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CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

**\$1,435,000**

**FIRSTLINE SR. TRUST 07 SERIES B**

MAXIMUM OFFERING \$1,435,000 CONTRACT CERTIFICATES  
MINIMUM OFFERING \$500,000 CONTRACT CERTIFICATES  
FORTY-EIGHT MONTHS: 9.50%

FIRSTLINE SR. TRUST 07 SERIES B (the "Trust Fund") is hereby offering \$1,435,000 of Senior Contract Certificates, entitled to interest at the rate of 9.50% per annum (the "Certificates"). Principal and interest on the Certificates is payable in monthly installments with interest only commencing November 1, 2007 and principal and interest commencing on January 1, 2008. See "Description of the Certificates and the Trust Agreement".

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

Price of Certificates 100%

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

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

	Price to the Public	Underwriting Discount	Proceeds to the Trust Fund
	100%	4.50%	95.50%
Minimum Offering	\$500,000	\$22,500	\$477,500
Maximum Offering	\$1,435,000	\$64,575	\$1,370,425

The date of this Memorandum is  
October 19, 2007

McGinn, Smith & Co., Inc.  
Capital Center • 99 Pine Street  
Albany, New York 12207

GOVERNMENT  
EXHIBIT

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## SUMMARY OF THE OFFERING

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

### The Trust Fund

FIRSTLINE SR. TRUST 07 SERIES B (the "Trust Fund") is a common law trust formed under the laws of the State of New York on October 15, 2007. The Trustee of the Trust Fund is McGinn, Smith Capital Holdings Corp., a New York corporation. The Trustee will have no liability in connection with the Certificates or the affairs of the Trust Fund in the absence of willful misconduct or gross negligence. Although Certificateholders will have recourse to all assets of the Trust Fund, the financing participation entered into with the proceeds of this Offering (the "Financing") will be the Trust Fund's only asset. See "Risk Factors", "The Trust Fund" and "Disclaimer of Liability of Trustee."

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

The Trust Fund will acquire the Senior Tranche of the Financing secured by Contracts consisting of Contracts owned or originated by Firstline Security, Inc. a Utah corporation ("Firstline").

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

The Trust Fund intends to apply the entire net proceeds of the Offering to the purchase of the Senior Tranche of the Financing. The Contracts will require the subscriber to make monthly or quarterly payments for a term of not to exceed sixty months (the "Mandatory Period"). See "Use of Proceeds", "The Trust Fund" and "Portfolio Acquisition and Monitoring."

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

### Risk Factors

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

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

### **Description of the Certificates and the Trust Agreement**

The Certificates will be issued under a Declaration of Trust by McGinn, Smith Capital Holdings Corp., the Trustee. The Certificates will be available for purchase in minimum denominations of \$25,000.00 and increments of \$5,000.00. The Certificates will be registered in the name of the individual Certificateholders. See: "Description of the Trust Agreement and the Certificates."

The Certificates will bear interest at a per annum rate of 9.50%. Interest will accrue on the Certificate commencing on the closing date for the purchase of each Certificate and will be payable to Certificateholders monthly on the first day of each month commencing November 1, 2007. Principal payments together with interest will commence on January 1, 2008 in accordance with Exhibit B of the "Participation Agreement" set forth in "Exhibit E".

### **Compensation and Fees**

McGinn, Smith Funding LLC, an affiliate of both McGinn, Smith & Co., Inc., the Sales Agent, and McGinn, Smith Capital Holdings Corp., the Trustee, will be paid a brokerage fee in connection with the acquisition of the Contracts by the Trust Fund and the Senior Participant. The Trustee will not receive a fee for its services from McGinn, Smith Funding LLC, See "Compensation and Fees" and "Conflicts of Interest."

### **Use of Proceeds**

The net proceeds from the Offering of the Certificates will be used to purchase the Senior Tranche of the Financing provided to Firstline, as more fully described in the Residential Monitoring Receivable Financing Agreement dated October 9, 2007 and attached hereto as Exhibit D.

### **Income Tax Considerations**

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

## **RISK FACTORS**

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

### **Limitation of Transfer of Certificates**

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



**Limited Liquidity of Collateral**

In the event of a default under the Certificates which necessitates a liquidation of the Collateral, as hereinafter defined, the ability of the Trustee to sell the Collateral, may be restricted since there may be a limited market for the Contracts.

**Potential for Contract Defaults**

Defaults by subscribers under Contracts may result in reduced scheduled cash flow to the Trust Fund. Defaults may occur for a variety of reasons, including relocation of subscribers, dissatisfaction with service, defaults by monitoring companies, and changes in economic conditions. Firstline will represent that each Contract will legally obligate the subscriber to pay for monitoring services for the period of time set forth therein (the "Mandatory Period"). Nevertheless, should the level of Contract defaults exceed the level that is anticipated, the ability of the Trust Fund to pay the Certificateholders may be adversely affected. See "Portfolio Acquisition and Monitoring."

**No Assurance as to Financial Worthiness or Capabilities of Firstline**

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

**No Independent Counsel to Investors**

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

**Lack of Financial Statements**

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

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

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

**No Tax Opinion**

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

**Conflicts of Interest**

The Trust Fund will purchase the Senior Tranche of the Financing from McGinn, Smith Funding LLC, an affiliate of McGinn, Smith & Co., Inc., the Sales Agent. McGinn, Smith Funding LLC will receive a broker's fee in connection with such transaction. The close relationship between the Trust Fund,

McGinn, Smith Funding LLC and McGinn, Smith & Co., Inc., may affect the price paid for the Financing secured by the Contracts. In addition, the Trustee's liability is limited. See Section entitled 'Disclaimer of Liability of Trustee'. McGinn, Smith & Co., Inc. will receive an Underwriting Discount equal to four and one-half percent (4.5%) of the gross proceeds of the Offering.

### USE OF PROCEEDS

The net proceeds to the Trust Fund from the sale of the Certificates offered hereby, after deducting the Underwriting Discount, will be approximately \$1,370,425 (95.50% of gross proceeds) if the Maximum Offering for the Certificates is achieved. The Trust Fund intends to use all of the net proceeds of the Offering to purchase the Senior Tranche of the Financing.

The net proceeds to the Trust Fund from the sale of the Certificates offered hereby, after deducting the Underwriting Discount, will be approximately \$477,500 (95.50% of gross proceeds) if the Minimum Offering for the Certificates is achieved. The Trust Fund intends to use all of the net proceeds of the Offering to purchase approximately twenty-five percent (25%) of the Senior Tranche of the Financing.

The Contracts will be pledged by Firstline as collateral (the "Collateral") for its obligations under the Residential Monitoring Receivable Financing Agreement. The Collateral will be held at the office of the Trustee. UCC-1 financing statements have been filed in the appropriate jurisdictions.

All cash collected from the pledged contracts will be procured by an independent lock box agent. The lockbox agent will be M&T Bank. The cash payment waterfall will be as follows:

- 1<sup>st</sup>: to the Senior Tranche for interest.
- 2<sup>nd</sup>: to the Senior Tranche for principal payments
- 3<sup>rd</sup>: to the Junior Tranche for interest
- 4<sup>th</sup>: to the Billing and Collection agent (if required)
- 5<sup>th</sup>: to the Alarm Monitoring provider
- 6<sup>th</sup>: the excess will be remitted to Firstline

### THE TRUST FUND

The Trust Fund is a common law trust formed under the laws of the State of New York on October 15, 2007. The principal executive office of the Trust Fund is located at 99 Pine Street, Albany, New York 12207 and its telephone number is (518) 449-5131. McGinn, Smith Capital Holdings Corp. is the Trustee of the Trust Fund.

#### Business of the Trust Fund

The Trust Fund has been formed solely for the acquisition of the Senior Tranche of the Financing. Subsequent to the Closing Date the Trust Fund will utilize the net proceeds from the Offering to acquire the Senior Tranche of the Financing.

Each Contract securing the Financing will include the obligation of Firstline to provide central station monitoring services for the subscriber or alarm maintenance services for the subscriber in consideration for the subscriber's payment of a monthly or quarterly monitoring or maintenance fee. The Trust Fund does not intend to acquire equity interests in monitoring companies or other security alarm monitoring or installation firms; rather, a scheduled amount of cash flow from the Contracts entered into or originated by Firstline. Firstline will provide the cash flow necessary for Firstline to meet its Debt Service Obligations as described in Exhibit "A-1" of the Residential Monitoring Receivable Financing Agreement. Firstline will perform the monitoring and other services required under the Contracts.

#### The Security Alarm Industry

The security alarm industry involves (i) manufacturers of alarm system components, (ii) wholesalers who distribute such components, (iii) parties that sell or lease, install and maintain security alarm systems, and (iv) parties that monitor security alarm signals. Sales, leasing, installation, maintenance and monitoring

overlap significantly. Within each geographic market, many companies sell or lease, install, maintain and monitor systems. Larger local and regional full service firms and national companies with branch offices, as well as numerous regional and local security companies, also may be present in each geographic market.

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

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

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

#### **Security Alarm Competition**

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

### **MONITORING**

#### **Acquisition of Portfolio**

The Trust Fund intends to apply the net proceeds of the Offering, \$1,370,425, to the purchase of the Senior Tranche of the Financing secured by the Contracts. The Trust Fund and the Senior Participant will acquire a percentage of the Monitoring Revenue Payment (the "Scheduled Amount") generated from the Contracts to be pledged by Firstline as collateral for the Financing. McGinn, Smith Funding LLC, an



affiliate of McGinn, Smith & Co., Inc., will receive a broker's fee in connection with the Trust Fund providing the Financing. The Financing will be provided upon the terms and conditions set forth in the Residential Monitoring Receivable Financing Agreement, subject to payment of the McGinn, Smith Funding LLC broker's fee.

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

#### **Residential Monitoring Receivable Financing Agreement**

McGinn, Smith Funding LLC will provide Financing to Firstline which is fully described in the Residential Monitoring Receivable Financing Agreement dated October 9, 2007, a copy of which is attached hereto as Exhibit "D".

In the Residential Monitoring Receivable Financing Agreement, Firstline covenants, represents, and/or warrants to McGinn, Smith Funding LLC, its successors and assigns, among other things, that: (a) all Contracts will be valid mandatory deferred payment obligations covering the monitoring services and/or alarm maintenance services to be provided to the subscriber, which Firstline has a legal right to sell, pledge, assign and transfer; (b) the Contracts are not subject to any disputes, offsets or counterclaims; (c) the subscriber is neither delinquent in payment nor in default under the Contract at the time of the Financing; (d) Firstline has performed, except for future obligations, all of its obligations to the subscriber; (e) the information contained in the Contract is true in all respects; (f) McGinn, Smith Funding LLC, its successors and assigns will have absolute right to the Scheduled Debt Service from the Monitoring Revenue Payment generated from the Contracts, and the Contracts are not subject to any prior assignments or security interests; (g) the Contracts and the underlying transaction giving rise to the Contracts do not violate any law, rule or regulation; and (h) Firstline and the subscriber will not modify any of the Contracts without the prior written consent of McGinn, Smith Funding, LLC. McGinn, Smith Funding LLC, its successors and assigns, must approve the form of each Contract and the terms and conditions thereof.

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

McGinn, Smith Funding LLC, and its successors and assigns do not assume any obligations or liabilities of Firstline in connection with the Contracts, including any monitoring duties and responsibilities. Firstline will indemnify and hold McGinn, Smith Funding LLC, its successors and assigns, harmless from and against any claim, suit, loss, liability or expense incurred by McGinn, Smith Funding LLC, its successors and assigns, in connection with the Contracts.

Firstline will direct the subscribers under the Contracts to remit all payments to a predesignated remittance lockbox servicer. M&T Bank ("M&T") will act as such a servicer. Firstline will also agree not to accept any payment made by a subscriber and to refer all such payments to M&T. Firstline will be required to prudently and effectively pursue the collection of all delinquent payments due to the Trust Fund and the Senior Participants (the "Participants") immediately upon receipt of appropriate payment advice reports from M&T. Firstline will provide the Participants with monthly status reports on all Contracts, reflecting current payment status, delinquency and unpaid balances due and owing. See the "Lock Box Agreement" below.

Under the Residential Monitoring Receivable Financing Agreement, McGinn, Smith Funding LLC, its successors or assigns, may require Firstline to substitute a performing Contract in place of a non-performing Contract.



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

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

- A) The filing of a petition of bankruptcy protection with respect to any business of Firstline or the Central Station, either voluntary or involuntary;
- B) Firstline or the Central Station, or any of their principal officers being found guilty of any felony or upon the finding of liability in any criminal or civil action involving impropriety in business dealings or operations Firstline or the Central Station, or the performance of the Contracts.
- C) The abandonment of monitoring service operation by Firstline or the Central Station.
- D) The occurrence of an Event of Default under the Residential Monitoring Receivable Financing Agreement, which results in the inability of Firstline or the Central Station to substantially perform under the Residential Monitoring Receivable Financing Agreement, or any Central Station agreement, or the failure of Firstline to repurchase or replace a Contract within thirty (30) days after written demand therefore.

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

Firstline irrevocably and unconditionally will guarantee to the Participants the full and timely payment of all sums constituting the Scheduled Amounts of the Monitoring Revenue Payments which are due and owing under the Contracts in the Portfolio. In addition, Firstline has agreed to tender to the Trust Fund additional Contracts so as to maintain \$165,000 available monthly cash flow. Contract additions will be calculated quarterly in arrears and the Contracts tendered shall have an average monthly recurring revenue of not less than the average monthly revenue for the initial Contracts.

#### **Monitoring Receivable Financing Participation Agreement**

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

McGinn, Smith Funding LLC, as the Portfolio Financial Manager, will covenant that it will inspect all Contracts and review them for creditworthiness pursuant to the credit standards and procedures set forth in the Residential Monitoring Receivable Financing Agreement discussed above. In addition, McGinn, Smith Funding LLC, as the Portfolio Financial Manager, has performed a due diligence review of Firstline so as to insure its capabilities of performing in accordance with the terms of the Residential Monitoring Receivable Financing Agreement.

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

The Participation Agreement provides that the Senior Participant will be provided a yield on the financing of 9.50% and the Junior Certificateholder will receive a yield of 11.00%. The Junior Participant will fund \$2,115,000 for the Junior Tranche of the Financing and the Senior Participant will fund \$1,435,000 for the Senior Tranche of the Financing, if the Maximum Offering is achieved. If the Minimum Offering is achieved, the Senior Participant will fund \$477,500 for approximately 25% of the Senior Tranche of the Financing.

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

The Participation Agreement provides that the Senior Participant and the Junior Participant will receive the Scheduled Amounts due from the Contracts each month. Out of that amount, the Senior Participant shall be entitled to the Scheduled Cash Flow as set forth on Exhibit "B" to the Participation Agreement on the 1st day of each month commencing November 1, 2007. After the Senior Participant receives its monthly Debt Service for the month, the Senior Participant shall then remit to the Trust Fund an amount equal to the monthly Junior Payment set forth on Exhibit B-1 to the Participation Agreement ("Senior Payment"). In the event the collected payments from the Contracts for any month are less than the Debt Service due the Senior Participant or the Junior Participant for that month, the Participants will be paid out of the first payments received in the following month. Any Scheduled Amounts not received by the Participants in the month when due shall bear interest at the rate of 16.00% per annum until paid. Thereafter, the Scheduled Amount due the Participants for that month shall be paid from the balance of the Contract payments received that month from M&T.

Upon receipt by the Senior Participant of all Debt Service to which it is entitled, all of the Senior Participant's right, title and interest in the Financing shall terminate and the Collateral shall be transferred by the Senior Participant to the Junior Participant without recourse and without warranty.

#### **The Collection Process**

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

Out of the funds held in the Portfolio Depository Account, the Senior Participant will withdraw an amount equal to the Debt Service the Senior Participant is entitled to pursuant to Exhibit B to the Participation Agreement. Thereafter, the Senior Participant will transfer an amount equal to the Senior

Payment on a monthly basis from the Portfolio Depository Account into an account in the name of the Trust Fund at a depository institution selected by the Trustee (the "Operations Account"). Out of the funds held in the Operations Account, the Trust Fund will pay the Senior Participant the Scheduled Cash Flow the Senior Participant is entitled to pursuant to Exhibit B to the Participation Agreement.

## **DESCRIPTION OF TRUST AGREEMENT AND THE CERTIFICATES**

On October 15, 2007, Timothy M. McGinn as Chairman of McGinn, Smith Capital Holdings LLC executed the Declaration of Trust ("Declaration") of Firstline Sr. Trust 07 Series B ("Trust"), declaring that McGinn, Smith Capital Holdings Corp. was the Trustee of the Trust, establishing the Trust for the benefit of Certificateholders, and defining its purpose.

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

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

### **Certificates**

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

Subject to the conditions set forth in this Memorandum, Certificates in the maximum amount of \$1,435,000 will be offered by the Trust Fund. The Certificates will be retired in forty-eight (48) months from the date of issuance. The Certificates will bear interest on the outstanding principal at a per annum rate of 9.50%, Interest on the Certificates will be paid in monthly installments on the first day of each month commencing November 1, 2007. Principal and interest on the Certificates will be paid commencing on the first day of January 1, 2008 to and including October 1, 2011, in accordance with the Scheduled Cash Flow set forth on Exhibit B to the Participation Agreement.

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



**Payments**

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

**Prepayments**

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

**Registration**

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

**Limited Transferability of the Certificates**

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

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

**Reports**

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

**CONFLICTS OF INTEREST**

Timothy M. McGinn, Thomas E. Livingston and David L. Smith collectively own 100% of McGinn, Smith Holdings, LLC which in turn owns 100% of the issued and outstanding common shares of McGinn, Smith & Co., Inc. McGinn, Smith & Co., Inc. is acting as a Sales Agent for this Offering and will receive an Underwriting Discount equal to four and one-half percent (4.5%) of the gross proceeds of this Offering sold by it. The Underwriting Discount was not negotiated at arms length. In addition, McGinn, Smith Funding LLC, an affiliate of McGinn, Smith & Co., Inc. will receive a broker's fee in connection with the financing of the Contracts by the Participants.

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

As discussed above, McGinn, Smith Funding LLC will receive a broker's fee in connection with the financing of the Contracts by the Participants. Due to the close relationship between these parties, the financing terms provided by the Trust Fund could be affected by the interests of McGinn, Smith Funding LLC in its contract brokerage fee.

There has been no independent counsel retained to represent the interests of the Certificateholders. Certain legal matters in connection with the validity of the Certificates will be passed upon by Joseph B. Carr, Esq., who is General Counsel to McGinn, Smith & Co., Inc. and is therefore not independent.



**THE TRUSTEE**

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

Name	Position
Timothy M. McGinn	Chairman and Director
David L. Smith	President and Director
Thomas E. Livingston	Treasurer and Director

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

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

Timothy M. McGinn, age 59, is the Chairman of the Board and Secretary of McGinn, Smith & Co., Inc. He has served as Chairman of the Board since the inception of this firm in 1980. From 2003 to 2006, Mr. McGinn served as Chairman of the Board and CEO of Integrated Alarm Services Group, Inc. a NASDAQ listed public company. Mr. McGinn also served as Vice Chairman of Pointe Financial Corp., a NASDAQ-listed financial holding company from 1995-2005. Additionally, Mr. McGinn served as Chairman of the Board of Pointe Bank, a Florida state chartered commercial bank from 1998 – 2005. Prior to founding McGinn, Smith & Co., Inc. he was with Paine, Webber, Jackson & Curtis and White Weld & Co. He has served on a number of corporate and charitable boards of directors and holds a bachelor's degree in Mechanical Engineering from the Rochester Institute of Technology.

David L. Smith, age 62, is the President of McGinn, Smith & Co., Inc. and a member of the Board of Directors. He has served in this capacity since 1980. Prior to founding McGinn, Smith & Co., Inc. he was with Paine Webber, Jackson & Curtis and White Weld & Co. Mr. Smith has served on a number of charitable and corporate boards of directors and holds a bachelor's degree from Hamilton College.

Thomas E. Livingston, age 48, is Sr. Vice President of McGinn, Smith & Co., Inc. and a member of its' Board of Directors. Mr. Livingston has been employed by McGinn, Smith & Co., Inc. since 1986. Prior to joining McGinn, Smith he was affiliated with Prudential Bache Securities.

**SUITABILITY**

Certificates will be sold only to investors who make a minimum purchase of \$25,000.00.

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

- (a) any natural person whose individual net worth (including personal residences, furnishings and automobiles), or joint net worth with that person's spouse, at the time of purchase exceeds \$1,000,000;
- (b) any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and who reasonably expects gross income at the same level in the current year; and
- (c) any entity in which all of the equity owners are Accredited Investors or which has total assets in excess of \$5,000,000.

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

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

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

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

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

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

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

### **TERMS OF THE OFFERING**

Subject to the conditions set forth in this Memorandum, Certificates in the maximum amount of \$1,435,000 (the "Maximum Offering") and the minimum amount of \$500,000 (the "Minimum Offering") will be offered by the Trust Fund.

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

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

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

#### **How to Subscribe.**

The Certificates will be available for purchase in the minimum denomination of \$25,000.00 and increments of \$5,000.00. An investor who meets the qualifications set forth under "Who May Invest" and "Suitability" may subscribe for Certificates by completing, signing and delivering to the Sales Agent an executed copy of the Subscription Agreement contained in this Memorandum. All subscriptions must be accompanied by a check in the amount of the Certificate(s) purchased payable to "*Mercantile Bank, Escrow Agent for Firstline Sr. Trust 07 Series B*". Upon execution of a Subscription Agreement, the investor agrees to all of the terms and conditions contained in the Agreement. Subscriptions are, however, subject to acceptance by the Trust Fund.

### **PLAN OF DISTRIBUTION**

The Trust Fund is offering a maximum of \$1,435,000 of Certificates, and a minimum of \$500,000. The minimum investment by an investor is \$25,000.00 with increments of \$5,000.00. The Offering period will end not later than January 1, 2008. No Certificates will be sold unless subscriptions for the Minimum Offering are received and accepted within two months of the date of this Memorandum. Subscriptions are subject to acceptance by the Trust Fund. See "Suitability"; "Who May Invest".

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

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

### **DISCLAIMER OF LIABILITY OF TRUSTEE**

Reference is hereby made to the Declaration of Trust dated October 15, 2007, a copy of which is attached hereto as Exhibit "A". Other than potential liability under the Securities Act, neither the Trustee, nor any shareholder, manager, officer, employee, affiliate or agent of the Trustee may be held to any liability in connection with the Offering or the Certificates, or in connection with the affairs of the Trust Fund, in the absence of willful misconduct or gross negligence. Further, the Trustee will not be liable, in any event, to pay sums of money beyond the corpus of the Trust.



## INCOME TAX CONSIDERATIONS

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

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

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

### **Interest Income to Certificateholders**

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

### **Gain or Loss on Disposition of Certificates**

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

### **Information Reporting**

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

### **Backup Withholding**

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

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



**LEGAL MATTERS**

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

**TABLE OF CONTENTS OF EXHIBITS**

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

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

**ADDITIONAL INFORMATION**

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

**Exhibit "A"**  
**Declaration of Trust**



DECLARATION OF TRUST OF FIRSTLINE SR. TRUST 07 SERIES B

This Trust Agreement made as of the 15<sup>th</sup> of October, 2007, by and between McGinn, Smith Capital Holdings Corp., a New York Corporation with an address at Capital Center, 99 Pine Street - 5th Floor, Albany, New York 12207 ("Trustee"), and those persons who acquire an interest herein by the execution and performance of a subscription agreement ("Subscription Agreement") attached as Exhibit B to the Confidential Private Placement Memorandum dated as of October 18, 2007 ("Confidential Memorandum").

WITNESSETH:

WHEREAS, McGinn, Smith Capital Holdings Corp. desires to create a trust for the purpose of enabling and authorizing the acquisition of certain contracts more fully described herein ("Contracts") and

WHEREAS, the Trustee is willing to accept the duties and obligations imposed hereby on the terms and conditions hereinafter set forth;

NOW, THEREFORE, the Trustee does hereby declare, that the Trustee will hold said property which it may acquire as such Trustee, together with the proceeds thereof in trust, to manage and dispose of the same for the benefit of the Certificateholders hereunder in the manner and subject to the stipulations herein contained.

ARTICLE I  
NAME

This trust shall be designated and known as the "FIRSTLINE SR. TRUST 07 SERIES B", not incorporated, and under that name shall, so far as practicable, conduct all activities and execute all instruments in writing in the performance of the Trust.

ARTICLE II  
DEFINITIONS

The following words, terms and phrases used herein shall be given the meaning stated below in this Article, unless such meaning would be clearly in conflict with the purposes and spirit of this instrument; capitalized words not defined in this Declaration shall have the meaning provided in the Residential Monitoring Receivable Financing Agreement ("Financing Agreement") or in the Monitoring Receivable Financing Participation Agreement ("Participation Agreement").

"Certificateholder" shall mean the holder for the time being, according to the books of the Trustee, of the Certificates as evidenced by this Declaration and the Certificates issued by the Trustee.

"Permitted Investments" means investments in the obligations to pay for goods or services in return for residential electronic monitoring services, more commonly known as "Residential Monitoring Contracts", as more fully described in the Financing Agreement with Firstline Security, Inc. secured by the cash flow resulting from residential alarm contracts. In addition, to the extent not employed for investment in Residential Monitoring Contracts, temporary investments may be made in (1) certificates of deposit, in (2) short term AAA rated debt obligations regularly traded on a recognized exchange in the United States, or in (3) obligations issued by the United States Treasury or other obligations backed by the "full face and credit" of the United States.

"Share" shall mean a share in the beneficial interest of the property, assets, trust fund and corpus of the Trust.

"Transaction Documents" shall mean this Declaration of Trust, the Participation Agreement and the Financing Agreement.



"Trust", "Trust Estate", and "Capital" shall mean the trust fund hereunder, consisting of the corpus of the estate; that is, all property, real, personal and mixed of every kind and description howsoever acquired and wherever situated, held under this Declaration of Trust by the Trustee.

"Trustee" shall mean the trustee herein named, and those who are or may be trustees.

### ARTICLE III OFFICE OF THE TRUST

The principal office of this Trust shall be located at Capital Center, 99 Pine Street, Albany, New York 12207, until changed by the Trustee. The principal office may be changed and branch offices established, maintained, changed and discontinued at such times and places as the Trustee in its discretion may determine, with notice to the Certificateholders.

### ARTICLE IV CAPITAL OF THE TRUST

The initial Capital of this Trust shall be One Hundred Dollars (\$100), paid to the Trustee concurrently with execution and delivery hereof. The Capital of the Trust or any part thereof, shall be held for the use and benefit of the Trust at such places and upon such terms as the Trustee may fix. The Trustee may not require any Certificateholder to make any contribution, in addition to the initial contribution made by such Certificateholder, to increase the Capital of the Trust. The Trustee shall receive such contributions to the Capital of the Trust as may be made by Certificateholders from time to time and apply the same for the purpose stated by Article V of this Trust Agreement.

### ARTICLE V PURPOSE OF THE TRUST

The purpose of the Trust is to acquire the Senior Tranche of a financing in the amount of \$1,435,000. The Senior Tranche, together with a Junior Tranche of \$2,115,000 shall be made to enter into a financing with Firstline Security, Inc., a Utah corporation.

(1) the Trustee shall, as far as convenient and practicable, take and hold the title, both legal and equitable, to all property, however acquired under the terms hereof, in the name of the Trust. All conveyances of every kind and description, at any time made to or in the name of the Trustee of the Trust shall be held to vest the title to property so conveyed in the Trustee as such under this instrument, the title "FIRSTLINE SR. TRUST 07 SERIES B" being merely intended as a convenient designation of the Trustee hereunder.

(2) The Trustee shall administer and dispose of all properties for the benefit of Certificateholders hereunder, as represented by their Certificates.

(3) The Trustee shall manage, control and dispose of all the Trust Estate and its business affairs, of every kind and character within the authority granted in Article I hereof.

(4) The Trustee shall, in such capacity, exclusively and absolutely, have full, absolute and plenary rights, authority to pledge, exchange, mortgage and convey or otherwise dispose of property of every kind, character and description, real, personal and mixed, that may be part of the Trust Estate.

(5) The Trustee shall have, in furtherance of the purposes of the Trust, the absolute right, power and authority to institute, maintain and defend actions, suits and proceedings in any court of law or equity either in the name of said Trust or in its name as Trustee thereof; to sell, transfer, assign and

convey the whole or any part of the Trust Estate, invest and reinvest the proceeds thereof at any time in Permitted Investments provided that the Trustee shall have no obligation to invest such proceeds and shall not be accountable for any losses howsoever incurred; to collect any money, and pledge the assets of the Trust as security therefor; to execute and deliver in the manner herein provided all deeds, leases, mortgages, powers of attorney and other instruments in writing which the Trustee may deem necessary and proper in the exercise of the powers conferred hereunder; and to perform or withhold any act or thing of any kind or character, which in the Trustee's judgment may be necessary, proper or expedient, in carrying into effect the purposes of this Trust or any purposes specified in this Declaration of Trust, or in any amendments hereto, duly made and adopted.

#### ARTICLE VI LIMITATION OF LIABILITY OF TRUSTEE AND CERTIFICATEHOLDERS

Neither the Trustee, nor any of its officers or servants shall have any right, power or authority, under any circumstances, or in any event to act as the agent of the Certificateholders or to bind them personally or to impose any liability or obligation upon them in any way whatsoever with respect to this Trust Estate or otherwise. All persons contracting with the Trustee or its officers, agents or employees shall look only to the Trust Estate for the payment of any damage, claim, judgment or decree, or of any money that may become due or payable in any way to them whether founded upon contract or tort, and neither the Trustee nor the Certificateholders, present or future, nor any of them shall as such be personally liable therefor or on any agreement or contract made by the Trustee, or by any officers, agents or employees of the Trustee, its officers or agents, or employees in connection with the Trust Estate. No amendment shall ever be made to this Declaration of Trust, increasing or enlarging the liability of either the Trustee or the Certificateholders as herein stipulated.

#### ARTICLE VII LIMITATION OF LIABILITY OF TRUSTEE; INDEMNIFICATION

The Trustee shall not be liable hereunder in any event or under any circumstances, for the acts or omissions of any other Trustee or of any officer, agent or employee, or any other person whatsoever, whether employed by such Trustee or not, or for any act or thing whatsoever, other than such Trustee's own willful misconduct or gross negligence. The Trustee in its individual capacity and as Trustee shall be indemnified by, and receive reimbursement from the Trust Estate against and from any and all liability, claim, damage or loss, suit, action, tax (including interest and penal ties), fine, penalty, cost and expense (including but not limited to legal fees and disbursements) of whatsoever kind and nature which may be imposed upon, incurred by or asserted at any time against the Trustee (in its individual or trust capacity) in any way relating to or arising out of the administration of the Trust Estate, or arising from any act or omission hereunder or under the Transaction Documents, except such as may arise from such Trustee's own willful misconduct or gross negligence. In addition, the Trustee shall be entitled to indemnification from the Trust Estate for any liability, obligation, loss, damage, penalty, tax, claim, action, suit, cost, expense or disbursement indemnified against pursuant to this Article VII and to secure the same the Trustee shall have a lien on the Trust Estate prior to the interest of the Certificateholders or any other person. Trustee shall file all tax returns and other governmental reports required to be filed by the Trustee in connection with the transaction contemplated hereby. Without limiting the foregoing, the Trustee shall under no circumstances be required to take any action or omit to take any action in the administration of the Trust Estate or otherwise in connection with the transactions contemplated hereunder unless the Trustee determines in its absolute discretion that indemnification in respect of such action or omission is available to it to its reasonable satisfaction, provided that the Trustee shall not be required to take or omit any action if the Trustee shall have been advised by its counsel that taking or omitting such action is contrary to the terms of any other agreement or instrument referred to herein or is otherwise contrary to law. The indemnities contained in this Article VII shall survive the termination of this Trust Agreement.

The Trustee shall not be entitled to receive compensation for its services from the Trust Estate. The Trustee shall not have any duty or obligation to manage, control, use, sell, dispose or otherwise deal

with the Trust Estate or to otherwise refrain from taking any such action under or in connection with this Trust Agreement or the other agreements or instruments referred to herein except as expressly provided by the terms of this Trust Agreement, and no implied duties shall be read into this Trust Agreement against the Trustee. The Trustee shall not be answerable or accountable under any circumstances except for its own willful misconduct or gross negligence. The Trustee shall have no duty to see to the payment or discharge of any tax, assessment or other governmental charge or any lien or encumbrance of any kind owing with respect to, or assessed or levied against, any part of the Trust Estate.

The Trustee shall at all times be entitled to request and receive instructions from the Certificateholders prior to being required to take or omit to take any action hereunder, provided that except as therein specified no further instruction is required for taking of the actions provided by the second sentence of Article V hereof.

THE TRUSTEE MAKES NO REPRESENTATION OR WARRANTY AS TO THE VALUE, CONDITIONS, MERCHANTABILITY, FITNESS FOR USE, VALIDITY, ENFORCEABILITY OF OR TITLE TO ANY PROPERTY AT ANY TIME CONSTITUTING PART OF THE TRUST ESTATE, and makes no representation or warranty as to the validity, legality or enforceability of this Trust Agreement or any agreement or instrument referred to herein, except that the Trustee hereby represents and warrants that this Trust Agreement has been duly executed and delivered by one of its officers, who is duly authorized to execute and deliver such document on its behalf.

The Trustee shall not incur any liability to anyone in acting upon any signature, instrument, notice, resolution, request, consent, telegram, order, certificate, report, opinion, bond, or other document or paper believed by it to be genuine and believed by it to be signed or sent by the proper party or parties. As to any fact or matter, the manner of ascertainment of which is not specifically described herein, the Trustee may for all purposes rely on a certificate signed by an officer of any Certificateholder as to such fact or matter, and such certificate shall constitute full protection to the Trustee for any action taken or omitted to be taken by it in reliance thereon. In the performance of its duties hereunder, the Trustee may act directly or through its agents or attorneys and may, at the expense of the Trust Estate, consult with counsel, accountants and other skilled persons to be selected and employed by it, and the Trustee shall not be liable for anything done, suffered or omitted by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons.

The Trustee or successor trustee may resign at any time without cause by giving at least 10 days' prior written notice to the Certificateholders, such resignation to be effective on the date specified in such notice. In such event, the Certificateholders shall appoint such new Trustee. If a successor trustee shall not have been appointed prior to the effective date of such resignation, the Trustee may apply to any court of competent jurisdiction to appoint a successor trustee until such time, if any, as a successor trustee shall have been appointed. Any successor trustee shall execute and deliver to the predecessor trustee an instrument accepting such appointment and thereupon the predecessor trustee shall be released from its obligations hereunder and the successor trustee shall be vested with all rights, powers, duties and obligations of the Trustee hereunder, and the predecessor trustee shall transfer, deliver, and pay over, at the expense of the Trust Estate, any monies or other property then held by such predecessor trustee upon the Trust herein expressed.

All monies received hereunder by the Trustee shall constitute trust funds for the purpose of which they were paid or are held, but need not be segregated in any manner from any other monies and may be deposited and paid by the Trustee under such conditions as may be prescribed or permitted by law for trust funds.

#### ARTICLE VIII CERTIFICATEHOLDERS, LACK OF CONTROL AND MANAGEMENT

No Certificateholder shall have any title, legal or equitable, to the Trust Estate, real or personal, held from time to time by the Trustee, or to any part thereof, or any right or voice in the management or



control of the property or affairs of the Trust, each Certificateholder's interest being only such as is defined in this Declaration of Trust. No Certificateholder shall have the right to call for or demand or secure any partition or accounting during the continuance of this Trust. Its interest in this Trust shall be personal property, carrying only the right to payments pursuant to the Certificate. The Trust shall not be dissolved, nor affected by the death, insolvency or incapacity of the Certificateholder or one or more of the Trustees, nor shall such death, insolvency or incapacity entitle the legal representatives or heirs or assigns, voluntary holder, receiver or trustee to any accounting or to any action at law or in equity or otherwise, against the Certificateholders or Trustee, or against the Trust Estate, or any part thereof, but such legal representative, heir, assign, receiver, or trustee shall succeed to the rights of the deceased, insolvent, bankrupt or incapacitated Certificateholder, subject to this Declaration of Trust and any amendments hereto, and shall succeed to nothing more.

ARTICLE IX  
NO PARTNERSHIP

It is expressly declared that a trust, and not a partnership, is created and established by this instrument. Neither the Trustee nor any Certificateholder shall ever be deemed in any way whatsoever to be liable or responsible hereunder as partners or otherwise.

ARTICLE X  
CERTIFICATEHOLDERS; NO PERSONAL LIABILITY

No assessment or other personal liability or obligation shall, under any circumstances or in any event, be made or imposed upon the Certificateholders.

ARTICLE XI  
REFERENCE TO INSTRUMENT

The Trustee shall, as far as practicable, make reference to the Declaration in every written contract or undertaking that shall be entered into in the name of the Trustee or on behalf of, or relating to the business, affairs or property of this Trust.

ARTICLE XII  
RELATIONSHIP WITH THIRD PARTIES; NO INQUIRY

In no event and under no circumstances shall any one dealing with the Trustee be obligated either at law or in equity to see to the application of any funds or properties passing into the hands of the Trustee, there being no intention that purchasers of Trust property, or any other parties dealing with the Trustee, shall see that the purchase money is applied to the purposes of the Trust.



ARTICLE XIII  
INTEREST AND EARNINGS

The Capital of the Trust and the earnings and interest thereon shall be apportioned and distributed to the Certificateholders in accordance with this Declaration and the Certificates issued by the Trustee.

ARTICLE XIV  
AGREEMENT OF CERTIFICATEHOLDERS


The Certificateholders shall be held to have assented to this Declaration of Trust, and to all acts performed by Trustee within the authority granted by this Declaration.

ARTICLE XV  
TERM AND TERMINATION

Unless earlier terminated, as hereinafter provided, this Trust shall continue until the earlier of either (i) ten years from the date first hereinabove mentioned or (ii) the date when the Trust shall have distributed all of its Capital. The Trustee may otherwise terminate this Trust only with the unanimous written consent of the Certificateholders, provided, however, that any termination of the Trust shall not impair or have any effect whatever upon the contracts, obligations, and liabilities of said Trust Estate existing or outstanding at the time of such termination. At the expiration or upon the termination of the Trust, the Trustee shall proceed to wind up its affairs, liquidate its assets and distribute the same to the Certificateholders, without recourse or warranty of any kind, and for these purposes the then Trustee shall continue act until such duties have been fully performed. Upon completion of such duties, the Trustee shall be deemed discharged in full.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals as of the 15th day of October, 2007.

MCGINN, SMITH CAPITAL HOLDINGS CORP., not in its individual capacity, except as specified herein, but solely as Trustee under this Declaration of Trust dated as of October 15, 2007.

By:   
Timothy M. McGinn, Chairman of the Board

STATE OF NEW YORK)  
COUNTY OF ALBANY ) SS.:

On this 15<sup>th</sup> day of October, 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 whose name is subscribed to the within instrument and acknowledgement to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

CAROLYN GRACEY  
Notary Public, State of New York  
No. 01GR6037985  
Qualified in Rensselaer County  
Commission Expires March 6, 2010

  
Notary Public

**Exhibit “B”**

**Subscription Agreement**



### SUBSCRIPTION AGREEMENT

THE CERTIFICATES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THEY MAY NOT BE OFFERED FOR RESALE IN THE ABSENCE OF AN OPINION OF COUNSEL, SATISFACTORY TO THE TRUST FUND, THAT REGISTRATION IS NOT REQUIRED. IN ADDITION, THIS AGREEMENT AND THE CERTIFICATES CONTAIN SUBSTANTIAL RESTRICTION ON TRANSFERABILITY.

### FIRSTLINE SR. TRUST 07 SERIES B (a New York Trust)

TO: FIRSTLINE SR. TRUST 07 SERIES B. (the Trust Fund):

1. Subscriptions. I hereby subscribe for and agree to purchase the dollar amount of the Trust Fund's Certificates (the "Certificates") as is set forth opposite my name acknowledging the minimum purchase to be Twenty-Five Thousand Dollars (\$25,000) and increments of Five Thousand Dollars (\$5,000).
2. Payment. I hereby agree to pay the Trust Fund the purchase price for the Certificates by delivery herewith of a check in the face amount of the Certificates subscribed for payable to the order of "MERCANTILE BANK-Escrow Agent for Firstline Sr. Trust 07 Series B".
3. Restriction on Transfer of the Certificates. I understand that any resale or transfer of the Certificates by me is subject to substantial restriction, in that:
  - (i) The Certificates have not been registered under the Securities Act of 1933 or applicable state securities laws. The Certificates cannot be sold or transferred by subscribers in the absence of an opinion of counsel that registration is not necessary. The Trust Fund is not required to register the Certificates or to make any exemption from registration available.
  - (ii) My right to sell or transfer any of the Certificates will be restricted as follows: (1) restrictions against sale or transfer in violation of applicable securities law; (2) the requirement that I furnish an opinion of counsel that any proposed sale or transfer by me will not violate such laws; (3) the Trust Fund must consent to the transfer of my Certificates; and (4) other restrictions and requirements, including such restrictions on transfer arising under state securities laws.
  - (iii) There will be no public market for the Certificates, and I may not be able to sell my Certificates. Accordingly, I must bear the economic risk of my investment for an indefinite period of time.
4. Investment Representation. I represent and warrant that I am acquiring my Certificates for my own account and not on behalf of other persons, and that I am acquiring my Certificates for investment purposes only and not with a view to the resale or distribution thereof; I understand that the Certificates will be offered and sold in a manner which would qualify the transaction for an exemption as a private placement under Rule 506 of the Securities Act of 1933. The Certificates may not be transferred or assigned except as provided herein.
5. Subscription Irrevocable by Certificateholder. This Subscription Agreement is not, and shall not be, revocable by me, except as provided by applicable state securities law requirements, and I intend to be legally bound by this Subscription Agreement.
6. Subscription Subject to Acceptance or Rejection by the Trust Fund. The Trust Fund, in its sole discretion, shall have the right to accept or reject this subscription at any time on or before the Closing.
7. Offering of Certificates Subject to Withdrawal. If the Trust Fund does not receive subscriptions for Certificates in the minimum amount of \$500,000.00 before the Termination Date, the Offering of



Certificates will be withdrawn and I understand that all my subscription documents and payments will be returned to me, with interest, less the cost of escrow, and without further obligation of the Trust Fund.

8. Additional Representations and Warranties. I represent and warrant that:
- (a) (i) I have received and have carefully read and understood the Memorandum dated October 18, 2007 (the "Memorandum") given to me by the Trust Fund in connection with the offering of Certificates.
  - (ii) I have been furnished with all additional documents and information which I have requested.
  - (iii) I have had the opportunity to ask questions of and receive answers from the Trust Fund concerning the Trust Fund and the offering of Certificates and to obtain any additional information necessary to verify the accuracy of the information furnished.
  - (iv) I have relied only on the foregoing information and documents in determining to make this subscription, and the decision to acquire Certificates of the Trust Fund has been made based upon my own evaluation of the merits and risks of the Trust Fund.
  - (v) I will not offer to sell, or resell, the Certificates except in accordance with Section 3(ii) hereof.
  - (vi) I will require any purchaser to provide the Trust Fund with his address.
- (b) I recognize that investment in the Certificates involves substantial risk factors, including those set forth under "Risks" in the Memorandum.
- (c) I have adequate means of providing for my current needs and possible personal contingencies, and I have no need for liquidity in my investment in the Certificates.
- (d) My overall commitment to investments which are not readily marketable is not disproportionate to my net worth and my purchase of Certificates will not cause such overall commitment to become excessive.
9. Indemnification and Hold Harmless. If I breach any agreement, representation or warranty I have made in this Subscription Agreement or any other document I have executed in connection with this offering, I agree to indemnify and hold harmless the Trust Fund, the Trustee, or any officer or director of the Trustee and any person controlling either or any of them against any claims, actions, liability, loss, damage or expense (including attorney's fees and other costs of investigation and litigating claims) caused, directly or indirectly, by my breach.
10. Subscriber Information. This Subscription and my Certificates shall be recorded on the Trust Fund's books.

IN WITNESS WHEREOF, I have executed this Subscription Agreement this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

Name: _____	X _____ Social Security or Fed ID Number
Signature: X _____	X _____ Second Signature (if applicable)
Address: _____ _____	Amount Purchased: \$ _____

ACCEPTED BY FIRSTLINE SR. TRUST 07 SERIES B this \_\_\_\_ of \_\_\_\_\_, 2007.

**McGinn, Smith Capital Holdings Corp.  
Trustee**

By: \_\_\_\_\_  
David L. Smith, Principal  
or Timothy M. McGinn, Principal



**Exhibit "C"**

**Investor Representation Letter**





**CONFIDENTIAL**

**PURCHASER QUESTIONNAIRE FOR INDIVIDUALS**

**FIRSTLINE SR. TRUST 07 SERIES B  
(A New York Trust)**

The offering is being made pursuant to Regulation D under the Securities Act of 1933 (the "Act"). One of the requirements of the Regulation is that the persons involved in the offering and sale of the securities must have reasonable grounds to believe either:

(i) that the Offeree has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment; or

(ii) the undersigned is acquiring the Notes for investment purposes only and not with a view towards resale.

(iii) the undersigned is aware that this offering will involve Notes for which no resale market exists, thereby requiring this investment to be maintained for the stated term of each Note.

Your answers will, at all times, be kept strictly confidential; however, each party who signs the questionnaire hereby agrees that the Trust may present this questionnaire to such parties as may seem appropriate in order to insure that the offer and sale of the Certificates to you will not result in violation of any exemption from registration under the Act which may be relied upon by the Trust in connection with the sale of the Certificates.

Please complete this questionnaire as thoroughly as possible and sign, date and return to the Trust c/o McGinn, Smith & Co., Inc., 5th Floor, 99 Pine Street, Albany, New York 12207.

Please print or type:

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

Home Address: \_\_\_\_\_

Date of Birth: \_\_\_\_\_

Social Security No.: \_\_\_\_\_

Occupation: \_\_\_\_\_

Business Address: \_\_\_\_\_

Business Telephone: \_\_\_\_\_

Home Telephone: \_\_\_\_\_

Communications should be sent to:

Home Address \_\_\_\_\_ or Business Address \_\_\_\_\_

1. What is your approximate net worth?
- \_\_\_\_\_ \$50,000 - \$100,000  
\_\_\_\_\_ \$100,000 - \$250,000  
\_\_\_\_\_ \$250,000 - \$500,000  
\_\_\_\_\_ \$500,000 - \$1,000,000  
\_\_\_\_\_ Greater than \$1,000,000
2. Did your individual income exceed \$200,000.00 in 2005 and 2006, or did your joint income with your spouse exceed \$300,000.00 in each of those years?
- Yes \_\_\_\_\_ No \_\_\_\_\_
3. If the answer to #2 above is "yes", do you expect to reach the same income level in 2007?
- Yes \_\_\_\_\_ No \_\_\_\_\_
4. What was your approximate gross income for calendar year 2006?
- \_\_\_\_\_ \$25,000 - \$100,000  
\_\_\_\_\_ \$100,000 - \$200,000  
\_\_\_\_\_ \$200,000 - \$300,000  
\_\_\_\_\_ \$300,000 - \$500,000  
\_\_\_\_\_ Greater than \$500,000
5. What will your approximate gross income be for calendar year 2007?
- \_\_\_\_\_ \$25,000 - \$100,000  
\_\_\_\_\_ \$100,000 - \$200,000  
\_\_\_\_\_ \$200,000 - \$300,000  
\_\_\_\_\_ \$300,000 - \$500,000  
\_\_\_\_\_ Greater than \$500,000

To the best of my information and belief, the above information is accurate and complete in all respects. I agree to notify the Trust promptly of any changes which occur prior to sale of the Certificates.

Purchaser

Date:

\_\_\_\_\_  
Name (printed)

\_\_\_\_\_  
Signature

CONFIDENTIAL

PURCHASER QUESTIONNAIRE FOR CORPORATIONS AND PARTNERSHIPS

FIRSTLINE SR. TRUST 07 SERIES B  
(A New York Trust)

The offering is being made pursuant to Regulation D under the Securities Act of 1933 (the "Act"). One of the requirements of the Regulation is that the persons involved in the offering and sale of the securities must have reasonable grounds to believe either:

(i) that the Offeree has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment; or

(ii) that the Offeree and its Offeree Representative(s), together, have such knowledge and experience in financial and business matters, that they are capable of evaluating the merits and risks of the prospective investment and that the Offeree is able to bear the economic risk of the invest.

The purpose of this Questionnaire is to assist FIRSTLINE SR. TRUST 07 SERIES B (the "Trust") in complying with the above requirement.

Please contact McGinn, Smith & Co, Inc., 5th Floor, 99 Pine Street, Albany, New York 12207 (518-449-5131) if you have any questions in answering this questionnaire.

If the answer to any questions "None" or "Not Applicable", please so state.

Your answers will, at all times, be kept strictly confidential; however, each party who signs the Questionnaire hereby agrees that the Trust may present this Questionnaire to such parties as may seem appropriate in order to insure that the offer and sale of the Certificates to you will not result in violation of any exemption from registration under the Act which may be relied upon by the Trust in connection with the sale of the Certificates.

Please complete this Questionnaire as thoroughly as possible and sign, date and return one (1) copy to the Trust c/o McGinn, Smith & Co., Inc., 5th Floor, 99 Pine Street, Albany, New York 12207.

Please print or type:

Name of Organization: \_\_\_\_\_

Business Address: \_\_\_\_\_

Business Telephone: \_\_\_\_\_

Federal ID Number: \_\_\_\_\_

1. Was the organization formed for the specific purpose of acquiring the Trust's Certificates?  
Yes\_\_\_\_\_ No\_\_\_\_\_
2. Does the organization possess total assets in excess of \$5,000,000?  
Yes\_\_\_\_\_ No\_\_\_\_\_
3. Does each equity owner of the organization:  
A. Have a net worth, exclusive of home, furnishings, and automobiles, of at least \$1,000,000?  
Yes\_\_\_\_\_ No\_\_\_\_\_



B. Had an individual net income in excess of \$200,000 in 2005 and 2006, or joint income with that person's spouse in excess of \$300,000 in each of those years, and have a reasonable expectation of reaching the same income level in 2007?

Yes\_\_\_\_\_ No\_\_\_\_\_

4. I am aware that the Certificates proposed to be offered will not be readily marketable or transferable.

Yes\_\_\_\_\_ No\_\_\_\_\_

5. The organization can afford the complete loss of its investments in the Certificates and has no need for liquidity in this investment.

Yes\_\_\_\_\_ No\_\_\_\_\_

6. Stated below are the organization's previous investments in similar securities and other private placements during the past five years:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. I understand that, unless the organization satisfies certain criteria, in order to qualify as a purchaser of Certificates, I must have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Trust or I must engage an attorney, accountant or other financial advisor for the purpose of this particular transaction.

I hereby represent, by initialing on the Representation A or Representation B line below, that:

A. I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of an investment in the Certificates and will not require a Purchase Representative.

Representation A. \_\_\_\_\_

B. I have relied upon the advice of the following Purchaser Representative(s) in evaluating the merits and risks of an investment in the Certificates:

Representation B. \_\_\_\_\_

\_\_\_\_\_  
Name  
\_\_\_\_\_  
Relationship

\_\_\_\_\_  
Name  
\_\_\_\_\_  
Relationship

To the best of my information and belief, the above information is accurate and complete in all respects. I agree to notify the Trust promptly of any changes which occur prior to sale of the Trust's Certificates.

Purchaser:

Date:

\_\_\_\_\_  
Print Name of Organization

\_\_\_\_\_

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

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

PURCHASER REPRESENTATIVE QUESTIONNAIRE

FIRSTLINE SR. TRUST 07 SERIES B

The information contained herein is being furnished to FIRSTLINE SR. TRUST 07 SERIES B (the "Trust") in order to facilitate a determination as to whether the undersigned may act as a Purchaser Representative, as such term is used in Regulation D promulgated under the Securities Act of 1933, as amended (the "Act"), in connection with the proposed offer and sale by the Trust of its Contract Certificates (hereinafter referred to as the "Certificates"). The answers below are correct, and the Trustee is entitled to rely on them in making the foregoing determination.

REPRESENTATIONS

I represent, warrant and covenant to you that:

(a) the information contained herein is complete and accurate and may be relied upon by you in determining whether I may act as a Purchaser Representative pursuant to Regulation D in connection with offers and sales of the Certificates;

(b) I will notify you immediately of any material change in any of such information occurring within ninety (90) days of the close of sale of the Certificates to the Purchaser;

(c) (i) I have been designated, or will be designated, pursuant to the Purchaser Questionnaire of each Purchaser, as the Purchaser Representative or such Purchaser, in connection with evaluating the merits and risks of his prospective investment in the Certificates;

(ii) I have disclosed or will disclose, to each Purchaser, in writing, prior to the designation referred to above, any material relationship between me or my affiliates and the Trust, which now exists or is mutually understood to be contemplated, or which has existed at any time during the previous two (2) years, and any compensation received as a result of such relationship, including any compensation received in connection the offering of Certificates herein; and

(iii) I will deliver to each of you a counterpart of the disclosure statement referred to in (ii) above, and such other documents or information as each of you may request relating to the performance by me of my duties as a Purchaser Representative.

(Attach additional sheets if required)

1. Name: \_\_\_\_\_

Age: \_\_\_\_\_

Social Security No.: \_\_\_\_\_

2. Names of offerees I am representing:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Firm name: \_\_\_\_\_

Empl. Iden. No.: \_\_\_\_\_

Position: \_\_\_\_\_

Nature of Duties: \_\_\_\_\_

Business Address: \_\_\_\_\_

Business telephone number: (\_\_\_\_) \_\_\_\_\_

4. Prior occupations or positions during the past five years:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Description of prior experience in advising clients with respect to investments, including a description of the types of investments, the dollar amounts involved, and the number of years of experience which you have in financial, business and tax oriented matters:

General Investments (specify)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Private Placements (specify)

\_\_\_\_\_  
\_\_\_\_\_

Other Investments (specify)

\_\_\_\_\_  
\_\_\_\_\_

6. The Professional licenses or registrations (including bar admissions, accounting certificates, real estate brokerage licenses, broker-dealer or investments advisory registrations) held by me are as follows:

Registration	Year Received	Is License or Registration Still Effective?
_____	_____	_____
_____	_____	_____
_____	_____	_____

7. My educational background, including degrees obtained and date of attendance:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. (a) Neither I nor any of my affiliates now have or have had any material relationship with the Trust or any of its affiliates, are not affiliates of the Trust, and no such relationship is contemplated in the future, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) The amounts of compensation received or to be received as a result of the material relationship(s) described in Item 8(a)(including any compensation received or to be received in connection with this transaction) are as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. Neither I nor any of my affiliates own beneficially any interest in the Trust except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. I have received and read the Trust's Memorandum dated October 18, 2007 and Exhibits thereto and have reviewed it with the Offeree.

11. Other comments or disclosures:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Purchaser Representative Signature

\_\_\_\_\_  
Type Purchaser Representative Name

\_\_\_\_\_  
Firm Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City and State

( )  
Telephone

Acknowledgement of Investor(s)

I acknowledge receipt of the foregoing disclosures this \_\_\_\_\_ day of \_\_\_\_\_, 2007, and this represents my acknowledgment in writing to the Trust that I have read the foregoing and desire that the above stated person serve as my Purchaser Representative with respect to the offering of the Trust's Certificates.

\_\_\_\_\_  
Investor's Signature

\_\_\_\_\_  
Investor's Signature

\_\_\_\_\_  
Investor's Signature





**Exhibit "D"**

**Residential Monitoring Receivable Financing Agreement**



RESIDENTIAL MONITORING RECEIVABLE FINANCING AGREEMENT

MCGINN, SMITH FUNDING, LLC

and

FIRSTLINE SECURITY, INC.

October 4<sup>th</sup>, 2007



THIS RESIDENTIAL MONITORING RECEIVABLE FINANCING AGREEMENT (this "Agreement") is dated this 4<sup>th</sup> day of October, 2007, by and between, Firstline Security, Inc., a Utah corporation, the undersigned alarm company ("Firstline"), and McGinn, Smith Funding, LLC., a New York Limited liability company, its successors and assigns (the "Agent").

#### RECITALS

Firstline has requested the Agent to provide financing secured by Contracts (as hereinafter defined) owned, acquired or originated by Firstline covering Mandatory Obligations (as hereinafter defined) of Obligors (as hereinafter defined) for alarm monitoring services provided or arranged for by Firstline.

NOW, THEREFORE, for good and valuable consideration and in consideration of the agreements between and among the parties hereto, Agent and Firstline hereby agree as follows:

SECTION 1. Definitions. As used in this Agreement, the terms listed below shall have the following meanings:

"Additional Expenses" means the additional expenses set forth on Exhibit "A" attached hereto and incorporated herein for all purposes.

"Central Station" means an independent central station monitoring company which Firstline may elect to utilize to provide monitoring services to Obligors, which is approved by the Agent, which approval may not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Legacy Security Services located in Greenville, South Carolina is the approved Central Station.

"Contract" means a Monitoring Contract owned by Firstline, including, without limitation, the Obligations arising thereunder or related thereto.

"Debt Service Amounts" means the amount of the Monitoring Revenue Payments and amount of payments relating to the Additional Funding as set forth in Exhibit "A-1" attached hereto.

"Financed Contract" means any Contract listed on a schedule of Contracts delivered by Firstline to the Agent which have been financed through the Agent under this Agreement, including any Contract which constitutes a Replacement Contract under Section 12c hereof.

"Financed Period" means, for any Financed Contract on any date, the remaining Mandatory Period of such Financed Contract on such date.

"Firstline Obligations" has the meaning set forth in Section 18 of this Agreement.

"Funding Date" means the date identified as the Funding Date on Exhibit "B" attached hereto and incorporated herein for all purposes.

"Guarantors" means the guarantors identified in Section 30 hereof.

"Funding Price" means the amount identified as the Funding Price on Exhibit "A" attached hereto and incorporated herein for all purposes.

"Lock Box" means the processing and data capture service selected by the Agent after notice to Firstline to receive Obligor Payments on the Financed Contracts. Initially, the Lock Box shall be Post Office Box [to be provided].

"Mandatory Obligation" means an agreement by an Obligor as set forth in a Contract which requires the Obligor to make fixed payments for monitoring services for a Mandatory Period.

"Mandatory Period" means, for any Financed Contract, the length of time, not to exceed 60 months, during which



such Financed Contract obligates the Obligor thereon to pay its Mandatory Obligation.

"Monitoring Contract" means an enforceable and assignable contractual agreement, sale or lease instrument, or any other agreement, providing for the obligation to pay for residential electronic monitoring services, which agreement or instrument is more commonly known as a "monitoring service agreement", "alarm monitoring agreement" or "security alarm monitoring agreement".

"Monitoring Revenue Payment" means, for any Financed Contract, the monthly, quarterly, semi-annual or annual payment required to be made on such Financed Contract by an Obligor pursuant to a Mandatory Obligation through the Financed Period of such Obligation.

"Monitoring Revenue Stream" means, for any Financed Contract, the aggregate of all payments made or required to be made by an Obligor pursuant to a Mandatory Obligation from the first (1st) through the sixtieth (60<sup>th</sup>) month of the Financed Period.

"Net Funding Price" has the meaning specified on Exhibit "A".

"Obligations" means, for any Financed Contract, any and all amounts due or to become due for electronic monitoring services under such Financed Contract.

"Obligor" means, for any Financed Contract, any party liable for payment and performance of Obligations under such Financed Contract.

"Obligor Payments" means, for any Financed Contract, the monthly, quarterly, semi-annual or annual payments actually made by an Obligor on account of a Monitoring Revenue Payment and received in the Lock Box.

"Portfolio" means, at any time, all Financed Contracts with outstanding Obligations at such time.

"Qualified RMR" means the monthly recurring revenues from alarm monitoring contracts characterized by the following attributes:

- a. Obligor has an Equifax credit score no less than 650.
- b. Contract has initial term of no less than 36 months and contains an "evergreen" clause.
- c. Monthly monitoring fees are no less than \$27.95 and no more than \$44.95.
- d. Contracts are no more than 12 months into the original term.

"Receivable Approval Number" has the meaning set forth in Section 4 of this Agreement.

**SECTION 2. Financing of Contracts.** As of the Funding Date, the Agent has arranged for the financing of those Contracts which will be set forth on Schedule "A" attached hereto and forming a part of this Agreement in accordance with the terms and conditions of this Agreement. The Contracts may be set forth of Schedule "A" subsequent to the date of the execution of this Agreement. Nothing contained in this Agreement shall preclude the Agent from acquiring contracts from other sources. Firstline may in the course of its business tender Contracts to third parties (other than the Agent) for purchase or financing or retain Contracts for its own account. Subject to the immediately foregoing sentence, Firstline agrees to finance the Financed Contracts with the Agent as set forth herein and the Agent agrees to remit to Firstline the Funding Price for each Financed Contract presented by Firstline on the Funding Date on the terms set forth in Exhibit "A". Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the financing transaction contemplated hereby constitutes a loan by the Agent to Firstline secured by all of the Financed Contracts (including any Contracts which become Financed Contracts after the Funding Date pursuant to this Agreement), the Monitoring Revenue Streams thereunder and all proceeds thereof and documents relating thereto (the "Collateral"). Firstline hereby grants to the Agent a first priority perfected security interest in and to all of the Collateral, effective as of the Funding Date with respect to a Financed Contract to which such Collateral relates (including any Contract after it becomes a Finance Contract). Subject to Paragraph 13 hereof, in connection with the financing provided herein, the Agent shall be entitled to all payments and other property constituting proceeds of such Collateral until such time as the Agent shall have received all Debt Service Amounts. For avoidance of doubt, the "Collateral" does not include any other Monitoring Contract or asset of Firstline and Agent shall not claim, or file any document asserting that it has or may come to have, any such security interest,

except for Contracts after they have become Finance Contracts.

**SECTION 3. Contract Documentation.** With respect to any Contract Firstline wishes to finance hereunder, Firstline shall, at the time of financing thereof by the Agent, provide to the Agent (a) a receipt or other written proof that the Obligor thereunder has paid cash for the security alarm system which is the subject of such Contract (the "Security Alarm System"); (b) if the Obligor has financed the purchase of the Security Alarm System, written evidence that either Firstline or a financial institution acceptable to the Agent has approved the Obligor's credit; and (c) the original executed Contract, executed by the Obligor, containing all of the terms and conditions of the monitoring agreement with the Obligor.

**SECTION 4. Agent Approval Required.** Firstline understands and agrees that prior to funding any Contract the Agent will audit such Contract for compliance with Qualified RMR. The Agent shall have the right to refuse to finance hereunder any Contract submitted for financing hereunder by Firstline which does not meet such credit underwriting and due diligence standards or which is not documented as required by this Agreement and Agent shall notify Firstline within twenty-four (24) hours of such refusal. Firstline shall have five (5) business days (or such longer period as may be verbally agreed upon by the Agent and Firstline) in which to cure any purported deficiency. If Firstline cannot or will not cure such purported deficiency to the satisfaction of the Agent, the Agent shall promptly reject and return such Contract to Firstline. The Agent's approval of any Contract for financing hereunder shall be deemed to have occurred if Firstline is not informed of any rejection thereof on any submitted Contract within five (5) business days following receipt thereof by the Agent. Each approved Contract shall be assigned a receivable approval number (the "Receivable Approval Number") by the Agent identifying the approved Contract.

**SECTION 5. Approved Contract Forms.** Each Financed Contract shall be on a form substantially similar to those attached hereto as Exhibit "C", which forms may be modified from time to time by Firstline with the written consent of the Agent, which consent shall not be unreasonably withheld conditioned or delayed. No Contract shall be considered a Financed Contract unless, at a minimum, (a) it has been signed by the Obligor thereon, (b) an original copy thereof has been delivered to the Agent, (c) it clearly sets forth the periodic monitoring fee payable thereunder and requires the Obligor to pay such monitoring fee through the term of the Contract and (d) the Contract is assignable by its terms. If, for whatever reason, the Agent mistakenly finances a Contract not meeting the above eligibility standards, Firstline shall, upon notice, promptly either replace such Contract with a Contract meeting such eligibility standards (as well as the Agent's ordinary credit underwriting and due diligence standards) or repay to the Agent the Funding Price with respect to such Contract.

**SECTION 6. Financing Terms and Procedure.** In accordance with the terms of this Agreement, the Agent shall have the obligation to pay to Firstline the Funding Price, as shown on and with the reserves provided for, on Exhibit "A", for Contracts presented by Firstline to the Agent on the Funding Date (or thereafter) which the Agent has deemed eligible for funding hereunder. At the time Agent pays the Funding Price to Firstline, Firstline shall assign for security purposes the related Monitoring Revenue Stream for the Financed Contracts to the Agent by executing an assignment in favor of the Agent in such mutually acceptable form as may be prescribed by the Agent. Thereafter, such Contract shall be deemed to be a Financed Contract hereunder.

**SECTION 7. Representations and Warranties of Firstline.** To induce the Agent to finance Contracts hereunder, Firstline hereby makes the following representations and warranties to the Agent, each and all of which shall survive the execution and delivery of this Agreement:

(a) **Existence Compliance with Law; Executive Offices.** Firstline (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was organized, (ii) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where the conduct of its business requires such qualification, except where the failure to do so would not have a material adverse impact on any Financed Contract, (iii) has the requisite power and authority to conduct its business as now, heretofore and proposed to be conducted, (iv) has all necessary licenses, permits, consents or approvals from or by, has made all necessary filings with and has given all necessary notices to, all governmental authorities having jurisdiction, to the extent required for such operation and conduct, except where the failure to do so would not have a material adverse impact on any Financed Contract, and (v) is in compliance with its certificate of incorporation and bylaws. The chief executive office and principal place of business of Firstline is at 370 West Center Street, Orem, Utah 84057.

(b) Power; Authorization; Enforceable Obligations; Solvency. The execution, delivery and performance by Firstline of this Agreement and all instruments and documents to be delivered by Firstline pursuant to this Agreement, and the creation of all liens and security interests in the Collateral provided for herein: (i) are within Firstline's corporate power; (ii) have been duly authorized by all necessary corporate action on the part of Firstline, including the consent of shareholders where required; (iii) do not contravene any provision of Firstline's certificate of incorporation or bylaws; (iv) do not violate any law or regulation or any order or decree of any court or governmental instrumentality; (v) do not conflict with or result in the breach of, or constitute a default under, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which Firstline is a party or by which Firstline or any of its property is bound; and (vi) do not require any filing or registration with, or the consent or approval of any governmental body, agency, authority or any other person or entity, which has not been made or obtained previously. This Agreement has been duly executed and delivered by Firstline and constitutes its legal, valid and binding obligation, enforceable against Firstline in accordance with its terms except to the extent that enforceability may be limited by general principles of equity and by any bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor's rights generally.

(c) No Default; No Burdensome Restrictions. Firstline is not in default with respect to any contract, agreement, lease or other instrument to which it is a party or by which it or any of its property is bound and has not received any notice of default pursuant to any such contract, agreement, lease or other instrument that would have a material adverse effect on Firstline's business. No Event of Default has occurred or is continuing. No contract, lease, agreement or other instrument to which Firstline is a party or by which it or any of its properties is bound, and no provision of applicable law or governmental regulation, has any reasonable likelihood of having a material adverse effect on Firstline's ability to perform its obligations hereunder.

(d) No Litigation. Except as disclosed to Agent in writing prior to the date hereof, no action, claim or proceeding is now pending or, to the knowledge of Firstline, threatened against Firstline at law, in equity or otherwise, before any court, board, commission, agency or instrumentality of any federal, state or local government or any agency or subdivision thereof or before any arbitrator or panel of arbitrators which, if adversely determined, would have a material adverse effect on the Financed Contracts, nor, to the knowledge of Firstline, does a state of facts exist which might give rise to any such proceedings.

(e) Full Disclosure. To Firstline's knowledge, no information contained in this Agreement or any other agreement or writing executed or issued by Firstline or any statement furnished by or on behalf of Firstline in connection with this Agreement or any other agreement or writing executed or issued in connection with this Agreement, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

(f) Security Interest. The security interest in the Collateral to be granted to the Agent pursuant to this Agreement shall, upon the proper filing of a financing statement by Agent, be a first priority security interest in and to the Collateral. There are no security interests encumbering any of the Collateral other than those granted to the Agent pursuant to this Agreement.

(g) Compliance with Law. With respect to each Financed Contract, (i) every action taken by Firstline, (ii) every agreement with an Obligor, form, letter, notice, statement or other material used by Firstline in connection with the performance of its duties and obligations in connection with such Financed Contract, (iii) every action taken by Firstline in connection with each sale resulting in a Financed Contract and (iv) all documentation in connection therewith, complies with all applicable requirements of law except where the failure to so comply would not have a material adverse effect on a Financed Contract.

(h) Contracts.

(i) Each Financed Contract (A) is, immediately preceding the time of its being financed hereunder, owned by Firstline free and clear of any and all liens and security interests in favor of any person or entity; (B) arose in connection with a bona fide final sale and delivery of a Security Alarm System in the ordinary course of business or was a renewal of a Contract so arising; (C) is for a liquidated amount as stated in such Contract; (D) to Firstline's knowledge, is not subject to any defense, deduction, offset or counterclaim; (E) constitutes the valid, legal and binding obligations of the parties thereto, enforceable in accordance with its



terms except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor's rights generally; and (F) complies with all federal, state and local laws, rules and regulations except where the failure to so comply would not have a material adverse effect on a Financed Contract.

(ii) With respect to each Financed Contract, (A) the Obligor thereon has acknowledged that Firstline has completed all necessary work contracted for and has received a notice of his rights of rescission under federal and state law with respect thereto, (B) the Obligor has not exercised any such rescission rights, (C) not less than five (5) business days had expired between the time such notice of rescission rights was signed by such Obligor and the Funding Date, (D) the Obligor thereon is obligated and liable for payment of the amounts stated in such Contract, and, to Firstline's knowledge, has no known reason to exercise any right of rejection, return, offset, defense, counterclaim, discount or deduction against Firstline.

(iii) Each Financed Contract contains valid mandatory deferred payment obligations for the mandatory monitoring of the security system purchased, leased or owned by the Obligor, legally enforceable in accordance with those terms, except to the extent that enforceability may be limited by general principles of equity and by any bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor's rights generally, representing actual and bona fide agreements to perform and accept residential monitoring services.

(iv) No payment under any Financed Contract is, as of the Funding Date, delinquent, in default or, to Firstline's knowledge, subject to any dispute. To Firstline's knowledge, all statements made in any Financed Contract, including names and addresses, locations and descriptions of property or services, down-payments and unpaid balances, are in all respects true, complete and accurate. All signatures and endorsements that appear on the Financed Contracts, or any agreement or instrument relating thereto, are genuine and all signatories and endorsers, if any, to Firstline's knowledge, had full legal capacity to contract at the time such Financed Contract was created.

(v) All of Firstline's obligations to the Obligor on any Financed Contract, with the exception of future monitoring services and maintenance or service obligations, have been completed and fulfilled in their entirety. No Obligor on any Financed Contract has been induced to enter into such Contract by fraud or misrepresentation as to price, quality of products or services.

**SECTION 8. Firstline Covenants.** Until all Debt Service Amounts are paid to the Agent in full, and subject to Section 13 hereof, Firstline covenants and agrees as follows:

(a) Firstline shall not, without the prior written consent of the Agent, modify the terms of any Financed Contract.

(b) Firstline shall deliver the original signed version of each Financed Contract to the Agent upon the Agent's payment of the Funding Price.

(c) Firstline shall take all reasonable steps, including, without limitation, requiring that all payments with respect to the Financed Contracts be remitted to the Lock Box, to assure that the Agent will timely receive the Debt Service Amounts. Firstline specifically agrees that it will use commercially reasonable efforts consistent with generally accepted industry practice in its market area to bill and collect the Monitoring Revenue Stream. If, after an Event of Default for any reason, the Agent deems it necessary to directly bill and/or collect the Monitoring Revenue Stream or any Monitoring Revenue Payment, Firstline shall, in addition to any of its other obligations under this Agreement, cooperate with the Agent and not interfere in any way with the Agent's actions. In furtherance of this obligation, Firstline has executed and delivered to the Agent a limited power of attorney (the "Power of Attorney") in the form attached hereto as Exhibit "D", designating the Agent as Firstline's attorney-in-fact with respect to all matters in connection with the enforcement of the Agent's right to receive the Monitoring Revenue Stream in accordance with the terms and conditions of this Agreement after an Event of Default, including instituting any legal or equitable proceedings against an Obligor, subject to the terms of the Power of Attorney.

(d) Firstline shall be responsible for the payment of any state and local taxes incurred by Firstline

with respect to Financed Contracts.

(e) Firstline shall not assign, or attempt or purport to assign, to any other party any security interest in or other benefit or interest in the Collateral.

(f) Firstline shall provide for (i) the monitoring of the alarm system of each Obligor under each Financed Contract and (ii) the servicing, repair, warranty service or replacement, and service calls required by each Financed Contract and will provide all documentation required by the Central Station to enable it to perform its monitoring functions on or before October 15, 2007.

(g) If any representation or warranty with respect to any Financed Contract proves to have been incorrect or if Firstline breaches any of its covenants with respect to any Financed Contract, Firstline shall, within thirty (30) days after either learning thereof or receiving notice thereof from the Agent, cure any such breach. If such breach is incapable of being cured or Firstline does not cure such breach, Firstline shall either (i) replace the Financed Contract as to which such breach exists with another Contract (which shall thereafter be considered a Financed Contract) meeting the Agent's credit underwriting and due diligence standards and with a Monitoring Revenue Stream at least equal to the Monitoring Revenue Stream of the Financed Contract being replaced or (ii) pay to the Lock Box each month an amount equal to the Monitoring Revenue Stream of such Financed Contract. If Firstline fails to do so, the Agent may pursue any other remedy which the Agent may have hereunder or under applicable law.

(h) In addition to the undertakings specifically provided for in this Agreement, Firstline shall do all other things and sign and deliver all other documents and instruments reasonably requested by the Agent, to perfect, protect, maintain and enforce the security interest of the Agent and the first priority of such security interest, in the Collateral. Such acts shall include, without limitation, indicating on the books and records of Firstline that all Financed Contracts have been financed hereunder by the Agent and are subject to a security interest pursuant hereto, providing the Agent copies of any documentation relating to the Financed Contracts, the filing of financing statements, continuation statements, amendments and termination statements under the Uniform Commercial Code relating to the Collateral and the delivery of any document relating to the Collateral the physical possession of which the Agent, in its sole discretion reasonably exercised, deems necessary or advisable in connection with its financing of Financed Contracts. To the extent permitted by law, Firstline irrevocably authorizes the Agent to execute alone and file any financing statement or any other document or instrument relating to the Collateral which the Agent, as attorney in fact for Firstline, in its sole discretion reasonably exercised, deems necessary to perfect, protect or enforce any right or security interest in the Collateral granted to the Agent pursuant to this Agreement. For avoidance of doubt, the foregoing right shall not authorize Agent to take any such action with respect to any property of Firstline other than the Collateral.

(i) Firstline shall not, except following 30 days prior written notice to the Agent, (i) transfer its chief executive offices, change its principal mailing address, conduct any of its business or maintain records relating to Financed Contracts at a new location or (ii) change its corporate or trade name.

(j) Firstline shall notify the Agent in writing, promptly upon learning thereof, of any lawsuit or administrative proceeding involving amounts in excess of \$10,000 which would have a material adverse affect on the Financed Contracts, whether or not the claim shall be considered by Firstline to be covered by insurance.

(k) Firstline shall not create or permit any security interest in and to any Financed Contract except those in favor of the Agent pursuant hereto.

**SECTION 8b. Firstline's Access to Its Contracts.** All parties hereto agree that the Financed Contracts and related documents in the custody of the Agent or its designee shall be available to Firstline, its agents or any person authorized by Firstline to inspect, review or copy them at any time and from time to time during customary business hours.

**SECTION 9. Representations and Warranties of the Agent.** The Agent hereby represents and warrants to Firstline as follows, each of which shall survive the execution and delivery of this Agreement:



(a) The Agent is duly organized and licensed, validly existing, authorized to do business in, and in 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-2" 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,

any shortfall for that month will be paid either by Firstline or 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-1" as of the applicable date set forth in Exhibit "A-1"

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 has elected to utilize the services of Legacy Security Services, Greenville, South Carolina as 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 "B" attached hereto (the "Purchase Option"). 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.

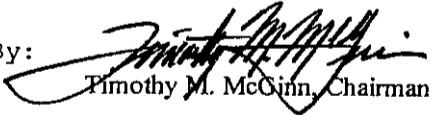
SECTION 28. Confidentiality. The parties hereto acknowledge the competitive value and confidential nature of all customer lists of Firstline and agree to use the customer lists or any of the names of the customers on a need to know basis.

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".

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their authorized officers or representatives as indicated below, as of the day and year first written above.

MCGINN, SMITH FUNDINGS, LLC (Agent)

By:   
Timothy M. McGinn, Chairman

FIRSTLINE SECURITY, INC. (Firstline)

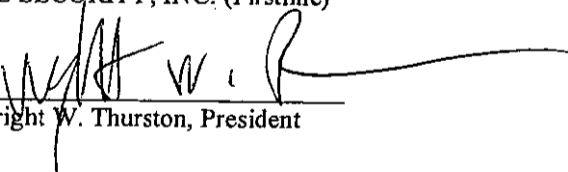
By:   
Wright W. Thurston, President

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

- I. Funding Price: \$2,410,000
  - a. \$940,000 to be funded on October 5, 2007
  - b. \$800,000 to be funded on October 15, 2007
  - c. \$670,00 to be funded in December 1, 2007
  
- II. Net Funding Price: \$2,270,000
  - a. Funding Price of \$940,000 to be funded on October 5, 2007 less \$140,000 Additional Expenses to Agent
  - b. Funding Price of \$800,000 to be funded on October 15, 2007
  - c. Funding Price of \$670,000 to be funded on December 1, 2007
  
- 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 \$85,000.
  - b. Firstline agrees to pay Agent the sum of \$55,000 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.
  
- IV. Delay in Funding: The amounts to be funded on October 15, 2007 and December 1, 2007 will not be funded until such time as Firstline has provided the Central Station with all documentation required by the Central Station to enable it to perform its monitoring functions.

## Exhibit "A-1"

The Debt Service Schedule Amount and the Required monthly Qualified RMR shall be as follows:

<b>Month</b>	<b>Payment Date</b>	<b>Required Qualified Monthly RMR</b>	<b>Debt Service Schedule Amount</b>
1	November 2007	\$165,000	\$0
2	December 2007	\$165,000	\$0
3	January 2008	\$165,000	\$31,500
4	February 2008	\$165,000	\$31,500
5	March 2008	\$165,000	\$31,500
6	April 2008	\$165,000	\$31,500
7	May 2008	\$165,000	\$31,500
8	June 2008	\$165,000	\$31,500
9	July 2008	\$165,000	\$31,500
10	August 2008	\$165,000	\$31,500
11	September 2008	\$165,000	\$31,500
12	October 2008	\$165,000	\$31,500
13	November 2008	\$165,000	\$31,500
14	December 2008	\$165,000	\$31,500
15	January 2009	\$165,000	\$31,500
16	February 2009	\$165,000	\$31,500
17	March 2009	\$165,000	\$31,500
18	April 2009	\$165,000	\$31,500
19	May 2009	\$165,000	\$31,500
20	June 2009	\$165,000	\$31,500
21	July 2009	\$165,000	\$31,500
22	August 2009	\$165,000	\$31,500
23	September 2009	\$165,000	\$31,500
24	October 2009	\$165,000	\$31,500
25	November 2009	\$165,000	\$53,625
26	December 2009	\$165,000	\$53,625
27	January 2010	\$165,000	\$53,625
28	February 2010	\$165,000	\$53,625
29	March 2010	\$165,000	\$82,500
30	April 2010	\$165,000	\$82,500
31	May 2010	\$165,000	\$82,500
32	June 2010	\$165,000	\$82,500
33	July 2010	\$165,000	\$82,500
34	August 2010	\$165,000	\$82,500
35	September 2010	\$165,000	\$82,500
36	October 2010	\$165,000	\$82,500

37	November	2010	\$165,000	\$82,500
38	December	2010	\$165,000	\$94,875
39	January	2011	\$165,000	\$94,875
40	February	2011	\$165,000	\$100,000
41	March	2011	\$165,000	\$100,000
42	April	2011	\$165,000	\$100,000
43	May	2011	\$160,000	\$100,000
44	June	2011	\$155,000	\$100,000
45	July	2011	\$150,000	\$100,000
46	August	2011	\$145,000	\$100,000
47	September	2011	\$140,000	\$100,000
48	October	2011	\$135,000	\$100,000
49	November	2011	\$135,000	\$100,000
50	December	2011	\$135,000	\$100,000
51	January	2012	\$135,000	\$100,000
52	February	2012	\$130,000	\$100,000
53	March	2012	\$125,000	\$100,000
54	April	2012	\$120,000	\$150,000
55	May	2012	\$115,000	\$150,000
56	June	2012	\$110,000	\$160,000
57	July	2012	\$105,000	\$170,000
58	August	2012	\$100,000	\$175,000
59	September	2012	\$100,000	\$200,000
60	October	2012	\$100,000	\$780,000

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"

Lock Box Fee



Exhibit “B”

Funding Date

Funding Date

October 5, 2007	(\$940,000)
October 15, 2007	(\$800,000)
December 1, 2007	(\$670,000)



**Exhibit "C"**

**Approved Form for Each Financed Contract**

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





ALARM SYSTEM PURCHASE & MONITORING AGREEMENT (THIS "Agreement") is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, (the "Effective Date"), with an estimated start date of five (5) days from the date of this Agreement, by and between Firstline Security ("Dealer" or "FLS") & \_\_\_\_\_ (the "Monitored Location")

Subscriber Name (Primary): \_\_\_\_\_ Soc. Sec. or Tax ID# \_\_\_\_\_ DOB \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
Homeowner ☐ Yes ☐ No

Subscriber Name (Secondary): \_\_\_\_\_ Soc. Sec. or Tax ID# \_\_\_\_\_ DOB \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
Homeowner ☐ Yes ☐ No

(jointly and severally, "Subscriber"), for the premises located at \_\_\_\_\_ (the "Monitored Location")

(Street Address) (City) (State) (Zip Code) (County)

Monitored Location Telephone Number: (\_\_\_\_\_) (\_\_\_\_\_) (\_\_\_\_\_) - (\_\_\_\_\_) (\_\_\_\_\_) E-mail Address: \_\_\_\_\_

Billing Address (if different): \_\_\_\_\_ (Street Address) (City) (State) (Zip Code)

**1. INSTALLATION AND SERVICES:**

We will sell to you and install the security system(s) described on the System Schedule & Information (collectively the "System") and provide warranty and after warranty time and material repair service, and monitor the alarm system at an independently owned and operated monitoring facility (the "Center").

TYPE OF TRANSMISSION: ☐ Digital ☐ Two-Way ☐ \_\_\_\_\_

**2. PRICES, PAYMENTS, FINANCIAL DISCLOSURE AND TERM:**

2.1 AN ACTIVATION FEE OF \$99.00: will be billed over three (3) months, or you can pay in full now by check or credit card  
Pay in full: ☐ Credit Card or ☐ ACH Check ☐ Pay \$33.00 over three (3) months: ☐ Credit Card or ☐ ACH

2.2 INSTALLATION & EQUIPMENT CHARGES: \$ \_\_\_\_\_ (See Information Schedule "B" for more info)

2.3 SERVICES FEE: FOR MONITORING THE SYSTEM YOU WILL PAY US \$44.95 PER MONTH, PAYABLE PERIODICALLY IN ADVANCE IN THE CHOSEN BILLING FREQUENCY SET FORTH BELOW. I UNDERSTAND THAT MY CITY, COUNTY, AND/OR STATE MAY REQUIRE A SERVICE, EQUIPMENT, SALES, OR USE TAX ON MY MONTHLY MONITORING FEE AND I AGREE TO PAY SUCH TAXES OR FEES IF APPLICABLE. THE FIRST PERIODIC PAYMENT IS DUE UPON EXECUTION OF THIS AGREEMENT. THE REMAINING PAYMENTS WILL START ON THE MONTH ANNIVERSARY OF INSTALLATION THE MONTH IN WHICH MONITORING SERVICE BEGINS UNLESS OTHERWISE SPECIFIED IN SECTION 2.5.

2.4 TERM: FOR MONITORING SERVICE, THE INITIAL TERM OF THIS AGREEMENT STARTS ON THE DAY MONITORING SERVICES BEGIN AND CONTINUES FOR THIRTY-SIX (36) MONTHS AND WILL AUTOMATICALLY CONTINUE FROM YEAR-TO-YEAR THEREAFTER UNLESS CANCELLED BY EITHER OF US IN WRITING AT LEAST THIRTY (30) DAYS BEFORE THE END OF THE INITIAL TERM OR ANY RENEWAL TERM.

Payment Information

2.5 PAYMENT INFORMATION: YOU AUTHORIZE US TO CONFIRM YOUR CREDIT RECORD, AND TO REPORT YOUR PAYMENT PERFORMANCE UNDER THIS AGREEMENT TO CREDIT AGENCIES AND CREDIT REPORTING SERVICES AT ANY TIME DURING THE TERM OF THIS AGREEMENT. IF YOU FAIL TO MAKE ANY PAYMENT WHEN DUE, WE MAY, BY GIVING YOU WRITTEN NOTICE, DISCONTINUE INSTALLATION, MONITORING AND REPAIR SERVICE, TERMINATE THIS AGREEMENT AND RECOVER ALL DAMAGES TO WHICH WE ARE ENTITLED, INCLUDING THE VALUE OF THE WORK PERFORMED AND LOSS OF PROFITS. IN ADDITION, WE MAY IMPOSE A LATE CHARGE ON ALL PAYMENTS MORE THAN TEN (10) DAYS PAST DUE IN THE MAXIMUM AMOUNT PERMITTED BY STATE LAW.

#1 Preferred Withdrawal Date \_\_\_\_\_ ☐ Checking  
Subscriber's Name as it appears on card or bank account ☐ Primary ☐ Secondary  
Bank Account Number \_\_\_\_\_  
Bank Routing Number \_\_\_\_\_  
Credit/Debit Card Number \_\_\_\_\_  
Expiration Date \_\_\_\_\_  
Billing Frequency ☐ MONTHLY ☐ QUARTERLY ☐ SEMI-ANNUALLY ☐ ANNUALLY  
Payment Options: ☐ All Payments ☐ Monthly Only ☐ Activation & Upgrade Expt. Only

AUTHORIZE FLS OR ITS ASSIGNEES TO MAKE ELECTRONIC FUND TRANSFERS ("EFT") FROM MY BANK ACCOUNT AND PROVIDE A VOIDED CHECK FOR THESE PURPOSES OR CHARGES TO MY CREDIT CARD ACCOUNT IN THE AMOUNT IDENTIFIED ABOVE AS MY TOTAL MONTHLY PAYMENT AND INCLUDING ALL PAST DUE AMOUNTS, TRIP FEES, SERVICE FEES OR AMOUNTS WHICH MAY ACCUMULATE IN ARREARS, ACCORDING TO THE TERMS ABOVE AND THE CONDITIONS OF MY ALARM PURCHASE AND MONITORING AGREEMENT.

**3. NOTICE TO SUBSCRIBER:**

3. RECEIPT OF COPY: YOU STATE THAT YOU HAVE RECEIVED A COPY OF THIS AGREEMENT AND, FOR RESIDENTIAL SYSTEMS, TWO COPIES OF THE NOTICE OF CANCELLATION FORM. ALL OF THE TERMS ON THE REVERSE SIDE OF THIS PAGE AND ON ALL ATTACHMENTS ARE PART OF THIS AGREEMENT. READ THEM BEFORE YOU SIGN BELOW.

4. OUR LIMITED LIABILITY: SECTIONS 16 AND 17 OF THIS AGREEMENT LIMIT OUR LIABILITY TO \$1500.00 IF YOU OR ANYONE ELSE SUFFERS ANY HARM (DAMAGE OR LOSS OF PROPERTY, PERSONAL INJURY, OR DEATH) BECAUSE THE SYSTEM FAILED TO OPERATE PROPERLY OR WE WERE CARELESS OR ACTED IMPROPERLY. YOU HAVE HAD THE OPPORTUNITY TO TALK TO OUR SALES AGENT ABOUT THIS LIMITATION AND YOU KNOW THAT YOU MAY OBTAIN A HIGHER LIMITATION OF OUR LIABILITY BY PAYING AN ADDITIONAL PERIODIC FEE TO US.

ALL OF THE TERMS ON THE REVERSE SIDE OF THIS PAGE ARE PART OF THIS AGREEMENT. READ THEM BEFORE YOU SIGN BELOW.

**NOTICE TO SUBSCRIBER:**

A. DO NOT SIGN THIS AGREEMENT BEFORE YOU READ IT OR IF ANY OF THE SPACES INTENDED FOR THE AGREED TERMS TO THE EXTENT OF THEN AVAILABLE INFORMATION ARE LEFT BLANK.

B. YOU ARE ENTITLED TO A COPY OF THIS AGREEMENT AT THE TIME YOU SIGN IT.

C. YOU MAY PAY OFF THE FULL UNPAID BALANCE DUE UNDER THIS AGREEMENT AT ANY TIME.

D. IT SHALL NOT BE LEGAL FOR THE SELLER TO ENTER YOUR PREMISES UNLAWFULLY OR COMMIT ANY BREACH OF THE PEACE TO REPOSSESS GOODS PURCHASED UNDER THIS AGREEMENT.

E. RESIDENTIAL SYSTEMS ONLY: YOU MAY CANCEL THIS AGREEMENT AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION. SEE THE ATTACHED NOTICE OF CANCELLATION FORM FOR ANY EXPLANATION OF THIS RIGHT.

RECEIVED BY:

X \_\_\_\_\_ Date  
Subscriber Signature (Primary)

X \_\_\_\_\_ Date  
Firstline Signature

X \_\_\_\_\_ Date  
Subscriber Signature (Secondary)

X \_\_\_\_\_ Date  
Firstline Printed Name

THIS AGREEMENT WILL NOT BE BINDING UPON FIRSTLINE SECURITY UNTIL EITHER (1) APPROVED BY ONE OF OUR MANAGERS OR (2) WE START THE INSTALLATION OR SERVICES. IN THE EVENT OF OUR NON-APPROVAL, OUR ONLY LIABILITY SHALL BE TO REFUND TO YOU THE AMOUNT THAT YOU PAID TO US. SUBSCRIBER ACKNOWLEDGES AND AGREES THAT SUBSCRIBER MAY NOT RECEIVE A COPY OF THIS AGREEMENT SIGNED BY ONE OF OUR MANAGERS, AND SUCH LACK OF RECEIPT SHALL NOT, IN ANYWAY, INVALIDATE OR OTHERWISE AFFECT THIS AGREEMENT.

**NOTICE OF CANCELLATION** DATE OF TRANSACTION \_\_\_\_\_ 20\_\_\_\_

RESIDENTIAL SYSTEMS ONLY: YOU, THE SUBSCRIBER, MAY CANCEL THIS AGREEMENT, WITHOUT ANY PENALTY OR OBLIGATION, AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION. IF YOU CANCEL, ANY PAYMENTS MADE BY YOU WILL BE RETURNED WITHIN TEN BUSINESS DAYS FOLLOWING RECEIPT BY THE DEALER OF YOUR CANCELLATION NOTICE. IF YOU CANCEL, YOU MUST MAKE AVAILABLE TO DEALER AT YOUR RESIDENCE, IN SUBSTANTIALLY AS GOOD CONDITION AS WHEN RECEIVED, ANY GOODS DELIVERED TO YOU UNDER THIS AGREEMENT, OR YOU MAY, IF YOU WISH, COMPLY WITH DEALER'S INSTRUCTIONS REGARDING RETURN OF THE GOODS AT DEALER'S EXPENSE AND RISK. IF YOU MAKE THE GOODS AVAILABLE AND DEALER DOES NOT PICK THEM UP WITHIN 20 DAYS OF THE DATE OF YOUR NOTICE OF CANCELLATION, YOU MAY RETURN OR DISPOSE OF THE GOODS WITHOUT FURTHER OBLIGATION. IF YOU FAIL TO MAKE THE GOODS AVAILABLE OR AGREE TO RETURN THE GOODS AND FAIL TO DO SO, THEN YOU REMAIN LIABLE FOR PERFORMANCE OF ALL OBLIGATIONS UNDER THE AGREEMENT. TO CANCEL THIS TRANSACTION, MAIL OR DELIVER A SIGNED AND DATED COPY OF THIS NOTICE OF CANCELLATION TO: FIRSTLINE SECURITY AT 500 S. GENEVA RD., OREM, UT 84058 OR FAX TO (866) 897-0236, NOT LATER THAN MIDNIGHT ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_ (MONTH), 20\_\_\_\_.

HEREBY CANCEL THIS TRANSACTION as of \_\_\_\_\_ (Date). PRINTED NAME \_\_\_\_\_

Monitoring Account No.: \_\_\_\_\_ (Located Top Right of This Page)

Subscriber's Signature (upon cancellation only) \_\_\_\_\_

Firstline State License Numbers: AZ - ROC206429 | AR - E 2007 00051CA - ACO 5704 | CO - 15-42414-0000 | FL - EG13002701GA - LC4205568 | ID - C160830 - 74001608 | IN - 20060727001221A - 2 00 1530141NY - 2711231AW - 10712221AW - 1963671AH - T5014111MO - F006721541NY - 20050233651-27 - 1009015711WA - 284274 NY - 12000238959 | OH - 200311602754 | SC - 099 39031 31TN - 12511

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ITC 5064725-6501 | VA - DCJ51-D # 884550 | WA - EC FIRST957JQ1DC - 68049XXXX-66003811



5. INCREASE IN SERVICES FEES. You acknowledge that the services fee is based upon existing federal, state and local taxes, and the Center's monitoring charges. We shall have the right, at any time, to increase the monitoring fee to reflect any additional or increased taxes, licenses, permits, fees or charges (including monitoring fees) which may be charged to us by the Center or any utility or governmental agency relating to the installation of the system or the monitoring service or other services and, you agree to pay the same. In addition, we can increase the services fee for any renewal term by giving you sixty (60) days prior written notice.

6. LIMITED WARRANTY:

6.1 WHAT IS COVERED: FOR NINETY (90) DAYS AFTER WE COMPLETE THE INSTALLATION, WE WILL REPAIR OR REPLACE ANY DEFECTIVE PART OF THE SYSTEM WITHOUT CHARGE TO YOU. WE MAY USE NEW OR USED PARTS OF THE SAME QUALITY.

6.2 HOW TO GET SERVICE: CALL OR WRITE US AT THE ADDRESS AND TELEPHONE NUMBER AT THE TOP OF THIS AGREEMENT AND TELL US WHAT IS WRONG WITH THE SYSTEM. WE WILL PROVIDE SERVICE AS SOON AS POSSIBLE DURING OUR NORMAL BUSINESS HOURS. HOURS WHEN WE OBSERVE A RESPONSIBLE ADULT MUST BE AT THE PREMISES AT THE TIME WE VISIT. EMERGENCY REPAIR SERVICE IS AVAILABLE ON OTHER DAYS AND TIMES FOR AN ADDITIONAL CHARGE.

6.3 WHAT IS NOT INCLUDED: REPAIR OF THE SYSTEM IS OUR ONLY DUTY. THIS WARRANTY DOES NOT INCLUDE DISPOSABLE ITEMS SUCH AS BATTERIES. WE MAKE NO OTHER EXPRESS WARRANTY. THE CENTER'S LIABILITY OF MERCHANTABILITY OF THE SYSTEM OR ITS FITNESS FOR ANY SPECIAL PURPOSE, ALL IMPLIED WARRANTIES ARE LIMITED IN DURATION TO THE LENGTH OF THIS EXPRESSED WARRANTY. WE DO NOT WARRANT THAT THE SYSTEM WILL DETECT, OR HELP PREVENT, ANY BURGLARY, FIRE, HOLD-UP OR OTHER SUCH EVENT. WE DO NOT WARRANT THAT THE SYSTEM CANNOT BE DEFATED OR COMPROMISED OR THAT IT WILL ALWAYS OPERATE. THE INCIDENT ACTS OF GOD, COVER REPAIRS THAT ARE NEEDED AFTER THE INCIDENT ACTS OF GOD, YOUR FAILURE TO PROPERLY USE THE SYSTEM, OR IF SOMEONE OTHER THAN US ATTEMPTS TO REPAIR OR CHANGE THE SYSTEM, OR ANY OTHER REASON EXCEPT A DEFECT IN THE EQUIPMENT OR THE INSTALLATION. WE DO NOT WARRANT A DEFECT IN THE EQUIPMENT OR THE INSTALLATION. WE DO NOT WARRANT THAT WE ARE NOT OBLIGATED TO MATCH PAINT OR WALL COVERINGS THAT MAY BE MODIFIED AS A RESULT OF THE INSTALLATION. WE HAVE NO CONTROL OVER THE RESPONSE TIME OR CAPABILITY OF ANY AGENCY OR PERSON WHO MAY BE NOTIFIED AS A RESULT OF THE SYSTEM BEING USED, AND WE MAKE NO REPRESENTATIONS OR WARRANTIES AS TO THE PROMPTNESS OF THEIR RESPONSE. IF ANY, WE ARE NOT LIABLE FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES. WE GIVE YOU THIS LIMITED WARRANTY AND WE HAVE GIVEN YOU NO OTHER WARRANTY FOR THE SYSTEM.

6.4 STATE LAW: SOME STATES DO NOT ALLOW THE EXCLUSION OR THE LIMITATION OF CONSEQUENTIAL OR INCIDENTAL DAMAGES, OR A LIMITATION ON THE DURATION OF IMPLIED WARRANTIES, SO THE ABOVE LIMITATIONS OR EXCLUSIONS MAY NOT APPLY TO YOU. THIS WARRANTY IS GIVEN UNDER THE LEGAL RIGHTS AND YOU MAY ALSO HAVE OTHER RIGHTS WHICH MAY VARY FROM STATE TO STATE.

7. INSTALLATION OF THE SYSTEM: You will permit us to install the System during our normal business hours and you will give us uninterrupted access to your premises. You have approved the locations of where the control panel, audible device, and all protective devices will be installed. If the System includes an exterior audible bell, horn or siren, it is designed to shut-off after sounding for not more than ten (10) minutes. You will provide 110 volt electrical service, including non-switched electrical outlets for the System's transformer and other electrical needs, and will make installations and repairs to the premises (such as installing all doors and windows on new construction or remodeled premises and fixing loose doors or broken windows) that we deem reasonably necessary to facilitate the installation and operation of the System. You will provide or cause to provide any underground trenching, backfill and raceways necessary for the system installation. We are not responsible if the installation is delayed because of bad weather, labor disputes, acts of God or other reasons beyond our control. If required, you will pay for all electrical permits, building plan permits and similar items, whether obtained by you or by us on your behalf. You have the affirmative duty to inform us, prior to beginning of installation, of every location at the premises where we should not (because of concealed obstructions or hazards such as pipes, wires or asbestos) enter or drill holes. Unless so notified, we will determine where to drill holes and we will take reasonable precautions to avoid concealed obstructions, but have no means of determining with certainty if they exist. Any costs incurred to repair pipes, wires or other obstructions, including resulting damaged floors or furnishings, shall be your sole expense and responsibility. If asbestos, or other health hazardous material is encountered during installation, we will cease work until you have, at your sole expense, obtained clearance from a licensed asbestos removal or hazardous material contractor that continuation of work will not pose any danger to our personnel. In no case shall we be liable for discovery or exposure of hidden asbestos or other hazardous material. After we complete the System, you and our representative will inspect it. If something is missing or not properly installed you will tell us within ten (10) days, otherwise the system will have been accepted by you.

8. MONITORING SERVICE: We shall connect the System to the Center. To reduce false alarms, we use enhanced-call verification (2 call verification). When a burglar alarm signal from the alarm system is received at the Center, the Center will first try to telephone your premises, and if there is no answer then we will try to telephone the first available person on your emergency call list, to verify whether or not an emergency condition requiring police response exists. If there is no answer to both of these calls, the person contacted indicates that an emergency exists, the Center will attempt to notify the police department, and will also attempt to contact someone on the emergency call list to advise them that the police have been notified. When a fire alarm hold-up alarm or duress alarm signal is received, the Center will attempt to notify the police or fire department or other emergency personnel and the first available person on the emergency call list. If a non-emergency signal is received, we will attempt to contact the premises or the first available person on the emergency call list but will not notify emergency authorities. We may choose not to notify emergency personnel if we have reason to believe that an emergency condition does not exist. You and we are obligated to comply with all notification and response requirements imposed by governmental agencies having jurisdiction over your system. We may discontinue or change any particular response due to governmental or insurance requirements by giving you written notice. You consent to the tape recording of all telephonic communications between your premises and the Center. If the police or fire department now or in the future requires physical or visual verification of an emergency condition before responding to a request for assistance, you agree to subscribe to such service or otherwise comply with such requirements. We may charge an additional fee for such service.

9. TRANSMISSION LINES: If the System is using standard telephone service, it includes a communicator that sends signals to the Center over your regular landline telephone service. The communicator will not work without a cellular telephone service. You will pay for all telephone charges including any installation fee for a special jack to connect the System to your telephone service, and for the operation of the access control system, if applicable. We recommend the use of an RJ11X or equivalent telephone jack to give the System priority over other telephones in your premises, however, when the System is activated, you will be unable to use your telephone to make other calls (such as calls to the 911 emergency operator), and therefore, you may wish to have the System connected to a second telephone line. If your telephone is out of order, placed on vacation status or otherwise not working, signals cannot be transmitted and the Center and we will not know of the telephone service problem. We may utilize a cellular communications system for transmitting alarm signals from your premises to the Center as a primary or secondary communications system. The use of cellular systems may be controlled by a public services commission or similar body in your state, and the Federal Communications Commission and changes in rules, regulations and policies may necessitate our discontinuing such transmission facilities at our option. Cellular transmissions may be impaired or interrupted by atmospheric conditions, including electrical storms, power failures or other conditions and events beyond our control. You agree to reimburse us for any costs we may incur to reprogram the System's communication devices because of area code changes or other dialing pattern changes. The use of DSL, BPL, VoIP or other broadband or Internet-based telephone service may prevent the System from transmitting alarm signals to the Center, after it is installed or at any time in the future, and/or interfere with the telephone line-seizure feature of the System. Such services should be installed on a telephone number that is not used for alarm signal transmission. You agree to notify us if you have installed or intend to install DSL, VoIP or other broadband or Internet service. IMMEDIATELY AFTER THE INSTALLATION OF DSL, VoIP, BPL OR OTHER BROADBAND OR INTERNET SERVICE YOU MUST TEST THE SYSTEM'S SIGNAL TRANSMISSION WITH THE CENTER.

10. FALSE ALARMS: You agree that you and others using the System, will use it carefully so as to avoid causing false alarms. Severe weather or other forces beyond our control can cause false alarms. If we receive too many false alarms, that will constitute a breach of contract by you, and we may cancel monitoring service and seek to recover damages. If a false alarm fine or penalty is charged to the Center, you, or us by any governmental agency, you will pay for the charge. If the System has an audible device, you authorize us to enter your premises to turn off the audible device if we are requested or ordered to do so by governmental authorities, neighbors or anyone else, and you will pay our standard service call charge for each such visit.

11. AFTER WARRANTY SERVICE: At the end of our ninety day limited warranty we will continue to repair the System at your expense. You will pay our standard parts and labor charges for all repair calls. There will be a minimum visit charge of \$25.00 for each repair call. See Section 6.2 of our Limited Warranty on how to get repair service.

12. SUBSCRIBER'S DUTIES: You will instruct all other persons who may use the System on its proper use. You will test the System's protective device and send test signals to the System to the Center in accordance with our instructions, at least monthly. If the System includes space or interior protection (e.g., infrared or other such detectors) you will turn off, control or remove all such as air conditioning and heating systems, and any other might interfere with such devices when they are turned on. If a problem in the System occurs you will notify us. You will obtain and keep in effect all permits or licenses that may be required for the installation and operation of the System. You will complete and give us an emergency instructions form which will include the name, telephone number and relationship of each person we may call in the event we believe there is an emergency at your premises, and

other information we may require. You will notify us in writing of any changes in the persons or telephone numbers on your emergency call list. You agree that we may disclose the information on the emergency instructions form to any governmental agency having jurisdiction over the use and operation of the System. IF THE SYSTEM INCLUDES ANY WIRELESS DEVICES, YOU WILL REPLACE THE BATTERIES AS NEEDED AND AT LEAST ONCE EACH YEAR. The city or county in which your premises is located may require that you obtain a permit for the use and monitoring of the system. Local authorities may not respond to alarm notifications until all permits or licenses for use of the system have been obtained and, therefore, FLS may not begin monitoring until you have obtained at your expense all necessary permits or licenses, and provided FLS with the licenses or permit numbers.

13. SUSPENSION OR CANCELLATION OF THIS AGREEMENT: You understand that we may stop or suspend monitoring and repair service if: (a) strikes, severe weather, earthquakes or other such events beyond our control affect the operation of the Center or so severely damage your premises that continuing service would be impractical; (b) there is an interruption or unavailability of the telephone service between the System and the Center; (c) you do not pay the service charge due to us, after we have given you ten days notice that we are canceling service because of non-payment; (d) we are unable to provide service because of some action or ruling by any governmental authority; or (e) you become debtor in a bankruptcy proceeding. If service is canceled or this Agreement is terminated for any reason, you authorize us to remotely disconnect the alarm System communicator from the Center and/or enter your premises to disconnect it from our monitoring equipment and remove our communications equipment and software and all of our signs and decals from your premises. If service is suspended because you have failed to pay the monitoring fees set forth herein, and you ask us to reactivate the System, you will pay, in advance, our then prevailing reconnection fee. YOU UNDERSTAND THAT THE ALARM SYSTEM MAY NOT WORK WITH EQUIPMENT USED BY OTHER ALARM COMPANIES OR MONITORING CENTERS.

14. ASSIGNEES AND SUBCONTRACTORS: We may transfer or assign this Agreement to another security company, financial institution or other entity. Upon an assignment to another security company, FLS will be relieved of any further obligations hereunder. You may not transfer this Agreement to someone else (including someone who purchases or rents your premises) without our approval in writing. We may use subcontractors (including the Center) to provide installation, repair or monitoring services, and this Agreement, and particularly Sections 16 and 17 shall apply to them and the work or services they provide, and protect them in the same manner as it applies to and protects us.

15. CHANGES TO THE SYSTEM: If you, or any governmental agency or insurance interest, want us to change the System described herein, or change it after it is installed, or if changes are reasonably necessitated as a result of operational innovation, changes in technology (including changes in signal transmission equipment or methodology) and/or changes in law, you agree to pay our standard parts and labor charges for such changes and you agree that such changes shall not relieve you from any of your obligations under this Agreement. YOU AGREE THAT YOU AGREE THAT YOU AGREE THAT YOU AGREE THAT YOU UNDERSTAND THAT ADDITIONAL OR DIFFERENT PROTECTION IS AVAILABLE FOR A HIGHER PRICE.

16. FLS IS NOT AN INSURER; LIMITATION OF LIABILITY: You understand that: (a) we are not an insurer of your premises, property or the personal safety of your premises; (b) you are solely responsible for providing any life, health or disability insurance for yourself and persons who use the System, and insurance on your premises and its contents; (c) the amount you pay to us is based only on the value of the service we provide and not on the value of your residence or its contents; (d) alarm systems and monitoring service cannot always operate properly for various reasons; (e) it is difficult to determine in advance the value of the property that might be lost, stolen or destroyed if the System or our service fails to operate properly; (f) it is difficult to determine in advance how fast the police or fire department or others would respond to an alarm signal; and (g) it is difficult to determine in advance what portion, if any, of any property loss, personal injury or death would be proximately caused by our failure to perform, our negligence, or a failure of the System or service. Therefore you agree, that even if a court decides that our breach of this Agreement, or a failure of the System, or our negligence (including gross negligence) or failure of the installation, monitoring or repair service caused or allowed any harm or damage (whether property damage, personal injury or death) to you or anyone in your premises, you agree that our liability shall be limited to \$150,000. Our liability shall be your only remedy regardless of what legal theory (including without limitation, negligence, breach of contract, breach of warranty or product liability) is used to determine that we were liable for the injury or loss.

YOU MAY OBTAIN A HIGHER LIMITATION OF LIABILITY: If you wish, you may obtain a higher limitation of liability instead of the limited damages set forth in this Agreement. If you elect this option, we will attach a rider to this Agreement which will set forth the amount of the limitation of liability and the amount of the additional charge. Agreeing to the limitation of liability does not mean that we act as an insurer.

17. THIRD PARTY INDEMNIFICATION AND SUBROGATION: If anyone other than you asks us to pay for any harm or damages (including property damage, personal injury or death) connected with or resulting from (i) our breach of this Agreement, (ii) a failure of the System or services, (iii) our negligence, (iv) any other cause, or (v) the negligence of our subcontractors, we agree to defend, indemnify or (v) a claim for indemnification or contribution, you will pay us (a) any amount which a court orders us to pay or which we reasonably agree to pay, and (b) any reasonable attorney's fees and any other reasonable costs, including costs that we may pay in connection with the harm or damages. Your obligation to pay us for such harm or damages shall not apply if the harm or damages happen while one of our employees or subcontractors is in or about your premises, or if the harm or damages are caused by the negligence or willful misconduct of our employees or subcontractors. Unless prohibited by your property insurance policy, you agree to release us from any claims of any parties suing through your authority or in your capacity as your insurer, and you agree to defend us against any such claim. You will notify your insurance company of this release.

18. LIMITATION ON LAWSUITS; WAIVER OF JURY TRIAL: If permitted under applicable law, both FLS and Subscriber agree that no law suit or any other legal proceeding connected with this Agreement shall be brought or filed more than one year after the incident giving rise to the claim occurred. In addition, if any such legal proceeding is brought before a jury, WHERE PERMITTED BY LAW, EACH PARTY GIVES UP ANY RIGHT TO A JURY TRIAL.

19. INFORMATION AND PRIVACY: You understand and agree that in conjunction with employee training, quality control and the provision of services, we may monitor and/or electronically record video and audio related to monitored activity at your location, as well as conversations with you, emergency services providers, and law enforcement personnel. Further, you understand that privacy cannot be guaranteed on telephone, cable and computer systems, and we shall not be responsible for any claims, loss, damages or costs which may result from our lack of privacy experienced. You consent to us (i) using information about you and your location (collectively, "information") to administer services, offer you new products or services, enforce the terms of this Agreement, prevent fraud and respond to regulatory and legal requirements, (ii) provide information, including information contained in your emergency information to law enforcement or fire service personnel for the purpose of responding to an emergency hereunder or in response to a subpoena or other such legal process, and (iii) using and sharing aggregate Subscriber information and statistics that do not include information that identifies you personally. Except as required to provide the services that you have selected, we will not otherwise monitor your premises.

20. ENTIRE AGREEMENT: The entire and only agreement between you and FLS is written in this Agreement. It replaces any earlier oral or written understandings or agreements. It may only be changed by a written agreement signed by you (and if married, your spouse) and us. IT MAY NOT BE CHANGED BY ANY ORAL STATEMENTS OR REPRESENTATIONS MADE BY OUR SALES REPRESENTATIVE. If you have given or ever give us a purchase order for the System or service which provides for different terms than this Agreement, this Agreement will govern and be controlling. If any provision of this Agreement is found to be invalid or illegal by a court, the balance of this Agreement shall remain in force. You agree that a copy of this Agreement and the signatures affixed hereto transmitted and delivered by facsimile, or electronic mail shall be deemed to be originals for all purposes. You agree that we may use and store all contracts and other documents executed by Subscriber, in an electronic media and all such contracts and other documents shall be deemed to be, and may be used by us as, originals and shall be given the same force and effect as the paper-form originals.

21. EARLY TERMINATION: YOU AGREE THAT THE MONITORING FEES DUE UNDER THIS CONTRACT ARE BASED ON YOUR AGREEMENT TO RECEIVE AND TO PAY FOR THE SERVICES FOR THREE (3) FULL YEARS. ACCORDINGLY, YOU AGREE THAT: IF YOU TERMINATE THIS CONTRACT PRIOR TO THE END OF ITS INITIAL TERM, YOU WILL PAY US ALL AMOUNTS TO WHICH WE MAY BE ENTITLED TO RECOVER PURSUANT TO APPLICABLE LAW, INCLUDING, WITHOUT LIMITATION, ALL SERVICES FEES FOR SERVICES PROVIDED PRIOR TO TERMINATION OF THE AGREEMENT, AND THE AMOUNT EQUIVAL TO OUR LOSS OF PROFITS FOR THE UNEXPIRED INITIAL TERM.

22. LICENSES: ALARM COMPANY OPERATORS AND CONTRACTORS MAY BE LICENSED AND REGULATED BY THE STATE IN WHICH YOUR SYSTEM IS LOCATED. AZ: Arizona Registrar of Contractors, 800 W. Washington Street, 6th Floor, Phoenix, AZ 85007 (602) 542-1525. DC: Department of Consumer and Remedial Affairs, 1100 North Capitol Street, NW, Washington DC 20002 (202) 442-4400. MD: Maryland State Police, Licensing Division, 7751 Washington Blvd., Jessup, MD 20794 (410) 799 0191. MN: Minnesota Dept of Labor and Industry, 443 Lafayette Avenue, St. Paul, MN 55155 (651) 284 5064. NC: NC Board of Examiners of Electrical Contractors, 3101 Industrial Drive, Suite 206, Raleigh NC 27609 (919) 733 9042. NC: NC Alarm System Licensing Board, 1631 Midtown Place, Suite 104, Raleigh NC 27609 (919) 875 3609. NE: NE State Electrical License Board, 1139, Suite 109, PO Box 95066, Lincoln, NE 68509 (402) 471 3550. NV: NV State Contractors Board, 9670 Gateway Drive, Suite 100, Reno, NV 89521 (775) 688 1141. NY: NY Dept of State, Division of Licensing Services, 8 Westland Ave, Albany NY 12208 (518) 474 4425. TX: Texas Department of Safety, 5605 North Lamar Blvd., Austin, TX 78773 (512) 424 7710. TX: TX Dept of Insurance, State Fire Marshal, 333 Guadalupe, Austin, TX 78701 (512) 463 8169. WA: WA Dept of Criminal Justice Services, Private Security Section, 202 North Ninth Street, 16th Floor, Seattle, WA 98101 (206) 23219 (206) 786 4700. WA: WA Dept of Labor and Industries, Contractor's Registration Section, PO Box 44450, Olympia, WA 98504 (360) 902 5226.



**SYSTEM SCHEDULE & INFO**  
370 West Center Street  
Orem, Utah 84057  
Fax: 866.897.0187 | Phone: 866.434.7785  
[www.getfirstline.com](http://www.getfirstline.com)  
Dealer License No.:

Monitoring Acct. No.:

☐ Residential ☐ Commercial ☐ New ☐ Takeover

**B** Alarm Permit # \_\_\_\_\_

## SUBSCRIBER INFORMATION

Subscriber (First Name/Last Name) or Business Name: \_\_\_\_\_ Monitored Location Phone: ( ) - -

Password / Passcode: \_\_\_\_\_ Alternate Phone: ( ) \_\_\_\_\_ Work Phone: ( ) \_\_\_\_\_

**ENHANCED CALL VERIFICATION:** Not required in all states.

1. \_\_\_\_\_ First Name / Last Name \_\_\_\_\_ Telephone #1 REQUIRED \_\_\_\_\_ Telephone #2 \_\_\_\_\_

**EMERGENCY CALL LIST (Authorized Individuals to be Notified in Case of Emergency)**

EMERGENCY CALL LIST (AUTHORIZED INDIVIDUALS TO BE NOTIFIED)

1. \_\_\_\_\_

First Name / Last Name Telephone #1 REQUIRED Telephone #2

☐ Home ☐ Home  
☐ Work ☐ Work  
☐ Cell ☐ Cell

2. \_\_\_\_\_ Telephone #1 REQUIRED \_\_\_\_\_ Telephone #2

First Name / Last Name

3. \_\_\_\_\_ ☐ Work ☐ Work  
First Name / Last Name Telephone #1 ☐ Cell Telephone #2 ☐ Cell

## SYSTEM INFORMATION

## Rep Pre-Installation

Phone Type	Company Type	Install Type	Panel Type	Phone	Phone	Phone
<input type="checkbox"/> Digital	<input type="checkbox"/> Landline	<input type="checkbox"/> New	<input type="checkbox"/> Simon 3	<input type="checkbox"/> Lync		
<input type="checkbox"/> Two-Way	<input type="checkbox"/> Alarm.com	<input type="checkbox"/> Re-Program	<input type="checkbox"/> Simon XT	<input type="checkbox"/> Vista		
	<input type="checkbox"/> Cellular	<input type="checkbox"/> Takeover	<input type="checkbox"/> Concord	<input type="checkbox"/> _____		

## Tech Post-Installation

Service Type	Account Type	Specialty	Phone Type	Area	City	State
<input type="checkbox"/> Digital	<input type="checkbox"/> Landline	<input type="checkbox"/> New	<input type="checkbox"/> Simon 3	<input type="checkbox"/> Lyrinx		
<input type="checkbox"/> Two-Way	<input type="checkbox"/> Alarm.com	<input type="checkbox"/> Re-Program	<input type="checkbox"/> Simon XT	<input type="checkbox"/> Vista		
	<input type="checkbox"/> Cellular	<input type="checkbox"/> Takeover	<input type="checkbox"/> Concord	<input type="checkbox"/> _____		

☐ Guard Response \$5 monthly      Cellular Serial # \_\_\_\_\_      ☐ Call Waiting    ☐ DSL    ☐ VoIP    ☐ Seizure

### Rep Pre-Installation Equipment

[illegible]

**Installation Fee:**

**Equipment Total:**

**Activation Total:**

**Tax:**

**Total Equipment, Installation, Activation & Upgrades**

## Tech Post-Installation Equipment

[illegible]

**Installation Fee:**

**Equipment Total:**

**Activation Total:**

**Tax:**

**Total Equipment, Installation, Activation & Upgrades**

Payment for Activation, Installation & Equipment will be charged according to payment information on form "A", the Alarm System Purchase & Monitoring Agreement, or the Retail Installment Contract. To separate pay, indicate by checking box under PAYMENT OPTIONS on form "A".

### ZONE INFORMATION

[illegible][illegible]

Please initial each of the following as indicated.

	I am satisfied with the installation of my Firstline Alarm System and the system is operational at this time.
	I have personally authorized an Alarm System Purchase and Monitoring Agreement or Retail Installment Contract for a monthly service fee of \$44.99 for a minimum of 36 months.
	I understand that I am responsible for any alarm permit my city, county, and/or state may require.
	I understand that my Monitoring Agreement includes a repair plan warranty for 90 days, for any service call more than 90 days after the installation date there is a \$25 ("Trip Charge").

Subscriber acknowledges that: (a) Firstline Security has explained the full range of protection, equipment and services available to the Subscriber, (b) additional protection over and above that provided herein is available and may be obtained from Firstline Security at an additional cost to the Subscriber, and (c) Subscriber desires and has contracted for only the Equipment and services itemized on this Agreement.

ACCEPTANCE AT INSTALLATION AND COPY RECEIVED BY:

X \_\_\_\_\_ Date \_\_\_\_\_  
Signature (Primary)

X \_\_\_\_\_  
Technician Signature Date

X \_\_\_\_\_ Date \_\_\_\_\_  
Signature (Secondary)

X \_\_\_\_\_  
Technician Printed Name \_\_\_\_\_ Date \_\_\_\_\_

**Signature (Secondary)**

**First Name Last Name**

**Title**

**Business Address**

**City State License Numbers:**AZ - ROC206429|AR - E 2007 0005|CA - ACO 5704|CO - 15-42414-0000|FL - EG1300270|GA - LCA205568||ID - C160830  
IL - 124G01608|IN - 20060727001221JA - 2 00 153014|KY - 271123|MD - 107-1222|MJ - L196367|MN - TS01411|MO - F00672154|NV - 20050233651-27  
NJ - 100901571|NM - 2824274 NY - 12000258959|OH - 200311402754|SC - D99 39031 3|TN - 12511  
TX - B11740 Dealer's operating license is issued by the Texas Board of Private Investigators and Private Security Agencies, P. O. Box 13509, Capitol Station, Austin, Texas: 78711, (512) 475-3944.  
UT - 6806725-6501|VA - DCJS I.D.# 884558|WA - EC FIRST957JQ|DC - 68049XXXXX-66003611



**ALARM.COM TERMS**

**IMPORTANT -- READ CAREFULLY:** You have recently agreed to purchase residential or commercial security products and services from an independently owned and operated security services dealer ("Dealer"). Alarm.com Incorporated ("Alarm.com") has authorized the Dealer to market and sell to you Alarm.com's services ("Alarm.com Services") for your use with certain hardware and other products ("Equipment") that enable the Alarm.com Services. These Alarm.com Terms (Sections A1 through A10) are part of your legal agreement with the Dealer. These Alarm.com Terms appear on this page and contain, among other things, important warranty disclaimers (in Section A3) and limitations of liability (in Section A5) applicable to your use of the Alarm.com Services and the Equipment. By signing your agreement with the Dealer, accessing the Alarm.com customer website or using any other part of the Alarm.com Services, you agree to be bound by these Alarm.com Terms. Although these Alarm.com Terms are part of your legal agreement with the Dealer, you acknowledge and agree that they may be enforced by Alarm.com directly.

A1. Pursuant to your agreement with the Dealer, you have agreed to purchase Alarm.com Services and/or Equipment from the Dealer. The Dealer is an independent contractor and not an agent of Alarm.com. You acknowledge and agree that (a) you have had the opportunity to read and review these Alarm.com Terms before entering into your agreement with the Dealer, (b) you accept the Alarm.com Terms and agree to be bound by them, and (c) if, for any reason, you don't remain an Alarm.com subscriber or if the Alarm.com Services become unavailable at your location for any reason, you will have no right of refund, return or deinstallation with respect to any Alarm.com Services or any Equipment, except if and to the extent otherwise required by law. Alarm.com may modify these Alarm.com Terms from time to time as required to comply with applicable law.

A2. The Equipment contains proprietary software of Alarm.com that is embedded in the hardware. Alarm.com solely owns and retains all rights, including all intellectual property rights, in the embedded software and all other Alarm.com materials (together, "Alarm.com Materials") and the Alarm.com Services. You agree that you will not (a) use, or cause or permit any other person or entity to use, any Alarm.com Materials or Alarm.com Services to design, build, market, or sell any similar or substitute product or service, or (b) cause, perform, or permit (i) the copying, decompilation, disassembly, or other reverse engineering of any Alarm.com Materials, (ii) the transferring or purported resale or sublicensing of any Alarm.com Materials, or (iii) the removal, delivery, or exportation of any Alarm.com Materials outside the United States or any other act in violation of any relevant export laws or regulations.

A3. THE SOLE WARRANTY PROVIDED BY ALARM.COM WITH RESPECT TO THE ALARM.COM SERVICES, ALARM.COM MATERIALS AND EQUIPMENT IS A LIMITED WARRANTY TO USE COMMERCIAL REASONABLE EFFORTS TO CORRECT OR BYPASS A MATERIAL DEFECT IN THE ALARM.COM SERVICES, IN ACCORDANCE WITH THE TERMS AND CONDITIONS SET FORTH IN THESE ALARM.COM TERMS ("LIMITED WARRANTY"). THE LIMITED WARRANTY IS NOT EXTENDED TO YOU UNLESS YOU HAVE ACCEPTED THESE ALARM.COM TERMS AND REMAIN BOUND BY THESE TERMS AND CONDITIONS. THE LIMITED WARRANTY IS FOR YOUR BENEFIT ONLY AND MAY NOT BE ENFORCED BY ANY OTHER PERSON OR ENTITY. EXCEPT FOR THE LIMITED WARRANTY WITH RESPECT TO ALARM.COM SERVICES, ALL ALARM.COM SERVICES, ALL EQUIPMENT AND ALL ALARM.COM MATERIALS THAT ARE OR MAY BE PROVIDED BY ALARM.COM ARE PROVIDED "AS IS," WITH ALL FAULTS. TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALARM.COM DISCLAIMS (a) ALL EXPRESS WARRANTIES TO YOU, OTHER THAN THE LIMITED WARRANTY, (b) ALL IMPLIED WARRANTIES TO YOU OF ANY KIND, AND (c) ALL WARRANTIES TO OR FOR THE BENEFIT OF ANY OTHER PERSON OR ENTITY, WHETHER EXPRESS OR IMPLIED. THE IMPLIED WARRANTIES DISCLAIMED HEREIN, TO THE MAXIMUM EXTENT PERMITTED BY LAW, INCLUDE ALL WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, SYSTEMS INTEGRATION, QUIET ENJOYMENT, OR NON-INFRINGEMENT. EXCEPT FOR THE LIMITED WARRANTY, THE ENTIRE RISK AS TO SATISFACTORY QUALITY, PERFORMANCE, ACCURACY, AND EFFORT OF ALL ALARM.COM SERVICES, ALL EQUIPMENT AND ALL ALARM.COM MATERIALS SHALL BE WITH YOU. ALARM.COM SHALL HAVE NO RESPONSIBILITY FOR EQUIPMENT WHICH IS MANUFACTURED BY THIRD PARTIES.

A4. The prices we charge for the Alarm.com Services and Equipment reflect the value of the goods and services Alarm.com provides and not the value of your premises or its contents or any losses associated with personal injury or death. You understand and agree that Alarm.com is not an insurer of your property or the personal safety of persons in or around your premises. If you feel that you need insurance, you should obtain it from a third party. You understand and agree that (a) the Alarm.com Services and Equipment may not detect or prevent an unauthorized intrusion onto the premises or other emergency condition such as fire, smoke, carbon monoxide, medical emergencies or water damage; (b) it is difficult to determine in advance the value of the property that might be lost, stolen, damaged or destroyed if the Alarm.com Services or Equipment fail to operate properly; (c) it is

difficult to determine what portion, if any, of any property loss, personal injury or death would be proximately caused by Alarm.com's: (i) breach of these Alarm.com Terms, (ii) failure to perform, (iii) negligence (including gross negligence), or (iv) any failure of the Alarm.com Services or Equipment.

A5. YOU AGREE THAT ALARM.COM'S LIABILITY TO YOU FOR ALL HARM, DAMAGES, INJURY OR LOSS SHALL BE LIMITED TO THE GREATER OF ONE THOUSAND DOLLARS (\$1,000.00) OR THE ANNUAL AMOUNT THAT ALARM.COM RECEIVES FOR YOUR USE OF THE ALARM.COM SERVICES, AND THIS SHALL BE YOUR ONLY REMEDY REGARDLESS OF WHAT LEGAL THEORY IS USED TO DETERMINE THAT ALARM.COM WAS LIABLE FOR THE HARM, DAMAGES, INJURY OR LOSS. YOU FURTHER AGREE THAT THE LIMITATION OF LIABILITY IN THIS SECTION A5 SHALL APPLY (a) EVEN IF IT IS DETERMINED THAT ALARM.COM CAUSED THE HARM, DAMAGES, INJURY OR LOSS TO YOU OR SOMEONE IN OR AROUND YOUR PREMISES (INCLUDING EMPLOYEES AND INVITEES) AND (b) TO ALL HARM, DAMAGES, INJURY OR LOSS INCURRED INCLUDING ACTUAL, DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, PROPERTY DAMAGE AND LOSSES DUE TO BUSINESS INTERRUPTION, LOSS OF PROFITS, PERSONAL INJURY OR DEATH. YOU MAY OBTAIN FROM ALARM.COM A HIGHER LIMITATION OF LIABILITY BY PAYING AN ADDITIONAL FEE TO ALARM.COM. IF YOU ELECT THIS OPTION, A RIDER WILL BE ATTACHED TO THESE ALARM.COM TERMS WHICH WILL SET FORTH THE AMOUNT OF THE HIGHER LIMITATION OF LIABILITY AND THE AMOUNT OF THE FEE. AGREEING TO THE HIGHER LIMITATION OF LIABILITY DOES NOT MEAN THAT ALARM.COM IS AN INSURER. YOU WAIVE ALL SUBROGATION AND OTHER RIGHTS OF RECOVERY AGAINST US THAT ANY INSURER OR OTHER PERSON MAY HAVE AS A RESULT OF PAYING ANY CLAIM FOR HARM, DAMAGES, INJURY OR LOSS TO YOU OR ANY OTHER PERSON OR ENTITY.

A6. If any of your employees, guests, relatives, invitees, or insurers, or any other person or entity connected to you, or any person or entity who seeks to assert rights they claim are derived from your relationship with Alarm.com, attempts to hold Alarm.com responsible for any harm, damages, injury or loss (including property damage, personal injury or death) connected with or resulting from (a) a failure of the Alarm.com Services or Equipment, (b) Alarm.com's negligence (including gross negligence), (c) any other improper or careless activity of Alarm.com, or (d) a claim for indemnification or contribution, you will repay to Alarm.com (i) any amount which Alarm.com is required to pay or which Alarm.com reasonably agrees to pay in settlement of the claim, and (ii) the amount of Alarm.com's reasonable attorney's fees and any other losses and costs that Alarm.com may incur in connection with the harm, damages, injury or loss.

A7. You understand and agree that these Alarm.com Terms, and particularly Sections A5 and A6, shall (a) apply to and protect the employees, officers, shareholders, parent companies, directors, agents, licensors, representatives and affiliates of Alarm.com, and (b) be binding on your heirs, administrators, custodians, trustees, agents and successors.

A8. TO THE EXTENT PERMITTED BY LAW, YOU AGREE THAT NO LAWSUIT OR ANY OTHER LEGAL PROCEEDING CONNECTED WITH THE ALARM.COM SERVICES OR EQUIPMENT SHALL BE BROUGHT OR FILED BY YOU MORE THAN ONE (1) YEAR AFTER THE INCIDENT GIVING RISE TO THE CLAIM OCCURRED. IN ADDITION, ANY SUCH LEGAL PROCEEDING SHALL NOT BE HEARD BEFORE A JURY. EACH PARTY GIVES UP ANY RIGHT TO A JURY TRIAL. TO THE EXTENT PERMITTED BY LAW, YOU AGREE THAT YOU WILL NOT BRING ANY CLASS ACTION LAWSUIT AGAINST ALARM.COM OR BE A REPRESENTATIVE PLAINTIFF OR PLAINTIFF CLASS MEMBER IN ANY SUCH LAWSUIT.

A9. These Alarm.com Terms shall be governed by the law of the State of California, without giving effect to its rules of conflict of laws. If you are a resident or business located in the State of California, the following applies to you: If either you or Alarm.com commences a law suit for a dispute arising under or related to these Alarm.com Terms or in anyway relating to the Alarm.com Services, such suit shall be submitted to general judicial reference in Los Angeles, California pursuant to California Code of Civil Procedure section 638 et seq. and 641 through 645.1 or any successor statutes thereto.

A10. If any provision of these Alarm.com Terms or the application of any such provision to any person, entity or circumstance shall be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of these Alarm.com Terms. The parties intend that all disclaimers of warranties, limitations of liability, and exclusions of damages in these Alarm.com Terms shall be upheld and applied to the maximum extent permitted by law. Alarm.com is an intended third-party beneficiary of these Alarm.com Terms and shall have the right to enforce and/or otherwise invoke any and all provisions set forth in any of these Alarm.com Terms directly. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation."



**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 4<sup>th</sup> day of October, 2007 by and between Firstline Security, Inc., a Utah corporation ("Firstline") and McGinn, Smith Funding, LLC, a New York limited liability company (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 October 4<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 Oct., 2007.

FIRSTLINE/SECURITY

By: [Signature]

Its: President

MCGINN, SMITH FUNDING, LLC

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

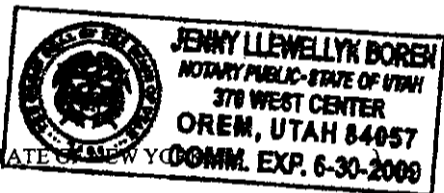
Timothy M. McGinn, Chairman

STATE OF Utah )

COUNTY OF Utah )

) ss.:

On the 4<sup>th</sup> day of October 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.



STATE OF NEW YORK )

COUNTY OF ALBANY )

) ss.:

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.

[Signature]

NOTARY PUBLIC

NOTARY PUBLIC





Exhibit "E"  
Form of Continuing Guaranty



**CONTINUING GUARANTY  
(Personal)  
New York**

GUARANTOR:

Name

Residence Address

BORROWER:

Firstline Security, Inc.

Name

370 West Center Street, Orem, Utah 84057

Address

BANK:

McGinn, Smith Funding, LLC, 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.



**Exhibit “E”**

**Monitoring Receivable Financing Participation Agreement**



## MONITORING RECEIVABLE FINANCING PARTICIPATION AGREEMENT

This MONITORING RECEIVABLE FINANCING PARTICIPATION AGREEMENT (the "Agreement"), dated as of the 9<sup>th</sup> day of October, 2007, is among MCGINN SMITH CAPITAL HOLDINGS CORP., a New York corporation, having its principal place of business at 99 Pine Street - 5<sup>th</sup> Floor, Albany, New York 12207 (the "Trustee"), and FIRSTLINE SR. TRUST 07 SERIES B, 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 "Senior Participant"), Firstline Trust 07 Series B, 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") and McGinn, Smith Funding, LLC, a New York limited liability company having its principal place of business at 99 Pine Street - 5<sup>th</sup> Floor, Albany, New York 12207 (the "Portfolio Manager").

### WITNESSETH

WHEREAS, the Portfolio Manager has entered into a Residential 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 the Portfolio Manager 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 Residential Monitoring Receivable Financing Agreement.

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

SECTION 3. RESIDENTIAL MONITORING RECEIVABLE FINANCING AGREEMENT. The Portfolio Manager and Firstline entered into a Residential Monitoring Receivable Financing Agreement dated as of October 9, 2007 (the "Residential 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. The Portfolio Manager hereby makes the following representations and warranties to the Participants:

(a) The Portfolio Manager 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 the Portfolio Manager of this Agreement and the Residential Monitoring Receivable Financing Agreement, the consummation of the transactions contemplated hereby and thereby and compliance with the provisions of this Agreement and the Residential Monitoring Receivable Financing Agreement by the Portfolio Manager (i) are within the Portfolio Manager's limited liability company powers; (ii) have been duly authorized by all necessary and proper action on the part of the Portfolio Manager; 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 the Portfolio Manager 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 the Portfolio Manager or any of its properties. This Agreement and the Residential Monitoring Receivable Financing Agreement have been duly executed and delivered by the Portfolio Manager and constitute the legal, valid and binding obligations of the Portfolio Manager, enforceable against the Portfolio Manager 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 the Portfolio Manager's knowledge, threatened against or affecting the Portfolio Manager which involves the possibility of materially or adversely affecting the property, business, profits or conditions (financial or otherwise) of the Portfolio Manager.

SECTION 5. COVENANTS OF MCGINN, SMITH FUNDING LLC. The Portfolio Manager hereby covenants as follows:

(a) Required Due Diligence Matters: The Portfolio Manager shall obtain and review, as to Firstline, the documents described in Exhibit C attached hereto and made a part hereof. The Portfolio Manager 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. The Portfolio Manager 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 Portfolio Manager 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 the Portfolio Manager 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 Residential Monitoring Receivable Financing Agreement.

(b) Contract Standards: Each Contract shall (i) have a term not to exceed 60 months; and (ii) require the Obligor to pay a monitoring fee not to exceed \$60.00 per month.

(c) Contract Compliance: Firstline shall have all Financed Contracts and forms therefor reviewed by its counsel and shall warrant and represent to the Portfolio Manager 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 the Portfolio Manager 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. Certificateholders will be provided a yield as follows:

Senior Participant Yield:	9.50%
Junior Participant Yield:	11.00%

SECTION 8. COLLECTIONS AND SERVICING. Firstline, pursuant to the terms of the Residential 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 M&T Bank. ("M&T"), as set forth in the remittance lockbox processing agreement( the "Lockbox Agreement") attached hereto as Exhibit D. M&T shall deposit all such Obligor Payments into an Accumulation Account established in the name of the Participants (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 M&T and deposited at a bank to be determined by the Trustee. Any funds remaining after the payment of the Scheduled Cash Flow each month shall be paid by the Portfolio Manager to Firstline.

On the first business day of each month commencing December 1, 2007 the Portfolio Manager 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, the Portfolio Manager 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 M&T are less than the Scheduled Cash Flow due the Participants for that month, the balance will be paid out of the first Obligor Payments received by M&T 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.

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

**SECTION 9. PERFORMANCE.** The Portfolio Manager 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 Residential 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.** The Portfolio Manager shall promptly notify Participants of any information that may come to the Portfolio Manager'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.** The Portfolio Manager 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 Residential 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 the Portfolio Manager 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 the Portfolio Manager 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 TRUSTEE:

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:

Firstline Sr. Trust 07 Series B  
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

TO JUNIOR PARTICIPANT:

Firstline Trust 07 Series B  
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

TO PORTFOLIO MANAGER:

MCGINN SMITH FUNDING, LLC  
Capital Center  
99 Pine Street - 5th Floor  
Albany, NY 12207  
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 to 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.

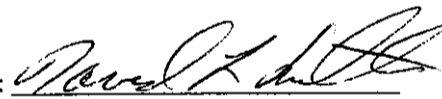
SECTION 18. APPLICABLE LAW. This Agreement shall be governed and construed under the laws of the State of New York.

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

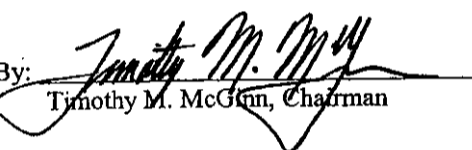
FIRSTLINE SR. TRUST 07 SERIES B  
By: MCGINN SMITH CAPITAL HOLDINGS CORP., TRUSTEE

By:   
Timothy M. McGinn, Chairman

MCGINN, SMITH FUNDING LLC

By:   
David L. Smith, Member

FIRSTLINE TRUST 07 SERIES B  
By: MCGINN SMITH CAPITAL HOLDINGS CORP., TRUSTEE

By:   
Timothy M. McGinn, Chairman

MCGINN, SMITH FUNDING LLC

By:   
Timothy M. McGinn, Member

**EXHIBIT "A"**

**RESIDENTIAL MONITORING RECEIVABLE FINANCING AGREEMENT**

**EXHIBIT "B"**

**PAYMENTS TO SENIOR PARTICIPANT**



## Exhibit B

## Firstline Trust 2007 Series B Senior Tranche

Month	Payment Date		Pledged RMR	Debt Service Schedule	Sr. Debt Begin Balance	9.50% Interest	Principal Payments	Sr. Debt Total Debt Serv	Sr. Debt Ending Balance
1	November	2007	\$165,000	\$0	\$1,435,000	\$11,360	\$0	\$0	\$1,435,000
2	December	2007	\$165,000	\$0	\$1,435,000	\$11,360	\$0	\$0	\$1,435,000
3	January	2008	\$165,000	\$31,500	\$1,435,000	\$11,360	\$752	\$12,113	\$1,434,248
4	February	2008	\$165,000	\$31,500	\$1,434,248	\$11,354	\$758	\$12,113	\$1,433,490
5	March	2008	\$165,000	\$31,500	\$1,433,490	\$11,348	\$764	\$12,113	\$1,432,726
6	April	2008	\$165,000	\$31,500	\$1,432,726	\$11,342	\$770	\$12,113	\$1,431,956
7	May	2008	\$165,000	\$31,500	\$1,431,956	\$11,336	\$776	\$12,113	\$1,431,180
8	June	2008	\$165,000	\$31,500	\$1,431,180	\$11,330	\$782	\$12,113	\$1,430,397
9	July	2008	\$165,000	\$31,500	\$1,430,397	\$11,324	\$789	\$12,113	\$1,429,609
10	August	2008	\$165,000	\$31,500	\$1,429,609	\$11,318	\$795	\$12,113	\$1,428,814
11	September	2008	\$165,000	\$31,500	\$1,428,814	\$11,311	\$801	\$12,113	\$1,428,013
12	October	2008	\$165,000	\$31,500	\$1,428,013	\$11,305	\$807	\$12,113	\$1,427,206
13	November	2008	\$165,000	\$31,500	\$1,427,206	\$11,299	\$814	\$12,113	\$1,426,392
14	December	2008	\$165,000	\$31,500	\$1,426,392	\$11,292	\$820	\$12,113	\$1,425,571
15	January	2009	\$165,000	\$31,500	\$1,425,571	\$11,286	\$827	\$12,113	\$1,424,745
16	February	2009	\$165,000	\$31,500	\$1,424,745	\$11,279	\$833	\$12,113	\$1,423,911
17	March	2009	\$165,000	\$31,500	\$1,423,911	\$11,273	\$840	\$12,113	\$1,423,072
18	April	2009	\$165,000	\$31,500	\$1,423,072	\$11,266	\$847	\$12,113	\$1,422,225
19	May	2009	\$165,000	\$31,500	\$1,422,225	\$11,259	\$853	\$12,113	\$1,421,372
20	June	2009	\$165,000	\$31,500	\$1,421,372	\$11,253	\$860	\$12,113	\$1,420,512
21	July	2009	\$165,000	\$31,500	\$1,420,512	\$11,246	\$867	\$12,113	\$1,419,645
22	August	2009	\$165,000	\$31,500	\$1,419,645	\$11,239	\$874	\$12,113	\$1,418,771
23	September	2009	\$165,000	\$31,500	\$1,418,771	\$11,232	\$881	\$12,113	\$1,417,891
24	October	2009	\$165,000	\$31,500	\$1,417,891	\$11,225	\$888	\$12,113	\$1,417,003
25	November	2009	\$165,000	\$53,625	\$1,417,003	\$11,218	\$23,020	\$34,238	\$1,393,984
26	December	2009	\$165,000	\$53,625	\$1,393,984	\$11,036	\$23,202	\$34,238	\$1,370,782
27	January	2010	\$165,000	\$53,625	\$1,370,782	\$10,852	\$23,385	\$34,238	\$1,347,397
28	February	2010	\$165,000	\$53,625	\$1,347,397	\$10,667	\$23,571	\$34,238	\$1,323,826
29	March	2010	\$165,000	\$82,500	\$1,323,826	\$10,480	\$52,632	\$63,113	\$1,271,194
30	April	2010	\$165,000	\$82,500	\$1,271,194	\$10,064	\$53,049	\$63,113	\$1,218,145
31	May	2010	\$165,000	\$82,500	\$1,218,145	\$9,644	\$53,469	\$63,113	\$1,164,676
32	June	2010	\$165,000	\$82,500	\$1,164,676	\$9,220	\$53,892	\$63,113	\$1,110,784
33	July	2010	\$165,000	\$82,500	\$1,110,784	\$8,794	\$54,319	\$63,113	\$1,056,465
34	August	2010	\$165,000	\$82,500	\$1,056,465	\$8,364	\$54,749	\$63,113	\$1,001,716
35	September	2010	\$165,000	\$82,500	\$1,001,716	\$7,930	\$55,182	\$63,113	\$946,534
36	October	2010	\$165,000	\$82,500	\$946,534	\$7,493	\$55,619	\$63,113	\$890,915
37	November	2010	\$165,000	\$82,500	\$890,915	\$7,053	\$56,059	\$63,113	\$834,855
38	December	2010	\$165,000	\$94,875	\$834,855	\$6,609	\$68,878	\$75,488	\$765,977
39	January	2011	\$165,000	\$94,875	\$765,977	\$6,064	\$69,424	\$75,488	\$696,554
40	February	2011	\$165,000	\$100,000	\$696,554	\$5,514	\$75,098	\$80,613	\$621,456
41	March	2011	\$165,000	\$100,000	\$621,456	\$4,920	\$75,693	\$80,613	\$545,763
42	April	2011	\$165,000	\$100,000	\$545,763	\$4,321	\$76,292	\$80,613	\$469,471
43	May	2011	\$160,000	\$100,000	\$469,471	\$3,717	\$76,896	\$80,613	\$392,575
44	June	2011	\$155,000	\$100,000	\$392,575	\$3,108	\$77,505	\$80,613	\$315,071
45	July	2011	\$150,000	\$100,000	\$315,071	\$2,494	\$78,118	\$80,613	\$236,952
46	August	2011	\$145,000	\$100,000	\$236,952	\$1,876	\$78,737	\$80,613	\$158,216
47	September	2011	\$140,000	\$100,000	\$158,216	\$1,253	\$79,360	\$80,613	\$78,856
48	October	2011	\$135,000	\$100,000	\$78,856	\$624	\$78,856	\$79,480	\$0



**EXHIBIT "B-1"**

**PAYMENTS TO JUNIOR PARTICIPANT**



## Exhibit B-1

## Firstline Trust 2007 Series B Junior Tranche

Month	Payment Date	Jr. Debt Begin Balance	11.00% Interest	Principal Payments	Total Debt Serv	Jr. Debt Ending Balance
1	November 2007	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
2	December 2007	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
3	January 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
4	February 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
5	March 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
6	April 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
7	May 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
8	June 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
9	July 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
10	August 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
11	September 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
12	October 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
13	November 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
14	December 2008	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
15	January 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
16	February 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
17	March 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
18	April 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
19	May 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
20	June 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
21	July 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
22	August 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
23	September 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
24	October 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
25	November 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
26	December 2009	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
27	January 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
28	February 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
29	March 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
30	April 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
31	May 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
32	June 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
33	July 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
34	August 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
35	September 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
36	October 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
37	November 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
38	December 2010	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
39	January 2011	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
40	February 2011	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
41	March 2011	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
42	April 2011	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
43	May 2011	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
44	June 2011	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
45	July 2011	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
46	August 2011	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
47	September 2011	\$2,115,000	\$19,388	\$0	\$19,388	\$2,115,000
48	October 2011	\$2,115,000	\$19,388	\$1,132	\$20,520	\$2,113,868
49	November 2011	\$2,113,868	\$19,377	\$80,623	\$100,000	\$2,033,245
50	December 2011	\$2,033,245	\$18,638	\$81,362	\$100,000	\$1,951,883
51	January 2012	\$1,951,883	\$17,892	\$82,108	\$100,000	\$1,869,775
52	February 2012	\$1,869,775	\$17,140	\$82,860	\$100,000	\$1,786,915
53	March 2012	\$1,786,915	\$16,380	\$83,620	\$100,000	\$1,703,295
54	April 2012	\$1,703,295	\$15,614	\$134,386	\$150,000	\$1,568,908
55	May 2012	\$1,568,908	\$14,382	\$135,618	\$150,000	\$1,433,290
56	June 2012	\$1,433,290	\$13,138	\$146,862	\$160,000	\$1,286,428
57	July 2012	\$1,286,428	\$11,792	\$158,208	\$170,000	\$1,128,221
58	August 2012	\$1,128,221	\$10,342	\$164,658	\$175,000	\$963,563
59	September 2012	\$963,563	\$8,833	\$191,167	\$200,000	\$772,395
60	October 2012	\$772,395	\$7,080	\$772,395	\$779,476	\$0





EXHIBIT "C"

DUE DILIGENCE DOCUMENTATION

☐ PRELIMINARY SPONSOR INFORMATION:

☐ Sample Contracts

☐ CORPORATE DOCUMENTATION:

☐ Certificate of Incorporation

☐ Corporate By-Laws

☐ State of Utah Certificate of Good Standing

☐ Copy of General Liability Insurance Policy

☐ Current UCC Searches, Judgment & Tax Lien Searches

☐ Franchise Tax Search

☐ Recent Financial Statement



EXHIBIT "D"

LOCKBOX AGREEMENT





Exhibit "F"

Lockbox Agreement





Manufacturers and Traders Trust Company



## TREASURY MANAGEMENT SERVICES AGREEMENT

Client Legal Name	Client Name	Client Address
Address	City	State
Contact Name	Phone	Fax
Phone	Phone	Phone

**Bank:** Manufacturers and Traders Trust Company, Treasury Management Services, Lafayette Court, 5<sup>th</sup> Floor, 465 Main Street, Buffalo, New York 14203-1495 Phone: 800-724-2240

The Client has requested the Bank to provide certain cash management services. This Agreement describes the rights and responsibilities of each party in regard to the services, and details the terms and conditions agreed upon. Further details appear in the documentation for each particular service and in the Bank's commercial deposit account documentation.

**A. Client's General Agreements, Warranties and Indemnity.**

1. **Services; Reliance.** This Agreement applies to all cash management services requested by the Client from time to time that are covered under a separate agreement between the Bank and the Client that incorporates therein by specific reference either the terms and provisions of this Agreement or a prior "Cash Management Services Agreement" between the Client and the Bank ("Prior Agreement"). All cash management services to which this Agreement applies are hereunder referred to as the "Services." This Agreement incorporates Exhibit A (which lists the Services requested as of the date of this Agreement), all other addenda, such as set-up sheets and separate agreements for particular Services ("Addenda," each an "Addendum"), each agreement for electronic services by which particular Services are made available to or may be accessed by the Client ("Electronic Services"), and the Bank's commercial deposit account documentation and general rules and regulations as amended from time to time. The Bank has agreed to provide the Services and Electronic Services in reliance on and in consideration of the Client's agreement to abide by the provisions of this Agreement.

2. **Fees and Expenses.** The Client agrees to pay on demand: (a) all applicable fees and charges for Services and Electronic Services rendered by the Bank, as set forth separately and amended from time to time at the discretion of the Bank; (b) all third-party liabilities and expenses incurred by the Bank in performing Services and Electronic Services for the Client pursuant to the Client's instructions; and (c) any costs incurred by the Bank in collecting fees or enforcing this Agreement, including, without limitation, attorneys' fees and disbursements, whether for internal or external counsel. The Bank shall notify the Client of any changes in the fees and charges applicable to the Services, including any new fees and charges not previously imposed, in such time and manner as determined by the Bank in its sole discretion, but no delay or failure on the part of the Bank to provide notice shall require the Bank to delay implementation of any charges made by it with respect to such fees and charges. The Bank is authorized to obtain payment by charging the Client's designated deposit account with the Bank, or if none is designated or funds are insufficient, any of Client's accounts; and if payment is not made, the Bank, in addition to its other remedies under applicable law and this Agreement, may exercise its right of offset and banker's lien against and liquidate any or all of the Client's property held by the Bank in any capacity.

3. **Authorizations.** The Client warrants, now and at all times during the term of this Agreement: (a) that the Client has the power and capacity to enter into: (i) this Agreement (ii) each Addendum and agreement for Electronic Services relating thereto, and (iii) each transaction relating to the Services or Electronic Services; and (b) that the Client and its representatives have been duly authorized to execute, deliver and perform this Agreement, each Addendum and agreement for Electronic Services and to engage in each transaction as directed by Client's representatives. The Client agrees to provide evidence of authorization upon request and to designate officers, employees or agents to perform separate functions as may be required to implement the Bank's security procedures for various Services or Electronic Services, where applicable.

4. **Compliance with Law.** The Client shall comply with all federal and state laws and regulations and international treaties and conventions applicable to the Client's business and its financial transactions, and shall provide the Bank with all documents and information the Bank may from time to time require to evidence such compliance. The Client will also cooperate fully with the Bank and provide such documents and information as the Bank may require in order to comply with all federal and state laws and regulations and international treaties and conventions applicable to the Bank.

M&amp;T Bank Internal Use

Alt/Neg



Treasury Management Services Agreement - 06/07

5. **Confidentiality.** The Client will protect the Bank's proprietary information and the software required for the Client's use of the Services and the Electronic Services by restricting access only to the Client's own officers, employees and agents on a need-to-know basis, and protect the confidentiality of the Services, the Electronic Services and the Client's information and transactions ("Client's Data") with commercially reasonable security procedures. The Client will not copy or modify any Service, Electronic Service or software, hardware, documentation or codes related to any Service or Electronic Service or permit their use by any person for any purpose other than the Services or Electronic Services subscribed for.

6. **Further Assurances.** The Client agrees to execute, deliver and perform all other agreements required by vendors or other parties necessary to Services (such as sublicense agreements or postal authorizations) or requested by the Bank from time to time in connection with particular Services elected by the Client. In the event that Client fails to comply with this provision, the Bank may terminate this Agreement and any Services or Electronic Services in accordance with section D 2(c) hereof.

**B. Security Procedures; Client's Assumption of Risks.**

1. **Commercially Reasonable Security Procedures.** The Client agrees to cooperate with the Bank's protocols in establishing commercially reasonable security procedures to protect the accuracy and confidentiality of the Client's Data and to help guard against fraud and agrees to comply with such procedures. The Client acknowledges and agrees that the Client bears primary responsibility for maintaining the security at the Client's site and within its organization (including, but not limited to, computer systems), of all identification codes, personal identification numbers, passwords, testkeys, encryption devices and similar elements of security procedures, as well as access to information, documentation, procedures and software for Electronic Services. The Client understands that the Bank shall have no liability for losses resulting from failure to implement security procedures, breach of confidentiality, or any other breach of security procedures by the Client or any of its employees, officers, directors or agents.

2. **Recording or Telephonic Instructions.** The Client understands that any instructions received by the Bank by telephone may (but not need) be recorded for accuracy, and the Client consents to such recording.

3. **Risks of Facsimile Transmission.** The Client acknowledges that facsimile transmission is inherently insecure because of possible unintended results such as delay or error in telecommunications media outside the Bank, observation of receipt of facsimile by unauthorized personnel and tampering. If the Client elects to send or receive directions or information via facsimile in connection with any of the Services or Electronic Services, the Client assumes all risks of loss or disclosure resulting from such transmission.

4. **Risks of Courier Losses.** The Client assumes all risks of loss incurred while the Client's currency, coin, checks and other property is in transit in the custody and control of the Client or its agents, including, without limitation, armored-car and other couriers, or the United States postal service, and prior to counting and deposit in the Bank within the Bank premises, notwithstanding that the property may be intended to be delivered to the Bank in connection with a Service.

5. **Risks to Official Check Stock.** If the Client requests the Bank to entrust a third-party payroll or other servicer with stocks of official checks drawn on the Bank, the Client shall reimburse the Bank for all checks negotiated, whether or not authorized by the Client, and shall indemnify the Bank against any and all losses resulting from entrustment of the check stock to the Client or its agent. The Client's remedy shall be against the servicer.

6. **Indemnity for Bank.** The Client shall indemnify and hold harmless the Bank and its officers, directors and employees from and against any and all claims, losses, liabilities, damages, deficiencies, penalties, costs and expenses (including, without limitation, attorneys' fees and disbursements, whether for internal or external counsel) resulting from: (a) any breach by the Client of this Agreement or any other agreement with the Bank, or any misrepresentation, breach, inaccuracy or untruthfulness of any representation, warranty, covenant or agreement made or to be performed by the Client pursuant to this Agreement or any other agreement with the Bank or any other document or instrument contemplated hereby or thereby; (b) any negligence or willful misconduct of the Client; (c) incorrect or incomplete data or information furnished by or for the Client to the Bank; (d) any action taken by the Bank (i) at the direction of the Client or its agent, (ii) upon direction authenticated by any test key, password, personal identification code or other device or security procedure assigned to or chosen by the Client in connection with a Service or Electronic Service (unless the Bank has actual knowledge that the direction is unauthorized, or (iii) in accordance with the procedures set forth in the Addendum for a Service or in an agreement for Electronic Services; (e) any other cause resulting from the Bank's performance under this Agreement, other than Bank's gross negligence or willful misconduct.

**C. The Bank's Duties and Limited Liability.**

1. **Support.** The Bank will provide the Client with the documentation and software pertinent to the Services and Electronic Services subscribed for, assist with installation of restricted data bases and initial training of qualified users at the Client's premises, and instruct the Client in the proper use of the Services and Electronic Services and the security procedures for each Service and Electronic Service.

2. **Reliance.** The Bank may rely on all instructions that the Bank receives in connection with this Agreement and that the Bank in good faith believes to be valid. The Bank shall be entitled to rely on the apparent authority of any person certified as the Client's representative for cash management and shall have no duty to investigate the identity or authority of any Client or purported representative executing this or related agreements. The Bank may rely upon any instrument in writing believed by it to be genuine and sufficient when properly presented and the Bank shall not be liable or responsible for any action taken or omitted to be taken in accordance with the provisions thereof.



**3. Disclosure of Client Information.** The Bank will treat as confidential the Client's transactions, trade secrets and customer data which are not in the public domain; provided, however, that the Client acknowledges that the Bank may be required to disclose information concerning certain kinds of transactions under federal and State regulations and court order.

**4. Standard Care.** The Bank will use its best efforts to perform the Services and Electronic Services according to the standards and procedures customary in the industry. The Bank will have no duties to the Client other than those clearly stated in this Agreement, any Addendum, or agreement for Electronic Services and shall have no liability absent gross negligence or willful misconduct of the Bank.

**5. Third-Party Vendors.** The Client understands that the Bank may engage outside contractors to perform certain Services or Electronic Services and may as a convenience to the Client engage certain of those contractors on behalf of the Client to perform, as the Client's agent, one or more of the Client's obligations with respect to the Services or Electronic Services. As used in this Agreement, the "Bank" includes the Bank's agents, subcontractors, independent contractors and joint ventures in providing the Services or Electronic Services described to the Client but does not include agents acting for the Client.

**6. Force Majeure.** The Bank shall not be liable for any loss or delay resulting from any act or delay or failure to act caused by circumstances not within the Bank's control, including, without limitation, malfunction of electronic media, interruption of power supply or other utilities, fire, flood, ice, earthquake, explosion or other act of God, strike or stoppage of labor, industrial sabotage, war, insurrection, riot, act of terrorism, delays in the mail or courier service, delays in public funding, change of law, rule or governmental regulation or interpretation, court order, or the insolvency, unavailability or failure to act or delay in acting of any other bank or payment system, United States mail, express or armored courier, governmental agency or any other party necessary to a Service or an Electronic Service.

**7. No Warranties.** The Bank shall use its best efforts to provide the Services and Electronic Services in a timely manner but makes no representations or warranties of any kind in connection with either. Without limiting the foregoing, the Bank is not responsible for delays in the delivery of mail to or from the Bank, whether by the United States post office or express or armored courier, nor for any other delay caused by factors beyond the Bank's control.

**8. Damages.** IN NO EVENT WILL THE BANK BE LIABLE FOR SPECIAL, INCIDENTAL OR CONSEQUENTIAL LOSSES OR DAMAGES OF ANY KIND, WHETHER OR NOT THE BANK HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES. Compensation shall be limited to that provided by applicable law or regulation, or if none are applicable, shall be limited in amount to the actual amount paid or payable from the Client for the Service or Electronic Service on the occasion it was not provided.

**D. Termination:**

**1. Termination by the Client.** The Client may terminate this Agreement or a particular Service or an Electronic Service at any time by written notice to the Bank, effective on the later of (a) the earliest date required by the terms of an Addendum for each particular Service or an agreement for an Electronic Service, as applicable (if any is specified), or (b) the date on which the Bank shall have received and had a reasonable time to act on such notice. The Client shall remain liable for all applicable fees incurred prior to termination, for fees for actual Services and Electronic Services provided until the Bank has had time to act on such notice, and for all subscription, sublicense and maintenance charges throughout the month or other billing period in which the termination of each Service or Electronic Service occurs.

**2. Termination by Bank.** The Bank will generally provide at least 30 days' prior written notice of termination of this Agreement or of termination, modification or substitution of any Service or Electronic Service, but may terminate this Agreement as well as the Services and Electronic Services at any time (a) as required by a change in law, regulation or governmental interpretation, or by court order; (b) if in the sole discretion of the Bank, the Client's financial condition is impaired; or (c), in addition to other available remedies, if the Client should breach any provision of this Agreement, of any Addendum or of any agreement covering Electronic Services.

**3. Survivals.** The Client's obligations under A.2, A.5 and B.6 shall survive termination of this Agreement.

**E. Miscellaneous:**

**1. Amendments.** The Bank may amend this Agreement, any Addendum, and any agreement for Electronic Services at any time by written notice to the Client, in connection with operational and technological changes or changes in law, effective immediately if not adverse to the Client and otherwise 30 days after notice is given. Any other amendment must be executed by both parties.

**2. Notices.** Unless otherwise indicated in this Agreement, all notice contemplated by the terms and provisions of this Agreement shall be in writing. Notices to the Bank shall be delivered upon actual receipt by the Manager, Commercial Services, Lafayette Court, 5<sup>th</sup> Floor, 465 Main Street, Buffalo, NY 14203-1495. Notice to the Client shall be deemed delivered three days after deposit in the United States mail to the address given above, upon actual delivery by hand or by fax.

**3. Entire Agreement.** This Agreement replaces and supercedes any Prior Agreement, except that, to the extent that the Client obtained and continues to use one or more Services pursuant to Section II of a Prior Agreement entitled "Provisions Specifically Relevant to Certain Services," such Section II shall remain in effect and, together with this Agreement and the documents described below in this Section E3, shall govern the provisions of such Services. This Agreement together with the Addendum for each Service, any agreement for Electronic Services, the Bank's commercial deposit account documentation and fees schedules and Section II of any executed Prior Agreement, as

amended from time to time, is the entire agreement concerning the Services and Electronic Services. In the event of any inconsistencies between the terms and provisions of this Agreement and the terms and provisions of any Addendum, the Addendum shall govern and control. In the event of any inconsistencies between the terms and provisions of this Agreement and the terms and provisions of any agreement for Electronic Services, the agreement for Electronic Services shall govern and control. In the event of any inconsistencies between the terms and provisions of any Addendum and the terms and provisions of any agreement for Electronic Services, the terms and provisions of the agreement for Electronic Services shall govern and control in regard to matters that relate to the Electronic Services provided for therein, but the terms and provisions of the Addendum shall govern and control with respect to all other matters. If any provision is determined by a court of competent jurisdiction to be invalid, the provisions shall be deemed amended to the extent necessary to be valid, and all other provisions shall remain in effect. No failure, partial exercise or delay by the Bank in exercising any of its rights or remedies shall constitute a waiver of any of them or require notice for subsequent exercise at any time of any of its rights or remedies. Captions are for convenience only and not part of the substance of this Agreement.




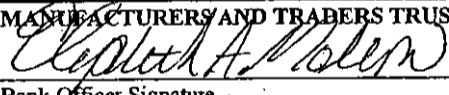
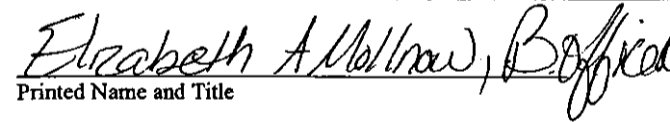
**4. Assignment; Binding Effect.** The Client's rights under this Agreement can be assigned only with the Bank's prior written consent. This and all related agreements with the Bank shall be binding obligations of the Client and its successors and assigns and shall inure to the benefit of the Bank and its successors and assigns. No third party shall be a beneficiary of this Agreement.

**5. Effective Date.** This Agreement shall be effective on the date it is accepted by the Bank.

**6. Governing Law.** Any legal question concerning a Service or an Electronic Service or otherwise arising under or relating to this Agreement, any Addendum or any agreement with respect to Electronic Services shall be decided in accordance with the law of the state or other jurisdiction that, as provided for in the Bank's commercial deposit account documentation, governs questions of law pertaining to the Client's account with respect to which the Service or Electronic Service relates, without regard to such state's or other jurisdiction's principles of conflicts of law, and, to the extent applicable, federal law.

**7. Venue, Notice of Errors and Dispute Resolution.** The Bank and the Client hereby irrevocably agree that any legal action or formal dispute resolution (e.g., arbitration) relating to this Agreement, any Addendum or any agreement for Electronic Services, (a) may only be brought and maintained in the largest metropolitan city in a county where the Bank's branch at which any account of the Client is maintained, without regard as to whether the legal action or formal dispute resolution relates to a matter involving such account, and (b) shall be subject to the notice of suspected error provisions and the dispute resolution provisions in the Bank's commercial deposit account documentation, as amended from time to time.

**8. Waiver of Trial by Jury.** THE CLIENT AND THE BANK EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS AGREEMENT.

<b>CLIENT:</b>  Authorized Signature  Date: <u>Oct 10, 2011</u>		 Printed Name and Title _____			
<b>MANUFACTURERS AND TRADERS TRUST COMPANY:</b>  Bank Officer Signature Date: <u>10/18/07</u>				 Printed Name and Title Elizabeth A. Molnar, Branch Office	

**FOR M&T BANK USE ONLY:**

Authorization Confirmed: \_\_\_\_\_





**EXHIBIT A**  
**To**  
**TREASURY MANAGEMENT SERVICES AGREEMENT**

Services Selected by: \_\_\_\_\_

CLIENT: James M. Mally

By: Charmaw

Title

Date: Oct. 18, 2007



Manufacturers and Traders Trust Company

**LOCKBOX SERVICE AGREEMENT**

Client Legal Name:	Foxs Blume Silver Trust, 07/15/2010
Address:	99 Pine Street, Albany, NY 12207
Contact Name:	Timothy M. McGinnis, Treasurer
Phone:	518-449-5131

**Bank:** Manufacturers and Traders Trust Company, Treasury Management Services, Lafayette Court, 5<sup>th</sup> Floor, 465 Main Street, Buffalo, New York 14203-1495 Phone: 800-724-2240

This Lockbox Service Agreement (the "Agreement") is made as of the date set forth below by and between the Client and MANUFACTURERS AND TRADERS TRUST COMPANY (the "Bank") and shall become effective as of the Effective Date described below. The Client has requested that the Bank perform certain lockbox remittance processing services for the Client (the "Services") in connection with such checking account or accounts maintained by the Client with the Bank as are designated from time to time by Client for the deposit of Client's receivables on Lockbox Service Set Up Forms on file with the Bank (individually and collectively, the "Account"), and, the Bank is willing to perform such Services. Accordingly, in consideration of the foregoing premises and the promises and agreements set forth herein, the Client and the Bank agree as follows:

**1. Treasury Management Services Agreement.** This Agreement is incorporated as an Addendum to the Client's Treasury Management Services Agreement or Cash Management Services Agreement with the Bank, as applicable, the terms and provisions of which shall apply to the Services provided to the Client hereunder, except to the extent such terms and provisions may be inconsistent with the terms and provisions of this Agreement, in which case the terms and provisions of this Agreement will govern and control.

**2. Lockbox Processing**

(a) Client shall cause its receivables to be mailed to the U.S. Post Office Box specified by the Bank ("Post Office Box") or delivered by Client (or a delivery agent designated in writing by Client) to the Bank location specified by the Bank. The Bank will retrieve and accept mail addressed to Client from such Post Office Box or Bank location. In accordance with this Agreement and the specifications agreed to in writing by the Bank and Client, the Bank will open and process such mail and deposit all apparently negotiable checks contained therein into the Account. Client hereby authorizes the Bank to: (i) have unrestricted and exclusive access to the Post Office Box, (ii) open and process mail addressed to Client, and (iii) endorse each check with a standard lockbox endorsement used by the Bank (e.g., "for credit to within named payee M&T Bank lockbox" or "credited to payee without prejudice and all rights reserved; absence of endorsement guaranteed at M&T Bank"). The Bank will deliver all checks that it deems unsuitable for deposit to Client instead of depositing them into the Account. Client agrees not to provide its account debtors with "postage paid" envelopes for use in connection with its lockbox service. Client will reimburse the Bank for all postage due on any remittance.

(b) The Bank shall not be responsible or liable for identifying or failing to identify stale-dated and post-dated checks or checks specifying "payment in full" (or similar statements) in Client's mail. Client acknowledges that if checks specifying "payment in full" (or similar statements) are negotiated, there is a risk that a court might hold the debt at issue to have been discharged by accord and satisfaction notwithstanding any endorsement that purports to reserve the payee's rights. Client understands and agrees that the Bank makes no representation or warranty that it will apply an endorsement designed to preserve Client's rights to collect the full amount owed or that any endorsement that applies to an item will in fact preserve Client's right to collect the full amount owed. Client assumes all risks consequent to the negotiation of such items.

(c) Client hereby agrees that the Bank is not a bailee of any check prior to the inventorying of mail in the Bank's lockbox operations area and that no debtor-creditor relationship arises between Client and the Bank with respect to any check until the check has been sorted and separated from unacceptable checks, processed by the Bank as a deposit to the Account, and reflected in a record of deposit on Client's behalf. If Client is a municipal corporation, Client acknowledges and agrees that the Bank is acting under this Agreement solely as a depository and is not an agent for the collection of taxes.

*M&T Bank Internal Use*

Alt/Neg



Lockbox Service Agreement - 0607

(d) If Client's mail includes checks that are payable or endorsed to a party other than Client ("Third Party Payee"), Client represents and warrants to the Bank that: (a) Client has obtained written authorization from each Third Party Payee for the Bank to endorse such Third Party Payee's checks as payable to Client and to deposit such items into the Account; (b) such Third Party Payee authorization includes an assignment to Client of all of the Third Party Payee's right, title and interest in and to each of such Third Party Payee's checks; (c) Client will retain a copy of each such Third Party Payee authorization for at least seven years after the termination of this Agreement and will provide a copy of any such authorization to the Bank upon request; and (d) each such Third Party Payee authorization shall be in effect and fully operative at all times that the Bank provides Services under this Agreement with respect to checks payable to such Third Party Payee.

**3. Post Termination Delivery.** For two months following termination of this Agreement, the Bank will deliver to Client at least once each week any mail that it receives addressed to Client. Except as provided in this section 3 or as the Bank may separately agree, after termination of this Agreement, the Bank reserves the right to return to the sender any mail addressed to Client.

**4. Electronic Services.** If the Client has subscribed to the Bank's Image Lockbox Service, the Services shall also include the Electronic Services (as defined below) which shall be provided to Client subject to and in accordance with the terms and provisions of the Bank's Electronic Services Agreement, and, additionally, the following terms and provisions will apply to the Services provided hereunder:

(a) The Bank will endeavor to capture images of all checks deposited into the Account and all other documents contained in Client's mail (except checks deemed unsuitable for deposit) as requested by Client on a Lockbox Service Set Up Form, provided such checks and documents meet the Bank's imaging specifications (e.g., minimum and maximum size limitations). In accordance with Client's instructions provided on a Lockbox Service Set Up Form, the Bank will either send envelopes, invoices, correspondence and other documents contained in Client's mail to Client, or will retain such documents for fourteen (14) days from the date of their receipt, after which time, the Bank will destroy such documents.

(b) The Bank shall Deliver the Lockbox Data via Electronic Services provided through the Internet ("Web Delivery"), Media ("Media Delivery") or Direct Transmission ("Direct Delivery") in accordance with the frequency, schedule and Client instructions contained on a Lockbox Service Set Up Form on file and in effect with the Bank. Client shall notify the Bank in writing of any problems with the quality and integrity of the Lockbox Data within five (5) Business Days from the date of Delivery. Upon receipt of such notice, the Bank shall re-Deliver the Lockbox Data to Client.

(c) If there shall be any conflict between the terms and provisions of this Agreement and the terms and provisions of the Electronic Services Agreement in regard to the Electronic Services, the terms and provisions of the Electronic Services Agreement shall govern and control. If any such conflict relates to any other matter, the terms and provisions of this Agreement shall govern and control.

(d) As used in this section 4, the following terms have the following meanings:

- (i) **"Business Day"** means any day occurring Monday through Friday, except federal holidays and any other days on which commercial banks in the State of New York are authorized to close.
- (ii) **"Client Systems"** means the applicable computer hardware, Internet browser, software, Internet access and/or communication facilities needed to use the Electronic Services.
- (iii) **"Deliver" and "Delivery"** means (A) with respect to Web Delivery, that the Lockbox Data is available for viewing by the Client when the Client connects to the Bank's designated web site through the Internet; (B) with respect to Media Delivery, that the Media containing the Lockbox Data is mailed by U.S. first class mail to the address designated on a Lockbox Service Set Up Form; and (C) with respect to Direct Delivery, that the Lockbox Data has been sent to the Client Systems in accordance with a Lockbox Service Set Up Form via Direct Transmission.
- (iv) **"Direct Transmission"** means a file transfer protocol acceptable to the Bank through which data may be transmitted over the Internet or leased line by the Bank.
- (v) **"Electronic Services"** means the electronic cash management services to capture the images of the source documents constituting the Lockbox Data and to Deliver the Lockbox Data to the Client.
- (vi) **"Lockbox Data"** means electronic images of all checks and other documents contained in the Client's mail that the Bank captures pursuant to this Agreement and the Electronic Services Agreement.
- (vii) **"Media"** means the CD-Rom media used to Deliver the Lockbox Data to the Client or such other media that the Bank may make available for this purpose in the future (e.g., DVD).




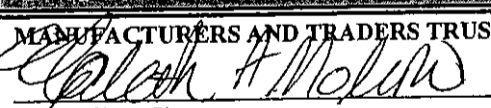
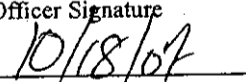

**5. Correction of Errors.** The Bank's sole responsibility to Client for an error caused by the Bank in performing the Services shall be to process a correcting entry in the next regularly scheduled processing of Client's work after the Bank has received timely notice of such error and had a reasonable opportunity to research and resolve the error. If Client fails to notify the Bank of any error alleged to have been made by the Bank, the Bank shall have no obligation to Client to take any action with respect to such error.

**6. Termination.** Any provisions contained in the Treasury Management Services Agreement (or Cash Management Services Agreement) between the Client and the Bank that may be to the contrary notwithstanding, this Agreement shall remain in effect until terminated by either party upon forty-five (45) days prior written notice to the other party; provided, however, the Bank may terminate this Agreement, without prior notice: (a) if required to do so by law, regulation or a bank regulatory authority; (b) upon Client's material breach hereof; (c) if it is permitted to do so under the terms of this Agreement or under the terms of the Cash Management Services Agreement between the Client and the Bank; (d) if the Account is closed for any reason; or (e) if the Client (i) is dissolved, becomes insolvent, generally fails to pay or admits its inability to pay its debts as they become due; (ii) makes a general assignment, arrangement or composition agreement



with or for the benefit of its creditors; or (iii) files a petition in bankruptcy or similar official procedure for the windup of its business (or has such a petition or action filed against it and such petition or action is not dismissed or stayed within forty-five (45) days of the filing).

**7. Effective Date.** This Agreement shall be generally effective as of the date of its execution. However, Services shall not commence until the date that the Bank has received and had a reasonable opportunity to act upon all information and instructions from the Client that the Bank may require.

<b>CLIENT</b>  Authorized Signature  Date		 Printed Name and Title
<b>MANUFACTURERS AND TRADERS TRUST COMPANY:</b>  Bank Officer Signature Date: 		 Printed Name and Title

**FOR M&T BANK USE ONLY:**

Authorization Confirmed:

