

good standing under the laws of each state where it is required to be organized, authorized and licensed to own its properties and conduct its business.

(b) The execution, delivery and performance by the Agent of this Agreement, the consummation by the Agent of the transactions contemplated hereby and in compliance with the provisions of this Agreement do not and will not (i) conflict with or violate any terms and provisions of the Agent's organization or governing documents; (ii) require the consent of any party (which has not heretofore been received) and will not result in a breach of or default under any loan or credit agreement, indenture, business arrangement, mortgage, guarantee or other agreement or instrument to which the Agent is a party or by which it is bound; or (iii) conflict with or violate any existing law, rule, regulation, judgment, order or decree of any governmental instrumentality, agency or court having jurisdiction over the Agent, or any of its properties.

(c) There is no action, litigation, suit, proceeding, inquiry or investigation, either at law or in equity or before any court, public body or board, pending or threatened, against or affecting the Agent which involves the possibility of materially or adversely affecting the property, business, profits or condition (financial or otherwise) of the Agent's business.

(d) The Agent has the legal right to enter this Agreement and the financial ability to perform all of its obligations under this Agreement.

#### SECTION 10. Non-Assumption of Liability and Indemnity.

(a) Neither the Agent nor any of its assigns assume any obligations or liabilities of Firstline with respect to or concerning the Financed Contracts, including, without limitation, any liability for equipment, monitoring duties and responsibilities, warranties, service agreements and other agreements owed to any Obligor. In addition to all other remedies available to the Agent under this Agreement or applicable law, Firstline shall indemnify, defend and hold harmless the Agent and its assigns from and against any claim, suit, loss, liability or expense, including court costs and reasonable attorney's fees, incurred by the Agent or its assigns, arising from or connected with any Financed Contract and/or the services to be provided, except to the extent such claim, suit, loss, liability or expense is a result of any action or omission by the Agent. Firstline does not assume any obligation or liability of the Agent with respect to or concerning the marketing or the subsequent management of the Monitoring Revenue Stream, except to the extent such claim, suit, loss, liability or expense is incurred as a result of the breach of this Agreement by Firstline. This indemnity includes strict liability proceedings by Obligors. Firstline's indemnification hereunder shall be covered by insurance maintained by Firstline as provided for in Section 20 hereof.

(b) The Agent shall indemnify, defend and hold harmless Firstline from and against any claim, suit, loss, any act or omission by Agent or liability or expense, including court costs and attorney's fees, incurred by Firstline arising from or connected with the marketing and subsequent management of the Monitoring Revenue Stream, except to the extent such claim, suit, loss, liability or expense is incurred as a result of the breach of this Agreement by Firstline.

(c) Upon the written request of the party to be indemnified hereunder, the other party shall accept a tender of defense of any such proceeding.

#### SECTION 11. Billing, Payment Processing, Reserves and Monthly Accounting. It shall be the responsibility of Firstline to perform and provide for the following with respect to each Financed Contract:

(a) Firstline's Obligations Prior to Funding Date. Firstline shall perform or arrange for (including through the use of subcontractors) the following responsibilities and duties prior to the Funding Date:

(i) Preparation of Obligor Billing Statements. Design and prepare an Obligor monthly billing statement which provides for the disclosure of (A) the contractual payment due, (B) any amounts past due, (C) applicable state and local tax on monitoring services, for Obligors who reside in states where monitoring services are taxable, (D) late charges, and (E) miscellaneous charges which may be charged under Financed Contracts.

(ii) Remittance Lock Box Payment Processing. Design and prepare a system to assure that each direct billing invoice be accompanied by a return payment envelope which directs all Obligor Payments directly to the Lock Box, including, without limitation, making all reasonably necessary arrangements and signing all reasonably necessary documents associated with the on-going remittance processing performed by the Lock Box.

(iii) Pre-Sale Audit. Audit each Financed Contract prior to submission for financing hereunder and before delivery to the Agent for assignment and funding, including, without limitation, (i) determining that the actual contract terms for each Financed Contract are consistent with the terms pre-approved by the Agent, (ii) reviewing each document for complete signatures, (iii) preparing a file folder on each Financed Contract and (iv) providing written proof that each Obligor has paid cash for his Security Alarm System, or in the alternative, written evidence that Obligor has obtained financing for his Security Alarm System from a reputable financial institution.

(b) Firstline's Obligations Following Funding Date. Firstline shall perform or arrange for (including through the use of subcontractors) the following responsibilities and duties following the Funding Date:

(i) Monthly Accounting and Reports. Firstline shall provide to the Agent a monthly report in electronic form on or before the 15<sup>th</sup> business day of each calendar month which provides the following information with respect to each Financed Contract:

(A) the name and account number of the Obligor thereunder, (B) the current balance thereof as of the end of the reporting period, (C) the contractual amount past due thereon, and (D) the amount the Obligor thereon is past due and the number of days delinquent. Delinquency categories must be identified as (1) current, (2) 10-29 days delinquent, (3) 30 days delinquent, (4) 60 days delinquent and (5) 90 or more days delinquent.

(ii) Monitoring Service Taxes. (A) Determine which Obligors must be assessed state and local sales taxes on their monitoring service and the amount thereof and (B) be solely responsible to the governmental taxing authority having jurisdiction over the Obligor, or Firstline, relating to the payment of such taxes. The Agent shall not be responsible or liable for the proper assessment, collection or payment of any such taxes under this Agreement, and Firstline shall indemnify, defend and hold harmless the Agent and its assigns from any claim, suit, loss, liability or expense arising from the assessment, collection or payment of taxes required to be assessed, collected or paid by Firstline pursuant to this Agreement.

(c) Agent's Obligations Following Funding Date. Agent shall provide to Firstline an electronic report twice weekly which provides information requested by Firstline relative to all Obligor payments received in that period, identified by Obligor name and Obligor account number.

**SECTION 12a. Allocation of the Lock Box Payments.** As set forth above and subject to Section 13 hereof, until all Debt Service Amounts are paid to the Agent in full, the Agent shall be entitled to all collections with respect to the Collateral. For each calendar month following the Funding Date (except following the occurrence and during the continuation of an Event of Default (as hereinafter defined)), the Agent shall be entitled to the Debt Service Amounts set forth on Exhibit "A-1" hereto opposite such month, which amounts shall be paid no less frequently than weekly from Obligor Payments collected by the Lock Box. In addition, the Agent shall be entitled to the Lock Box fee set forth in Exhibit "A-3" which fee shall be paid monthly from funds remaining after the payment of the Debt Service Amounts each month. Any funds remaining after the payment of the Debt Service Amounts and the Lock Box fee each month shall be paid by the Agent to the Central Station to cover the cost of the monitoring; provided, however, that if no such funds are available to be paid to the Central Station, Firstline shall be absolutely obligated to make all required payments to the Central Station and to reimburse the Agent for any payments made by the Agent to the Central Station other than as set forth in this sentence. Thereafter (except following the occurrence and during the continuation of an Event of Default), any remaining funds shall be promptly remitted to Firstline no later than the 15th day of the month after such funds were received in the Lock Box, net of any amounts then otherwise owing from Firstline to the Agent. If the Obligor Payments collected for any month by the Lock Box are less than the Debt Service Amounts for that month (plus any deficit existing from any prior months) and the Lock Box fee, the Agent shall make withdrawals from the Attrition Reserve Account as provided for in Paragraph 15 below. If



there are insufficient funds in the Attrition Reserve Account, any remaining shortfall for that month will be paid out of the first Obligor Payments received by the Lock Box in the following month. Any Debt Service Amounts not received by the Agent in the month when due shall bear interest at the rate of 21.50% per annum until paid, such interest to be added to the Debt Service Amount for each succeeding month until paid. Thereafter, the Debt Service Amounts due the Agent for that month will be paid from the balance of the Obligor Payments received by the Lock Box that month. Thereafter, any funds remaining shall be paid to Firstline no later than the 15th day of the month after such funds were received in the Lock Box. Notwithstanding any of the above, upon the occurrence and during the continuation of an Event of Default, the Agent shall not be required to remit any Obligor Payments to Firstline but shall instead retain such Obligor Payments as security for the repayment of all of Firstline's obligations hereunder and shall deduct all Debt Service Amounts therefrom each month, and shall return any remaining funds to Firstline only after all Debt Service Amounts and other amounts due and owing to the Agent from Firstline shall have been repaid in full.

SECTION 12b. Recourse and Guarantee. Notwithstanding any other agreements herein described, the Monitoring Revenue Stream financed by the Agent hereunder, to the extent of all Debt Service Amounts, shall be on a full recourse and guarantee basis under the terms and conditions set forth herein. Firstline hereby irrevocably and unconditionally guarantees to the Agent the full and timely payment of all sums constituting the Debt Service Amounts as such Debt Service Amounts become due hereunder.

SECTION 12c. Replacement Contracts. In addition to its obligations under Sections 12a and 12b above, Firstline shall, from time to time, tender to Agent additional Contracts meeting the eligibility criteria set forth herein ("Replacement Contracts") so as to maintain a collateral pool of Financed Contracts that have the aggregate Qualified RMR more fully described in Exhibit "A-2" as of the applicable date set forth in Exhibit "A-2"

Replacement Contracts shall have an average monthly recurring revenue of not less than the average Monitoring Revenue Stream for the remaining Financed Contracts with a term of not longer than that of any remaining Financed Contract.

SECTION 13. Defeasance; Discharge of Lien: Upon ten (10) days prior written notice to the Agent, Firstline may in its sole discretion, deposit with Mercantile Bank, Boca Raton, Florida or such other escrow agent selected by Agent of which Firstline has notice (the "Escrow Agent"), sufficient funds or non-callable and non-prepayable direct obligations of the United States of America in such principal amounts, bearing interest at such rates and with such maturities as will provide, without reinvestment, sufficient funds to pay all Debt Service Amounts that are due to the Agent hereunder in full as and when such amounts become due, together with all fees of the escrow agent as the same shall become due and payable (the "Defeasance Amount"). Upon the deposit of the Defeasance Amount with the Escrow Agent, (1) the Agent will (a) cease to be entitled to any right, benefit or security under this Agreement, including the guaranties of the Guarantors, (b) the Escrow Agent shall have the ownership of the Defeasance Amount, and the Agent shall be entitled, without any consent or other approval of Firstline, to receive payment of the Defeasance Amount (less the fees of the Escrow Agent) at such times and in such amounts as the Agent may determine in its sole discretion; (2) the security interest created by this Agreement shall automatically terminate, and (3) this Agreement (and all instruments delivered in connection herewith including, but not limited to, the Continuing Guaranty) shall immediately terminate and be of no further force or effect. The Agent and Firstline shall promptly execute and deliver such instruments as may be necessary to evidence of record the discharge and release of the lien and security interest created hereunder. Upon such defeasance, the funds and investments required to pay or redeem the Debt Service Amounts in full and the fees of the escrow agent shall be irrevocably set aside for that purpose and any funds or property held by the Escrow Agent for payment of the Debt Service Amounts under this section and not required for such payment shall, after satisfaction of all of the rights of the Agent, be immediately paid to Firstline.

SECTION 14. Intentionally Omitted.

SECTION 15. Intentionally Omitted.

SECTION 16. Contracts and Obligor Servicing and Monitoring. The Agent understands and agrees that Firstline may elect to utilize the services of an independent, third party Central Station to perform the monitoring services due to Obligors under the Financed Contracts. Firstline and the Agent further agree that (a) the Agent shall be a third



party beneficiary to any monitoring service contract executed between Firstline and any Central Station, (b) Firstline shall, or shall obtain the agreement of the Central Station to, perform all monitoring services under the Financed Contracts in accordance with generally accepted industry practices, (c) Firstline shall, or shall use commercially reasonable efforts to obtain the agreement of the Central Station to, in all respects service, bill, perform collection efforts and enforce the Agent's contractual right to receive payment of the Monitoring Revenue Stream associated with each Financed Contract, on the same basis as it would service its own contracts or leases, in a manner which meets all of the requirements set forth in Section 11 above, (d) Firstline shall not, or shall obtain the agreement of the Central Station not to, commingle accounts, (e) in the event of a material uncured default of Firstline or the Central Station under subparagraph (b), (c) or (d) of this Section 16, and the providing the notice of such in writing to Firstline or the Central Station, Firstline shall, and shall obtain the agreement of the Central Station to, accept reasonable instructions from, perform reasonable monitoring services for and transfer monitoring services to others (at the expense of Firstline), at the sole direction and instruction of the Agent; provided that Firstline's liability under this subsection 16(e) shall not exceed \$3.50 per month for each Obligor transferred.

**SECTION 17. Transfer of Monitoring Services.** Firstline agrees, and shall obtain the agreement of the Central Station, that if for any reason it is unable to perform its monitoring duties and responsibilities to the Obligors under the Financed Contracts, it will promptly notify the Agent of such fact and will promptly arrange for the orderly transfer of monitoring services to a qualified and reputable third-party alarm monitoring service company selected in the sole discretion of the Agent reasonably exercised. The Agent shall have the right to unilaterally demand and effect the immediate transfer of monitoring services on Financed Contracts from Firstline or the Central Station to such a third-party monitoring service company, with the complete cooperation of Firstline and/or the Central Station, upon the happening of any of the following events:

(a) The filing of a petition for bankruptcy protection with respect to Firstline or the Central Station, either voluntary or involuntary;

(b) Upon Firstline or the Central Station, or any of their principal officers, being found guilty of any felony or upon a finding of liability in any criminal or civil action involving moral turpitude in business dealings or operations which, in either case, materially affects the operation of Firstline or the Central Station, or the performance of the Financed Contracts;

(c) Upon the abandonment of monitoring service operations by Firstline or the Central Station. Abandonment shall be deemed to have occurred should Firstline or the Central Station fail to provide monitoring services to Obligors for a period of 72 hours or longer, unless such interruption in service has been caused by acts of force nature beyond the control of Firstline or the Central Station; or

(d) Upon the occurrence of an Event of Default hereunder, or a material default under Firstline's contract with the Central Station, after expiration of all applicable notice and cure periods, which results in the inability of Firstline or the Central Station to substantially perform under or in accordance with this Agreement.

For the purposes of this Section 17, transferring of monitoring services shall include all manual and computerized files, records and connected telephone numbers relating to Obligors and the Financed Contracts. Upon the occurrence of an event authorizing the transferring of monitoring services to a third-party monitoring service company, neither Firstline nor the Central Station shall take any action to circumvent, disrupt, impair or diminish the relationship between the new monitoring service company and the Obligors, and Firstline shall not, and shall ensure that any of its officers, directors or shareholders holding an more than 10% of its stock shall not knowingly, solicit, sell to or accept monitoring services orders from or on behalf of any Obligor on any Financed Contract prior to the expiration of the initial Mandatory Period of such Obligor's Financed Contract. Firstline agrees that any breach of this provision would cause irreparable injury for which money damages would not be adequate compensation to the Agent and, accordingly agrees that the Agent may apply to a court of equity for injunctive relief without the necessity of demonstrating irreparable injury and without bond. If, during the term of this Agreement, or during the term of any Contract purchased hereunder, Firstline or the Central Station finds it necessary or desirable to transfer its monitoring servicing responsibilities to a third party monitoring company, such transfer shall be subject to the approval of the Agent, such approval not to be unreasonably withheld, conditioned or delayed as long as the third party monitoring company meets all of the reasonable due diligence requirements of the Agent then in effect. If such transfer is initiated by Firstline and approved by the Agent, Firstline shall have the right to re-transfer the account

servicing back to its own facility at such time as Firstline is able to perform monitoring services.

SECTION 18. Events of Default. Any one or more of the following shall constitute an "Event of Default":

- (a) Any of Firstline's representations or warranties hereunder shall have been untrue when made or Firstline shall fail to comply with any covenant or other agreement of Firstline herein, and the same is not cured within thirty (30) days following Firstline's knowledge thereof or written notice thereof from the Agent in accordance with the provisions of this Agreement;
- (b) An "Event of Default" shall occur and be continuing under any other financing agreement between the Agent and Firstline;
- (c) Firstline shall dissolve, cease doing business or transfer a material part of its assets to a third party other than the sale of Monitoring Contracts in the ordinary course of Firstline's business;
- (d) A proceeding shall be instituted by or against Firstline under any bankruptcy or insolvency law and shall remain unstayed or undismissed for sixty (60) consecutive days; or any of the assets of Firstline shall be attached, seized or levied upon, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of Firstline; or a motion or application for the appointment of a receiver, trustee or custodian for any of the assets of Firstline shall have been filed and remain unstayed or undismissed for sixty (60) days; or a final judgment or judgments after the expiration of all times to appeal therefrom for the payment of money in excess of \$175,000.00 in the aggregate shall be rendered against Firstline and the same shall not be (i) fully covered by insurance or (ii) vacated, stayed, bonded, paid or discharged within thirty (30) days of entry; or a tax lien shall have been filed against property of Firstline which shall remain unsatisfied or is not released within thirty (30) days; or any person other than the Agent shall obtain any lien or security interest in or to, or any ownership interest in, any Financed Contract claiming by, through or under Firstline;
- (e) Firstline shall fail to repurchase or replace a Financed Contract as required under Section 12c hereof within thirty (30) days after written demand by Agent;
- (f) Default by Firstline in the performance of its monitoring duties and responsibilities to the Obligors under the Financed Contracts which is not cured within five (5) days after demand therefor; or
- (g) Failure by Firstline to make any required payment to the Central Station within thirty (30) days after written demand therefor.
- (h) Firstline shall have breached any warranty, covenant or representation made by Firstline pursuant to the terms of this Agreement and the same is not cured within thirty (30) days following Firstline's knowledge thereof or written notice thereof from the Agent in accordance with the provisions of this Agreement.

If an Event of Default shall occur and be continuing hereunder, the Agent at its option, with or without notice to Firstline (except as otherwise required by law), in its sole and absolute discretion, may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code with respect to the Collateral until such time as all Debt Service Amounts, all costs and expenses of the Agent in exercising its rights hereunder and all other obligations of Firstline to the Agent hereunder (collectively, "Firstline Obligations") shall have been received. In addition, upon the occurrence of an Event of Default described in paragraph (d) above, the Agent shall be entitled to complete relief from the automatic stay in any case under the bankruptcy laws for so long as any Debt Service Amounts or other obligations of Firstline to Agent remain unpaid. Upon the occurrence of any such Event of Default, Firstline hereby affirmatively and knowingly, after consulting with counsel, waives any and all defenses to a motion for relief from the automatic stay that the Agent may make with respect to any disposition of any or all of the Collateral. Notwithstanding anything to the contrary set forth in this Agreement, during the continuation of any Event of Default, the Agent shall be entitled to apply the entire amount of the Obligor Payments received by the Agent, first to any costs or expenses incurred by the Agent in connection with enforcing its rights under this Agreement, including, without limitation, the payments due to the third party monitoring service company chosen by the Agent to service the Financed Contracts, and second to the balance of the Debt Service Amounts and all other obligations of Firstline due to the Agent, until such Debt Service Amounts and all other amounts are paid in full.



Upon receipt by the Agent of all amounts due and owing pursuant to the terms of this Agreement, all of the Agent's rights, title and interest in and to the Financed Contracts shall terminate.

In addition to the rights of the Agent upon the occurrence of an Event of Default set forth hereunder or otherwise available under applicable law, upon the occurrence of an Event of Default, the Agent, in its sole and absolute discretion, may take either of the following actions:

- (i) Notify Firstline that it wishes to purchase the Financed Contracts from Firstline for the purchase price set forth on Schedule "A" attached hereto (the "Purchase Option") [Need to see]. Upon exercise by the Agent of the Purchase Option, Firstline shall execute all transfer documents requested by the Agent to be executed and the Agent shall then pay to Firstline the purchase price. Upon any such purchase, the Agent shall be free to transfer the monitoring responsibilities for the Financed Contracts to the central station of its choice and Firstline shall not interfere with such transfer or make any attempt to solicit the Obligors on such Financed Contracts for any alarm-related business. In addition, after exercise of the Purchase Option, the Agent shall have the right to sell any or all of the Financed Contracts to any party, and at any price, it deems reasonable. All Obligor Payments, and the purchase price of any Financed Contracts, received by the Agent after exercise of the Purchase Option, shall be credited to and fully satisfy the outstanding Firstline Obligations. If, after exercise of the Purchase Option, the amounts so received shall be equal to the outstanding Firstline Obligations, the Agent shall reassign the Financed Contracts, without warranty of any kind, to Firstline.
- (ii) Notify Firstline that it wishes to sell the Financed Contracts to Firstline for an amount equal to the then- outstanding Firstline Obligations (the "Sale Option"). Upon exercise by the Agent of the Sale Option, the Agent shall execute all transfer documents requested by Firstline to be executed and Firstline shall then pay to the Agent the purchase price. Upon consummation of such sale, this Agreement shall be terminated.

**SECTION 19. Independent Contractors.** The parties hereto shall be deemed in all respects to be independent contractors and not employees, agents, legal representatives or partners of one another. The parties hereto shall not hold themselves out as having the power or right to pledge the credit of or assume or create any liabilities, obligations or responsibilities in the name of or binding on each other outside the scope of this Agreement.

**SECTION 20. Insurance.** During the term of this Agreement, the entity performing monitoring services to the Obligors, whether Firstline or the Central Station, shall maintain comprehensive general liability insurance which cannot be canceled with less than thirty (30) days notice to the Agent, including errors and omissions coverage on monitoring operations, in the minimum amount of \$1,000,000.00 covering bodily injury and property damage resulting from the performance of monitoring services under Contracts. Firstline shall deliver to the Agent a certificate of such insurance naming the Agent as an additional insured.

**SECTION 21. Records and Reports.** Firstline shall keep full and accurate records on all Financed Contracts and shall reflect accurately on its books and records the transaction contemplated hereby. Such records maintained by Firstline may be examined by a representative of the Agent during ordinary business hours upon at least 72 hours prior written notice in writing. Records on each Financed Contract shall be kept by Firstline and/or any Central Station for the period required by law.

**SECTION 22. Re-Transfer to Firstline.** On a monthly basis, subject to compliance by Firstline with all of its obligations under this Agreement, upon receipt by the Agent of all amounts due and owing during the Financed Period of any Financed Contract, whether repurchased by Firstline or paid in full by the Obligor, all of Agent's rights, title and interest in the Monitoring Revenue Stream of any Financed Contract shall terminate and the Financed Contract shall be physically returned, reassigned, transferred, delivered and/or endorsed by the Agent to Firstline, or its assigns, without recourse and without warranty except that it is free and clear of any and all security interests or other encumbrances created by, through or under Agent. Firstline shall provide the Agent with a list of all such Financed Contracts thirty (30) days prior to the expiration of the Financed Period of any Financed Contract. The Agent shall maintain adequate records to permit proper auditing of all amounts advanced or received in connection with this Agreement, and Firstline shall have the right to perform or cause to be performed such audit

upon reasonable notice to Agent.

**SECTION 23. Sale or Transfer of Firstline.** Prior to the payment of the Scheduled Amount, in the event of a sale or transfer of a controlling ownership interest in Firstline's business, Firstline shall, as a condition of such sale, transfer or disposition, obtain the consent of Agent (which consent shall not be unreasonably withheld, conditioned or delayed) and take all steps reasonably requested by the Agent to ensure that Firstline's obligations under the Financed Contracts and this Agreement shall not in any way be impaired or disrupted by such sale, transfer or disposition and that this Agreement shall continue as provided herein and shall be accepted and agreed to by the party to whom such sale, transfer or disposition has been made.

**SECTION 24. Severability.** If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and unenforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Notwithstanding anything to the contrary herein contained, to the extent that the total of the Debt Service Amounts allocated to interest, received in any year exceeds the maximum interest rate permitted by law, then the amount so determined to be in excess shall be applied in reduction of the total Debt Service Amounts allocated to principal as set forth in Exhibit "A-1" attached hereto.

**SECTION 25. Assignment.**

(a) Firstline shall not assign any of its rights or responsibilities under this Agreement (other than its rights hereunder to contract with a Central Station) without the prior written consent of the Agent, which shall not be unreasonably withheld. The Agent may assign any or all of its rights and responsibilities under this Agreement without the consent of Firstline.

(b) Any assignment to the Agent of any Financed Contract shall be subject to the terms of this Agreement, notwithstanding anything to the contrary in the Agreement of Assignment or in any Financed Contract.

**SECTION 26. Applicable Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

**SECTION 27. Notices.** Every notice, report, remittance, consent or any instrument required or permitted to be given or made pursuant hereto shall be in writing and may be given by sending the same by facsimile, hand or courier delivery to the following addresses of the parties indicated herein and shall be effective when received:

If to Firstline: Trevor Keyes  
Firstline Security, Inc.  
370 West Center Street  
Orem, Utah 84057

If to the Agent: Timothy M. McGinn  
McGinn, Smith Funding, LLC  
99 Pine Street — 5th Floor  
Albany, New York 12207

The address at which notice may be given may be changed by giving notice of such change to the other party.

**SECTION 28. Confidentiality.** The parties hereto acknowledge the competitive value and confidential nature of all customer lists of Firstline and agree to use the customer lists or any of the names of the customers on a need to know basis.

**SECTION 29. Intentionally Omitted.**

**SECTION 30. Personal Guaranties.** Prior to the Funding Date, and as a certain precedent to the financing of the Contracts by the Agent, Firstline will cause Wright W. Thurston and Trevor Keyes (the "Guarantors") to execute and deliver guaranties to the Agent in the form of the continuing Guaranty set forth on Exhibit "E".

Exhibit "A"  
Funding, Funding Price and Net Funding Price

- I. Funding Price: \$2,781,250
  - a. \$1,718,750 to be funded on May 10, 2007
  - b. \$1,062,500 to be funded on May 31, 2007
  
- II. Net Funding Price: \$2,500,000
  - a. Funding Price of \$1,718,750 to be funded on May 10, 2007 less \$62,500 funding fee payable to McGinn, Smith & Co., Inc., of which \$25,000 has previously been received
  - b. Funding Price of \$1,062,500 to be funded on May 31, 2007 less \$62,500 funding fee payable to McGinn, Smith & Co., Inc.
  
- III. Additional Expenses:
  - a. Firstline agrees to reimburse Agent for attorneys fees incurred by Agent with respect to the implementation of the financing arrangement to which this Agreement applies. Such attorney fees are in the amount of \$93,750.
  - b. Firstline agrees to pay Agent the sum of \$62,500 to offset ongoing due diligence expenses to be incurred by Agent in monitoring the Contracts and other obligations of Firstline during the term of this Agreement.



## Exhibit "A-1"

The Debt Service Schedule Amount shall be as follows:

Month	Payment Date	Debt Service Schedule
1	May 2007	\$0
2	June 2007	\$0
3	July 2007	\$0
4	August 2007	\$0
5	September 2007	\$70,000
6	October 2007	\$70,000
7	November 2007	\$60,000
8	December 2007	\$52,000
9	January 2008	\$45,000
10	February 2008	\$43,750
11	March 2008	\$43,750
12	April 2008	\$42,500
13	May 2008	\$42,500
14	June 2008	\$43,750
15	July 2008	\$55,000
16	August 2008	\$68,750
17	September 2008	\$87,500
18	October 2008	\$86,250
19	November 2008	\$85,000
20	December 2008	\$83,750
21	January 2009	\$82,500
22	February 2009	\$81,250
23	March 2009	\$80,000
24	April 2009	\$78,750
25	May 2009	\$77,500
26	June 2009	\$76,250
27	July 2009	\$87,500
28	August 2009	\$100,000
29	September 2009	\$106,250
30	October 2009	\$103,750
31	November 2009	\$102,500
32	December 2009	\$101,250
33	January 2010	\$100,000
34	February 2010	\$98,750
35	March 2010	\$97,500
36	April 2010	\$97,500
37	May 2010	\$96,250
38	June 2010	\$93,750
39	July 2010	\$93,750
40	August 2010	\$93,750
41	September 2010	\$93,750
42	October 2010	\$115,000
43	November 2010	\$113,750
44	December 2010	\$111,250

45	January	2011	\$110,000
46	February	2011	\$108,750
47	March	2011	\$106,250
48	April	2011	\$105,000
49	May	2011	\$103,750
50	June	2011	\$101,250
51	July	2011	\$100,000
52	August	2011	\$98,750
53	September	2011	\$97,500
54	October	2011	\$96,250
55	November	2011	\$95,000
56	December	2011	\$93,750
57	January	2012	\$91,250
58	February	2012	\$90,000
59	March	2012	\$88,750
60	April	2012	\$76,250

Any Debt Service Amount(s) not received by the Agent in month when due shall bear interest at the rate of 21.50% annum until paid.



## Exhibit "A-2"

Month	Payment Date	Available Qualified RMR
1	May 2007	\$0
2	June 2007	\$0
3	July 2007	\$50,000
4	August 2007	\$87,500
5	September 2007	\$125,000
6	October 2007	\$175,000
7	November 2007	\$175,000
8	December 2007	\$175,000
9	January 2008	\$175,000
10	February 2008	\$175,000
11	March 2008	\$175,000
12	April 2008	\$175,000
13	May 2008	\$175,000
14	June 2008	\$175,000
15	July 2008	\$175,000
16	August 2008	\$175,000
17	September 2008	\$175,000
18	October 2008	\$175,000
19	November 2008	\$175,000
20	December 2008	\$175,000
21	January 2009	\$175,000
22	February 2009	\$175,000
23	March 2009	\$175,000
24	April 2009	\$175,000
25	May 2009	\$175,000
26	June 2009	\$175,000
27	July 2009	\$175,000
28	August 2009	\$175,000
29	September 2009	\$175,000
30	October 2009	\$175,000
31	November 2009	\$175,000
32	December 2009	\$175,000
33	January 2010	\$175,000
34	February 2010	\$175,000
35	March 2010	\$175,000
36	April 2010	\$175,000
37	May 2010	\$175,000
38	June 2010	\$175,000
39	July 2010	\$175,000
40	August 2010	\$175,000
41	September 2010	\$175,000
42	October 2010	\$175,000
43	November 2010	\$175,000
44	December 2010	\$175,000
45	January 2011	\$175,000
46	February 2011	\$175,000
47	March 2011	\$175,000
48	April 2011	\$175,000
49	May 2011	\$175,000
50	June 2011	\$175,000
51	July 2011	\$175,000

52	August	2011	\$175,000
53	September	2011	\$175,000
54	October	2011	\$175,000
55	November	2011	\$175,000
56	December	2011	\$175,000
57	January	2012	\$175,000
58	February	2012	\$175,000
59	March	2012	\$175,000
60	April	2012	\$175,000



Exhibit "A-3"

Lock Box Fee





Exhibit "B"

Funding Date

Funding Date

May 10<sup>th</sup>, 2007

May 31, 2007





Exhibit "C"

Approved Form for Each Financed Contract

(consisting of a two-page printed form which follows)



**Exhibit "D"**

**Limited Power of Attorney**





LIMITED POWER OF ATTORNEY

State of UTAH)

) Know All Men By These Presents:

County of UTAH)

THIS LIMITED POWER OF ATTORNEY AGREEMENT (this "Power of Attorney") is made and entered into as of the 9<sup>th</sup> day of May, 2007 by and between Firstline Security, Inc., a Utah corporation ("Firstline") and McGinn, Smith Acceptance Corp., a Delaware corporation (with its successors and assigns, the "Agent"). Capitalized words or phrases not otherwise defined herein shall have the same meaning as those given to them in the Residential Monitoring Receivable Financing Agreement (the "Agreement"), dated as of May 9<sup>th</sup>, 2007, by and between Agent and Firstline.

WHEREAS, Firstline and Agent entered into the Agreement, whereby Firstline agreed to grant Agent a security interest in and to Firstline's right, title and interest in the related Monitoring Revenue Stream from certain identified Financed Contracts to the Agent at the time the Agent paid the Funding Price to Firstline (it being expressly acknowledged that Firstline retained all other right, title and interest in and to the Financed Contracts); and

WHEREAS, Firstline desires to appoint the Agent as Firstline's limited attorney-in-fact for the specific purposes set forth in this Power of Attorney.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which being hereby acknowledged by Firstline and the Agent, Firstline grants the Agent a limited power of attorney on the following terms and conditions:

Firstline, acting by and through Wright W. Thurston, its President, has made, constituted and appointed, and by these presents does name, constitute and appoint the Agent to be its lawful Agent and attorney-in-fact, effective upon an Event of Default under the Agreement, with respect to all matters in connection with the enforcement of the Agent's right to receive the Monitoring Revenue Stream from an Obligor in accordance with the terms and conditions of each such Financed Contract including instituting any legal or equitable proceedings against an Obligor to the extent Agent is authorized to take such action pursuant to the Agreement. Nothing in this Power of Attorney shall relieve Firstline of any of its obligations under Paragraph 16 of the Agreement. Firstline agrees to assist and cooperate with the Agent in its efforts under this Power of Attorney to collect the Monitoring Revenue Stream from an Obligor in accordance with the terms and conditions of the Contract.

Firstline hereby authorizes and empowers the Agent to execute and deliver, on behalf of Firstline, all instruments or documents with respect to the matter described in the preceding paragraph, necessary or appropriate to consummate the transactions with respect to the matter described in the preceding paragraph. Firstline agrees and represents to those dealing with the Agent that this Power of Attorney shall remain in full force and effect until the date upon which the Agent has received the Debt Service Amounts in full.

IN WITNESS WHEREOF, Firstline and the Agent have executed this instrument on this the 9<sup>th</sup> day of May, 2007.

FIRSTLINE SECURITY

By: [Signature]

Its: President

Funding LLC  
MCGINN, SMITH ACCEPTANCE CORP.

By: [Signature]

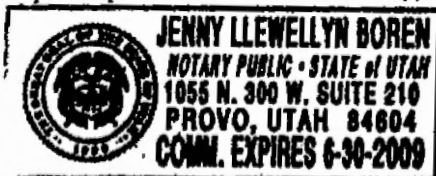
Timothy M. McGinn, Chairman

STATE OF Utah )

) ss.:

COUNTY OF Utah )

On the 9<sup>th</sup> day of May in the year 2007 before me, the undersigned, personally appeared Wright Thurston, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.



[Signature]  
NOTARY PUBLIC

STATE OF NEW YORK )

) ss.:

COUNTY OF ALBANY )

On the \_\_\_ day of \_\_\_\_\_ in the year 2007 before me, the undersigned, personally appeared Timothy M. McGinn, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

\_\_\_\_\_  
NOTARY PUBLIC



**Exhibit "E"**

**Form of Continuing Guaranty**



## CONTINUING GUARANTY (Personal) New York

GUARANTOR:

Name

Residence Address

BORROWER:

Firstline Security, Inc.  
Name370 West Center Street, Orem, Utah 84057  
Address

BANK:

McGinn, Smith Acceptance Corp., 99 Pine Street, 5<sup>th</sup> Floor, Albany, New York 12207**1) Guaranty.**

(a) Guarantor, intending to be legally bound, hereby unconditionally guarantees the full and prompt payment and performance of any and all of Borrower's Obligations (as defined below) to the Bank when due, whether at stated maturity, by acceleration or otherwise. As used in this Guaranty, the term "Obligations" shall mean any and all obligations, indebtedness and other liabilities of Borrower to the Bank now or hereafter existing, of every kind and nature and all accrued and unpaid interest thereon and all Expenses (as defined below) including without limitation, whether such obligations, indebtedness and other liabilities (i) are direct, contingent, liquidated, unliquidated, secured, unsecured, matured or unmatured; (ii) are pursuant to a guaranty or surety in favor of the Bank; (iii) were originally contracted with the Bank or with another party (including obligations under a guaranty or surety originally in favor of such other party); (iv) are contracted by Borrower alone or jointly with one or more other parties; (v) are or are not evidenced by a writing; (vi) are renewed, replaced, modified or extended; and (vii) are periodically extinguished and subsequently reincur or reduced and thereafter increased. Guarantor will pay or perform his or her obligations under this Guaranty upon demand. This Guaranty is and is intended to be a continuing guaranty of payment (not collection) of the Obligations (irrespective of the aggregate amount thereof and whether or not the Obligations from time to time exceeds the amount of this Guaranty, if limited), independent of, in addition and without modification to, and does not impair or in any way affect, any other guaranty, indorsement, or other agreement in connection with the Obligations, or in connection with any other indebtedness or liability to the Bank or collateral held by the Bank therefor or with respect thereto, whether or not furnished by Guarantor. Guarantor understands that the Bank can bring an action under this Guaranty without being required to exhaust other remedies or demand payment first from other parties.

(b) Guarantor acknowledges the receipt of valuable consideration for this Guaranty and acknowledges that the Bank is relying on this Guaranty in making a financial accommodation to Borrower, whether a commitment to lend, extension, modification or replacement of, or forbearance with respect to, any Obligation, cancellation of another guaranty, purchase of Borrower's assets, or other valuable consideration.

**2) Continuing, Absolute, Unconditional.** This Guaranty is irrevocable, absolute, continuing, unconditional and general without any limitation (the "Guaranteed Amount").

**3) Guarantor's Waivers & Authorizations.**

(a) Guarantor's obligations shall not be released, impaired or affected in any way including by any of the following, all of which Guarantor hereby waives (i) any bankruptcy, reorganization or insolvency under any law of Borrower or that of any other party, or by any action of a trustee in any such proceeding; (ii) any new agreements or obligations of Borrower or any other party with the Bank; (iii) any adjustment, compromise or release of any Obligations of Borrower, by the Bank or any other party; the existence or nonexistence or order of any filings, exchanges, releases, impairment or sale of, or failure to perfect or continue the perfection of a security interest in any collateral for the Obligations; (iv) any failure of Guarantor to receive notice of any intended disposition of such collateral; (v) any fictitiousness, incorrectness, invalidity or unenforceability, for any reason, of any instrument or other agreement which may evidence any Obligation; (vi) any composition, extension, stay or other statutory relief granted to Borrower including, without limitation, the expiration of the period of any statute of limitations with respect to any lawsuit or other legal proceeding against Borrower or any person in any way related to the Obligations or a part thereof or any collateral therefor; (vii) any change in form of organization, name, membership or ownership of Borrower or Guarantor; (viii) any refusal or failure of the Bank or any other person prior to the date hereof or hereafter to grant any additional loan or other credit accommodation to Borrower or the Bank's or any other party's receipt of notice of such refusal or failure; (ix) any setoff, defense or counterclaim of Borrower with respect to the obligations or otherwise arising, either directly or indirectly, in regard to the Obligations; or (x) any other circumstance that might otherwise constitute a legal or equitable defense to Guarantor's obligations under this Guaranty.

(b) Guarantor waives acceptance, assent and all rights of notice or demand including without limitation (i) notice of acceptance of this Guaranty, of Borrower's default or nonpayment of any Obligation, and of changes in Borrower's financial condition; (ii) presentment, protest, notice of protest and demand for payment; (iii) notice that any Obligations has been



incurred or of the reliance by the Bank upon this Guaranty; and (iv) any other notice, demand or condition to which Guarantor might otherwise be entitled prior to the Bank's reliance on or enforcement of this Guaranty. Guarantor further authorizes the Bank, without notice, demand or additional reservation of rights against Guarantor and without affecting Guarantor's obligations hereunder, from time to time: (i) to renew, refinance, modify, subordinate, extend, increase, accelerate, or otherwise change the time for payment of, the terms of or the interest on the Obligations or any part thereof; (ii) to accept and hold collateral from any party for the payment of the any or all of the Obligations, and to exchange, enforce or refrain from enforcing, or release any or all of such collateral; (iii) to accept any indorsement or guaranty of any or all of the Obligations or any negotiable instrument or other writing intended to create an accord and satisfaction with respect to any or all of the Obligations; (iv) to release, replace or modify the obligation of any indorser or guarantor, or any party who has given any collateral for any of all of the Obligations, or any other party in any way obligated to pay any or all of the Obligations, and to enforce or refrain from enforcing, or compromise or modify, the terms of any obligation of any such indorser, guarantor or party; (v) to dispose of any and all collateral securing the Obligations in any manner as the Bank, in its sole discretion, may deem appropriate, and to direct the order and the enforcement of any and all indorsements and guaranties relating to the Obligations in the Bank's sole discretion; and (vi) to determine the manner, amount and time of application of payments and credits, if any, to be made on all or any part of the - Obligations including, without limitation, if this Guaranty is limited in amount, to make any such application to Obligations, if any, in excess of the amount of this Guaranty.

(c) Notwithstanding any other provision in this Guaranty until such time as the Capitalized Obligations are paid in full, Guarantor irrevocably waives, without notice, any right he or she may have at law or in equity (including without limitation any law subrogating Guarantor to the rights of the Bank) to seek contribution, indemnification or any other form of reimbursement from Borrower or any other obligor or guarantor of the Obligations for any disbursement made under this Guaranty or otherwise.

4) **Termination.** This Guaranty shall remain in full force and effect as to each Guarantor until actual receipt by the Bank officer responsible for Borrower's relationship with the Bank of written notice of Guarantor's intent to terminate (or Guarantor's death or incapacity) plus the lapse of a reasonable time for the Bank to act on such notice (the "Receipt of Notice"); provided, however, this Guaranty shall remain in full force and effect thereafter until all Obligations outstanding, or contracted or committed for (whether or not outstanding), before such Receipt of Notice by the Bank, and any extensions, renewals or replacements thereof (whether made before or after such Receipt of Notice), together with interest accruing thereon after such Receipt of Notice, shall be finally and irrevocably paid in full. Discontinuance of this Guaranty as to one Guarantor shall not operate as a discontinuance hereof as to any other guarantor. Payment of all of the Obligations from time to time shall not operate as a discontinuance of this Guaranty, unless a Receipt of Notice as provided above has been received by the Bank. Guarantor agrees that, to the extent that Borrower makes a payment or payments to the Bank on the Obligations, or the Bank receives any proceeds of collateral to be applied to the Obligations, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or otherwise are required to be repaid to Borrower, its estate, trustee, receiver or any other party, including, without limitation, under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such repayment, the obligation or part thereof which has been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the date such initial payment, reduction or satisfaction occurred, notwithstanding any contrary action which may have been taken by the Bank in reliance upon such payment or payments. As of the date any payment or proceeds of collateral are returned, the statute of limitations shall start anew with respect to any action or proceeding by the Bank against Guarantor under this Guaranty. Likewise, any acknowledgment, reaffirmation or payment, by Borrower or any third party, of any portion of the Obligations, shall be deemed to be made as agent for the Guarantor, strictly for the purposes of tolling the running of (and/or preventing the operation of) the applicable statute of limitations with respect to any action or proceeding by the Bank against Guarantor under this Guaranty.

5) **Expenses.** Guarantor agrees to reimburse the Bank on demand for all the Bank's expenses, damages and losses of any kind or nature, including without limitation costs of collection and actual attorneys' fees and disbursements whether for internal or external counsel incurred by the Bank in attempting to enforce this Guaranty, collect any of the Obligations including any workout or bankruptcy proceedings or other legal proceedings or appeal, realize on any collateral, defense of any action under the prior paragraph or for any other purpose related to the Obligations (collectively, "Expenses"). Expenses will accrue interest at the highest default rate in any instrument evidencing the Obligations until payment is actually received by the Bank.

6) **Financial and Other Information.** Guarantor shall provide annual personal financial statements and any other financial information requested by the Bank in form satisfactory to the Bank. Guarantor represents that his or her assets are not subject to any liens, encumbrances or contingent liabilities except as fully disclosed to the Bank in such statements. Guarantor warrants that all information Guarantor gives to the Bank at any time is correct, complete and not misleading. Guarantor resides at the above address and will notify the Bank officer named above immediately in writing upon any change in address. Guarantor understands this Guaranty and has satisfied himself or herself as to its meaning and consequences and acknowledges that it has made its own arrangements for keeping informed of changes or potential changes affecting the Borrower including the Borrower's financial condition.

7) **Security; Right of Setoff.** As further security for payment of the Obligations, Expenses and any other obligations of Guarantor to the Bank, Guarantor hereby grants to the Bank a security interest in all money, securities and other property of Guarantor in the actual or constructive possession or control of the Bank or its affiliates including without limitation all deposits and other accounts owing at any time by the Bank or any of its affiliates in any capacity to Guarantor in any capacity (collectively, "Property"). The Bank shall have the right to set off Guarantor's Property against any of Guarantor's obligations to the Bank. Such set-off shall be deemed to have been exercised immediately at the time the Bank or such affiliate elect to do so. The Bank shall also have all of the rights and remedies of a secured party under the Uniform Commercial Code, as the same may be in effect in the State of New York, as amended from time to time, in addition to those under this Guaranty and other applicable law and agreements.

8) **No Transfer of Assets.** Guarantor shall not transfer, reinvest or otherwise dispose of his or her assets in a manner or to an extent that would or might impair Guarantor's ability to perform his or her obligations under this Guaranty.

9) **Nonwaiver by the Bank; Miscellaneous.** This Guaranty is intended by Guarantor to be the final, complete and exclusive expression of the agreement between Guarantor and the Bank. This Guaranty may be assigned by the Bank, shall inure to the benefit of the Bank and its successors and assigns, and shall be binding upon Guarantor and his or her legal representative, successors and assigns and any participation may be granted by the Bank herein in connection with the assignment or granting of a participation by the Bank in the Obligations or any part thereof. All rights and remedies of the Bank are cumulative, and no such right or remedy shall be exclusive of any other right or remedy. This Guaranty does not supersede any other guaranty or security granted to the Bank by Guarantor or others (except as to Guarantor's Waiver of Subrogation rights above). No single, partial or delayed exercise by the Bank of any right or remedy shall preclude exercise by the Bank at any time at its sole option of the same or any other right or remedy of the Bank without notice. Guarantor expressly disclaims any reliance on any course of dealing or usage of trade or oral representation of the Bank including, without limitation, representations to make loans to Borrower or enter into any other agreement with Borrower or Guarantor. No course of dealing or other conduct, no oral agreement or representation made by the Bank or usage of trade shall operate as a waiver of any right or remedy of the Bank. No waiver or amendment of any right or remedy of the Bank or release by the Bank shall be effective unless made specifically in writing by the Bank. Each provision of this Guaranty shall be interpreted as consistent with existing law and shall be deemed amended to the extent necessary to comply with any conflicting law. If any provision nevertheless is held invalid, the other provisions shall remain in effect. Guarantor agrees that in any legal proceeding, a copy of this Guaranty kept in the Bank's course of business may be admitted into evidence as an original. Captions are solely for convenience and not part of the substance of this Guaranty. Payments made to the Bank by Guarantor (other than, directly or indirectly, from collateral or other persons or entities liable for any portion of the Obligations) after maturity of the Obligations, by acceleration or otherwise, shall reduce the Guaranteed Amount.

10) **Joint and Several.** If there is more than one Guarantor, each Guarantor jointly and severally guarantees the payment and performance in full of all obligations under this Guaranty and the term "Guarantor" means each as well as all of them. Guarantor also agrees that the Bank need not seek payment from any source other than the undersigned Guarantor. This Guaranty is a primary obligation. Guarantor's obligations hereunder are separate and independent of Borrower's, and a separate action may be brought against Guarantor whether or not action is brought or joined against or with Borrower or any other party.



11) **Notices.** Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to Guarantor (at its address on the Bank's records) or to the Bank (at the address on page one and separately to the Bank officer responsible for Borrower's relationship with the Bank). Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal delivery and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) business days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) business day after delivery to a nationally recognized overnight courier service (e.g., Federal Express). Notice by e-mail is not valid notice under this or any other agreement between Guarantor and the Bank.

12) **Governing Law and Jurisdiction.** This Guaranty has been delivered to and accepted by the Bank and will be deemed to be made in the State of New York. Unless provided otherwise under federal law, this Guaranty will be interpreted in accordance with the laws of the State of New York excluding its conflict of laws rules. **GUARANTOR HEREBY IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN ANY JUDICIAL DISTRICT OR COUNTY IN THE STATE OF NEW YORK WHERE THE BANK MAINTAINS AN OFFICE AND CONSENTS THAT THE BANK MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT GUARANTOR'S ADDRESS SET FORTH ABOVE FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS GUARANTY WILL PREVENT THE BANK FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST GUARANTOR INDIVIDUALLY, AGAINST ANY SECURITY OR AGAINST ANY PROPERTY OF GUARANTOR WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION.** Guarantor acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and Guarantor. Guarantor hereby waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

13) **Waiver of Jury Trial.** **GUARANTOR AND THE BANK HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY GUARANTOR AND THE BANK MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS GUARANTY OR THE TRANSACTIONS RELATED HERETO. GUARANTOR REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF THE BANK HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE BANK WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS JURY TRIAL WAIVER. GUARANTOR ACKNOWLEDGES THAT THE BANK HAS BEEN INDUCED TO ENTER INTO THIS GUARANTY BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.**

**Acknowledgment.** Guarantor acknowledges that it has read and understands all the provisions of this Guaranty, including the **Governing Law, Jurisdiction and Waiver of Jury Trial**, and has been advised by counsel as necessary or appropriate.

GUARANTOR:

Soc. Sec. # 529353309

Soc. Sec. # 646-05-8909



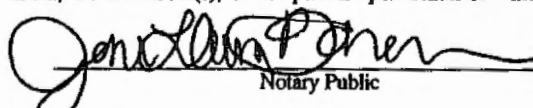
**NOTICE:** FOR PURPOSES OF THIS AGREEMENT "OBLIGATIONS" IS NOT LIMITED TO PRESENTLY EXISTING INDEBTEDNESS, LIABILITIES AND OBLIGATIONS.

Dated: \_\_\_\_\_

#### ACKNOWLEDGMENT

STATE OF Utah )  
COUNTY OF Utah : SS. )

On the 9th day of May, in the year 2007, before me, the undersigned, a Notary Public in and for said State, personally appeared Wright Thurston, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

  
Notary Public



Schedule "A"

List of Contracts to be Financed by Agent





Schedule "B"

One Dollar (\$1.00) in the aggregate for all Financed Contracts purchased by the Agent from Firstline hereunder.



**Exhibit "E"**

**Monitoring Receivable Financing Participation Agreement**





## MONITORING RECEIVABLE FINANCING PARTICIPATION AGREEMENT

This MONITORING RECEIVABLE FINANCING PARTICIPATION AGREEMENT (the "Agreement"), dated as of the - 19<sup>th</sup> day of May, 2007, is among MCGINN SMITH CAPITAL HOLDINGS CORP., a New York corporation, having its principal place of business at 99 Pine Street - Fifth Floor, Albany, New York 12207 (the "Trustee"), the Lender identified on the signature pages hereof (the "Senior Participant"), and FIRSTLINE TRUST 07, a New York common law trust, having its principal place of business at 99 Pine Street - 5<sup>th</sup> Floor, Albany, New York 12207 (the "Junior Participant"), (the Senior Participant and the Junior Participant being sometimes hereinafter collectively referred to as "Participants").

### WITNESSETH

WHEREAS, McGinn, Smith Funding LLC, has entered into a Monitoring Receivable Financing Agreement (as hereinafter defined) with Firstline Security Inc. ("Firstline") pursuant to which it has provided financing to Firstline; and

WHEREAS, the Participants desire to purchase from McGinn, Smith Funding LLC a participation in the cash flow generated by said financing;

NOW THEREFORE, it is agreed as follows:

SECTION 1. DEFINITIONS. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings assigned to them in the Monitoring Receivable Financing Agreement.

SECTION 2. FINANCING OF CONTRACTS. From time to time, McGinn, Smith Funding LLC may arrange for the financing of Contracts from Firstline which satisfy the criteria specified herein and in the Monitoring Receivable Financing Agreement. The financing by Participants of one or more Contracts will not obligate the Participants to finance any other Contracts.

SECTION 3. MONITORING RECEIVABLE FINANCING AGREEMENT. McGinn Smith Funding LLC, a New York Corporation and Firstline Security Inc., a Utah Corporation entered into a Monitoring Receivable Financing Agreement dated as of May 9, 2007 (the "Monitoring Receivable Financing Agreement") which is attached hereto as Exhibit "A" and which forms part of this Agreement. ;

SECTION 4. WARRANTIES AND REPRESENTATIONS OF THE PORTFOLIO MANAGER. McGinn, Smith Funding LLC hereby makes the following representations and warranties to the Participants:

(a) McGinn, Smith Funding LLC is a duly formed limited liability company, validly existing and in good standing under the laws of the State of New York.

(b) The execution, delivery and performance by McGinn, Smith Funding LLC of this Agreement and the Monitoring Receivable Financing Agreement, the consummation of the transactions contemplated hereby and thereby and compliance with the provisions of this Agreement and the Monitoring Receivable Financing Agreement by McGinn, Smith Funding LLC (i) are within McGinn, Smith Funding LLC's limited liability company powers; (ii) have been duly authorized by all necessary and proper action on the part of McGinn, Smith Funding LLC; and (iii) do not and will not require the consent of any party (which has not heretofore been received) and will not result in a breach of, or default under, any loan or credit agreement, indenture, business agreement, mortgage, guarantee or other agreement or instrument to which McGinn, Smith Funding LLC is a party or by which it is bound; or conflict with or violate any existing law, rule, regulation, judgment, order or decree of any governmental instrumentality, agency or court having jurisdiction over McGinn, Smith Funding LLC or any of its properties. This Agreement and the Monitoring Receivable Financing Agreement have been duly executed and delivered by McGinn, Smith Funding LLC and constitute the legal, valid and binding obligations of McGinn, Smith Funding LLC, enforceable against McGinn, Smith Funding LLC in accordance with their respective terms.

(c) There is no action, litigation, suit, proceeding, inquiry, or investigation, either at law or in equity or before any court, public body or board, pending, or, to the best of McGinn, Smith Funding LLC's knowledge,

threatened against or affecting McGinn, Smith Funding LLC which involves the possibility of materially or adversely affecting the property, business, profits or conditions (financial or otherwise) of McGinn, Smith Funding LLC.

SECTION 5. COVENANTS OF MCGINN, SMITH FUNDING LLC. McGinn, Smith Funding LLC hereby covenants as follows:

(a) Credit Standards: Each Financed Contract shall be duly inspected by McGinn, Smith Funding LLC, reviewed for creditworthiness and approved pursuant to the credit standards and procedures set forth in the Monitoring Receivable Financing Agreement.

(b) Required Due Diligence Matters: McGinn, Smith Funding LLC shall obtain and review, as to Firstline, the documents described in Exhibit C attached hereto and made a part hereof. McGinn, Smith Funding LLC has delivered to the Senior Participant true and correct copies of all such documents and shall make available all such documents to the Junior Participant upon its request. McGinn, Smith Funding LLC will not include any Contract in a Portfolio if, as of the date of such inclusion: (i) such financing would violate the terms or provisions of the Firstline certificate of incorporation or by-laws; (ii) Firstline is not in good standing in its State of domicile; (iii) Firstline has any franchise, income or other similar taxes due and owing to any governmental agency or authority; (iv) any such Contract is subject to any lien or security interest other than the lien and security interest under the Monitoring Receivable Financing Agreement; (v) any judgment has been filed against Firstline and remains unsatisfied; (vi) the Central Station which Firstline has contracted with to provide Monitoring Services (the "Central Station") is not duly licensed to transact business as a security monitoring company in its State of domicile or in any state in which it is performing monitoring services where such license is required; (vii) the Central Station has not agreed (A) to provide the Agent notice when payments from Firstline are more than 30 days past due and (B) that it will not suspend service with respect to the Financed Contracts without having provided McGinn, Smith Funding LLC at least 10 days' notice; or (viii) Firstline or such Central Station has failed to maintain general liability insurance coverage in a minimum amount of \$1,000,000.00 as set forth in the Monitoring Receivable Financing Agreement.

(c) Contract Standards: Each Contract shall (i) have a term not to exceed 60 months; (ii) require the Obligor to pay a monitoring fee not to exceed \$60.00 per month; and (iii) meet all other criteria specified herein and in the Monitoring Receivable Financing Agreement.

(d) Contract Compliance: Firstline shall have all Financed Contracts and forms therefor reviewed by its counsel and shall warrant and represent to McGinn, Smith Funding LLC that the Contracts (i) are legal, valid and binding obligations of the parties thereto, enforceable in accordance with their terms and (ii) comply with all federal, state and local laws, rules and regulations.

SECTION 6. FORMS AND CREDIT DATA. Each Financed Contract shall be in form and substance satisfactory to Participants and shall be held by McGinn, Smith Funding LLC for the benefit of the Participants, accompanied by:

(a) the bona fide, original contract obligation instrument and all other original documents executed by the Obligor thereon;

(b) a receipt or other written proof that the Obligor thereon has paid cash for his Security Alarm System; and

(c) if the Obligor has financed his Security Alarm System, written evidence that a reputable financial institution has approved the Obligor's Credit.

SECTION 7. CONTRACT FINANCING. Participants will be provided a yield on each financed Contract as follows:

Senior Participant Yield:	9.25%
Junior Participant Yield:	11.00%

SECTION 8. COLLECTIONS AND SERVICING. Firstline, pursuant to the terms of the Monitoring Receivable Financing Agreement, shall (a) bill for and provide all required collection services necessary to effect payment of the underlying Obligations by the Obligors on the Financed Contracts, including delivering to each Obligor a monthly payment advanced billing and (b) direct all Obligor Payments to a lockbox remittance processing and date capture



service maintained by Preferred Data, Inc. ("Preferred"), as set forth in the remittance lockbox processing agreement( the "Lockbox Agreement") attached hereto as Exhibit D. Preferred shall deposit all such Obligor Payments into an Accumulation Account established in the name of the Participants at Charter One Bank, FSB (the "Accumulation Account").

Participants shall be entitled to their respective monthly scheduled cash flow ("Scheduled Cash Flow") as set forth on Exhibits B and B-1, which amounts shall be paid monthly from Obligor Payments collected by Preferred and deposited at a bank to be determined by McGinn Smith Capital Holdings Corp. Any funds remaining after the payment of the Scheduled Cash Flow each month shall be paid by McGinn, Smith Funding LLC to Firstline.

On the first business day of each month commencing June 1, 2007 McGinn, Smith Funding LLC shall withdraw from the Accumulation Account an amount equal to the Scheduled Cash Flow set forth on Exhibit B. After the Senior Participant has received its monthly Scheduled Cash Flow, McGinn, Smith Funding LLC shall then remit to the Junior Participant in an amount equal to the Scheduled Cash Flow set forth on Exhibit B-1 (the "Junior Payment"). In the event the Obligor Payments collected for any month by Preferred are less than the Scheduled Cash Flow due the Participants for that month, will be paid out of the first Obligor Payments received by Preferred in the following month. Any Scheduled Cash Flow not received by Participants in the month when due shall bear interest at the rate of 21.50% interest per annum until paid. Thereafter the Scheduled Cash Flow due the Participants for that month will be paid from the balance of the Obligor Payments received that month. Thereafter, funds remaining shall be paid to Firstline..

McGinn, Smith Funding LLC shall be responsible to oversee Firstline's performance of all of its' obligations under the Contracts and the Monitoring Receivable Financing Agreement. Upon written notice from the Participants to McGinn, Smith Funding LLC of the existence of a non-performing Contract, McGinn, Smith Funding LLC shall be responsible for overseeing Firstline's repurchase or substitution of such non-performing Contract as required in Paragraph 12C of the Monitoring Receivable Financing Agreement.

**SECTION 9. PERFORMANCE.** McGinn, Smith Funding LLC shall be responsible for overseeing that Firstline . promptly fulfill all of its' respective obligations to the Obligors with regard to the Financed Contracts, and shall, for the benefit of the Participants, enforce, assert and exercise any and all rights, powers and remedies available under the Monitoring Receivable Financing Agreements. The financing by Participants of any Contract will not be deemed an assumption by Participants of, or impose upon Participants, any obligation under the Contracts or any other agreement with any Obligor.

**SECTION 10. NOTICES TO PARTICIPANTS.** McGinn, Smith Funding LLC shall promptly notify Participants of any information that may come to McGinn, Smith Funding LLC's attention which may have a material effect on any Financed Contract, including, without limitation, any default by, or claim or dispute with, any Obligor or Firstline.

**SECTION 11. RECORDS AND REPORTS.** McGinn, Smith Funding LLC shall, by appropriate entry in its books of account, record all transactions with Participants under this Agreement in accordance with generally accepted accounting principles. These records will indicate the financing of Contracts to Participants.

**SECTION 12. TRANSFER TO THE JUNIOR PARTICIPANT.** Upon receipt by Senior Participant of all Scheduled Cash Flow as set forth on Exhibit B, all of Senior Participant's rights, title and interest in the Financed Contracts and related Obligations shall terminate and the Financed Contracts shall be transferred, delivered and/or endorsed by the Senior Participant to the Junior Participant or its assigns, without recourse and without warranty. At such time the Senior Participant shall also transfer the Accumulation Account to the Junior Participant to be used in accordance with the terms of this Agreement, without recourse and without warranty.

**SECTION 13. RETRANSFER TO FIRSTLINE.** Subject to compliance by Firstline with all of its' obligations under the Monitoring Receivable Financing Agreement, including, without limitation, Section 12a thereof, upon receipt by Senior Participant and the Junior Participant of all amounts due and owing during the mandatory payment period of any Financed Contract, whether repurchased by Firstline or paid in full by the Obligor, all of Participants' right, title and interest in such Financed Contract and related Obligations shall terminate and such Financed Contract shall be reassigned, transferred, delivered and/or endorsed by McGinn, Smith Funding LLC to Firstline or its respective assigns, without recourse and without warranty.



SECTION 14. RIGHT OF AUDIT. Each Participant shall have the right to audit the books, records and accounts of McGinn, Smith Funding LLC and Firstline relating to the Financed Contracts, at any time during reasonable business hours and at such Participant's own expense.

SECTION 15. NOTICES. Any notice, request, instruction or other document deemed by any party necessary or desirable to be given to any other party shall be in writing and shall be mailed and addressed as follows:

TO MCGINN SMITH FUNDING LLC:

MCGINN SMITH CAPITAL HOLDINGS CORP.  
Capital Center  
99 Pine Street - 5th Floor  
Albany, NY 12207  
Telephone: (800) 724-3330  
Telecopy: (518) 449-4894

TO SENIOR PARTICIPANT:

"THE LENDER"  
Street  
Address  
Attn: Financial Officer  
Telephone:  
Telecopy:

TO JUNIOR PARTICIPANT:

Firstline Trust 07  
McGinn, Smith Capital Holdings Corp.. Trustee  
99 Pine Street - 5th Floor  
Albany, NY 12207  
Attn: Timothy M. McGinn, Chairman of the Board  
Telephone: (800) 724-3330  
Telecopy: (518) 449-4894

SECTION 17. ENTIRE AGREEMENT, ETC. This Agreement expresses the entire agreement of the parties hereto, and supersedes all prior promises, representations, understandings, arrangements and agreements between the parties with respect the subject matter herein. The parties hereto further acknowledge and agree that none of them have made any representations to induce the execution and delivery of the Agreement except those as specifically set forth herein.

SECTION 18. APPLICABLE LAW. This Agreement shall be governed and construed under the laws of the State of New York.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first above written.

**FIRSTLINE TRUST 07**

By: MCGINN SMITH CAPITAL HOLDINGS CORP., TRUSTEE

**MCGINN, SMITH FUNDING LLC**

By: \_\_\_\_\_  
Timothy M. McGinn, Chairman

By: \_\_\_\_\_  
David L. Smith, Member

By: \_\_\_\_\_  
Timothy M. McGinn, Member

**"THE LENDER"**

By: \_\_\_\_\_

Title: \_\_\_\_\_

## Exhibit "B"

## Senior Participant's Cash Flow Schedule

Month	Payment Date	Pledged RMR	Monthly Debt Service	Sr. Debt Begin Balance	Sr. Debt 9.25% Interest	Sr. Debt Principal Payments	Sr. Debt Total Debt Serv	Sr. Debt Ending Balance	Cash Flow Coverage Ratio Sr. Debt
1	June 2007		\$0	\$0	\$0	\$0	\$0	\$0	N/A
2	July 2007		\$0	\$1,850,000	\$14,260	\$0	\$14,260	\$1,850,000	N/A
3	August 2007		\$0	\$1,850,000	\$14,260	\$0	\$14,260	\$1,850,000	N/A
4	September 2007	\$175,000	\$0	\$1,850,000	\$14,260	\$0	\$14,260	\$1,850,000	N/A
5	October 2007	\$175,000	\$70,000	\$1,850,000	\$14,260	\$38,625	\$52,886	\$1,811,375	2.65
6	November 2007	\$175,000	\$70,000	\$1,811,375	\$13,963	\$38,923	\$52,886	\$1,772,451	2.65
7	December 2007	\$175,000	\$60,000	\$1,772,451	\$13,663	\$29,223	\$42,886	\$1,743,228	3.26
8	January 2008	\$175,000	\$52,000	\$1,743,228	\$13,437	\$21,448	\$34,886	\$1,721,780	4.01
9	February 2008	\$175,000	\$45,000	\$1,721,780	\$13,272	\$14,614	\$27,886	\$1,707,166	5.02
10	March 2008	\$175,000	\$43,750	\$1,707,166	\$13,159	\$13,476	\$26,636	\$1,693,690	5.26
11	April 2008	\$175,000	\$43,750	\$1,693,690	\$13,056	\$13,580	\$26,636	\$1,680,109	5.26
12	May 2008	\$175,000	\$42,500	\$1,680,109	\$12,951	\$12,435	\$25,386	\$1,667,674	5.51
13	June 2008	\$175,000	\$42,500	\$1,667,674	\$12,855	\$12,531	\$25,386	\$1,655,143	5.51
14	July 2008	\$175,000	\$43,750	\$1,655,143	\$12,758	\$13,877	\$26,636	\$1,641,266	5.26
15	August 2008	\$175,000	\$55,000	\$1,641,266	\$12,651	\$25,234	\$37,886	\$1,616,032	3.70
16	September 2008	\$175,000	\$68,750	\$1,616,032	\$12,457	\$39,179	\$51,636	\$1,576,853	2.71
17	October 2008	\$175,000	\$87,500	\$1,576,853	\$12,155	\$58,231	\$70,386	\$1,518,622	1.99
18	November 2008	\$175,000	\$86,250	\$1,518,622	\$11,706	\$57,430	\$69,136	\$1,461,192	2.02
19	December 2008	\$175,000	\$85,000	\$1,461,192	\$11,283	\$56,622	\$67,886	\$1,404,569	2.06
20	January 2009	\$175,000	\$83,750	\$1,404,569	\$10,827	\$55,809	\$66,636	\$1,348,761	2.10
21	February 2009	\$175,000	\$82,500	\$1,348,761	\$10,397	\$54,989	\$65,386	\$1,293,771	2.14
22	March 2009	\$175,000	\$81,250	\$1,293,771	\$9,973	\$54,163	\$64,136	\$1,239,608	2.18
23	April 2009	\$175,000	\$80,000	\$1,239,608	\$9,555	\$53,331	\$62,886	\$1,186,278	2.23
24	May 2009	\$175,000	\$78,750	\$1,186,278	\$9,144	\$52,492	\$61,636	\$1,133,786	2.27
25	June 2009	\$175,000	\$77,500	\$1,133,786	\$8,740	\$51,646	\$60,386	\$1,082,140	2.32
26	July 2009	\$175,000	\$76,250	\$1,082,140	\$8,341	\$50,794	\$59,136	\$1,031,346	2.37
27	August 2009	\$175,000	\$87,500	\$1,031,346	\$7,950	\$62,436	\$70,386	\$968,910	1.99
28	September 2009	\$175,000	\$100,000	\$968,910	\$7,469	\$75,417	\$82,886	\$893,493	1.69
29	October 2009	\$175,000	\$106,250	\$893,493	\$6,887	\$82,248	\$89,136	\$811,244	1.57
30	November 2009	\$175,000	\$103,750	\$811,244	\$6,253	\$80,382	\$86,636	\$730,862	1.62
31	December 2009	\$175,000	\$102,500	\$730,862	\$5,634	\$79,752	\$85,386	\$651,110	1.64
32	January 2010	\$175,000	\$101,250	\$651,110	\$5,019	\$79,117	\$84,136	\$571,993	1.66
33	February 2010	\$175,000	\$100,000	\$571,993	\$4,409	\$78,477	\$82,886	\$493,516	1.69
34	March 2010	\$175,000	\$98,750	\$493,516	\$3,804	\$77,832	\$81,636	\$415,684	1.71
35	April 2010	\$175,000	\$97,500	\$415,684	\$3,204	\$77,182	\$80,386	\$338,503	1.74
36	May 2010	\$175,000	\$97,500	\$338,503	\$2,609	\$77,777	\$80,386	\$260,726	1.74
37	June 2010	\$175,000	\$96,250	\$260,726	\$2,010	\$77,126	\$79,136	\$183,600	1.77
38	July 2010	\$175,000	\$93,750	\$183,600	\$1,415	\$75,221	\$76,636	\$108,380	1.83
39	August 2010	\$175,000	\$93,750	\$108,380	\$835	\$75,800	\$76,636	\$32,579	1.83
40	September 2010	\$175,000	\$93,750	\$32,579	\$251	\$32,579	\$32,830	\$0	4.26



## Exhibit "B-1"

## Junior Participant's Cash Flow Schedule

Month	Payment Date	Jr. Debt Begin Balance	11.00% Interest	Principal Payments	Total Debt Serv	Jr. Debt Ending Balance	Cash Flow Coverage Ratio Jr. Debt
1	June 2007	\$1,867,000	\$0	\$0	\$0	\$1,867,000	N/A
2	July 2007	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	N/A
3	August 2007	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	N/A
4	September 2007	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	N/A
5	October 2007	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	2.00
6	November 2007	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	2.00
7	December 2007	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	2.33
8	January 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	2.69
9	February 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	3.11
10	March 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	3.20
11	April 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	3.20
12	May 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	3.29
13	June 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	3.29
14	July 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	3.20
15	August 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	2.55
16	September 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	2.04
17	October 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.60
18	November 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.62
19	December 2008	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.65
20	January 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.67
21	February 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.70
22	March 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.72
23	April 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.75
24	May 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.78
25	June 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.81
26	July 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.84
27	August 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.60
28	September 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.40
29	October 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.32
30	November 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.35
31	December 2009	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.37
32	January 2010	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.38
33	February 2010	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.40
34	March 2010	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.42
35	April 2010	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.44
36	May 2010	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.44
37	June 2010	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.45
38	July 2010	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.49
39	August 2010	\$1,867,000	\$17,114	\$0	\$17,114	\$1,867,000	1.49
40	September 2010	\$1,867,000	\$17,114	\$43,806	\$60,920	\$1,823,194	1.49
41	October 2010	\$1,823,194	\$16,713	\$77,037	\$93,750	\$1,746,157	1.49
42	November 2010	\$1,746,157	\$16,006	\$98,994	\$115,000	\$1,647,163	1.22
43	December 2010	\$1,647,163	\$15,099	\$98,651	\$113,750	\$1,548,512	1.23
44	January 2011	\$1,548,512	\$14,195	\$97,055	\$111,250	\$1,451,457	1.26
45	February 2011	\$1,451,457	\$13,305	\$96,695	\$110,000	\$1,354,762	1.27
46	March 2011	\$1,354,762	\$12,419	\$96,331	\$108,750	\$1,258,431	1.29
47	April 2011	\$1,258,431	\$11,536	\$94,714	\$106,250	\$1,163,716	1.32
48	May 2011	\$1,163,716	\$10,667	\$94,333	\$105,000	\$1,069,384	1.33
49	June 2011	\$1,069,384	\$9,803	\$93,947	\$103,750	\$975,437	1.35
50	July 2011	\$975,437	\$8,942	\$92,308	\$101,250	\$883,128	1.38
51	August 2011	\$883,128	\$8,095	\$91,905	\$100,000	\$791,223	1.40
52	September 2011	\$791,223	\$7,253	\$91,497	\$98,750	\$699,726	1.42
53	October 2011	\$699,726	\$6,414	\$91,086	\$97,500	\$608,640	1.44
54	November 2011	\$608,640	\$5,579	\$90,671	\$96,250	\$517,970	1.45
55	December 2011	\$517,970	\$4,748	\$90,252	\$95,000	\$427,718	1.47
56	January 2012	\$427,718	\$3,921	\$89,829	\$93,750	\$337,888	1.49
57	February 2012	\$337,888	\$3,097	\$88,153	\$91,250	\$249,736	1.53
58	March 2012	\$249,736	\$2,289	\$87,711	\$90,000	\$162,025	1.56
59	April 2012	\$162,025	\$1,485	\$87,265	\$88,750	\$74,760	1.58
60	May 2012	\$74,760	\$685	\$75,565	\$76,250	(\$804)	1.84





**Exhibit "F"**

**Lock Box Agreement**



## LOCKBOX AGREEMENT

Agreement made this 19<sup>th</sup> day of May, 2007, between PREFERRED DATA, INC., a New York corporation, with a principal office located at 2200 Maxon Road, Schenectady, New York 12308 (hereinafter referred to as "Preferred"), and Firstline Trust 07, a New York grantor trust, having its office c/o McGinn, Smith Capital Holdings Corp., Trustee, 99 Pine Street, Albany, New York 12207 (hereinafter referred to as "Client").

Client is in need of Remittance Processing and Data Capture Services. Preferred is in the business of providing Remittance Processing and Data Capture Services of the type required by Client.

In consideration of the covenants and obligations hereinafter set forth and the mutual benefits to be derived hereunder, the parties agree as follows:

### SECTION ONE

#### DEFINITIONS

- A. Remittance Document - a billhead, remittance advice (coupon), invoice, payment book, or similar document (envelope) designated to indicate the amount of a payment due to Client from a specific customer.
- B. Payment Document - a check, money order, or other negotiable representation of cash.
- C. Transaction - the combination of some number of remittance document(s) and payment document(s) (checks, or similar orders for payment).
- D. Item - the higher number of either remittance documents or payment documents (checks) in a given transaction.
- E. Lockbox - a post office box rented by Client or some other point of pickup designated by Client.
- F. Bank - depository institution at which Client maintains an account(s).
- G. Deposit Date - the date a payment document is deposited to the Bank.
- H. Dispatch - courier trips required for the pick up of transactions for processing and the deposit of payment documents at a designated bank. Any other courier trips which Client requests.
- I. Mail Sort Reject - mail received with no processible transaction.
- J. Data Element - a field of information found on the remittance document(s) or on the payment document(s).
- K. Posting - the transferal of prescribed data elements to magnetic media (tape, disk or transmission).
- L. Payment Record - a collection of specific data elements posted to magnetic media.
- M. Exception - a payment document which is deposited, and posted to magnetic media by manually keying the data. This includes all currency transactions.

- N. Reject - a non-deposited payment document and its accompanying (if any) remittance document(s).
- O. Reports - the hard copy representation of processed information.

## SECTION TWO

### SERVICES

PREFERRED, under the terms of this Agreement shall:

- A. Pick up mail daily from a Post Office Box located in Schenectady, New York.
- B. Open mail.
- C. Separate out non-processible transactions (Mail Sort Rejects) and batch them for return to Client.
- D. Batch processible transactions, no more than one hundred fifty per batch, in payment document(s)/remittance document(s) order.
- E. Data Capture to magnetic media those data elements specified for each payment record: Company Code (2 digits), Division Code (2 digits), Account Number (10 digits) and Amount Due (10 digits). Check Digit for previous 24 digits (1 digit), Payment Account, Check Number.
- F. Create batch totals of payment amounts captured.
- G. Prove payment documents to these batch totals captured.
- H. MICRencode payment documents.
- I. Endorse payment documents.
- J. Reconcile all batch totals to deposit totals.
- K. Print the following report: Unsorted Detail - all transactions in processing order with batch totals of all payment amounts, and a daily deposit total.
- L. Data transmit all ASCII files in format defined by client as defined in Section Two, K.
- M. Prepare a deposit of payment documents.
- N. Deposit payment documents daily to a depository institution to be named by McGinn, Smith Capital Holdings Corp.
- O. Return remittance documents, mail sort rejects, and reports to Client through designated courier system on a daily basis, except for customer correspondence which will be sent on an as needed basis.
- P. Fax copy of Deposit Slip daily to Client.



### SECTION THREE

#### CONSIDERATIONS AND TERMS

A. CLIENT, shall pay to Preferred for the services provided under this Agreement:

1. Transaction Pricing

Automated	\$ .18/item
Semi-Automated	\$ .19/item
Exception	\$ .23/item
Reject	\$ .15/item

NOTE: An item is the number of either remittance documents or payment documents, whichever is higher.

2. Additional Services

Manual Processing	\$20/hour
ASCII File Transmission	\$3/transmission
Postage	At cost
Courier	At cost

- B. Preferred shall submit to Client a monthly invoice indicating detailed item counts for the month and associated costs.
- C. Client shall pay the amount due on or before the thirtieth (30th) day following receipt of the invoice.
- D. Within ninety (90) days before the end of each year of this Agreement, Preferred and Client agree to negotiate pricing modifications required for the following year of this Agreement.
- E. Preferred agrees that pricing modifications for any successive year will not increase by more than two percent (2%) over the previous year's prices.

### SECTION FOUR

#### TERM AND TERMINATION

- A. The initial term of this Agreement shall be for one year from the date of execution after which the contract will automatically renew itself except as provided in B and C below.
- B. Either Client or Preferred Data shall have the right to cancel this Agreement with or without cause on ninety (90) days written notice to the other party.
- C. Either Client or Preferred Data shall have the right to cancel this Agreement on thirty (30) days written notice to the other, if the other party shall be in default or breach of any material provision hereof, provided however, that if the party receiving such notice of cancellation shall cure the breach or default within a thirty (30) day period, this Agreement shall continue in full force and effect.

## SECTION FIVE

### CONFIDENTIALITY

All information made available hereunder shall be kept confidential by the recipient thereof and, without the prior written consent of the party furnishing the same, shall not be divulged to others. Nothing herein contained, however, shall be construed as preventing either party from disclosing to their respective, authorized employee or agents information necessary for the performance of services hereunder.

## SECTION SIX

### LIMITATION OF LIABILITY

Preferred shall in no event be liable for any loss, damage or delay arising from:

- A. Any failure to properly perform its duties hereunder if such failure is the result of circumstances beyond Preferred's control, including but not limited to, severely inclement weather, natural disasters, fire, flood, interruption of transportation, embargo, accident, emergency shortages of equipment, governmental orders, regulations, restrictions, by strike, lockout, or other labor troubles or any other cause beyond the control of Preferred.
- B. Preferred shall maintain in full force and effect during the term of this Agreement, business, general liability insurance and excess fidelity insurance. Upon written request, Preferred shall provide Client with proof of such insurance.

## SECTION SEVEN

### LAW

It is mutually understood and agreed that this Agreement shall be governed by the laws of the State of New York, both as to interpretation and performance.

## SECTION EIGHT

### NOTICE

Any written notice necessary or appropriate under this Agreement shall be deemed to be properly given if sent by United States Registered Mail to the party to be notified at the address set forth below or at such other address as either party may hereafter designate in writing. The date of service of any notice so sent by registered mail shall be deemed to be five (5) days after the mailing thereof.

## SECTION NINE

### AMENDMENT

Additions or modifications to this Agreement may be made as long as both parties agree in writing to such additions or modifications.

SECTION TEN

CONTACT PERSONNEL

PREFERRED DATA, INC.

T. Paul Collins, President  
2200 Maxon Road  
Schenectady, NY 12308  
518-377-1327

FIRSTLINE TRUST 07

David L. Smith, President  
McGinn, Smith Capital Holdings Corp.  
99 Pine Street  
Albany, NY 12207  
518-449-5131

SECTION ELEVEN

Firstline Security, Inc. Firstline Trust 07 agrees to pay all charges billed to Client during the term of this Agreement.

SECTION TWELVE

ENTIRE AGREEMENT

This instrument embodies the entire agreement of the parties. There are no promises, terms, conditions, or obligations other than those contained herein.

IN WITNESS WHEREOF, and intending to be legally bound, Preferred and Client have caused this Agreement to be signed in their names by their duly authorized officers as of the date first above mentioned.

PREFERRED DATA, INC.

By: \_\_\_\_\_

Name: T. Paul Collins

Title: President

Date: \_\_\_\_\_

FIRSTLINE SECURITY, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FIRSTLINE TRUST 07

By: McGinn, Smith & Co., Inc., Trustee

By: \_\_\_\_\_

Name: David L. Smith

Title: President

Date: \_\_\_\_\_



**\$1,867,000 MAXIMUM  
\$500,000 MINIMUM**

**Firstline Trust 07**

**CONTRACT CERTIFICATES  
SIXTY MONTHS—11.00%**

**Private Placement  
Memorandum**

**McGinn, Smith & Co., Inc.  
Albany, New York**

**May 19, 2007**

No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Memorandum and, if given or made, such information or representations must not be relied upon as having been authorized. This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer of solicitation in such jurisdiction. Neither the delivery of this Memorandum nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Trust since the date hereof or that the information contained herein is correct as of any time subsequent to its date. However, in the event of any material change, this Memorandum will be amended, supplemented or updated accordingly.

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