at the same level in the current year; and

(c) any entity in which all of the equity owners are Accredited Investors or which has total assets in excess of \$5,000,000.

Each investor accepted as an Accredited Investor will be required to represent that he satisfies the requirements of an Accredited Investor under Rule 501.

Among other things, each investor will be required to acknowledge and represent in the Subscription Agreement that: (i) he is purchasing the Certificates for his own account for investment and not with a view to the sale or distribution thereof; (ii) he is aware that the Certificates have not been registered for sale under the Securities Act of 1933 as amended, and that he will not transfer his Certificates in the absence of an opinion of counsel satisfactory to the Trust Fund that the Certificates have been registered or that registration is not required under the Securities Act of 1933, as then in effect, and under applicable state securities laws, if any; (iii) he understands that this investment involves a high degree of risk; (iv) he has adequate means of providing for his current needs and foreseeable personal contingencies, has no need for liquidity in this investment; (v) all books, records and documents pertaining to this investment have been made available to him; and (vi) his overall commitment to investments which are not readily

marketable is not disproportionate to his net worth and his purchase of Certificates will not cause such overall commitment to become excessive.

The Sales Agent and Trust Fund reserve the right to reject any subscription in its entirety for any reason or to allocate to any investor Certificates in an aggregate principal amount less than that for which he has subscribed. In the event a subscription is rejected, the investor's subscription check for his Certificates (or the amount thereof) will be returned, and in the event of a partial rejection, a pro rata amount of his subscription check for his Certificates will be refunded.

Prospective investors may be required to complete an Investor Representation Letter relating to the suitability of the investment for them, and the Trust Fund may make or cause to be made such further inquiry as the Trust Fund deems appropriate.

Any prospective investor will be afforded the opportunity to obtain from the Trust Fund prior to the consummation of the transaction contemplated herein any additional information he may request necessary to verify the accuracy of the contents of this Memorandum and which the Trust Fund possesses or can acquire without unreasonable effort or expense and to confer with, ask questions of, and receive answers from the Trust Fund or persons authorized to act on its behalf, concerning the terms and conditions of the transaction, this memorandum and any additional information which has been requested and supplied to a prospective investor or his purchaser representative.

The purchase of Certificates may be suitable for individuals seeking an investment intended to provide income. An investment in Certificates may also be appropriate for corporations and trusts seeking investments which are structured to provide income. Nevertheless, this investment involves a number of significant risks, including no assurance that the Certificates will be paid and illiquidity. See "Risk Factors." Accordingly, the suitability of a purchase of Certificates for any particular investor will depend upon, among other things, such investor's investment objectives and such investor's ability and willingness to accept the risks of an investment in the Certificates.

The Sales Agent Agreement between the Trust Fund and the Sales Agent requires the Sales Agent to make diligent inquiries as required by law of all prospective purchasers in order to ascertain whether a purchase of Certificates is suitable for such person and to transmit promptly to the Trust Fund all fully completed Subscription Agreements. By tendering payment for a Certificate and by acceptance of the confirmation of purchase, an investor represents that he or it satisfies any applicable suitability standards. See "Plan of Distribution."

TERMS OF THE OFFERING

Subject to the conditions set forth in this Memorandum, Certificates in the maximum amount of \$5,840,000 (the "Maximum Offering") and the minimum amount of \$100,000 (the "Minimum Offering") will be offered by the Trust Fund.

The Certificates will be offered through McGinn, Smith & Co., Inc., the Sales Agent, on a best efforts basis over a period of two months. The Sales Agent is a member of the National Association of Securities Dealers, Inc.

All funds received by the Sales Agent from subscriptions for the Certificates will be placed in an escrow account (the "Escrow Account") maintained at Charter One Bank, FSB, (the "Escrow Agent"). Interest will be earned on funds held in the Escrow Account commencing three (3) business days after the funds are deposited until the earlier of the termination of this Offering or the investment of the funds in the Certificates. During the period that an investor's funds are held in the Escrow Account he will not be considered a Certificateholder.

With respect to the Certificates, no funding from the Escrow Account will occur until the Minimum Offering is subscribed for. If subscriptions for the Minimum Offering are not received within two months

from the date of this Memorandum, subscriptions received with respect to the Certificates will be promptly returned in full to the investor by the Escrow Agent, together with all interest earned while funds were held in the Escrow Account after deducting fees payable to the Escrow Agent. Fees payable to the Escrow Agent will be deducted from interest earned on the Escrow Account.

How to Subscribe.

The Certificates will be available for purchase in the minimum denomination of \$10,000.00 and increments of \$1,000.00. An investor who meets the qualifications set forth under "Who May Invest" and "Suitability" may subscribe for Certificates by completing, signing and delivering to the Sales Agent an executed copy of the Subscription Agreement contained in this Memorandum. All subscriptions must be accompanied by a check in the amount of the Certificate(s) purchased payable to "Charter One Bank, FSB, Escrow Agent for SAI Trust 00". Upon execution of a Subscription Agreement, the investor agrees to all of the terms and conditions contained in the Agreement. Subscriptions are, however, subject to acceptance by the Trust Fund.

PLAN OF DISTRIBUTION

The Trust Fund is offering a maximum of \$5,840,000 of Certificates, and a minimum of \$100,000 of Certificates. The minimum investment by an investor is \$10,000.00 with increments of \$1,000.00. The Offering period will end not later than two (2) months from the date of this Memorandum. No Certificates will be sold unless subscriptions for the Minimum Offering are received and accepted within two months of the date of this Memorandum. Subscriptions are subject to acceptance by the Trust Fund. See "Suitability"; "Who May Invest".

During the course of the Offering, the subscription payments will be promptly forwarded by the Sales Agent to the Escrow Agent for deposit in the Escrow Account. For a description of the distribution of funds from the Escrow Account, see "Terms of the Offering".

The Certificates will be offered on a "best efforts" basis by the Sales Agent.

DISCLAIMER OF LIABILITY OF TRUSTEE

Reference is hereby made to the Declaration of Trust dated December 15, 2000, a copy of which is attached hereto as Exhibit "A". Other than potential liability under the Securities Act, the Trustee, nor any shareholder, manager, officer, employee, affiliate or agent of the Trustee may be held to any liability in connection with the Offering or the Certificates, or in connection with the affairs of the Trust Fund, in the absence of willful misconduct or gross negligence. Further, the Trustee will not be liable, in any event, to pay sums of money beyond the corpus of the Trust.

INCOME TAX CONSIDERATIONS

The following discussion summarizes certain material anticipated federal income tax consequences relevant to the acquisition, ownership and disposition of Certificates, but does not purport to address all potential consequences. The summary is for general information only and does not discuss all of the tax consequences that may be relevant to particular investors in light of their personal investment circumstances or holders who receive special treatment under the Internal Revenue Code of 1986, as amended (the "Code"), such as insurance companies, financial institutions, and broker-dealers. In addition, this discussion does not describe any tax consequences arising out of foreign, state or local jurisdictions.

The discussion is based upon current provisions of the Code, applicable regulations promulgated thereunder, judicial authority and administrative rulings and practice. All of the foregoing are subject to change which may be retroactive and could affect the continuing validity of this discussion. There can be no assurance that the Internal Revenue Service (the "IRS") will not take a contrary view, and no ruling from the IRS has been or will be sought.

The Trust Fund has not obtained an independent tax opinion with regard to this Offering. Prospective investors should consult their own tax advisors regarding the federal, foreign, state, local and other tax consequences of purchasing, holding and disposing of the Certificates.

Interest Income to Certificateholders

It is anticipated that the Certificates will be issued at par value and, therefore, no original issue discount will arise with respect to the Certificates. Accordingly, a Certificateholder will be required to report interest on a Certificate as income for federal income tax purposes in accordance with such holder's method of accounting.

Gain or Loss on Disposition of Certificates

In general, the holder of a Certificate will recognize gain or loss on the sale, exchange, redemption or other disposition of a Certificate equal to the difference between the amount realized (except to the extent attributable to the payment of accrued interest) and the adjusted basis in his Certificate. Any gain or loss recognized will generally be a Trust gain or loss if the Certificate is held as a Trust asset and will be long-term gain or loss if the Certificate is held for more than one year.

Information Reporting

The Trust Fund will report interest income to Certificateholders on IRS Form 1099-INT and as otherwise consistent with such treatment.

Backup Withholding

A Certificateholder may be subject to "backup withholding" at the rate of 31% (see IRC§3406(a)) with respect to interest paid on, or the proceeds of a sale, exchange or redemption of, such Certificates, unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable exemption from backup withholding rules. Any amount withheld under these rules will be creditable against the Certificateholder's federal tax liability.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISER WITH RESPECT TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE CERTIFICATES.

LEGAL MATTERS

Legal matters in connection with the validity of the Certificates offered hereby will be passed upon for the Trust Fund by Mary Ann McGinn, Esq., Capital Center, 99 Pine Street, Albany, New York 12207.

TABLE OF CONTENTS OF EXHIBITS

The discussion in this Memorandum of each Exhibit set forth below is qualified in its entirety by reference to such Exhibit.

Exhibit "A"	Declaration of Trust
Exhibit "B"	Subscription Agreement
Exhibit "C"	Investor Representation Letter
Exhibit "D"	Monitoring Receivable Financing Agreement
Exhibit "E"	Monitoring Receivable Financing Participation Agreement
Exhibit "F"	Lock Box Agreement

ADDITIONAL INFORMATION

Additional information is available upon request to the Trust Fund. Only additional information provided by the Trust Fund may be relied upon. Prospective investors may request such information from the Sales Agent, McGinn, Smith & Co., Inc., Fifth Floor, 99 Pine Street, Albany, New York 12207.

Dear _____:

You currently have an investment in SAI Funding which has current loan balances of approximately \$16.7 million. Of the \$16.7 Million, \$10.8 Million is senior and carries a 10.5% coupon, and \$5.8 million is junior and carries a 12.5% coupon. Your investment is in the senior portion. The SAI Funding loan is secured by all of its monitoring contracts. In addition, SAI has a Parent loan in the amount of \$3.7 million which is senior to the SAI Funding loan and is secured by all of the assets of SAI (other than monitoring contracts) and several subsidiaries. It bears interest at 10.5%, which is deferred to maturity. This loan is due December 31, 2004. SAI also has a loan liability, subordinate to the bank loans, from SAI Investors, LLC. The note or the loan is \$8,250,000. Interest is deferred, but compounds quarterly at an annual rate of 15%. This note is due June 30, 2005, represents loan proceeds from the principals, and is subordinate to all other debt.

SAI is now finalizing a new loan facility (the "Cordell Loan") in order to increase working capital, reduce the amortization burden of the current loan, and to fund its new dealer account acquisition program. Without the funding, SAI's future is uncertain and the continuation of their operations are not guaranteed.

The new loan facility will have an initial funding of \$17 million, \$11 Million of which is a senior tranche that bears interest at 12% for the first year and 14% in the second year payable interest only until maturity. The \$6 Million balance bears interest at 12%, which interest accrues until maturity. The entire loan facility matures on January 30, 2006. The facility will be secured by all of the assets of SAI and its subsidiaries, including all of its monitoring contracts. After the initial funding, the Lender may provide an additional \$5 million to fund account purchases under the new dealer program. This loan will now be senior to all other debt of the company including your portion of the senior debt. SAI has negotiated with some of the senior lenders of SAI Funding to retire their debt at a discount and will use part of the proceeds of the Cordell Loan to accomplish this.

Investors, such as yourself, that were sold their interests through McGinn, Smith are being asked to move their investments to a junior position to the Cordell Loan. As an inducement to accepting this junior position, the coupon will be raised from 10.5% currently to 12.5%. There will be no principal amortization and the loan will mature on August 1, 2006. This junior investors in the original SAI Funding will remain subordinate to your loan.

McGinn, Smith has been involved in the negotiations and discussions on an ongoing basis with SAI and its senior lenders. The new Cordell Loan is critical to SAI in order to enable them to successfully complete their business plan. It is our belief that this new recapitalization plan will help protect your investment and give SAI time to establish profitability and move forward as a going concern. We believe the changes in the terms of your loan are both fair and reasonable and that they are necessary in order to attract the new capital required by the company. Time is of the essence, and the new lender has

established a near term timetable to complete this transaction. We need 100% acceptance by the senior lender to complete this transaction.

McGinn Smith Acceptance Corp. will act as Agent for you with respect to the execution of the Security Agreement, the Subordination Agreement, and any other transaction documents required to complete the transaction (the "Transaction Documents") with respect to the Cordell Loan. Further, McGinn Smith Acceptance Corp. will be designated to receive various reports issued by SAI from time to time. In its capacity as Agent, neither McGinn Smith Acceptance Corp., nor McGinn Smith, Inc., is a guarantor of the obligations of your loan to SAI. We will be providing you with a definitive Agency Agreement, however, by your signing this letter you are authorizing McGinn Smith Acceptance Corp. to execute the Transaction Documents on your behalf. We anticipate the closing of the transaction on or around May 24, 2004.

Please indicate your acceptance to the covenant modifications, change in interest rate, and change of maturity by signing below.

Signed: _____
Date: _____

Sincerely,

David L. Smith
President
McGinn, Smith Acceptance Corp.

Harry G. McCafferty
46 Gorham Road
Harwich Port, MA 02646
508-430-4204

June 7, 2004

Mr. David Smith
President
McGinn Smith & Company, Inc.
99 Pine Street
Albany, NY 12207

Dear Mr. Smith:

In response to your letter of May 19, 2004, a conference call was conducted on or about May 21, 2004 with Mr. Timothy M. McGinn and Mr. Richard D. Feldmann for the purpose of obtaining additional background information on the Cordell loan as well as maturity dates for the various outstanding SAI loans. Based upon the information contained in your letter of May 19, 2004 plus answers to the above noted informational request and other informative comments that came out of the conference call, a rather disturbing scenario of financial and debt collateral manipulation unfolded.

Let me say that I do appreciate the potential for problems with SAI Funding should SAI, Inc. not be able to meet its December 31, 2004 principal and deferred interest obligation on the Parent loan. However the refinancing proposal contained in your May 19, 2004 letter clearly favors one class of investors (namely Parent loan investors) to the detriment of two other classes of investors (namely Senior and Junior position holders).

Under the refinancing proposal, Parent loan investors whose current collateral position is probably the least marketable plus a select 85% of the Senior position would be removed from the risk exposure by means of funds provided by the Cordell loan. This would leave the resultant "net new money" available to SAI, Inc. barely adequate to fund the ballooned interest payments (most of which flows back to Cordell) and to hold the company together financially until July or August of 2006. At that time, all debt collateralized by the monitoring contracts (namely the Cordell loan, the remaining Senior loan, and the Junior loan) would become payable.

Default at that time would leave Cordell in position to claim the monitoring contracts, the most marketable assets of the company. Due to the size of the Cordell loan and the subordinate provision of the proposed refinancing, default at that time would leave the remaining Senior and Junior position investors with a claim on nothing. To put Senior and Junior position investors in such a position is clearly not in their best interest.

Should the Parent loan investors turn out to be Cordell loan investors, the legal and ethical issues would further compound a bad situation. The Parent class of investors who currently hold the least desirable collateral position would end up with the company's most desirable assets (marketable monitoring contracts). The former Senior and Junior position holders would end up with nothing.

In the telephone conversation with Mr. McGinn, I informed him that the maturity date on my Senior position was July 1, 2004 which put me ahead of the Parent loan in terms of debt repayment. I also stated that I would not sign or accept the debt covenant modifications. As a suggestion to avoid the default problem that we are currently in, I suggested that my modest loan be excluded from the debt restructuring proposal as it is apparent that ways have been found to satisfy other Senior position holders. While Mr. McGinn said that he would get back to me, no follow-up communication was received by me prior to your letter of June 2, 2004. Let's hope that it is a case of less than perfect communications.

While my offer remains on the table for now, let me however inform you that on June 1, 2004 the deposit into my McGinn Smith account from SAI Funding was less than the \$993.64 prescribed in the debt amortization schedule. Accordingly you, McGinn, Smith & Co., and McGinn, Smith Acceptance Corp. are being informed by means of this letter that Senior Contract Certificate No S-12 is in default as of June 1, 2004. The certificate also states that "All amounts payable under this Certificate shall be payable without presentment or demand for payment, notice of nonpayment, protest or further notice or demand of any kind, all of are expressly waived by the company."

With respect to your letter of June 2, 2004, all of the Senior lenders did not agreed as required on the terms of the refinancing. As can be seen from the above discussion of the Cordell loan, McGinn Smith & Co. and McGinn, Smith Acceptance Corp. have not, in my opinion, acted in the best interest of the Senior and Junior lenders. Creating a situation where Senior and Junior lenders will be having a claim on nothing come July or August of 2006 can in no way be construed as being in their best interest. If forced to do so, I will litigate this "acted in best interest" contention, any subordination of my position to the Cordell loan, and to stop the implementation of any changes to the debt amortization schedule.

Come July 1, 2004, a more rational course of action would be one that has the modest SAI Trust 03 Senior Contract Certificate No S-12 paid off in full as per the original amortization schedule. Thank you for your consideration of this matter.

With best regards,



Harry G. McCafferty

Harry G. McCafferty
46 Gorham Road
Harwich Port, MA 02646
508-430-4204

June 10, 2004

Mr. Richard D. Feldmann
Vice President
McGinn, Smith & Co., Inc.
99 Pine Street
Albany, NY 12207

Dear Dick:

Sorry that I had to end our Tuesday morning telephone conversation so abruptly. With my golf partner banging on the front door and the dog going crazy, the conditions were not conducive for accomplishing anything.

As per your suggestion, the informational requests are being communicated in writing. It is good to have it on the record and hopefully my requests will be clearer via this letter.

For the purpose of helping to understand the responsibilities, authority, governance, and interaction of such entities as SAI Funding; McGinn, Smith Acceptance Corp.; and McGinn, Smith & Co. relative to SAI Trust 03, a copy of the following material is requested:

- (1) The "Private Placement Memorandum" for SAI Trust 03
- (2) The Declaration of Trust dated January 15, 2003 which was referenced in Senior Contract Certificate No. S-12 plus any amendments to the Declaration.
- (3) The "loan indenture" which was referenced in Mr. David L. Smith's letter of June 2, 2004 dealing with the refinancing proposal.

For the purpose of a more complete and clearer communication as to how the proposed refinancing will benefit holders of SAI Trust 03, a copy of the following material is requested:

- (1) A disbursement schedule for the proceeds of the Cordell loan showing the specific dollar amount that each outstanding debt would receive and the resultant "net new money" available to SAI, Inc.
- (2) The debt structure of SAI, Inc. prior to the Cordell loan. Mr. David L. Smith's letter of May 19, 2004 contained some of the information but was incomplete with such important consideration as the due date(s) missing for both the Senior and Junior positions.
- (3) The debt structure of SAI, Inc. after the disbursement of the Cordell loan. In addition to the resultant changes in outstanding debt principal, kindly show maturity dates changes, collateral positions changes and when repayment of principal would commence. Correspondence to date discuss the potential impact

of the proposed refinancing on the Senior position but fail to discuss any impact on the Parent and SAI Investors, LLC debt which have due dates of December 31, 2004 and June 30, 2005 respectively.

- (4) Proforma Balance Sheets and Income Statements for each of the two years from June 1, 2004 to June 1, 2006 under the assumption that the Cordell loan is in place as represented above.
- (5) Proforma "Source and Use of Cash" schedules for each of the two years from June 1, 2004 to June 1, 2006 which shows the magnitude of cash generated by the business and its application to the specific debt obligations.
- (6) The Book Value the monitoring contracts prior to the Cordell loan, after the Cordell loan, and projections for each of the two years from June 1, 2004 to June 1, 2006.

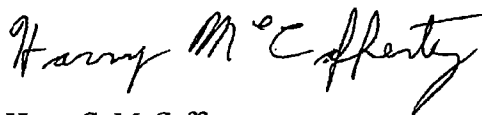
All of the above material should not include any future capital additions because the addition of such is just speculative at this time.

Dick, the material requested in this letter is less than what would be the norm required by your financial management team for such an investment. In other words, for a professional organization such as McGinn, Smith & Co., this information is readily available. With July 2, 2004 rapidly approaching, please get this material to me as soon as possible.

In my letter to Mr. David Smith dated June 7, 2004, I failed to address the consequences of a default on the SAI Investors, LLC loan. It would have the same devastating impact on Senior and Junior noteholders but would come a year earlier (i.e. June 30, 2005). Cordell would lay claim to the monitoring contracts and these two groups of investors who were once in the prime collateral position would end up with a claim on nothing. Clearly this situation that is not in the best interest of these two group of investors.

Thanks again for your help in getting this requested material to me and in resolving this matter.

With best regards,



Harry G. McCafferty

April 7, 2008

Dear Investor:

As an investor in SAI Trust 00 and SAI 03 you are well aware that you have not received principal and interest payments for February, March and April of 2008. I apologize for the delay in this correspondence, but up until the end of February the Company assured us several times that our payments would be forthcoming immediately. I have no doubt that the Company was sincere, but on February 22nd, the Company was served a notice of default by their Senior lender, Cordell Funding, LLLP ("Lender"), and by the terms of a certain Intercreditor Agreement among Borrower, Lender, and the Subordinated Lenders, of which SAI Trust 00 and SAI 03 are Subordinated Lenders, no payments of principal or interest may be made by the Borrower on the subordinated debt. Thus, until the Company and its senior lenders reach some accommodation we are precluded from receiving any payments. In a conversation that I had on March 27, 2008 with Ray Gross, Chief Executive Officer of SAI, Inc., Mr. Gross informed me that he believed a resolution was likely in the next two weeks. Considering the complexity of the issues, the state of the credit markets, and the preliminary proposals put forth by the Company, I am highly suspect that a resolution will be reached in that time frame.

The following is a brief chronological history of the events leading to the default as explained to me by Mr. Gross in two conversations that I have had with him, February 26, 2008 and March 27, 2008.

In my conversation of February 26, 2008 I expressed to Mr. Gross my frustration and displeasure of having been promised multiple times during the last few weeks that our payment was imminent. I reminded him that I had several emails from his associates making such promises. Mr. Gross apologized, but indicated that while working on their short term cash difficulties, they were "blindsided" by the February 22nd default notice from Cordell Funding LLLP and were now in a position that legally they could not forward any monies until Cordell was in agreement. Mr. Gross stated that Cordell put SAI into default because they noticed that we and Whitecap Advisors, LLC (another subordinated lender with an additional \$60,000,000 in invested equity) were not being paid and they were concerned that we would preempt their payments.

SAI's problems are evidently, but not surprisingly, related to the sub-prime debt crisis presently engulfing all of the financial markets. In August of 2007, SAI purchase some 80,000 alarm accounts from several dealers at a price of approximately \$70 million. The West LB Bank had given SAI a financing commitment, but was unable to honor the commitment when they got into financial difficulty as a result of their substantial investment in Countrywide Credit, the country's largest sub-prime lender. Unfortunately,

the 80,000 accounts had been already transferred to SAI and they felt a moral obligation to service the accounts. The dealers who transferred the accounts and did not receive their money for selling the accounts, did not feel a similar obligation to pay SAI for the servicing, an amount that approximated \$500,000 per month. Since SAI has not been paid since September 2007 and has accrued a receivable of some \$3,500,000 dollars, they in turn were unable to meet their obligations, and thus fell into default.

In my conversation of March 27, 2008 with Mr. Gross, I was informed that Cordell has foreclosed on the stock of SAI held for collateral and has taken control of the Company. SAI has since received \$1,500,000 of the \$3,500,000 that they are owed which has allowed them to continue to operate, but not sufficient to meet their debt service. The Company has plans to sell their wholesale business and concentrate on the retail business with a downsized company. The proceeds from the sale will enable them to get current with their creditors. Mr. Gross anticipated that sale would take approximately 30 days. I am doubtful of that time frame as well. In addition, the Senior creditors, depending on the level of debt reduction from the sale proceeds, will then have to grant permission for the subordinated lenders to be paid.

On, March 7, 2008, we sent our in house attorney, Mr. Joseph Carr, to a Creditors' Committee meeting in New York City. It was more informational than action oriented, and we await further word on any future meetings to be scheduled.

In conclusion, I suspect that the creditors will eventually reach accommodation and the Company will be allowed to operate and meet their debt service. However, we may be asked (or forced) to modify our loan. McGinn, Smith will stay diligently involved and do everything within their legal capability to protect our clients' interest! As events unfold, we will keep you apprised.

Respectfully,

David L. Smith
President
McGinn, Smith & Company, Inc.

From: "dave rees" <reesd@mcginnsmith.com>
To: "Patricia Sicluna" <siclunap@mcginnsmith.com>
Cc:
Bcc:
Date: Fri, 03 Mar 2006 02:25:46 PM
Subject: SAI00
Attachments:

Energy Insurance had a put option on their SAI00 investment and late February sold it back to MSCH, the guarantor. FAIN ended up purchasing the \$1,000,000 piece from MSCH. We need to enter a resale ticket showing FAIN as a new investor in SAI with a \$1,000,000 investment.

What other info do you need?

dave

*McGinnSmith
& Company, Inc.*

Investment Bankers • Investment Brokers

Fair

926k at base
cash asset

+ take diff of 1mm
+ set up new asset
+ amortize 2 yrs 3/2006 → 7/2008
"Note Discount" 27 months

February

Mr. Michael J. Reilly
Energy Insurance Brokers, Inc.
P.O. Box 1729
Albany, NY 12201-1729

Dear Mike,

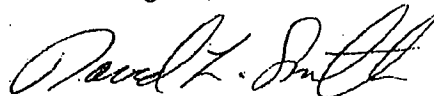
Enclosed is a check from McGinn, Smith Capital Holdings for \$929,600.00 which represents the amount that Energy Insurance is entitled in order to enable them to realize a return on their \$1,000,000.00 investment at a rate of 11.5% over the 62 month holding period.

In addition, on March 1, 2006 we will remit to you a check in the amount of \$7,666.66 which represents your interest computed at 11.5%, on \$1,000,000.00, for 24 days of February 2006.

$$\begin{aligned} \$1,000,000 \times 11.5\% &= \$115,000 \\ 24/360 \times \$115,000 &= \$7,666.66 \end{aligned}$$

We wish to thank you for your past investment, and if we may be of service in the future we hope that you will give us the opportunity.

Best regards,



Dave Smith

PRIVATE PLACEMENT INVESTMENTS
AS OF JANUARY, 2003

MICHAEL J. REILLY

VALUE

2,000,000 INTEGRATED ALARM SERVICES, INC. 12% 1 YR. NOTE DUE 4/30/03 (PUT OPTION)	\$ 2,000,000.00
262,000 INTEGRATED ALARM SERVICES, INC. 12% 5 YR. NOTE DUE 1/31/07	\$ 262,000.00
250,000 INTEGRATED ALARM SERVICES, INC. 9% 3 YR. CONVERTIBLE DUE 10/1/05	\$ 250,000.00
70,000 MFD TRUST 11.50% DUE 8/1/05	\$ 70,000.00
40,000 MON TRUST 11.50% DUE 11/1/05	\$ 40,000.00
30,000 MTP TRUST 11.50% DUE 6/1/05	\$ 30,000.00
50,000 EOS TRUST 11.75% DUE 3/1/06	\$ 50,000.00
900,000 PAYNE TRUST 12% DUE 1/1/07	\$ 900,000.00
24,000 RSPN TRUST 10.125% DUE 6/1/04	\$ 24,000.00

TOTAL: \$ 3,626,000.00

MICHAEL J. REILLY IRA

VALUE

23,000 INTEGRATED ALARM SERVICES, INC. 12% 5 YR. NOTE DUE 1/31/07	\$ 23,000.00
--	--------------

MGS Email 0280185

TOTAL: \$ 23,000.00

ENERGY INSURANCE BROKERS

VALUE

210,000 INTEGRATED ALARM SERVICES, INC.
12% 1 YR. NOTE DUE 4/30/03

\$ 210,000.00

30,000 INTEGRATED ALARM SERVICES, INC.
12% 3 YR. NOTE DUE 7/1/05

\$ 30,000.00

78,000 INTEGRATED ALARM SERVICES, INC.
12% 5 YR. NOTE DUE 1/31/07

\$ 78,000.00

1,000,000 SAI TRUST
12.50% DUE 7/1/06

\$ 1,000,000.00

TOTAL: \$ 1,318,000.00

MGS Email 0289106

Register Report - McGinn Smith Capital Holding Corp

2/24/2006 through 2/24/2006

11/23/2011

Page 1

Date	Account	Num	Description	Memo	Category	Cl	Amount
BALANCE 2/23/2006							65.43
2/24/2006	M&T BANK	DEP	First Advisory Income Notes	funds for SAI00 Put Opt- Energy Ins.	[DT FAIN]	R	929,600.00
2/24/2006	M&T BANK	3536	Energy Insurance	Put Option Exercised	[DT FAIN]	R	-929,600.00
2/24/2006 - 2/24/2006							0.00
BALANCE 2/24/2006							65.43
TOTAL INFLOWS							929,600.00
TOTAL OUTFLOWS							-929,600.00
NET TOTAL							0.00

STATEMENT OF TRANSACTIONS
2/01/06 THROUGH 2/28/06
FIRST ADVISORY INCOME NOTES, LLC

DATE	DESCRIPTION	CASH	COST
2/23/06	ADDITION TO PRINCIPAL CHECK #658000254 JOAN FISHER TTEE JOAN FISHER REVOCABLE TRUST U/A 8/26/03	200,000.00	
2/24/06	SOLD MTB PRIME MMKT-INST-FD #142 929,600.00 SHARES/UNITS OF	929,600.00	929,600.00-
2/24/06	DISTRIBUTION BY ACH-CKG M & T BANK 6050108803	929,600.00-	
2/27/06	PURCHASED MTB PRIME MMKT-INST-FD #142 25,000.00 SHARES/UNITS OF	25,000.00-	25,000.00
2/27/06	ADDITION TO PRINCIPAL CHECK #2462 LEONARD A. WINEGRAD	25,000.00	
2/28/06	SOLD MTB PRIME MMKT-INST-FD #142 66,793.86 SHARES/UNITS OF	66,793.86	66,793.86-
2/28/06	DISTRIBUTION BY ACH-CKG M & T BANK 6050084734	91,793.86-	
2/28/06	ADDITION TO PRINCIPAL CHECK #1015 JAMES V. GARGIULO	25,000.00	
	ENDING BALANCE	.00	2,746,713.25

COVER PAGE

ACCOUNT 1007489

MANUFACTURERS AND TRADERS TRUST CO
CUSTODIAN FOR FIRST ADVISORY INCOME
NOTES, LLC MANAGED BY MTB INVESTMENT
ADVISORS

FEBRUARY 1, 2006 THROUGH FEBRUARY 28, 2006

DAVID SMITH
FIRST ADVISORY INCOME NOTES, LLC
99 PINE STREET - 5TH FLOOR
ALBANY, NY 12207

ADMINISTRATOR:
MARY B. BORZILLERI
585-258-8384
INVESTMENT MANAGER:
BONNIE K. GRIFFITH

FIRST ADVISORY INCOME NOTES, LLC

ACCOUNT PERIOD
2/01/06 THROUGH 2/28/06

ACCOUNT 1007489

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2	CASH RECONCILIATION
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13	ASSET STATEMENT
14	BALANCE SHEET

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INVESTMENT OBJECTIVE

FIRST ADVISORY INCOME NOTES, LLC

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CASH RECONCILIATION
2/1/06 THROUGH 2/28/06
FIRST ADVISORY INCOME NOTES, LLC

0.00

BEGINNING CASH BALANCE

RECEIPTS

INCOME RECEIVED	7,577.69
MUTUAL FUNDS	-----
TOTAL INCOME RECEIVED	7,577.69

ASSETS DISPOSED	2,979,050.80
MONEY MARKET FUNDS	-----
TOTAL ASSETS DISPOSED	2,979,050.80

OTHER RECEIPTS	2,110,692.40
MISCELLANEOUS CASH RECEIPTS	-----
TOTAL OTHER RECEIPTS	2,110,692.40
TOTAL RECEIPTS	-----
	5,097,320.89

DISBURSEMENTS

ASSETS ACQUIRED	-1,917,481.47
MONEY MARKET FUNDS	-----
TOTAL ASSETS ACQUIRED	-1,917,481.47

OTHER DISBURSEMENTS	-506.56
TRUSTEE/CUSTODY FEE	-3,179,332.86
MISCELLANEOUS CASH DISBURSEMENTS	-----
TOTAL OTHER DISBURSEMENTS	-3,179,839.42

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ACCOUNT 1007489

CASH RECONCILIATION
2/1/06 THROUGH 2/28/06
FIRST ADVISORY INCOME NOTES, LLC

-5,097,320.89

0.00

0.00
=====

TOTAL DISBURSEMENTS

NET CHANGE IN CASH

ENDING CASH BALANCE

STATEMENT OF TRANSACTIONS
2/01/06 THROUGH 2/28/06
FIRST ADVISORY INCOME NOTES, LLC

DATE	DESCRIPTION	CASH	COST
BEGINNING BALANCE			
2/01/06	DIVIDEND EARNED ON MTB PRIME MKMT-INST-FD #142 PAYABLE 1/31/06 DIVIDEND FROM 1/1/06 TO 1/31/06	.00	3,808,282.58
		7,355.35	
2/02/06	PURCHASED 6,848.79 SHARES/UNITS OF MTB PRIME MKMT-INST-FD #142	6,848.79	6,848.79
2/02/06	WIRE RECEIVED PBO JAMES J. BURKE	25,000.00	
2/02/06	FEE COLLECTED FEES UP TO: 2/02/06 NET PRINCIPAL FEE: \$125.00 BASED ON OF MARKET VALUE 16,448.00 BASIC ANNUAL PRINCIPAL FEE: \$0.00**** BASED ON MKT OF \$3,808,282.58 CALCULATION BREAKDOWN: \$0.0000/\$1000 ON \$3,808,282.58 = \$0.00 PLUS ANNUAL BASE FEE OF: \$1,500.00****	125.00	
2/02/06	FEE COLLECTED FEES UP TO: 2/02/06 NET PRINCIPAL FEE: \$381.56 BASED ON OF MARKET VALUE 16,448.00 BASIC ANNUAL PRINCIPAL FEE: \$4,578.69**** BASED ON AMKT OF \$2,289,346.80 CALCULATION BREAKDOWN: \$2.0000/\$1000 ON \$2,289,346.80 = \$4,578.69 TAKEN EVERY 1 MONTHS MEANS 8.3333%	381.56	

STATEMENT OF TRANSACTIONS
2/01/06 THROUGH 2/28/06
FIRST ADVISORY INCOME NOTES, LLC

DATE	DESCRIPTION	CASH	COST
2/02/06	DIVIDEND EARNED ON PROVIDENT INSTL TEMP FUND #24 PAYABLE 1/31/06 DIVIDEND FROM 1/1/06 TO 1/31/06	222.34	
2/03/06	PURCHASED 25,222.34 SHARES/UNITS OF MTB PRIME MMKT-INST-FD #142	25,222.34	25,222.34
2/03/06	SOLD 1,272,939.00 SHARES/UNITS OF MTB PRIME MMKT-INST-FD #142	1,272,939.00	1,272,939.00
2/03/06	DISTRIBUTION BY WIRE FIRST UNION NB ALSET IP MANAGEMENT LP A/C#20000016362170	1,372,939.00	
2/03/06	ADDITION TO PRINCIPAL CHECK #748 CLARE A. FRIEDLAND & DANIEL SILBERMAN	100,000.00	
2/06/06	PURCHASED 600,000.00 SHARES/UNITS OF MTB PRIME MMKT-INST-FD #142	600,000.00	600,000.00
2/06/06	ADDITION TO PRINCIPAL CHECK #1954 BETTY J. ROSENZWEIG	500,000.00	
2/06/06	WIRE RECEIVED ALVIN ZAWATSKY	100,000.00	
2/07/06	PURCHASED 50,000.00 SHARES/UNITS OF MTB PRIME MMKT-INST-FD #142	50,000.00	50,000.00

STATEMENT OF TRANSACTIONS
2/01/06 THROUGH 2/28/06
FIRST ADVISORY INCOME NOTES, LLC

DATE	DESCRIPTION	CASH	COST
2/07/06	ADDITION TO PRINCIPAL CHECK #658000222 BRADLEY FISHER C/F KELSEY FISHER	25,000.00	
2/07/06	ADDITION TO PRINCIPAL CHECK#658000224 BRADLEY FISHER C/F KIMBERLY FISHER	25,000.00	
2/08/06	PURCHASED 185,000.00 SHARES/UNITS OF MTB PRIME MMKT-INST-FD #142	185,000.00-	185,000.00
2/08/06	WIRE RECEIVED ALTERNATIVE INVESTMENTS BUY/PURCHASES OF 6 ACCTS.	185,000.00	
2/13/06	SOLD 500,000.00 SHARES/UNITS OF MTB PRIME MMKT-INST-FD #142	500,000.00	500,000.00-
2/13/06	DISTRIBUTION BY WIRE FIRST UNION NB EXCHANGEBLVD.COM A/C #2000736936145	500,000.00-	
2/15/06	SOLD 64,717.94 SHARES/UNITS OF MTB PRIME MMKT-INST-FD #142	64,717.94	64,717.94-
2/15/06	DISTRIBUTION BY ACH-CKG M & T BANK 9839963528	100,000.00-	
2/15/06	ADDITION TO PRINCIPAL CHECK #658000235 JOHN T. HOLLADN & ALSIE B HOLLAND	25,282.06	

STATEMENT OF TRANSACTIONS
2/01/06 THROUGH 2/28/06
FIRST ADVISORY INCOME NOTES, LLC

DATE	DESCRIPTION	CASH	COST
2/15/06	ADDITION TO PRINCIPAL CHECK #5683 ROBERT GALLO AND MAUREEN GALLO	10,000.00	
2/16/06	SOLD MTB PRIME MMKT-INST-FD #142 145,000.00 SHARES/UNITS OF	145,000.00	145,000.00-
2/16/06	DISTRIBUTION BY WIRE PROVIDENT BANK OF MARYLAND COVENTRY RESOURCES CORP. A/C #005884330	175,000.00-	
2/16/06	ADDITION TO PRINCIPAL CHECK #3221 KEVIN J. SULLIVAN	30,000.00	
2/17/06	PURCHASED MTB PRIME MMKT-INST-FD #142 235,000.00 SHARES/UNITS OF	235,000.00-	235,000.00
2/17/06	WIRE RECEIVED ALTERNATIVE INVESTMENTS BUY PURCHASES OF 2 ACCTS.	105,000.00	
2/17/06	ADDITION TO PRINCIPAL CHECK #167 LLOYD ORETSKY & JUDITH ORETSKY	100,000.00	
2/17/06	ADDITION TO PRINCIPAL CHECK #2222 ANDREW B. HOOVER & RICHARD D. HOOVER	15,000.00	
2/17/06	ADDITION TO PRINCIPAL CHECK #658000242 JOYCE ROYAL PAUL	15,000.00	

STATEMENT OF TRANSACTIONS
2/01/06 THROUGH 2/28/06
FIRST ADVISORY INCOME NOTES, LLC

DATE	DESCRIPTION	CASH	COST
2/21/06	PURCHASED 350,000.00 SHARES/UNITS OF MTB PRIME MKMT-INST-FD #142	350,000.00-	350,000.00
2/21/06	ADDITION TO PRINCIPAL CHECK #229 BARRY GOLD, DAVID GOLD & JUDITH GOLD TTES GOLD FAMILY IRREVOCABLE FAMILY TRUST U/A 04/15/98	350,000.00	
2/23/06	PURCHASED 440,410.34 SHARES/UNITS OF MTB PRIME MKMT-INST-FD #142	440,410.34-	440,410.34
2/23/06	DISTRIBUTION BY ACH-CKG M & T BANK 9839963528	10,000.00-	
2/23/06	WIRE RECEIVED FBO MARILY LAUFER IRA	25,000.00	
2/23/06	ADDITION TO PRINCIPAL CHECK #2501 JOHN T. HOLLAND & ALSIE B. HOLLAND	410.34	
2/23/06	ADDITION TO PRINCIPAL CHECK #6868 SAVERIO C. IANNACCONE	50,000.00	
2/23/06	ADDITION TO PRINCIPAL CHECK #127 MICHAEL KOGAN	150,000.00	
2/23/06	ADDITION TO PRINCIPAL CHECK #65800255 JILL FISHER	25,000.00	

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COST RECONCILIATION
FIRST ADVISORY INCOME NOTES, LLC
ACCOUNT 1007489

2/1/06 THROUGH 2/28/06

3,808,282.58

BEGINNING COST VALUE

OTHER RECEIPTS/DISBURSEMENTS

TRUSTEE/CUSTODY FEE -506.56
MISCELLANEOUS CASH RECEIPTS 2,110,692.40
MISCELLANEOUS CASH DISBURSEMENTS -3,179,332.86

-1,069,147.02

TOTAL OTHER RECEIPTS/DISBURSEMENTS

INVESTMENT ACTIVITY

INCOME RECEIVED 7,577.69

7,577.69

TOTAL INVESTMENT ACTIVITY

-1,061,569.33

NET CHANGE IN COST VALUE

2,746,713.25

ENDING COST VALUE

INCOME ACCRUAL SCHEDULE
FROM 2/01/06 TO 2/28/06
FIRST ADVISORY INCOME NOTES, LLC

SHARES/ AR VALUE	DESCRIPTION	EX DATE	PAY DATE	ANNUAL RATE	BEGINNING ACCRUAL	INCOME EARNED	INCOME RECEIVED	ENDING ACCRUAL
	CASH & CASH EQUIVALENTS							
	MONEY MARKET FUNDS							
2,646,713.25	MTB PRIME MMKT-INST-FD #142	0/00/00	3/01/06	00.04060	7,355.35	9,186.19	7,355.35	9,186.19
100,000.00	PROVIDENT INSTL TEMP FUND #24	0/00/00	3/01/06	00.04410	222.30	338.05	222.34	338.01
	TOTAL MONEY MARKET FUNDS							
					7,577.65	9,524.24	7,577.69	9,524.20
	TOTAL CASH & CASH EQUIVALENTS							
					7,577.65	9,524.24	7,577.69	9,524.20
	TOTAL VALUE				7,577.65	9,524.24	7,577.69	9,524.20

EARNED AMORTIZATION/ACCRETION
02/01/06 THROUGH 02/28/06
FIRST ADVISORY INCOME NOTES, LLC

DESCRIPTION	ORIGINAL COST	CUMULATIVE AMORT/ ACCRETION	AMORT/ACCRET EARNED	YTD AMORT/ACCRET EARNED	ADJUSTED COST BASIS
NITS/PAR					

NO ACTIVITY FOR THIS REPORTING PERIOD ***

ASSET STATEMENT
AS OF 2/28/06
FIRST ADVISORY INCOME NOTES, LLC

SHARES/ PAR VALUE	DESCRIPTION	COST	MARKET VALUE	% OF MKT PRICE	ACCRUED INCOME	MKT YIELD	ESTIMATED ANNUAL INCOME
	CASH & CASH EQUIVALENTS						
	MONEY MARKET FUNDS						
2,646,713.250	MTB PRIME MMKT-INST-FD #142 CUSIP: 55376T841	2,646,713.25	2,646,713.25	96.4	1.000	4.1	107,456
100,000.000	PROVIDENT INSTL TEMP FUND #24 CUSIP: 7438990A5	100,000.00	100,000.00	3.6	1.000	4.4	4,410
	TOTAL MONEY MARKET FUNDS						
		2,746,713.25	2,746,713.25	100.0			111,866
	TOTAL CASH & CASH EQUIVALENTS						
		2,746,713.25	2,746,713.25	100.0			111,866
	TOTAL INVESTMENT PORTFOLIO						
		2,746,713.25	2,746,713.25	100.0			111,866
	ENDING ACCRUAL FOR PERIOD		9,524.20				
	TOTAL VALUE		2,756,237.45				

FIRST ADVISORY INCOME NOTES, LLC
BALANCE SHEET
FROM 2/01/06 TO 2/28/06

PAGE 14
ACCOUNT 1007489

	COST VALUE			MARKET VALUE		
	BEGINNING	ENDING	PERCENT	BEGINNING	ENDING	PERCENT
PENDING CASH	0.00	0.00	0.00	0.00	0.00	0.00
CASH	0.00	0.00	0.00	0.00	0.00	0.00
MONEY MARKET FUNDS	3,808,282.58	2,746,713.25	100.00	3,808,282.58	2,746,713.25	100.00
TOTAL ASSETS	3,808,282.58	2,746,713.25	100.00	3,808,282.58	2,746,713.25	100.00
PLUS ACCRUED INCOME				7,577.65	9,524.20	
NET ASSETS				3,815,860.23	2,756,237.45	

From: "Gross, Ray" <RGross@SAI-Inc.com>
Date: Monday, March 13, 2006 4:51 PM
To: "Smith, David" <smithd@mcginnsmith.com>
Subject: RE: Note - SAI 03
Dave

Got your voicemail today.

I realize that there are a slew of docs for this deal but the concept hasn't changed since I met with you in your office 4 months ago. \$10-\$13 coming in to SAI behind Cordell and ahead of SAI Investors (Tom Salvatore et al) and McGinn Smith.

This will put SAI in best financial position ever.

Also when we chat I will update you on the business. We have had some excellent success with our dealer program and expect to sign up one of largest dealers in the industry. They will sell us approx 40,000 accounts this year.

Regarding financials, you should have last month completed (November). We are of course completing Dec with year end and expect to have those out about 2 weeks.

I believe that we have sent Dave Reese latest projections.
Ray

-----Original Message-----

From: Smith, David [mailto:smithd@mcginnsmith.com]
Sent: Thursday, February 09, 2006 8:19 AM
To: Gross, Ray
Subject: RE: Note - SAI 03

Ray,
No reason to concern ourselves with this. As per your note, if your records show the amount as \$831,783.03 I am willing to consider the issue closed and accept your amount. I hope the closing went well. I will call you next week to set up a call with T.S.

P.S. I am aware that you transposed our differences and will not hold you to it.
Regards,
Dave

-----Original Message-----

From: Gross, Ray [mailto:RGross@SAI-Inc.com]
Sent: Wednesday, February 08, 2006 6:15 PM
To: Smith, David
Cc: Talcott, Randall; amuir@ngelaw.com
Subject: Note - SAI 03

Dave

Looks like I have been elected to provide you with our agreement to work with you to reconcile the difference in the SAI 03 note as a post (Cordell) closing item, between SAI and McGinn Smith.

As you have advised me your records show the amount of that note to be \$781,474.03 and our records show it to be \$831,788.03. A difference of \$50,000.00.

We request that you execute the consent so we can close up the Cordell deal and we will work to reconcile this difference immediately following this closing.

Randy is standing by to receive your signature on the consent.

Thanks
Ray

March 21, 2006

Ray,

My proposal goes beyond fair and reasonable. For an additional annual outlay of \$248,746 for the first two years, SAI would realize an annual benefit of \$645,416. I cannot imagine a better use of the Company's cash. In addition, we are agreeing to extend the maturity to five years, which avoids the need to address the problem (and additional costs) two years hence.

The following summarizes the financial impact of the proposal:

1. Outstanding balance: \$8,112,095
Current interest: @ 12 1/2% \$1,014,012
2. Current interest required for modification agreement
@ 13% \$1,054,572
3. Fee required for modification agreement
@ 3% \$243,363
4. New debt service at 17% constant over 5 years
\$118,750 x 12 \$1,425,000
5. Total outlay over 2 years per SAI proposal:
 - a. \$1,054,572 x 2 years = \$2,109,144
 - b. Modification fee 243,363
 - c. Total 2 year outlay \$2,352,507
6. Total outlay over 2 years per McGinn/Smith proposal:
\$1,425,000 x 2 years \$2,850,000
7. Difference in cash outlay over 2 years \$497,493
8. Reduction in outstanding balance:
Beginning balance: \$8,112,095
Ending balance: 6,821,262
2 years
Net reduction: \$1,290,833
9. Total net benefit: \$1,290,833
- 497,493
\$793,340

10. Annual outlay: $\$497,493 \div 2 = \$248,746$
 Annual benefit: $\$1,290,833 \div 2 = \$645,416$

I am not interested in negotiating this proposal. It is really quite compelling and all parties should see the fairness and benefit of it. I believe the other lenders will support it.

August 5, 2008

Dear Investor,

We last updated you regarding your investment in SAI Trust 00 or SAI 03 on April 7, 2008. At that time we presented you with some of the background and events that had led to a default of principal and interest payments due for February, March and April of 2008. At that time I related that the Company believed that a resolution to their problems would be reached in the next two weeks. I expressed a high degree of skepticism that the time frame would prove to be accurate. In addition, the Company stated the sale of their wholesale business would take place within 30 days and that event would enable them to get current with their creditors. Here again, I expressed my doubts as to whether that time frame was realistic. The fact that we are now providing you with an update four months later demonstrates that we had every reason to question the Company's assertions.

The last four months have been very frustrating as our ability to influence events has been extremely limited. Sometime after April 7th the Company was able to procure a \$2,000,000 credit facility that has provided them with sufficient working capital to continue operating. All lenders agreed to subordinate their position to that loan. The maturity and payment of that loan was to coincide with the eventual sale of the wholesale business. On July 24th we noticed on the SSN Newswire that C.O.P.S. Monitoring had announced that on July 18, 2008 they had purchased substantially all of the wholesale monitoring assets of SAI. SAI had transferred to C.O.P.S. Monitoring more than 900 dealer contracts representing more than 128,000 subscriber accounts. The total proceeds of the sale were \$11.5 million, with approximately another \$500,000 to be delivered pending resolution of some minor issues. According to Ray Gross, CEO of SAI, the allocation of proceeds was as follows:

- \$500,000 fees
- 2,300,000 held in escrow by C.O.P.S. for 12 months versus indemnification
- 9,000,000 to Cordell, of which 2,000,000 went to repay the working capital loan

Of the approximate \$7,000,000 remaining, Cordell will allocate \$1.5 -2.0 million to get accounts payable current. Credit obligations such as ours are not considered accounts payable. Thus, Cordell will use all the remaining balance to reduce the balance of their loan.

The other major event of the last thirty days was that the foreclosure proceeding occurred as scheduled on Monday, July 7th. At the proceeding, Cordell Funding, LLLP ("Cordell") bid its "Junior Note" at full balance of approximately \$13.9 million for the pledged SAI collateral, subject to senior notes held also by Cordell in the amount of approximately \$16.5 million. The collateral is now held by a new company, SA Services

SEC SUBPOENA-289

Div Ex 473 -54

Cell 607-237-5511
PHONE

NAME SHEED BAYON 4/F LMAS BAYON ACCT. NO. MSP-062766

DESCRIPTION	BOUGHT			SOLD			APPROXIMATE	
	DATE	QUAN.	PRICE	DATE	QUAN.	PRICE	PROFIT	LOSS
SEC PART II	9/20/01	100	100					
AT 6 Tr 98	9/20/01	20m	100	1/31/02	19,609.03			
IAS	1/31/02	20m		11/22/04	20m	100		
IAS 2%	7/31/02	20m	100					
IASG	7/31/03	1000	9 1/4					
Coventry	8/29/03	250	100					
NH	11/20/04	125	100					
FEINS	4/19/04	25m	100					
PNT	8/2/04	100	28.40					
TAIM	11/17/04	25	m					
First Home SR	9/4/07	25m	100					
TDM	8/19/09	25m	100					
Called on TDM								
Lin SR	11/07	25m	100					

A E C O F Y

SEC SUBPOENA-29

Div Ex 473 -55

LLC ("SAS"), a Delaware limited liability company, which is wholly owned by Cordell. The Cordell notes are no longer an obligation of SAI.

Now that SAS has taken ownership of the assets of SAI pursuant to the foreclosure proceedings, SAI and SAS have agreed to enter into a definitive services agreement whereby (A) SAS (1) engages SAI to render all services that may be required under the agreements acquired by SAS, (2) agrees to reimburse SAI for all costs incurred by SAI in rendering such services, and (3) agrees to allow SAI use of all such SAS-owned assets as are required by SAI for the rendering of such services and (B) SAI (1) agrees to provide SAS with the full use and benefit of all assets not transferred to SAS in connection with the foreclosure, including, without limitation, all (i) licenses, authorizations and approvals, whether in the name of SAI, its officers, employees or nominee, (ii) intellectual property, (iii) real property and (iv) equipment leases, used or useful in connection with the operation of the alarm servicing business as conducted and as anticipated to be conducted prior to the consummation of the foreclosure, and (2) agrees to collect and use for the benefit of SAS all amounts payable with respect to the alarm servicing agreements included in the business as conducted prior to the foreclosure, regardless of whether consent or notice has been given with respect to the transfer of such agreements.

While the exact financial position has not been stated to us, nor have we received the promised financial statements, we believe the following to be a reasonably accurate financial picture for the Company:

- 1) Cordell is netting \$5-5.5 million against their \$30.4 million in Senior and Junior loans.
- 2) SAI no longer has any obligation to Cordell, but neither does it retain any tangible assets.
- 3) Dwight Capital is owed approximately \$25,000,000 by SAI, including \$12.5 million advanced in October 2007.
- 4) SAI Trust 00 and SAI 03 are owed approximately \$6.5 million.
- 5) SAI will now be essentially a much smaller company whose primary source of revenues will be management and administrative fees from SA Services, LLC, the new company formed by Cordell.

It appears to us, that in this newly reorganized state, SAI will be extremely hard pressed to generate sufficient revenues to service both the Dwight and SAI Trust loans.

Up to this point, acting as your agent, we have been reluctant to declare the Company in default as to their obligations since we believed cooperation in restructuring would be critical to all of the parties. As a result of the Cordell foreclosure we must now chart a new course. We are presently reaching out to Dwight to understand their intentions and to see if we may work with them. While we have not been approached by SAI as to how they intend to address their obligations to us, it seems reasonable that their only alternative is to seek to have us convert our debt to equity. While we would obviously not rule out any approach this early, this approach does not seem to have a lot

of appeal as SAI has struggled for the last 4-5 years with essentially the same management, but an ever changing marketing and operating plan.

These new developments of the past 30 days have not given us sufficient time to address all of our options. Unfortunately, time was lost while we waited for the Company to sort out its problems. While we presently do not have an answer to what comes next, we did want to communicate these recent developments. McGinn, Smith will be very proactive over the next few months in considering all alternatives available to us and in engaging counsel to explore what recourse we have. We will continue to inform you of unfolding developments.

*McGinnSmith
& Company, Inc.*

Investment Bankers • Investment Brokers

99 Pine Street
Albany, NY 12207
• 518-449-5131
Fax 518-449-4894
www.mcginnsmith.com

November 7, 2008

Raymond E. Gross
Chief Executive Officer
Security Associates International, Inc.
2101 South Arlington Heights Road
Arlington Heights, Illinois 60005-4142

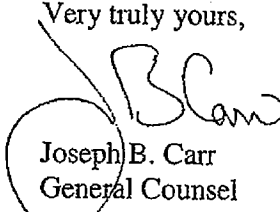
Re: Notice of Default

Dear Mr. Gross:

I am writing on behalf of McGinn, Smith Acceptance Corp. as agent for SAI Trust 03, and SAI Trust 00 (collectively the "Lender") with respect to various loans advanced by the Lender to Security Associates International, Inc. and its affiliates (collectively, the "Borrower"). The Borrower is in default with respect to its obligations to the Lender having failed to make required payments of principal and interest since January, 2008. Borrower is indebted to Lender in the principal amount of \$7,063,810.32 together with accrued interest which, through June 30, 2008 was in the amount of \$289,293.26. As a result of Borrower's default, the foregoing principal and all accrued interest is declared to be immediately due and owing. Please forward payment in full by return mail.

In the event that payment is not received as set forth above, Lender will proceed as it deems appropriate to protect its rights to the fullest extent allowed by law.

Very truly yours,


Joseph B. Carr
General Counsel

Jbc:cb



December 1, 2008

McGinn Smith and Company
99 Pine Street
Albany, NY 12207

Re: Notice of Default- Dwight Asset Management Company LLC. as investment advisor to the
Principal Linked Investment Defeased Trust and Structured Asset-Backed
Linked Trust 1 (collectively, the "Lender")

Attn: David Smith

Please see the attached Notice of Default received from Dwight Asset Management Company
LLC. (as investment advisor) related to various loans to Security Associates International, Inc.

Sincerely,

A handwritten signature in black ink, appearing to read "Ray Gross", is written over a horizontal line.

Ray Gross
SAI- CEO

Sent via certified mail



November 19, 2008

Raymond E. Gross
Chief Executive Officer
Security Associates International, Inc.
2101 South Arlington Heights Road
Arlington Heights, IL 60005-4142

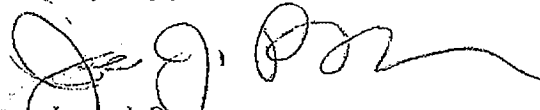
Re: Notice of Default
Via Certified Mail

Dear Mr. Gross:

I am writing on behalf of Dwight Asset Management Company LLC, as investment adviser to the Principal Linked Investment Defeased Trust and Structured Asset-Backed Linked Trust I (collectively, the "Lender"), Lenders under a Loan and Security Agreement dated as of May 30, 2006 (as amended, supplemented or otherwise modified from time to time prior to the date hereof) with Security Associates International, Inc. and the other Borrowers party thereto (collectively, the "Borrower"). The Borrower is in default with respect to its obligations to Lender having failed to make required payments of principal and interest since January, 2008. Borrower is indebted to Lender in the principal amount of \$25,500,000.00 together with accrued interest. As a result of Borrower's default, the foregoing principal and all accrued interest is declared to be immediately due and owing. Please forward payment in full by return mail.

In the event that payment is not received as set forth above, Lender will proceed as it deems appropriate to protect its rights to the fullest extent allowed by law.

Very truly yours,



James J. Burns
General Counsel

RELATIONSHIPS

PERSPECTIVE

SOLUTIONS

100 Bank Street, Suite 800, Burlington, VT 05401 • (802) 383-4000 • fax (802) 862-5097 • www.dwight.com

December 19, 2008

David Smith
McGinn, Smith Acceptance Corp.
99 Pine Street
Albany, NY 12207

Re: SAI Trust 03, and SAI Trust 00
(collectively, the "Lenders")

Dear David:

On July 7, 2008, SA Systems LLC ("SAS"), a Delaware limited liability company whose sole member is Cordell Funding LLLP ("Cordell"), acquired substantially all of the assets of Security Associates International, Inc. ("SAI") through a foreclosure proceeding called by Cordell as senior lender to SAI. A notice of the proceeding was delivered to your firm in June 2008. No SAI liabilities were assumed by SAS in connection with this asset purchase.

On November 26, 2008, SAS sold substantially all of its assets to CastleRock Security, Inc. ("CRS"), a newly formed Delaware corporation. No SAS or SAI liabilities were assumed by CRS in connection with this asset purchase.

As a result of the foreclosure proceeding, SAI has no assets. Total liabilities, however, exceed \$70 million, including over \$57 million in notes payable. Consequently, the notes held by the above-referenced Lenders can be considered worthless.

Please call me at 847-956-2929 if you have questions.

Sincerely,

Brian E. Johnson
Chief Financial Officer
Security Associates International, Inc.
President and Chief Executive Officer
CastleRock Security, Inc.

December 23, 2008

Re: Investment #

Dear Investor:

We last communicated to you on August 5, 2008 regarding your investment in either SAI Trust 03, or SAI Trust 00, and at that time indicated that the assets supporting your investment had been foreclosed on by the senior lender. We also indicated that we would attempt to work with the other subordinated lender to review any options that might be available to us. Our efforts to reach out to the other subordinate lender, Dwight Asset Management, were unproductive, for reasons that I suspect were related to their need to focus on other investments that were being impaired by the credit crisis that had accelerated throughout the year. While their loan of approximately \$27,000,000 is significant, they are a billion dollar asset management fund and are probably more concerned with managing impaired assets that they can control. Dwight sent a Notice of Default on November 19, 2008, but are really in the same situation that we find ourselves.

McGinn, Smith Acceptance Corp., as agent for various lenders, including, SAI Trust 03, and SAI Trust 00, notified SAI that they were in default in principal amount of \$ 7,063, 810 and accrued interest through June 30, 2008 in the amount of \$289,293. We demanded immediate payment, and in the event that payment was not received, we indicated that we will proceed as it deems appropriate to protect our rights to the fullest extent allowed by law.

I have enclosed a copy of the letter received on December 19, 2008 from Brian C. Johnson, CFO of Security Associates International, Inc. and President and CEO of Castle Rock Security, Inc. The letter states that our investor notes can be considered worthless. Consequently, investors can write off their remaining principal for a tax loss for the tax year of 2008. I have enclosed a schedule of interest and principal payments made throughout the time you held the investment and you can see from the schedule what your remaining principal is.

We at McGinn, Smith are obviously extremely disappointed with the outcome of this investment. While SAI, Inc. has struggled for the last several years, management was always optimistic that they were turning things around and that our investment would ultimately be protected. When the senior lender, Cordell Funding, chose to foreclose on the assets of the Company, SAI was essentially put out of business.

If you or your tax advisor has any questions concerning this communication, please do not hesitate to call me.

Sincerely,

David L. Smith
President

DLS/gbg
Enclosures

Date: _____

McGinn, Smith & Co., Inc.
6 Executive Park Drive
Clifton Park, NY 12065

Re: -Purchase of Pine Street Capital Partners 9% Promissory Note and LP Units
-Sale of First Independent Income Notes 10.25% due 12/15/08
Certificate # 87 for \$150,000 registered to *Robert H Hill II DDS*
- Sale of Third Albany Income Notes 10.25% due 12/15/09
Certificate # 368 for \$161,000 registered to *Robert H Hill II DDS*

To Whom It May Concern:

Please use this letter as authorization to redeem \$150,000 First Independent Income Notes 10.25% due 12/15/08 and \$161,000 Third Albany Income Notes 10.25% due 12/15/09 and transfer the proceeds to Pine Street Capital Partners as follows:

\$160,209 Pine Street Capital Partners 9% Promissory Note due 9/1/09
\$150,791 Pine Street Capital Partners LP Units

I have enclosed the following:

_____ Pine Street Capital Partners Subscription Agreement
_____ Original certificate(s) representing First Independent Income Notes
_____ Original certificate(s) representing Third Albany Income Notes

I am unable to locate my First Independent Income Note and/or Third Albany Income Note, therefore, I have enclosed the following:

_____ Affidavit of Loss Certificate

Sincerely,

Robert H Hill II DDS

McGinn Smith & Co.
99 Pine Street
Albany, NY 12207
(518) 449-5131

alseT IP Management LP

Expenses: **April 30th 2006 thru October 31st 2006 6 Months**
Rent
\$24,637/Mo \$ 1,470.87 \$ 8,825.19

Total Square Footage 11,725
Alset Square Footage 700

Personel Cost
Receptionist
Monthly \$ 2,478.01 \$ 1,749.19
Annual Salary & SS 29,736.16
Phone - 4/1-10/15 1,500.00
Copier- Monthly 336.08 \$ 237.23

Total NYC Employees 17
Alset employees 2
Move In Date: July 1st

Total Expenses: **\$ 12,311.61**

Accrued Interest Due 10/31/06:
3 Months

Third Albany Income Notes, LLC \$ 77,551.50
2,585,050
12% Three Months
First Advisory Income Notes, LLC \$ 108,896.36
3,600,287
12% Three Months Act/365 per Docs

Total Bill: **\$ 198,759.47**

Div Ex - 522

PL013976

From: Cooper, Brian
Sent: Monday, April 28, 2008 7:51 PM (GMT)
To: McGinn, Timothy <tmmcginn@mcginnsmith.com>
Subject: May 1st Payments

Firstline and TDM Cable Monthly Payments

Please wire \$74,000 to cover Firstline Interest Payments for 5/1/08:

FirstLine Senior Trust 07

M&T Bank
Buffalo NY
ABA 022000046
Account 9839965028

We currently have \$250,000 in the operating account that is to cover the Stan Rabinovich \$600,000 redemption once we get the rest of the funds in.

Also TDM Cable

We currently have \$32,000 in the operating account and the Monthly Interest is \$26,000.

Thank you,

*Brian J. Cooper
McGinn Smith & Co. Inc.
99 Pine Street, Suite 5
Albany, NY 12207
Phone 518-449-5131 ext 232
Fax 518-449-4894
Toll Free 1-800-724-3330*

Div Ex - 524

MS-E-3131040

Client id	Registration	FAIN 10.25%	FEIN 10.25%	FIIN 10.25%	TAIN 10.25%	TAIN 7.00%	Grand Total
ThrasRo	Robert J Thrasher			300,000	116,000		416,000
UrbelTh	Thomas J Urbelis		110,000	85,000			195,000
UrbelThJ	Thomas J. Urbelis & Deborah Urbelis JTWROS			30,000			30,000
UrbelTHS	Thomas J. Urbelis, TTEE of the Thomas J. Urbelis Trust of 2005,				10,000		10,000
UrbelDel	NFS LLC IRA FBO Deborah J Urbelis	25,000		80,000	40,000		145,000
UrbelThI	NFS LLC IRA FBO Thomas J Urbelis	10,000		70,000	20,000		100,000
UrbelTJT	Thomas J Urbelis TTEE U/W of Phyllis E. Parkhurst fbo Jessica Urbelis					35,000	35,000
UrbelDeT	Deborah J Urbelis TTEE of the Deborah J Urbelis Trust of 01/10/05 of	38,000					38,000
	Estate of Katherine W Hill Robert H Hill II Administrator				50,000		50,000
	NFS/FMTC IRA FBO Linda Hill			25,000			25,000
	NFS LLC SEP IRA FBO Robert H Hill II DDS			75,000	30,000		105,000
	Dr. Robert Hill II			150,000	161,000		311,000
	Robert H Hill II Cust Geoffrey C Hill UGMA/NY			50,000	25,000		75,000
	Robert H Hill II Cust Jonathan A Hill UGMA/NY			50,000	25,000		75,000
	Robert H Hill II Cust Robert H Hill III UGMA/NY			50,000	25,000		75,000
	Kathleen P Meier				50,000		50,000
	NFS LLC/FMTC IRA FBO Kathleen P. Meier				189,000		189,000
	Energy Insurance			105,000			105,000
	Michael Reilly			705,000			705,000
Income Note Reductions		73,000	110,000	1,775,000	741,000	35,000	2,734,000
CASH		(35,000)		(150,000)	(25,000)	-	(236,000)
				(810,000)	(80,000)		(300,000)
				(100,000)	(189,000)		
TOTAL CASH		35,000	-	1,060,000	294,000	-	1,389,000
NON CASH		38,000	110,000	715,000	447,000	35,000	1,345,000
pscp NOTE REDUCTION		(183,000.00)	(1,264,204.00)	715,000.00	(1,251,796.00)	(35,000.00)	(2,019,000.00)
		(35,000)			(116,000)	(35,000)	
		(38,000)	(699,204)		(10,000)		
		(110,000)	(110,000)	305,000	(236,000)		
			(80,000)	110,000	(50,000)		
			(305,000)	300,000	(300,000)		
			(70,000)				
					(60,000)		
					(180,000)		
					(189,000)		
					(110,796)		
SALES					300,000		
Pine Street Internal FS September		183,000	565,000		221,000		
Pine Street Internal FS November					180,000		
Pine Street Internal FS December			699,204		349,796		
		183,000	1,264,204	-	1,286,796	-	2,734,000
Due TO		(0)	(0)	715,000	0		715,000
		(110,000)	(1,154,204)	1,775,000	(545,796)	35,000	(0)

\$ 715,000.00 715,000 \$ (0)

First Excelsior Income Notes

	Accrual		TOTAL	Payments	Accrual	
	MGMT	ADMIN			Balance	Use
2004	196,600	49,150	245,750	90,956	154,794	
2005	196,600	49,150	245,750	221,344	179,200	
2006	196,600	49,150	245,750	110,000	314,950	
2007	196,600	49,150	245,750	-	560,700	
2008	196,600	49,150	245,750	-	806,450	
2009				216,880	589,570	Paid \$150k to MSTF & \$60K Admin fee to MS Advisors
2010					589,570	Paid \$6,880 Misc Admin Fees
					<u>589,570</u>	Balance Sheet Balance
2004	393,200			413,520.00	(20,320)	
2005	393,200			374,530.00	(1,650)	
2006	393,200			398,500.00	(6,950)	
2007	393,200			193,650.00	192,600	
2008					192,600	
2009				50,000.00	142,600	Paid \$50k MS Indep. Serv. to reduce MGS 5/29/09 Loan
2010				40,000.00	102,600	MGS Payroll 1/14/10
				25,000.00	77,600	Transferred \$75k to MGS Stradley Ronon 1/27/10
				25,000.00	52,600	Transferred \$50k to MGS Payroll 1/28/10
					<u>142,600</u>	Balance Sheet Balance

142,600.00

Outstanding Related Loans

M&S Partners	\$300,000
MSCH	\$100,000
Pacific	\$77,526
CSDS	\$72,904
RTC	\$294,596
TDMM Funding	\$45,000
White Glove Cruises	\$30,000
CCCC	\$178,404
	Booked Revenue Receivable from CCCC
	<u>\$1,098,429</u>

Div Ex - 584 - 1

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589,570.00

First Independent Income Notes

Proof to Summary

	Accrual		TOTAL	Payments	Accrual	
	MGMT	ADMIN			Balance	Use
2004	194,250	48,563	242,813	259,018	(16,206)	
2005	193,750	48,438	242,188	249,130	(23,148)	
2006	193,750	48,438	242,188	20,833	198,206	
2007	193,750	48,438	242,188	62,500	377,894	
2008	193,750	48,438	242,188	-	620,081	
2009	48,438	12,109	60,547	179,000	501,628	Paid \$175k to MSTF & \$4k Misc Admin Fees
2010				26,000	475,628	MS Holdings Admin Fee \$25k and \$1k Misc Admin Fees
					<u>475,587</u>	Balance Sheet Balance
2004	388,500		388,500	400,000	(11,500)	
2005	388,500		388,500	400,000	(23,000)	
2006	388,500		388,500	400,000	(34,500)	
2007	388,500		388,500		354,000	
2008	-		-		354,000	
2009	-		-	25,000	329,000	12/2/09 Transfer to MGS and Co.
2010				50,000	279,000	Paid \$50k MS Indep. Serv. to reduce MGS 5/29/09 loan
				60,000	219,000	MGS Payroll 1/14/10
				75,000	144,000	Transferred \$75k to MGS Stradley Ronon 1/27/10
				50,000	94,000	Transferred \$50k to MGS Payroll 1/28/10
					<u>94,000</u>	Balance Sheet Balance
Outstanding Related Loans						
TDM Luxury Cruise			\$77,000			
TDM Sr Trust			\$74,000			
M&S Partners			\$300,000			
MSCH			\$100,000			
MS Pref Stock			\$240,800			
Other Investments						
CSDS			\$40,000			
Pacific			\$35,000			
TDM Cable Funding			\$40,000			
			<u>\$906,800</u>			

475,628.17

94,000.00

Third Albany Income Notes

	Accrual		TOTAL	Payments	Accrual	
	MGMT	ADMIN			Balance	Use
2004	73,270	18,318	91,588		91,588	
2005	293,080	73,270	366,350	218,201	239,737	
2006	293,080	73,270	366,350	449,327	156,759	
2007	293,080	73,270	366,350		523,109	
2008	293,080	73,270	366,350	251,000	638,459	Paid \$225k to MSTF, \$20k to NFS MSCH Acct, \$6k Misc Admin Fees
2009	293,080	73,270	366,350	-	1,004,809	
2010					<u><u>1,004,530</u></u>	Balance Sheet Balance

1,004,809.45

2004	83,810	83,810	83,000	810	
2005	586,160	586,160	372,260	214,710	
2006	586,160	586,160	603,700	197,170	
2007	586,160	586,160	600,000	183,330	
2008	586,160	586,160	-	769,490	
2009			45,000	724,490	Payments to MGS \$20K & \$25K
2010			100,000	624,490	Paid \$50k MS Indep. Serv. to reduce MGS 5/29/09 Loan

624,490.00

624,490 Balance Sheet Balance

Outstanding Related Loans

McGinn Smith Capital Holdings	\$100,000
TDM Verifer Trust Trust 07	\$150,000
MGS Preferred Stock	\$255,000
MGS Preferred Stock (Held @ NFS)	\$180,000
MS Holdings	\$46,000
Pacific	\$40,000
	<u><u>\$771,000</u></u>

TBD based on Interest accrual

First Advisory Income Notes

Proof to Summary

	Accrual		Accrual	
	MGMT	ADMIN	TOTAL	Use
2004				
2005	41,703	10,426	52,128	52,128
2006	166,810	41,703	208,513	210,162
2007	166,810	41,703	208,513	297,245
2008	166,810	41,703	208,513	505,758
2009	166,810	41,703	208,513	710,270 Misc Admin Fees
2010				710,270 Transfer To MS Advisors

710,430 Balance Sheet Balance

710,270.13

2004	-	-	-	-
2005	-	-	-	-
2006	333,620		296,260	37,360
2007	333,620		380,920	(9,940)
2008	333,620		-	323,680
2009	333,620		50,000	607,300 Paid \$50k MS indep. Serv. to reduce MGS 5/29/09 Loan
2010	-		100,000	507,300
			25,000	482,300 Transferred 1/27, Stadley Ronan
				482,300 Transferred 1/28 Payroll

482,300 Balance Sheet Balance

482,300.00

Outstanding Related Loans

M&S Partners	\$4,050
MS Holdings LLC	\$35,373
RTC Loan	\$311,789
Seton Hall	\$8,613
	\$359,825

SUMMARY TOTAL

	2,780,278
	1,343,390
	4,123,668
	(\$3,136,054) Accruals DT MGS & Companies
	\$987,613.88 Outstanding Related Loans

Combined Trust Assets					
FAIN, FIIN, TAIN & FEIN					
Summary As of 10/29/2009					
		ASSETS			
		FAIN	FIIN	FEIN	Total
Related Assets	McGinn Smith Holdings LLC	✓ 116,400	64,841 A		181,241
	McGinnSmith Licensing Co	75,000			75,000
	M & S Partners (Other Investments)	✓ 4,050	X 300,000 A	300,000	604,050
3/19/2009	MSCH Loan (Other Investments)	✓ 50,000	X 100,000 A	100,000	350,000
5/29/2009	MGS & Co. Inc (Other Investments)	✓ 50,000	X 100,000 A	100,000	350,000
	MS Pref. Stock	✓ 240,800	X 255,000 A	50,000	250,000
	Pacific (Other Investments)		35,000	40,000	77,526
	CSDS (Other Investments)		40,000	72,904	112,904
7/27/2009	DF MCG3, LLC		25,000	25,000	50,000
	RTC Loan	344,700		293,775	638,475
	JGC Loan	5,750			5,750
	Seton Hall	8,613			8,613
	SAI Jr		6,136		6,136
	Due from FEIN		36,025	355,733	391,759
	DF FIIN			675,000	675,000
	TDM Cable Financing, LLC	✓ 40,000			40,000
	Cruise Charter Ventures		8,000		8,000
9/9/2009	DF TDM Luxury Cruise		79,000		79,000
9/9/2009	DF From TDMM Cable Sr		74,000		74,000
10/2/2009	DF TDMM Funding LLC			45,000	45,000
9/14/2009	DF White Glove Cruises			30,000	30,000
	DF-TDM VerTr.07		150,000		150,000
	CCCC Loan			475,000	475,000
	Due From CCCC			178,404	178,404
Related Assets		654,513	1,027,825	1,071,710	2,322,608
					5,076,657
Other Non Related Assets (non - performing)					
	107th Association	150,000	✓ 150,000	✓ 1,200,000	500,000
	dF WorldWide Auction Solutions		25,000		25,000
	AlseT IP Mgt LP	4,000,287	2,268,607	2,585,050	8,853,945
	Coventry Resources Corp	3,149,518	1,165,802	1,802,043	1,523,818
	Palisades Picture		1,368,197	2,493,758	1,163,662
	Palisades - New Financing	500,000	400,000	300,000	1,200,000
	ExchangeBlvd.Com Loan	150,000	500,000	500,000	1,150,000
	ExchBlvd Stock Purch	660,000	60,000	80,000	800,000
	Exch Blvd Prepaid Royalties	50,000		200,000	250,000
	ExchangeBlvd (In Safe)	500,000		200,000	200,000
	BVI Precision Materials	1,500,000			1,500,000
	New Valu	888,889			888,889
	CCIG		643,618		549,807
	CMET		1,800,000		1,800,000
	Smashing Holdings LLC	250,000	300,000		550,000
	VidSoft Loan	450,000			450,000
	Christopher's			300,000	300,000
	Vigilant			235,000	235,000
	JV Associate Loan 12%			95,000	95,000
	GSC Capital			1,499,998	499,998
	NFS			171,266	423,858
	F4W	200,000	1,081,000		1,281,000
	Pine Street Capital Partners	1,309,822		2,359,006	3,668,827
	74 State		79,080	1,400,000	1,479,080
	Cochise ATM Fund		774,903		774,903
	Cherokee ATM			716,096	716,096
	Dekania Jr. Income Notes		2,000,000		2,000,000
	Sandler Jr. Income Notes-Incap		3,000,000		3,000,000
	Aquatic Dev Group #2			897,966	897,966
	HSK Funding			2,000,000	2,000,000
	Alarm Contracts SPT 1		734,964		734,964
	Alarm Contracts SPT2			2,075,376	2,075,376
	Alarm Contracts SPT3			1,063,374	1,063,374
	Alarm Contracts SPT4			1,003,092	1,003,092
Other Non Related Assets		13,758,516	16,326,173	18,952,179	9,110,989
					58,147,857

Prepared by: B. Cooper
12/12/2009

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The Funds							
Fees Earned & Paid Analysis							
First Excelsior Income Notes (Start Jan. 2004 Ends Jan. 2009)							
Traunce	Total Raised						
Jr	9,890,000.00						
Sr Sub	4,925,000.00						
Sr	4,845,000.00						
Total	19,660,000.00						
ACCRUAL							
Fees Earned	2004	2005	2006	2007	2008	2009	2010
U/w .02	393,200.00	393,200.00	393,200.00	393,200.00	-	-	
MGMT .01	196,600.00	196,600.00	196,600.00	196,600.00	196,600.00	196,600.00	
Admin 0.0025	49,150.00	49,150.00	49,150.00	49,150.00	49,150.00	49,150.00	
	638,950.00	638,950.00	638,950.00	638,950.00	245,750.00	245,750.00	
PAID							
Fees Paid							
U/w .02	413,520.00	374,530.00	398,500.00	193,650.00	-	-	50,000.00
MGMT .01	90,956.00	221,344.00	110,000.00	-	-	150,000.00	
Admin 0.0025	-	-	-	-	-	60,000.00	-
	504,476.00	595,874.00	508,500.00	193,650.00	-	210,000.00	50,000.00
Fees Accrued	134,474.00	43,076.00	130,450.00	445,300.00	245,750.00	35,750.00	(50,000.00)
First Independent Income Notes (Start Oct. 2003 Ends Nov. 2008)							
Traunce	Total Raised						
Jr	9,475,000.00						
Sr Sub	4,975,000.00						
Sr	4,845,000.00						
Total	19,295,000.00						
Accrual							
Fees Earned	2004	2005	2006	2007	2008	2009	2010
U/w .02	385,900.00	385,900.00	385,900.00	385,900.00	-	-	
MGMT .01	192,950.00	192,950.00	192,950.00	192,950.00	192,950.00	192,950.00	
Admin 0.0025	48,237.50	48,237.50	48,237.50	48,237.50	48,237.50	48,237.50	
	627,087.50	627,087.50	627,087.50	627,087.50	241,187.50	241,187.50	
PAID							
Fees Paid							
U/w .02	400,000.00	400,000.00	400,000.00	-	-	-	50,000.00
MGMT .01	259,018.00	249,130.21	20,833.00	62,500.00	-	175,000.00	
Admin 0.0025	-	-	-	-	-	25,000.00	25,000.00
	659,018.00	649,130.21	420,833.00	62,500.00	-	200,000.00	75,000.00
Fees Accrued	(31,930.50)	(22,042.71)	206,254.50	564,587.50	241,187.50	41,187.50	(75,000.00)

The Funds							
Fees Earned & Paid Analysis							
Third Albany Income Notes (Start Jan. 2004 Ends Jan. 2009)							
Traunce	Total Raised						
Jr	14,227,000.00						
Sr Sub	7,596,000.00						
Sr	7,485,000.00						
Total	29,308,000.00						
ACCRUAL							
Fees Earned	2004	2005	2006	2007	2008	2009	2010
U/w .02	83,810.00	586,160.00	586,160.00	586,160.00	586,160.00	-	
MGMT .01		293,080.00	293,080.00	293,080.00	293,080.00	293,080.00	
Admin 0.0025		73,270.00	73,270.00	73,270.00	73,270.00	73,270.00	
	83,810.00	952,510.00	952,510.00	952,510.00	952,510.00	366,350.00	
Fees Paid	PAID						
U/w .02	83,000.00	372,260.00	603,700.00	600,000.00	-	-	100,000.00
MGMT .01		218,200.60	449,327.45	-	-	245,000.00	
Admin 0.0025	-	-	-	-	-	45,000.00	-
	83,000.00	590,460.60	1,053,027.45	600,000.00	-	290,000.00	100,000.00
Fees Accrued	810.00	362,049.40	(100,517.45)	352,510.00	952,510.00	76,350.00	(100,000.00)
First Advisory Income Notes (Start Oct. 2005 Ends Nov. 2010)							
Traunce	Total Raised						
Jr	6,626,000.00						
Sr Sub	4,910,000.00						
Sr	5,145,000.00						
Total	16,681,000.00						
Accrual							
Fees Earned	2004	2005	2006	2007	2008	2009	2010
U/w .02	-	-	333,620.00	333,620.00	333,620.00	333,620.00	-
MGMT .01	-	-	166,810.00	166,810.00	166,810.00	166,810.00	166,810.00
Admin 0.0025	-	-	41,702.50	41,702.50	41,702.50	41,702.50	41,702.50
	-	-	542,132.50	542,132.50	542,132.50	542,132.50	208,512.50
Fees Paid	PAID						
U/w .02	-	-	296,260.00	380,920.00	-	-	-
MGMT .01	-	-	50,479.00	121,429.00	-	-	50,000.00
Admin 0.0025	-	-	-	-	-	-	-
	-	-	346,739.00	502,349.00	-	-	50,000.00
Fees Accrued							
Accrual			195,393.50	39,783.50	542,132.50	542,132.50	158,512.50

The Funds
Fees Earned & Paid Analysis
Summary as of 12/30/2009

Earned Through 2007				
Trust	U/W	Mgmt.	Admin.	Total
FEIN	1,572,800.00	786,400.00	196,600.00	2,555,800.00
FIIN	1,543,600.00	771,800.00	192,950.00	2,508,350.00
TAIN	1,842,290.00	879,240.00	219,810.00	2,941,340.00
FAIN	667,240.00	333,620.00	83,405.00	1,084,265.00
Total	5,625,930.00	2,771,060.00	692,765.00	9,089,755.00

Earned After 2007				
Trust	U/W	Mgmt.	Admin.	Total
FEIN	-	393,200.00	98,300.00	491,500.00
FIIN	-	385,900.00	96,475.00	482,375.00
TAIN	586,160.00	586,160.00	146,540.00	1,318,860.00
FAIN	667,240.00	500,430.00	125,107.50	1,292,777.50
Total	1,253,400.00	1,865,690.00	466,422.50	3,585,512.50

Total Fees Earned	6,879,330.00	4,636,750.00	1,159,187.50	12,675,267.50
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Paid Trough 12/30/2007				
FEIN	1,380,200.00	422,300.00	-	1,802,500.00
FIIN	1,200,000.00	591,481.21	-	1,791,481.21
TAIN	1,658,960.00	667,528.05	-	2,326,488.05
FAIN	677,180.00	171,908.00	-	849,088.00
Total Fees Paid	4,916,340.00	1,853,217.26	-	6,769,557.26

Paid From 2007 to Present				
Trust	U/W	Mgmt.	Admin.	Total
FEIN	50,000.00	150,000.00	60,000.00	260,000.00
FIIN	50,000.00	175,000.00	50,000.00	275,000.00
TAIN	100,000.00	245,000.00	45,000.00	390,000.00
FAIN	-	50,000.00	-	50,000.00
Total Fees Paid	200,000.00	620,000.00	155,000.00	975,000.00

Total Fees Paid	5,116,340.00	2,473,217.26	155,000.00	7,744,557.26
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Net Accrual Balance Through 2007				
Trust	U/W	Mgmt.	Admin.	Total
FEIN	142,600.00	214,100.00	136,600.00	493,300.00
FIIN	293,600.00	5,318.79	142,950.00	441,868.79
TAIN	83,330.00	(33,288.05)	174,810.00	224,851.95
FAIN	(9,940.00)	111,712.00	83,405.00	185,177.00
Total Net Accrual	509,590.00	297,842.74	537,765.00	1,345,197.74

Net Accrual Balance Through 2010				
Trust	U/W	Mgmt.	Admin.	Total
FEIN	142,600.00	607,300.00	234,900.00	984,800.00
FIIN	293,600.00	391,218.79	239,425.00	924,243.79
TAIN	669,490.00	552,871.95	321,350.00	1,543,711.95
FAIN	657,300.00	612,142.00	208,512.50	1,477,954.50
Total Net Accrual	1,762,990.00	2,163,532.74	1,004,187.50	4,930,710.24

OMB APPROVAL

OMB Number: 3235-0045
Expires: June 30, 2010
Estimated average burden
hours per response.....38

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. SR - 2008 - 026
Amendment No.

Proposed Rule Change by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>			Date Expires <input type="text"/>		
			<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)		

Exhibit 2 Sent As Paper Document ☐
Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the proposed rule change (limit 250 characters).

Proposed rule change to adopt the FINRA Rule 0100 Series (General Standards) in the Consolidated FINRA Rulebook

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Last Name
Title
E-mail
Telephone Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date By

(Name)

(Title)

NOTE: Clicking the button at right will digitally sign and lock
this form. A digital signature is as legally binding as a physical
signature, and once signed, this form cannot be changed.



SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Exhibit Sent As Paper Document

☐

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

Exhibit Sent As Paper Document

☐

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies




The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item 1 and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ Financial Industry Regulatory Authority, Inc. ("FINRA") (f/k/a National Association of Securities Dealers, Inc. ("NASD")) is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change to adopt the NASD Rule 0100 Series as FINRA rules in the consolidated FINRA rulebook. The proposed rule change would renumber the NASD Rule 0100 Series as the FINRA Rule 0100 Series in the consolidated FINRA rulebook. The text of the proposed rule change is attached as Exhibit 5 to this rule filing.

(b) Upon Commission approval and implementation of the proposed rule change, the corresponding NASD rules will be eliminated from the current FINRA rulebook.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on April 17, 2008, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA will announce the implementation date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

¹ 15 U.S.C. 78s(b)(1).

Background

As part of the process of developing the new consolidated rulebook (“Consolidated FINRA Rulebook”),² FINRA is proposing to adopt the NASD Rule 0100 Series (General Provisions) as FINRA rules in the Consolidated FINRA Rulebook, with the exception of NASD Rule 0120, which will be addressed at a later date in a separate filing. The NASD Rule 0100 Series governs the adoption, application and interpretation of NASD rules and sets forth certain definitions not contained in the FINRA By-Laws. Additionally, these rules address FINRA’s delegation of certain responsibilities to its subsidiaries, and its authority and access with respect to its subsidiaries. FINRA is proposing to transfer this rule series as the FINRA Rule 0100 Series, renamed as “General Standards,” to the Consolidated FINRA Rulebook, with only minor changes, as described below. The proposed rule change would not impose any new requirements on FINRA members, but would clarify and streamline these rules for inclusion in the Consolidated FINRA Rulebook. FINRA notes that, notwithstanding their transfer to the Consolidated FINRA Rulebook, these rules of general applicability would apply equally to both the Transitional Rulebook and the Consolidated FINRA Rulebook.³

Proposal

² The current FINRA rulebook consists of two sets of rules: (1) NASD Rules and (2) rules incorporated from NYSE (“Incorporated NYSE Rules”) (together referred to as the “Transitional Rulebook”). The Incorporated NYSE Rules apply only to those members of FINRA that are also members of the NYSE (“Dual Members”). Dual Members also must comply with NASD Rules. For more information about the rulebook consolidation process, see FINRA Information Notice, March 12, 2008 (Rulebook Consolidation Process).

³ See also SR-FINRA-2008-021 (Proposed Rule Change Relating to the Adoption of NASD Rules 4000 through 10000 Series and the 12000 through 14000 Series

NASD Rule 0111 (Adoption of Rules) provides that the provisions of the rulebook are adopted pursuant to Article VII, Section 1, of the By-Laws. This section of the By-Laws grants the FINRA Board of Governors authority to, among other things, adopt such FINRA rules, and changes or additions thereto, as it deems necessary or appropriate, provided, however, that the Board may at its option submit to the membership any such adoption, change or addition to such rules. FINRA is proposing that this rule be transferred into the Consolidated FINRA Rulebook with only minor, non-substantive changes (e.g., replacing references to NASD with FINRA and certain renumbering to reflect the new organizational structure of the Consolidated FINRA Rulebook).

NASD Rule 0112 (Effective Date) states that the rules shall become effective as provided in Article XI, Section 1, of the By-Laws. This section of the By-Laws provides that, if rules, or amendments to such, are approved by the SEC, they will become effective as of such date as the Board may prescribe. Historically, it has been FINRA's general practice to state the effective date for a rule change in a Regulatory Notice following approval by the SEC, and FINRA intends to continue this practice. Accordingly, FINRA is proposing that this rule be transferred into the Consolidated FINRA Rulebook with only minor, non-substantive changes.

NASD Rule 0113 (Interpretation) states that the rules shall be interpreted in such manner as will aid in effectuating the purposes and business of NASD, and so as to require that all practices in connection with the investment banking and securities business shall be just, reasonable and not unfairly discriminatory. FINRA proposes to

as FINRA Rules in the New Consolidated FINRA Rulebook), discussing "Rules

eliminate the express reference to “practices in connection with the investment banking and securities business” in the rule to reflect that certain FINRA rules, such as the requirement to adhere to just and equitable principles of trade, are not limited in scope to such activities. The proposal would further provide that FINRA rules shall be interpreted in light of the purposes sought to be achieved by the rules and to further FINRA’s business operations.

NASD Rule 0114 (Effect on Transactions in Municipal Securities) provides, in part, that the rules shall not be construed to apply to transactions in municipal securities. NASD Rule 0116 (Application of Rules of the Association to Exempted Securities) states that the terms “exempted securities” and “municipal securities” shall have the meanings specified in Exchange Act Sections 3(a)(12) and 3(a)(29), respectively, and includes a list of NASD rules applicable to transactions and business activities relating to exempted securities, except municipal securities. FINRA is proposing to incorporate the statement in Rule 0114 that the FINRA Rules are not applicable to transactions in municipal securities into Rule 0116, and transfer Rule 0116, as amended, to the Consolidated FINRA Rulebook.

The remainder of Rule 0114 states that the rules shall not be construed to apply to contracts made prior to the effective date of the rules. FINRA is proposing to eliminate this provision in Rule 0114 as unnecessary because the rules by their own terms determine their applicability.

NASD Rule 0115 (Applicability) provides that the rules shall apply to all members and persons associated with a member and that persons associated with a

of General Applicability.”

member shall have the same duties and obligations as a member. Rule 0115 goes on to prescribe the loss of membership and registration privileges for members or persons associated with a member who have been expelled, suspended, cancelled or revoked from membership or registration. FINRA is proposing that this rule be transferred into the Consolidated FINRA Rulebook with only minor, non-substantive changes.

NASD Rule 0121 (Definitions in NASD By-Laws) states that, unless the context otherwise requires, or unless otherwise defined in these rules, terms used in the rules and interpretive material, if defined in the By-Laws, shall have the meaning as defined in the By-Laws. FINRA is proposing non-substantive changes to Rule 0121 to simplify the rule language.

NASD Rule 0130 (Delegation, Authority and Access) delegates authority to certain NASD subsidiaries to act on behalf of NASD as set forth in a Plan of Allocation and Delegation adopted by the Board of Governors and approved by the SEC. Further, the rule provides that, notwithstanding any delegation of authority under the rule, the staff, books, records and premises of the subsidiaries are that of NASD, subject to oversight pursuant to the Exchange Act, and all officers, directors, employees and agents of the subsidiaries are that of NASD for purposes of the Exchange Act. FINRA is proposing that this rule be transferred into the Consolidated FINRA Rulebook with only minor, non-substantive changes.

As noted in Item 2 of this filing, FINRA will announce the implementation date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁴ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will clarify and streamline the General Provisions rules for adoption as FINRA Rules in the new Consolidated FINRA Rulebook.

4. **Self-Regulatory Organization's Statement on Burden on Competition**

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

5. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

Written comments were neither solicited nor received.

6. **Extension of Time Period for Commission Action**

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.⁵

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

Not applicable.

⁴ 15 U.S.C. 78o-3(b)(6).

⁵ 15 U.S.C. 78s(b)(2).

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

9. **Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-FINRA-2008-026)

Self-Regulatory Organizations: Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change To Adopt the FINRA Rule 0100 Series (General Standards) in the Consolidated FINRA Rulebook

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , Financial Industry Regulatory Authority, Inc. (“FINRA”) (f/k/a National Association of Securities Dealers, Inc. (“NASD”)) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing a rule change to adopt the NASD Rule 0100 Series as FINRA rules in the consolidated FINRA rulebook. The proposed rule change would renumber the NASD Rule 0100 Series as the FINRA Rule 0100 Series in the consolidated FINRA rulebook. The text of the proposed rule change is attached as Exhibit 5 to this rule filing.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

As part of the process of developing the new consolidated rulebook ("Consolidated FINRA Rulebook"),³ FINRA is proposing to adopt the NASD Rule 0100 Series (General Provisions) as FINRA rules in the Consolidated FINRA Rulebook, with the exception of NASD Rule 0120, which will be addressed at a later date in a separate filing. The NASD Rule 0100 Series governs the adoption, application and interpretation of NASD rules and sets forth certain definitions not contained in the FINRA By-Laws. Additionally, these rules address FINRA's delegation of certain responsibilities to its subsidiaries, and its authority and access with respect to its subsidiaries. FINRA is proposing to transfer this rule series as the FINRA Rule 0100 Series, renamed as

³ The current FINRA rulebook consists of two sets of rules: (1) NASD Rules and (2) rules incorporated from NYSE ("Incorporated NYSE Rules") (together referred to as the "Transitional Rulebook"). The Incorporated NYSE Rules apply only to those members of FINRA that are also members of the NYSE ("Dual Members"). Dual Members also must comply with NASD Rules. For more information about the rulebook consolidation process, see FINRA Information Notice, March 12, 2008 (Rulebook Consolidation Process).

“General Standards,” to the Consolidated FINRA Rulebook, with only minor changes, as described below. The proposed rule change would not impose any new requirements on FINRA members, but would clarify and streamline these rules for inclusion in the Consolidated FINRA Rulebook. FINRA notes that, notwithstanding their transfer to the Consolidated FINRA Rulebook, these rules of general applicability would apply equally to both the Transitional Rulebook and the Consolidated FINRA Rulebook.⁴

Proposal

NASD Rule 0111 (Adoption of Rules) provides that the provisions of the rulebook are adopted pursuant to Article VII, Section 1, of the By-Laws. This section of the By-Laws grants the FINRA Board of Governors authority to, among other things, adopt such FINRA rules, and changes or additions thereto, as it deems necessary or appropriate, provided, however, that the Board may at its option submit to the membership any such adoption, change or addition to such rules. FINRA is proposing that this rule be transferred into the Consolidated FINRA Rulebook with only minor, non-substantive changes (e.g., replacing references to NASD with FINRA and certain renumbering to reflect the new organizational structure of the Consolidated FINRA Rulebook).

NASD Rule 0112 (Effective Date) states that the rules shall become effective as provided in Article XI, Section 1, of the By-Laws. This section of the By-Laws provides that, if rules, or amendments to such, are approved by the SEC, they will become effective as of such date as the Board may prescribe. Historically, it has been FINRA's

⁴ See also SR-FINRA-2008-021 (Proposed Rule Change Relating to the Adoption of NASD Rules 4000 through 10000 Series and the 12000 through 14000 Series as FINRA Rules in the New Consolidated FINRA Rulebook), discussing “Rules of General Applicability.”

general practice to state the effective date for a rule change in a Regulatory Notice following approval by the SEC, and FINRA intends to continue this practice.

Accordingly, FINRA is proposing that this rule be transferred into the Consolidated FINRA Rulebook with only minor, non-substantive changes.

NASD Rule 0113 (Interpretation) states that the rules shall be interpreted in such manner as will aid in effectuating the purposes and business of NASD, and so as to require that all practices in connection with the investment banking and securities business shall be just, reasonable and not unfairly discriminatory. FINRA proposes to eliminate the express reference to “practices in connection with the investment banking and securities business” in the rule to reflect that certain FINRA rules, such as the requirement to adhere to just and equitable principles of trade, are not limited in scope to such activities. The proposal would further provide that FINRA rules shall be interpreted in light of the purposes sought to be achieved by the rules and to further FINRA’s business operations.

NASD Rule 0114 (Effect on Transactions in Municipal Securities) provides, in part, that the rules shall not be construed to apply to transactions in municipal securities. NASD Rule 0116 (Application of Rules of the Association to Exempted Securities) states that the terms “exempted securities” and “municipal securities” shall have the meanings specified in Exchange Act Sections 3(a)(12) and 3(a)(29), respectively, and includes a list of NASD rules applicable to transactions and business activities relating to exempted securities, except municipal securities. FINRA is proposing to incorporate the statement in Rule 0114 that the FINRA Rules are not applicable to transactions in municipal

securities into Rule 0116, and transfer Rule 0116, as amended, to the Consolidated FINRA Rulebook.

The remainder of Rule 0114 states that the rules shall not be construed to apply to contracts made prior to the effective date of the rules. FINRA is proposing to eliminate this provision in Rule 0114 as unnecessary because the rules by their own terms determine their applicability.

NASD Rule 0115 (Applicability) provides that the rules shall apply to all members and persons associated with a member and that persons associated with a member shall have the same duties and obligations as a member. Rule 0115 goes on to prescribe the loss of membership and registration privileges for members or persons associated with a member who have been expelled, suspended, cancelled or revoked from membership or registration. FINRA is proposing that this rule be transferred into the Consolidated FINRA Rulebook with only minor, non-substantive changes.

NASD Rule 0121 (Definitions in NASD By-Laws) states that, unless the context otherwise requires, or unless otherwise defined in these rules, terms used in the rules and interpretive material, if defined in the By-Laws, shall have the meaning as defined in the By-Laws. FINRA is proposing non-substantive changes to Rule 0121 to simplify the rule language.

NASD Rule 0130 (Delegation, Authority and Access) delegates authority to certain NASD subsidiaries to act on behalf of NASD as set forth in a Plan of Allocation and Delegation adopted by the Board of Governors and approved by the SEC. Further, the rule provides that, notwithstanding any delegation of authority under the rule, the staff, books, records and premises of the subsidiaries are that of NASD, subject to

oversight pursuant to the Exchange Act, and all officers, directors, employees and agents of the subsidiaries are that of NASD for purposes of the Exchange Act. FINRA is proposing that this rule be transferred into the Consolidated FINRA Rulebook with only minor, non-substantive changes.

FINRA will announce the implementation date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁵ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will clarify and streamline the General Provisions rules for adoption as FINRA Rules in the new Consolidated FINRA Rulebook.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

⁵ 15 U.S.C. 78o-3(b)(6).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2008-026 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Florence Harmon, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2008-026. This file number should be included on the subject line if e-mail is used. To help the Commission

process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of FINRA.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2008-026 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶

Florence Harmon

Deputy Secretary

⁶ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Exhibit 5 shows the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

Text of Proposed New FINRA Rules
(marked to show changes from NASD Rule 0100 Series; NASD Rule 0100 Series,
with the exception of NASD Rule 0120, to be deleted
in its entirety from the Transitional Rulebook)

* * * * *

0100. GENERAL [PROVISIONS] STANDARDS

0110. Adoption [and Application] of Rules

[0111. Adoption of Rules]

The [following provisions] Rules are adopted pursuant to Article VII, Section 1, of the FINRA By-Laws [of the Corporation].

[0112.] 0120. Effective Date

The Rules shall become effective as provided in [Section 1 of] Article XI, Section 1, of the FINRA By-Laws.

[0113.] 0130. Interpretation

The Rules shall be interpreted in light of the purposes sought to be achieved by the Rules and to further FINRA's business operations [in such manner as will aid in effectuating the purposes and business of the Association, and so as to require that all practices in connection with the investment banking and securities business shall be just, reasonable and not unfairly discriminatory].

[0114. Effect on Transactions in Municipal Securities]

[The Rules shall not be construed to apply to contracts made prior to the effective date of the Rules or to transactions in municipal securities (as defined in Section 3(a)(29) of the Act).]

[0115.] 0140. Applicability

(a) The[se] Rules shall apply to all members and persons associated with a member. Persons associated with a member shall have the same duties and obligations as a member under the[se] Rules.

(b) A member or person associated with a member, who has been expelled, canceled or revoked from membership or from registration, or who has been barred from being associated with all members, shall cease to have any privileges of membership or registration. A member or person associated with a member who has been suspended from membership or registration shall also cease to have any privileges of membership or registration other than those under the Code of Procedure as set forth in the Rule 9000 Series or insurance programs sponsored by [the Association] FINRA. In neither case shall such a member or person associated with a member be entitled to recover any admission fees, dues, assessments or other charges paid to [the Association] FINRA.

(c) A member or person associated with a member who has been suspended from membership or from registration shall be considered as a non-member during the period of suspension for purposes of applying the provisions of the[se] Rules which govern dealings between members and non-members. However, such member or person associated with a member shall have all of the obligations imposed by the [r]Rules [of the Corporation].

**[0116.] 0150. Application of Rules [of the Association] to Exempted Securities
Except Municipal Securities**

(a) For purposes of this Rule, the terms “exempted securities” and “municipal securities” shall have the meanings specified in Sections 3(a)(12) and 3(a)(29) of the Exchange Act, respectively.

(b) The Rules do not apply to transactions in, and business activities relating to, municipal securities.

[(b)c] Unless otherwise indicated within a particular [provision] Rule, the following NASD Rules [of the Association and Interpretative Materials thereunder] are applicable to transactions in, and business activities relating to, exempted securities, except municipal securities, conducted by members and associated persons: 2110, 2120, 2210, IM-2210-1, IM-2210-2, IM-2210-3, 2250, 2270, 2310, IM-2310-2, IM-2310-3, 2320, 2330, IM-2330, 2340, 2430, 2450, 2510, 2520, 2521, 2522, IM-2522, 2770, 2780, 2820(g), 2910, 3010, 3020, 3030, 3040, 3050, 3060, 3070, 3110, IM-3110, 3120, 3130, IM-3130, 3131, 3140, 3230, 3310, IM-3310, 3320, IM-3320, 3330, 8110, 8120, 8210, 8310, IM-8310-1, IM-8310-2, 8320, 8330[,] and 9552.

* * * * *

[0121.] 0160. Definitions in [NASD] FINRA By-Laws

[Unless the context otherwise requires, or unless otherwise defined in these Rules,] The terms used in the Rules [and interpretive material], if defined in the [NASD] FINRA By-Laws, shall have the meaning as defined in the [NASD] FINRA By-Laws, unless a term is defined differently in a Rule, or unless the context of the term within a Rule requires a different meaning.

[0130.] 0170. Delegation, Authority and Access

(a) [The National Association of Securities Dealers, Inc.,] The Financial Industry Regulatory Authority, Inc. delegates to its subsidiaries ([NASD] FINRA Regulation, Inc., and [NASD] FINRA Dispute Resolution, Inc., hereinafter "Subsidiaries") the authority to act on behalf of [the Association] FINRA as set forth in a Plan of Allocation and Delegation adopted by the Board of Governors and approved by the [Commission] SEC pursuant to its authority under the Exchange Act.

(b) Notwithstanding any delegation of authority to the Subsidiaries pursuant to this Rule, the staff, books, records and premises of the Subsidiaries are the staff, books, records and premises of [the Association] FINRA subject to oversight pursuant to the Exchange Act, and all officers, directors, employees and agents of the Subsidiaries are the officers, directors, employees and agents of [the Association] FINRA for purposes of the Exchange Act.

* * * * *