

From: Matthew Rogers [rogersm@mcginnsmith.com]
Sent: Friday, January 25, 2008 1:08 PM
To: 'Nordin, Jason R'; Steve Gribbon
Cc: RSANDER@SIPLAW.COM; 'McGinn, Timothy'
Subject: FIRSTLINE SECURITY
Attachments: ADT_Firstline_01-25-08.pdf

Jason

Enclose memo as discussed. Tim is currently proposing numbers to Chip. Hope to talk to you soon and work this out.

Regards

Matthew Rogers
Senior Managing Director
McGinn Smith & Company
7280 Palmetto Park Road, Suite 209
Boca Raton, FL, 33433

Tel: (561) 910 3983
Cell: (561) 212 3631
Fax: (561) 910 3838

GOVERNMENT
EXHIBIT

GF20

MCGINN, SMITH & COMPANY

TO: STEVE GRIBBON, JASON NORDIN – ADT SECURITY SERVICES
FROM: TIM MCGINN, MATTHEW ROGERS – MCGINN, SMITH & COMPANY
SUBJECT: FIRSTLINE
DATE: 1/25/2008
CC: RSANDER@SIPLAW.COM

McGinn Smith & Company (“MS”) advanced monies to Firstline Security (the “Company”) in [May, 2007 on a secured basis collateralized by RMR. Subsequently, in late December, 2007, MS was engaged by the Company in an advisory capacity to assist them in negotiating with (1) ADT, (2) GE Security and (3) Alarm.com/Microstrategies who are the major creditors (the “Creditors”) of the Company, owed in the aggregate approximately \$15 million.

From our research with the Company and discussions with Monitronics Inc, we can represent that there are 2,300 accounts that have passed all the Monitronics’ diligence tests and that Monitronics is ready to fund same for approximately \$3.05 million during the course of next week, subject to their receiving appropriate releases from the Creditors.

Furthermore the Company represents to us that there are remaining accounts situated with various monitoring centers that could be monetized with ADT or Monitronics (assuming RMR multiples consistent with prior practice) for a further \$6.5 million, for total near term available cash for distribution to the Creditors of approximately \$9.5 million.

In the experience of MS, any form of bankruptcy proceeding involving the Company will have a material adverse effect on the proceeds that can be realized in the near term, as case studies show that not only does RMR deplete at a much faster rate than is ordinarily the case, but also that buyers require a discount, resulting in multiple compression, all of which is compounded by preferred professional fees attaching themselves to the asset pool. Therefore we suggest that it is in the interests of neither the Creditors, nor the Company nor MS that bankruptcy proceedings are commenced, whether voluntarily by the Company or forcibly by one or more of the Creditors.

We spent most of yesterday and this morning negotiating with the Creditors (ADT being ably represented by Chip Sander) and have reached the following conclusions:

1. ADT has a strong position in the negotiations, because (a) it has liens on the Company and (b) it holds out the prospect to the Company of a mutually beneficial long term relationship;
2. Microstrategies has a strong negative position in that it controls the signaling path of the vast majority of the systems in the asset pool, and is legally entitled to cease providing service to said systems, which would materially reduce any realization by the Creditors, including themselves;

3. GE, relative to the other two, is in a weak position because (i) it neither has no security interest in the Company, (ii) it has no ability to operationally affect the value of the accounts (iii) and it is one of many equipment vendors who may or may not have a continuing business relationship with the Company.

We made significant progress during the course of yesterday convincing the Creditors of the merits of a negotiated settlement and convinced GE and Microstrategies of the necessity for them to accept less than they were owed in full and final settlement of their liabilities.

The impediment to a negotiated settlement yesterday was Microstrategies visceral reaction to ADT being treated in any preferred way relative to near term asset sale proceeds as a result of ADT's secured position. At one point in the discussions, they were representing that they would not agree to any settlement in which ADT received anything, before they were paid out in full. It is our belief that Microstrategies have other disputes with ADT that are driving their negotiating position in this situation.

As a result of the foregoing, we believe that there are two possible outcomes to this situation, being (i) bankruptcy proceedings and (ii) a negotiated settlement reached first between ADT, the Company and MS and thereafter with the remaining Creditors.

The broad form of an achievable negotiated settlement will involve the following ingredients:

- a) A greater than pro-rata proportion of the near term proceeds will go to GE and Microstrategies;
- b) In consideration for (a) they will discount their claims by 30%;
- c) MS will make available new capital to the Company and take control thereof. It will also make the following representations to ADT:
 - a. The Company will execute and comply with a multi-year Authorized Dealer agreement, particularly in terms of ensuring that all accounts originated during term of said agreement will comply with ADT's monitoring and service infrastructure;
 - b. The Company will be funded, such that it can have a mutually beneficial 2008 season;
 - c. MS will use its reasonable endeavors to ensure that the current accounts are monetized at the maximum valuation first to ADT and thereafter to Monitronics;
 - d. The Company will execute a secured promissory note with ADT, which will be repaid firstly from the proceeds realized in the near term, less amounts agreed paid to GE and Microstrategies, and secondly through an agreed upon dollar value amortization on each further account purchased by ADT;
 - e. The Company will produce monthly, GAAP compliant, financial and operating statements which will be made available to ADT on a monthly basis, thereby allowing ADT to monitor its note in a timely fashion;

- f. The Company's cash disbursements will ultimately be controlled by MS, and not by its current shareholders and directors.

MS believes that a settlement along these line (as amended), but involving these key ingredients will produce an optimal outcome for ADT, in terms of both total present value recovery of amounts currently due and a profitable source of future accounts for the ADT Subscriber base, who's sales efforts will be run by those with a track record of performance in this area and who's finances and business planning will be run by MS, who have long experience and competence therein.

We look forward to speaking substantively with you in the near term, as outcome (i) above is obviously the default.

From: Brian Shea [Brian.Shea@alarmtraders.com]
Sent: Wednesday, February 06, 2008 1:34 PM
To: Carr, Joseph
Subject: FW: Firstline

Joe:

Please see below, I will call you later.

By the way do we have a first lien on the Firstline Trust customer accounts or are we a second behind ADT?

Brian

From: McGinn, Timothy [mailto:tmmcginn@mcginnsmith.com]
Sent: Wednesday, February 06, 2008 12:26 PM
To: Brian Shea
Subject: Re: Firstline

Call joe today. He will be out until Monday, as will I.

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

From: Brian Shea <Brian.Shea@alarmtraders.com>
To: McGinn, Timothy
Sent: Wed Feb 06 10:14:18 2008
Subject: Firstline

Tim:

John just informed me last night that he thought the Trusts would not receive any cash until the bankruptcy plan is approved which would be 5 to 9 months! Do we want to petition the court to try to get some relief for ourselves? Otherwise we have to either suspend investor payments or cover them from other sources.

Maybe we should discuss with Joe Carr tomorrow when you are back in the office?

Brian

Brian E. Shea
Chief Operating Officer
Alarmtraders.com
T (518) 292-0002
F (518) 320-1041

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GF22

From: McGinn, Timothy [tmmcginn@mcginnsmith.com]
Sent: Thursday, February 28, 2008 7:26 AM
To: William Lex
Subject: RE: SAI Payments

Bill,

David has spoken to Ray Gross at SAI. Gross has indicated to DLS that he believes that the funding and liquidity problems at SAI will be sorted out within the next 10 business days. That would allow resumption of payments to our clients. Personally, I'm not quite as certain that will happen, given Gross's prior assurances that payments were just a couple of days away. Having said that, I would add, however, that Gross is too smart to lie to us.

Everything OK with Verifier and Firstline.

Tim

From: Deb Adkins on behalf of William Lex
Sent: Wed 2/27/2008 11:08 AM
To: McGinn, Timothy
Cc: Guzzetti, Andrew
Subject: SAI Payments

Dear Tim:

I haven't heard a response to my February 22, 2008 e-mail concerning the SAI payment for February 1, 2008.

The greater question is whether TDM Verifier and/or Firstline could have the same problem(s) as SAI. If TDM or Firstline became slow pay or defaulted, what are the provisions to protect our clients?

Thank you for your prompt attention to this matter.

Best regards,
Bill Lex

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EXHIBIT

GF24

From: Cooper, Brian [cooperb@mcginnsmith.com]
Sent: Monday, April 28, 2008 3:51 PM
To: McGinn, Timothy
Subject: May 1st Payments

Firstline and TDM Cable Monthly Payments

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

FirstLine Senior Trust 07

M&T Bank
Buffalo NY
ABA REDACTED
Account REDACTED 5028

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

Also TDM Cable

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

Thank you,

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

From: Cooper, Brian [cooperb@mcginnsmith.com]
Sent: Friday, May 02, 2008 10:08 AM
To: McGinn, Timothy
Subject: FW: May 1st Payments

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

From: Cooper, Brian
Sent: Monday, April 28, 2008 3:51 PM
To: McGinn, Timothy
Subject: May 1st Payments

Firstline and TDM Cable Monthly Payments

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

FirstLine Senior Trust 07
M&T Bank
Buffalo NY
ABA ^{REDACTED} 046
Account ^{REDACTED} 5028

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

Also TDM Cable

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

Thank you,

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Toll Free 1-800-724-3330*

GOVERNMENT
EXHIBIT
GF30

From: Cooper, Brian [cooperb@mcginnsmith.com]
Sent: Wednesday, October 01, 2008 11:47 AM
To: McGinn, Timothy
Cc: Rees, David
Subject: FW: Interest Payments

Tim, as discussed I will move \$83,000 from the TDM Luxury Cruise operating account at M&T Bank to TDM verifier Trust 08 and record it as a loan @ 1% short term.

If you could please wire \$116,000 to:

Firstline Trust \$116,000

M&T Bank Buffalo NY
Firstline Senior Trust
ABA REDACTED 046
Account REDACTED 5028

Thank you,

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

From: Cooper, Brian
Sent: Sunday, September 28, 2008 1:12 PM
To: McGinn, Timothy
Cc: Rees, David
Subject: Interest Payments

Hi Tim, can you please fund TDM Verifier Trust 08 \$83,000 for Interest payments due October 1st.

Please wire the funds to:

M&T Bank Buffalo NY
TDM Verifier Trust 08
ABA REDACTED 046
Account REDACTED 5738

Also

Firstline Trust \$116,000

M&T Bank Buffalo NY
Firstline Senior Trust
ABA REDACTED 046
Account REDACTED 5028

Thank you,

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

McGinn Smith Capital Holdings Corp.
99 Pine Street, 5th Floor
Albany, New York
(518) 449-5131

September 10, 2009

VIA FIRST CLASS MAIL

Mr. Andrew M. Greenberg
REDACTED

Manalapan, NJ 07726

Re: \$20000 FIRSTLINE TRUST 07 SERIES B JUNIOR CONTRACT CERTIFICATES 11% DUE 10/01/12
Registration: *NFS/FMTC SEP IRA FBO ANDREW M. GREENBERG*

Dear Mr. Greenberg:

It is my understanding that your McGinn, Smith & Co. Inc. registered representative has discussed with you the financial situation of Firstline Security, Inc. ("Firstline"). I have attached a Memorandum prepared by our General Counsel which provides a more definitive review of Firstline's situation and the anticipated manner by which we hope to alleviate the current suspension of payments.

We will provide additional information when the offer to purchase is finalized.

McGinn, Smith Capital Holdings Corp.,
Trustee

By: 
Timothy M. McGinn, Chairman of the Board

Memorandum

To : Subscribers involved with Firstline Security, Inc.
From: Joseph B. Carr, Esq., General Counsel
Subject: Firstline Security, Inc.
Dated: September 10, 2009

On May 9, 2007 McGinn, Smith Funding, LLC (“Funding”) provided a loan to Firstline Security, Inc. (“Firstline”) in the amount of \$2,781,250. On October 4, 2007 Funding provided a second loan to Firstline in the amount of \$2,410,000. The loans were secured by personal guarantees from Firstline’s shareholders and, ostensibly, a security interest encumbering a myriad of residential alarm monitoring contracts (the “Contracts”). The loans were made only after Firstline’s operations in Utah were reviewed in person, the Contracts were analyzed and all other appropriate due diligence was conducted.

In January, 2008 ADT Security Services, Inc. (“ADT”) commenced litigation against Firstline and many other defendants including McGinn, Smith & Co., GE Security, Inc., Protection One and Alarm.com alleging that Firstline breached its dealer agreement with ADT by failing to act exclusively with ADT. ADT is seeking damages in excess of \$20,000,000 and also a declaration by the Court that its security interest encumbering the assets of Firstline is superior to the security interests of other secured creditors, including the security interest in favor of McGinn, Smith. Firstline concealed from Funding that it was embroiled in a massive disagreement with ADT and, in fact, breached various representations and warranties in the loan documents, at the time that Funding made the two loans to Firstline.

Firstline responded to ADT’s lawsuit by filing a voluntary chapter 11 bankruptcy petition on January 25, 2008 in the United States Bankruptcy Court for the District of Utah. The filing of the bankruptcy petition resulted in the creation of an automatic stay under the Bankruptcy Code. The automatic stay precluded ADT from pursuing its claims against Firstline and also has precluded all other creditors, including Funding from collecting amounts that are owed to them. Funding, in fact, has not received a payment on the loans since the time that the bankruptcy proceeding was commenced.

Funding was able to secure immediate financing, secured by its Firstline receivables, in order to have funds available to make the monthly payments due to its lenders. It was anticipated that this borrowing and the concomitant payments to lenders would continue until the bankruptcy proceeding was concluded and Funding received the amounts that Firstline owed to it. At the onset it was anticipated that the bankruptcy proceeding would be concluded in short order and that there would be no disruption in the payments required to be made by Funding to its lenders. The Lender has become exhausted with the time delays and is no longer willing or capable of funding. Therefore,

monthly payments are being suspended until transactions can be restructured. The legal issues are finally moving along and we anticipate payments will be resumed under the restructured plan by January, 2010.

The alarm systems sold by Firstline to the vast majority of its customers were obtained using Alarm.com technology. Alarm.com products are integrated into a control panel installed in a customer's home and contain imbedded, proprietary software that prevent its use except with wireless services provided by Alarm.com. Alarm.com asserted a claim against Firstline for an amount in excess of \$4,000,000 and insisted that it would not allow the use of its technology by any entity that purchased Contacts from Firstline unless its claim was paid in full in preference to the claims of secured creditors. Alarm.com's position brought the resolution of Firstline's bankruptcy to a standstill until the Alarm.com issues could be resolved. Negotiations ensued over several months to no avail. On October 8, 2008, Firstline commenced an adversary proceeding against Alarm.com in Bankruptcy Court. This resulted in a series of motions, demands for discovery and depositions, all of which went on for months. In early June, 2009 a settlement agreement was signed. The settlement was approved by the Court on July 25, 2009. The settlement provided for a \$500,000 payment to Alarm.com with the balance of its claim in the amount of \$3,669,659 to be treated as a general unsecured claim. Of great importance was the agreement by Alarm.com to permit an affiliate of McGinn, Smith to become an Alarm.com dealer upon the purchase of Firstline's Contracts, thus making Alarm.com's technology available to us in the event that we should purchase the Contracts.

Concurrently with the adversary proceeding against Alarm.com, Firstline brought an adversary proceeding against an alarm dealer to reclaim Contracts that were sold to it but for which no payment was made and against ADT to void its asserted security interest in Contracts. All of the matters have consumed vast amounts of time and until the Alarm.com matter was resolved, created insurmountable impediments to the acquisition by McGinn, Smith of the Firstline Contracts.

As early as April, 2008 McGinn, Smith initiated offers to purchase the Firstline Contracts. The offers, by necessity, required the approval of Alarm.com because of the need to utilize Alarm.com's technology. These offers were discussed, as were various counter offers, at length for months but could not move forward until the Alarm.com issue was resolved. Immediately after the Court approved the settlement with Alarm.com McGinn, Smith initiated a formal offer to purchase the Firstline Contracts for \$3,500,000 together with a forgiveness of its claims against Firstline. This offer has been debated among Firstline, General Electric, ADT, the unsecured creditor's committee and the other parties in interest since the beginning of June, 2009. It now appears that the offer will be accepted at any time, subject, however, to Bankruptcy Court approval, which, among other things, will require that higher and better offers be solicited from third parties for some period of time.

If the McGinn, Smith offer is approved and consummated Funding anticipates that its lenders will be repaid within five (5) years as follows:

- A. To the Senior Tranche: 100% of principal plus prospective interest at 5.00% per annum.
- B. To the Junior Tranche: Payments aggregating \$3,200,000 on principal of \$3,700,000 which when added to interest paid to date will result in total cash out of \$4,000,000 or 108% of the invested capital.

Bankruptcy Court approval is a condition precedent to the purchase of the Firstline Contracts. If this approval is obtained within a reasonable time it is assumed that payments will be resumed in January, 2010. Payments to the tranches will be made monthly as follows:

Senior Tranche- \$100 per \$10,000
Junior Tranche- \$ 40 per \$10,000

Upon a closing following Bankruptcy Court approval, Funding and all of its affiliates will be removed from the Bankruptcy proceeding, will acquire the Contracts, will release their claims against Firstline and will be released by Firstline and by all other parties from claims that those parties might have against them involving Firstline.

From: McGinn, Timothy [tmmcginn@mcginnsmith.com]
Sent: Tuesday, July 01, 2008 12:40 PM
To: Birnbach, Denise

Denise,

Please execute the following:

- 1) Please wire the following from McGinn, Smith Transaction Funding Corp.:
- i) \$75,000 to M & T Bank, ABA #: REDACTED 1046, Buffalo, NY, Acct #: REDACTED 15028, Acct Name: Firstline Sr. Trust.
 - ii) \$27,000 to M & T Bank, Acct #: REDACTED 4500, Account Name: TDM Cable Trust.
 - iii) \$89,000 to M & T Bank, Acct #: REDACTED 5738, Account Name: TDM Verifier Trust 08.

2) Please journal \$50,000 from McGinn, Smith Transaction Funding Corp. to Mr. Cranberry LLC.

3) From Mr. Cranberry LLC., please issue bank checks as follows:

- i) \$34,000 to Burton Fisher
- ii) \$4,250 to Timothy M. McGinn
- iii) \$4,250 to David L. Smith

Please overnight the above checks to McGinn, Smith & Co., Inc, 99 Pine St., Albany, NY 12207, Attn: Timothy McGinn.

4) Please wire from Integrated Excellence Sr. Trust:

- i) \$35,000 to M & T Bank, Buffalo, NY, ABA #: REDACTED 046, Acct #: REDACTED 9965, Account Name: David L. Smith.
- ii) \$35,000 to M & T Bank, Buffalo, NY, ABA #: REDACTED 046, Acct #: REDACTED 9504, Account Name: Timothy M. McGinn.

I will be available on my cell at 518-505-7748, for wire room confirmation.

Thank you.

Timothy M. McGinn
Chairman and CEO, McGinn, Smith Transaction Funding Corp.
Managing Member, Mr. Cranberry, LLC

GOVERNMENT
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GG9

From: McGinn, Timothy [tmmcginn@mcginnsmith.com]
Sent: Tuesday, July 15, 2008 11:07 AM
To: Birnbach, Denise
Subject: wire

Denise,

Forgot. One more.

Please wire \$15,000 from Integrated Excellence Trust 08 to:

M & T Bank
Buffalo, NY
ABA #: (REDACTED)0046
Account #: (REDACTED) 3504
Account Name: Timothy M. McGinn

Thank you,

Timothy M. McGinn
Chairman and CEO

GOVERNMENT
EXHIBIT

GG12

From: Cooper, Brian [cooperb@mcginnsmith.com]
Sent: Tuesday, August 26, 2008 4:04 PM
To: McGinn, Timothy
Cc: Rees, David
Subject: Interest Distributions 9/1

TDM LUXURY CRUISE

Total Due \$90,625
Less Luxury CC Inc 7/15 deposit into M&T operating o\$45,387

Funds needed to cover shortfall;

Tim, please wire \$45,000 for quarterly interest distributions to:

TDM Luxury Cruise Trust
Account 9839965234

FIRSTLINE

Tim, please wire \$97,000 to:

Firstline Sr Trust
Account REDACTED 5028

TDM CABLE FUNDING

Tim, please wire \$26,000 to:

TDM Cable Trust
Account REDACTED 1500

All accounts are held at:

M&T Bank
Buffalo NY
ABA ID REDACTED 046

Also;

Integrated Excellence Sr. begins paying P&I October 1st.
Interest due 9/1 is \$6,750. The cash balance in the operating account is \$12,909.23. We do not need additional funding.

Thank you,

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

From: McGinn, Timothy [tmmcginn@mcginnsmith.com]
Sent: Friday, August 29, 2008 10:13 AM
To: Birnbach, Denise
Subject: wires

Denise,

Please wire the following from Integrated Excellence Jr. Trust 08:

- 1) \$45,000.
M & T Bank
Buffalo, NY
ABA #: 022000046
Account #: 0000005234
Account Name: TDM Luxury Cruise Trust
- 2) \$97,000
M & T Bank
Buffalo, NY
ABA #: 022000046
Account #: 0000005028
Account Name: Firstline Sr. Trust

Thank you,

Timothy M. McGinn
Chairman and CEO