

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION :

Plaintiff,

vs.

Case No. 1:10-CV-457
(GLS/DRH)

McGINN, SMITH & CO., INC., :
McGINN, SMITH ADVISORS, LLC :
McGINN, SMITH CAPITAL HOLDINGS CORP., :
FIRST ADVISORY INCOME NOTES, LLC, :
FIRST EXCELSIOR INCOME NOTES, LLC, :
FIRST INDEPENDENT INCOME NOTES, LLC, :
THIRD ALBANY INCOME NOTES, LLC, :
TIMOTHY M. McGINN, AND :
DAVID L. SMITH, GEOFFREY R. SMITH, :
Individually and as Trustee of the David L. and :
Lynn A. Smith Irrevocable Trust U/A 8/04/04, :
LAUREN T. SMITH, and NANCY McGINN, :

Defendants,

LYNN A. SMITH and
NANCY McGINN,

Relief Defendants. and

GEOFFREY R. SMITH, Trustee of the
David L. and Lynn A. Smith Irrevocable
Trust U/A 8/04/04,

Intervenor.

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**MOTION OF WILLIAM J. BROWN, AS RECEIVER, FOR AN ORDER
APPROVING (I) SALE AND BIDDING PROCEDURES WITH RESPECT TO
THE SALE OF CERTAIN ALARM SYSTEM MONITORING ACCOUNTS AND
RELATED ASSETS OWNED BY CERTAIN RECEIVERSHIP ENTITIES
INCLUDING THE ASSIGNMENT OF CERTAIN AGREEMENTS RELATED
THERE TO, (II) TIME, DATE, PLACE AND MANNER OF NOTICE FOR EACH
OF THE AUCTION AND SALE HEARING, AND (III) THE SALE OF THE
RECEIVER'S INTERESTS FREE AND CLEAR OF LIENS, CLAIMS,
ENCUMBRANCES, AND OTHER INTERESTS**

William J. Brown, as Receiver (“Receiver”) for the entity Defendants in this action and certain other entities, by his counsel, Phillips Lytle LLP, moves (the “Motion”) for an order (i) approving sale and bidding procedures with respect to the sale of certain (i) alarm system

monitoring accounts (“Alarm System Accounts”) owned by McGinn, Smith Firstline Funding, LLC, MSFC Security Holdings, LLC, First Excelsior Income Notes, LLC, First Independent Income Notes, LLC, Third Albany Income Notes, LLC, Pacific Trust 02, McGinn Smith Funding LLC, McGinn Smith Alarm Trading LLC (collectively, “Sellers”), (ii) related interests and assets including used office equipment located at 99 Pine Street, Albany, New York, necessary to the continued operation of the Alarm System Accounts business, (iii) and the assignment of certain agreements related thereto concerning those Alarm System Accounts (collectively, “Assets”), (iv) Time, Date, Place And Manner Of Notice For Each Of The Auction And Sale Hearing, and (v) approving the sale of the Receiver’s interests in the Assets free and clear of liens, claims, encumbrances, and other interests, and in support thereof, represents as follows:

SUMMARY OF MOTION

Each of the Sellers are Receivership entities. In each instance, the Sellers indirectly own or control the remaining Alarm System Accounts currently managed by McGinn Smith Alarm Trading, LLC (“Alarm Traders”) at 99 Pine Street, Albany, New York. The purpose of this Motion is to inform the Court of an offer received by the Receiver for the Assets, to obtain approval for the sale of the Assets to Alarm Services, LLC (“Buyer) pursuant to the Asset Purchase Agreement substantially in the form attached as **Exhibit A** (“APA”), and to establish a bidding process through which the Assets would be sold to the highest and best bidder if another bid was made according to the bidding terms. The proceeds from the sale will be placed in the Receiver’s account and used by the Receiver for the benefit of the estates of the MS Entities including repayment of creditors and investors.

BACKGROUND

A. General Background

1. On April 20, 2010, the Securities and Exchange Commission (“SEC”) filed a Complaint initiating the above-captioned action (the “Complaint”). Also, on April 20, 2010, this Court granted a Temporary Restraining Order which, among other things, froze certain assets of the above-captioned Defendants and Relief Defendants, and appointed the Receiver as temporary receiver with respect to numerous entities controlled or owned by Defendants Timothy M. McGinn and David L. Smith (collectively, the “MS Entities”).

2. On July 22, 2010, the SEC amended the Complaint, and the Preliminary Injunction Order was entered appointing the Receiver as permanent receiver with the consent of defendants Timothy M. McGinn and David L. Smith. The Preliminary Injunction Order authorizes the Receiver to, among other things, “use, lease, sell, and convert into money all assets of the MS Entities, either in public or private sales or other transactions on terms the Receiver reasonably believes based on his own experience and input from his advisors to be most beneficial to the MS Entities and those entitled to the proceeds...” (Preliminary Injunction Order, Para. VIII(m), Docket No. 96).

B. Background Relating to the Sellers

3. The Sellers are MS Entities. Prior to the Receivership, from time to time over a period of years, each of the Sellers at the direction or under the control of David L. Smith and/or Timothy M. McGinn caused the Assets to be purchased in various transactions. Alarm System Accounts are agreements for providing alarm installation, monitoring and service at residential and commercial properties. The Alarm System Accounts which are the subject of this Motion consist of approximately 5,000 residential and light commercial accounts in approximately 40 states throughout the United States.

4. The Alarm System Accounts are comprised of three tranches of accounts: the so-called “Firstline” tranche, the so-called “MSFC” tranche, and the so-called “Trust” tranche.

5. The Firstline tranche includes the remaining accounts which were purchased by McGinn, Smith Firstline Funding, LLC from an unrelated entity, Firstline Security, Inc. (“FSI”), out of FSI’s Chapter 11 bankruptcy case at a price based on a multiple of approximately 11.49 times recurring monthly revenue (“RMR”)¹. The annualized attrition rate² for the Firstline tranche over the preceding six-month period is in the 42% range which is considered exceptionally high. Normal annualized attrition for quality alarm system accounts should be in the 8-12% range. The Firstline tranche makes up approximately 48% of the Alarm System Accounts.

6. The MSFC tranche includes the remaining accounts which were purchased by MSFC Security Holdings, LLC from Fortress Credit Corp., and are comprised of accounts originally installed by an unrelated third party, Alarm One, Inc. They were purchased by MSFC for an effective multiple of approximately 12.19 times RMR. The annualized attrition rate for the MSFC tranche over the preceding six-month period is in the 21% range. The MSFC tranche includes primarily contracts that are on month-to-month terms at this juncture, and approximately one-half of the tranche is on non-controlled Alarm Traders telephone lines. The MSFC tranche makes up approximately 27% of the Alarm Systems Accounts.

7. The Trust tranche includes the remaining accounts owned by First Excelsior Income Notes, LLC, First Independent Income Notes, LLC, Third Albany Income Notes, LLC, Pacific Trust 02, McGinn, Smith Funding, LLC, and McGinn, Smith Alarm

¹ RMR is used in the alarm contract industry together with a “multiple” to establish purchase price or value for a portfolio of alarm contracts.

² Attrition rate is the rate at which alarm contract customers do not renew their contracts.

Trading, LLC. These accounts were acquired by those entities at various multiples of RMR and at various times between 2002 and 2008. The accounts were originally installed by more than 40 different alarm dealers. The annualized attrition rate for the Trust tranche over the prior six-month period is in the 14% range. Due to the age of the accounts in the Trust tranche, much of the alarm equipment is outdated and almost the entire tranche is on non-controlled telephone lines. The Trust tranche makes up approximately 25% of the Alarm Systems Accounts.

8. To assist in the evaluation of the Alarm System Accounts, the Receiver engaged R. Anthony Smith of Security Finance Associates, Inc., a nationally recognized consultant and broker in the alarm contract business (“Consultant”) to (a) perform an evaluation of the MS Entities engaged in the alarm contract business including their portfolio of security alarm monitoring accounts, their marketability, and a presently pending offer; (b) identify the best disposition methodologies; and (c) if requested, provide negotiation services and due diligence oversight with respect to a buyer. In addition, the Consultant reviewed the operational procedures at Alarm Traders. He found the Alarm System Accounts as well as all operational areas of the business to be in order. He concluded, however, that the Assets were severely damaged primarily due to the high attrition rates. Additionally, he noted that the geographical spread of the accounts was considered a negative which would limit the pool of buyers. He also found that the lack of control of all of the customer alarm telephone lines, which would permit a buyer to move the alarm customer to the buyer’s own central monitoring station line, to be a serious problem for most buyers. Finally, the excessive attrition rates would seriously affect finding a serious qualified buyer. The Consultant believed it was unlikely that he would find a buyer for all of the Assets in one sale unless the purchase price was severely compromised to a level which the Receiver found to be unacceptable. The other alternative was to break the

portfolio into pieces but without any assurance that sufficient buyers would be found for all of the Assets. The potential transactional costs of multiple sales and the risk of being left with Assets unsold was also unacceptable.

9. The Receiver has used the monthly revenue from all of the MS Entities' Alarm System Accounts to help fund the costs of operating the estates of the MS Entities including the alarm service business and to accumulate monies to eventually distribute to investors of the MS Entities. In the period May 1, 2010 through January 31, 2012, the approximate net revenue generated for investors has been \$2,862,831. These proceeds are deposited in the Receiver's bank account for eventual distribution to creditors and to pay estate expenses.

C. Background Relating to the Buyer

10. The Receiver has received an offer from the Buyer to purchase all of the remaining Alarm System Accounts for approximately \$1.75 million (subject to certain agreed upon closing adjustments).

11. The Buyer is a newly formed entity owned by Brian Shea and Douglas Keenholts who each have worked for one or more of the MS Entities prior to the Receivership. Mr. Keenholts has always been primarily involved in the alarm business operated by the MS Entities and Integrated Alarm Services Group, Inc., and not directly involved with the MS Entities' securities businesses. Mr. Shea worked for McGinn, Smith & Co. prior to 2003, then served as the Executive Vice President for Integrated Alarm Services Group until 2007 when he went to work for Alarm Traders. In April 2009, Mr. Shea returned to work for McGinn, Smith & Co., Inc. Since April 21, 2010, Messrs. Shea and Keenholts have continued to work for the Receiver in the operation of the alarm account business at Alarm Traders and have been valuable resources to the Receiver. Mr. Shea has also functioned as the Receiver's controller and has

provided the Receiver with valuable information about the MS Entities from information he has been able to reconstruct and continues to reconstruct from various records including from third party financial institutions. In turn, this has allowed the Receiver to perform his duties and to assist various federal agencies.

MOTION

1. This Motion seeks approval for the sale of the Assets to the Buyer for \$1.75 million (subject to customary closing adjustments) after a bidding process described below. The Receiver considers this to be a market price offer under the circumstances.

2. The Receiver believes the Buyer is in the best position to buy the Assets because its principals already operate them and are in contact with the customers to whom services are provided. The Receiver believes the Buyer is not as affected by the perceived negative attributes of the Alarm System Accounts, while at the same time willing to retain the business in Albany, New York including most of the current employees and providing executive services to the Receiver for up to two years (without compensation) to assist in winding up the estates of the MS Entities.

3. The principal terms of the agreement are as follows:³

a. The purchase price is \$1.75 million (subject to customary closing adjustments);

b. Assets to be sold consist of all personal property, including all business and other assets of every kind, character and description (but expressly not including claims held by the Receiver with the limited exception of claims held against Alarm System Accounts customers in the ordinary course of business) used in or for the benefit of the Alarm System Accounts business at 99 Pine Street, Albany, New York;

³ Reference should be made to the Asset Purchase Agreement for exact terms of sale.

c. The Buyer assumes all obligations and liabilities for the operation of the business as of the closing;

d. The Buyer shall pay a deposit of \$50,000 upon signing the Asset Purchase Agreement which will be held in escrow by counsel for the Receiver, and the Buyer shall pay an additional \$100,000 deposit to be applied against the Purchase Price at closing;

e. The closing shall occur no later than the 15th day after the Order approving the Motion is entered unless waived by the parties;

f. The sale is without recourse, representation or warranty by the Receiver;

g. The purchase price will be paid by the deposits, closing adjustments, and a 36 month Note of approximately \$1.6 million which will be secured by perfected first liens on the Assets and subsequent cash generated pursuant to the form of documents attached as Exhibits C, D and E to attached Exhibit A. It is expected that the Note repayments will be accomplished from income on the Alarm System Accounts and can be prepaid without penalty. The Note bears an annual interest of 7% per annum.

h. There are no brokers associated with the transaction.

4. Despite the belief that the Assets could be of interest to other purchasers, the Receiver has received no material inquiries with respect to the purchase of the Assets.

PROPOSED SALE PROCEDURES

5. Although the Receiver has not received any other offers for the purchase of the Assets, to ensure the maximization of the Sellers for the benefit of the MS Entities and those entitled to the proceeds, the Receiver seeks approval of the following procedures to market and potentially auction the Assets for the highest and best consideration:

a. Upon entry of an Order scheduling a hearing on this Motion, the Receiver shall conspicuously post on the Receiver's website relating to this case

(<http://mcginnsmithreceiver.com>) general details of the proposed sale of the Assets along with the deadline for submissions of competing bids for the Assets;

b. The Receiver will promptly distribute to the Consultant and David Roman of Safe Home Security as well as any other individuals who have expressed, or who, in response to the Receiver's publication of the sale, express, interest in the Assets with any available due diligence package, subject to the signing by such individual of a confidentiality agreement;

c. Any competing offers for the Purchase of the Assets must be on substantially the same terms as set forth in the Purchase Agreement;

d. To the extent that the Receiver receives one or more bona-fide offers to purchase the Assets in accordance with these procedures, an auction will be held at the offices of Phillips Lytle LLP, Omni Plaza, 30 South Pearl Street, Albany, New York 12207 two business days prior to the date and time set by the Court for this Motion;

e. There is a break-up fee of \$60,000 if the Buyer is not the highest and best bidder at the auction. Any alternative offer must result in a net higher economic value to the Sellers of not less than \$150,000 based upon all consideration paid by Buyer, which is a partial estimate of the value for the services to be provided by Messrs. Shea and Keenholts to the Receiver as part of the Executive Services Section of the APA as described in paragraph 5 of the APA;

f. The sale of the Assets to the Buyer or, alternatively, the winning bidder at the auction, will be approved by this Court;

g. The Receiver, in his reasonable discretion, may take such other actions as necessary to ensure that the marketing, auction and sale procedures are in accordance with his duty to maximize the value of the Assets for the benefit of the MS Entities and those entitled to the proceeds.

6. Timing is of the essence in completing the sale of the Assets. The Buyer has agreed to the Purchase Agreement on the condition that the sale is approved on or before March 19, 2012. This expedited timetable is necessary because an important component of the consideration for the sale is further investment by the Buyer in the assets to improve their condition and performance and obtaining the portfolio while the revenue makes operating it of interest.

BASIS FOR RELIEF

7. The relief requested herein is authorized by the Preliminary Injunction Order and applicable law, and additionally is appropriate because it preserves the value of the Sellers for the benefit of the MS Entities and those entitled to the proceeds.

8. This court clearly has the authority to freeze assets and to permit sales of such assets. That authority authorizes a court in cases such as this to exercise “broad equitable discretion.” S.E.C. v. Fischbach Corp., 133 F.3d 170, 175 (2d Cir. 1997); see also SEC v. Manor Nursing Centers, Inc., 458 F.2d 1082, 1103 (2d Cir. 1972) (explaining the equitable powers granted to the district court and holding that when there is “a showing of a securities law violation, the court possesses the necessary power to fashion an appropriate remedy.”).

9. The Preliminary Injunction Order mandates that the assets be maintained without dissipation of their value. (Preliminary Injunction Order at page 5). Therefore, if the value of an asset is at risk of dissipation so that funds available to investors could be diminished in the event the SEC ultimately obtains a judgment, the Court may act to prevent such

dissipation. S.E.C. v. Am. Bd. of Trade, Inc., 830 F.2d 431, 436 (2d Cir. 1987). In addition, the Court also has the power to enter the proposed Order under § 21(d)(5) of the Securities Exchange Act of 1934, which provides that in SEC actions, “the Commission may seek, and any Federal court may grant, any equitable relief that may be appropriate or necessary for the benefit of investors.” See also S.E.C. v. Wencke, 622 F.2d 1363, 1369 (9th Cir. 1980) (“federal courts have inherent equitable authority to issue a variety of ‘ancillary relief’ measures in actions brought by the SEC to enforce the federal securities laws”) (citations omitted).

10. In this case, the proposed sale is likely to maximize the value of the Sellers, and, additionally to mitigate the risk that the value of the Assets further diminish to the detriment of the MS Entities and those entitled to the proceeds. The rights to Alarm System Accounts decline over time as individual accounts expire and are not renewed. The proposed sale would monetize the value of the Sellers, and the procedures set forth herein provide for higher and better offers to better ensure that the Assets is sold for the greatest consideration.

MEMORANDUM OF LAW

11. Since the basis for the relief requested herein under the Permanent Injunction Order and applicable law is set forth herein, the Receiver requests that any requirement for a separate memorandum of law be waived.

CONCLUSION

12. As such, for the reasons set forth herein, the Receiver requests entry of an Order (i) approving the procedures set forth herein for the marketing and auction of the Assets pursuant to the terms set forth herein, (ii) approving such procedures on an expedited basis to allow the Receiver to begin as soon as possible such marketing procedures, (iii) setting a hearing date for approval of the sale of the Assets to the Buyer or the highest and best bidder at the

auction, as the case may be, consistent with a hearing to occur on or before March 19, 2012, and
(iv) providing such other relief as is necessary and proper.

Dated: March 1, 2012

PHILLIPS LYTTLE LLP

By /s/ William J. Brown

William J. Brown (Bar Roll #601330)

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Doc # 01-2554635.7

Exhibit A

ASSET PURCHASE AGREEMENT

between

ALARM SERVICES, LLC

and

William J. Brown, as Receiver for

McGinn, Smith Firstline Funding, LLC

MSFC Security Holdings, LLC

First Excelsior Income Notes, LLC

First Independent Income Notes, LLC

Third Albany Income Notes, LLC

Pacific Trust 02

McGinn, Smith Funding, LLC

McGinn, Smith Alarm Trading, LLC

ASSET PURCHASE AGREEMENT

THIS AGREEMENT (“Agreement”) is made as of February 10, 2012 by and between Alarm Services, LLC, a New York limited liability company maintaining its principal place of business at 99 Pine Street, 3rd Floor, Albany, NY 12007 (“Buyer”) and William J. Brown, as Receiver for McGinn, Smith Firstline Funding, LLC, MSFC Security Holdings, LLC, First Excelsior Income Notes, LLC, First Independent Income Notes, LLC, Third Albany Income Notes, LLC, Pacific Trust 02, McGinn, Smith Funding LLC, McGinn, Smith Alarm Trading LLC (collectively the “Sellers”). Buyer and the Sellers are collectively referred to as the “Parties”

RECITALS

- A. Buyer is in the business of purchasing monitoring accounts and the management of such monitoring accounts, which includes arranging for the monitoring of security alarm systems and the billing and collecting of monitoring service fees.
- B. The Sellers are currently engaged in the business of owning and servicing accounts for residential and light commercial security systems (“Accounts”).
- C. Buyer and the Sellers desire to enter into an agreement pursuant to which Buyer shall purchase in bulk the Accounts and other assets of the Sellers described on the Rider attached to the Agreement.

The following terms shall have the meanings set forth herein when used in this Agreement:

“**Accounts**” means all "accounts" created or acquired by the Sellers which are listed on the attached Rider, all of which are subject to this Agreement.

“**Accounts with Zero Value**” means Accounts that are over 60 days past due as of the Purchase Date, have indicated an intent to cancel at a future date as of the Purchase Date, or have already been cancelled as of the Purchase Date.

“**Account Agreement**” is an agreement between the Sellers and the Subscriber for the provision of monitoring services.

“**Affiliate**” means any person or entity affiliated with, controlled by, or under common control with Sellers.

“**Alarm System**” means a residential or light commercial alarm system involving a homeowner or business which has entered into an Account Agreement for monitoring services which is owned by the Sellers.

“**Installer Code**” means the secret set of numbers that the Sellers program into an alarm panel to prevent unauthorized takeover.

“**Prepays**” is the amount any Subscriber has remitted to Seller prior to closing for services to be delivered after the closing date by Buyer.

“**Purchase Price**” is the dollar amount paid to purchase the Accounts and other assets.

“**Purchase Date**” is the date on which the purchase and sale of the Accounts and other assets is consummated pursuant to the terms of the Agreement.

“**Qualified Purchase Multiple**” (QPM) is the multiple of RMR to be paid by Buyer for Accounts which meet all of the criteria in **Exhibit B**.

“**Sellers**” means the entities identified above that have created or acquired the Account(s), have all legally required permits and licenses for the conduct of their business and otherwise meet all their obligations in this Agreement. Sellers are individually referred to as “Seller”.

“**RMR**” means the recurring monthly revenue which a Subscriber has contracted to pay for the monitoring services to be provided to that Subscriber under his or her Account Agreement owned by the Sellers.

“**Subscriber**” means the end user of monitoring services pursuant to an Account Agreement. This person is the owner of the home or business where monitoring services are rendered. A person who rents a home does not qualify as a Subscriber.

AGREEMENT

NOW, THEREFORE in consideration of the foregoing, the mutual promises and covenants hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **PURCHASE AND SALE OF ACCOUNTS AND OTHER ASSETS.** Buyer shall purchase from the Sellers and the Sellers shall sell to Buyer all of the Accounts and other assets listed on the Rider attached hereto which is incorporated into and made a part of this Agreement (the “Rider”).
2. **DELIVERY OF CONTRACTS AND OTHER ASSETS.** Sellers shall deliver to Buyer on the Purchase Date (a) the fully executed originals or copies of each Account Agreement accepted by Buyer, including the Account Agreements relating to the Accounts with Zero Value, together with all related documents, (b) an executed Bill of Sale and Assignment by Sellers in the forms attached as Exhibit “A” as amended and supplemented from time to time with Sellers’ consent, (c) any other transfer documents reasonably requested by Buyer, and (d) all other assets listed on the Rider.
3. **PURCHASE PRICE.**
 - a. The purchase price for the Accounts and other assets shall be equal to the total set forth on **Exhibit B**. All taxes, fees, assessments or other governmental charges, impositions or withholdings of any nature (and interest and penalties relating thereto) (collectively the “Impositions”) imposed on, based on, or with respect to, a Subscriber, an Account Agreement, the Alarm System, this account sale transaction, or any and all Account(s), including sales tax, use tax, excise tax, taxes on gross receipts or otherwise, incurred prior to the Purchase Date, shall be paid solely by Sellers.

- b. The Purchase Price shall be paid as follows:
- (i) Buyer shall deliver a cash deposit of \$50,000 (“Deposit”) to the Receiver upon signing the Agreement to be held by the Receiver’s counsel in escrow pending the closing of the sale. If, for any reason, the sale does not close, the Deposit will be promptly returned to the Buyer.
 - (ii) At closing, Buyer shall deliver \$100,000 as an additional deposit (“Additional Deposit”).
 - (iii) On the Purchase Date, Buyer shall deliver (w) its Note in the form of Exhibit C for the balance of the Purchase Price after application of the Deposit and Additional Deposit, (x) the Security Agreement and Bank Account Assignment in the form of Exhibit D, (y) the Guaranties of Brian Shea and Douglas Keenholtz in the form of Exhibit E, and (z) the employment agreements of Messrs. Shea and Keenholtz in form satisfactory to Sellers which shall be collaterally assigned to Sellers.

4. TELEPHONE LINES AND SERVICES. All telephone lines used by Sellers in connection with their communication with central monitoring stations and customer service functions for Subscriber’s under this Agreement and all other services relevant to the business including Lexis Nexis, equipment leases and real property leases, shall be transferred to and assumed by Buyer at the time of closing.

5. BUYER EXECUTIVE SERVICES. As an additional incentive for Sellers, Buyer will make available to Sellers at no cost, services of the Executive Officers of Buyer to assist the Sellers in the additional wind-down of the responsibilities of the Receiver for 24 months from February 10, 2012. These services will include accounting, asset management and recovery operations as directed by the Receiver similar to the services provided to date recognizing that additional or other services of a similar nature may be necessary in subsequent periods if so requested by the Receiver. Buyer will also provide the Receiver with a private office within its office space to conduct Receiver activities for 24 months from February 10, 2012. Notwithstanding the foregoing, the Receiver shall pay the existing compensation of the current financial officer for the first 12 months of the 24-month period.

6. PERFORMANCE OF MONITORING, ACCOUNT MANAGEMENT SERVICES, AND REPAIR AND MAINTENANCE SERVICE. After the Purchase Date, Sellers shall no longer have any responsibility to provide any services related to the Accounts. Among other things, Buyer shall be solely responsible for performing or arranging for the performance of all monitoring services, account management services, and repair and maintenance services.

7. BUSINESS OPPORTUNITIES. Nothing in this Agreement shall prohibit Buyer or Sellers from engaging in any arrangement or arrangements with any other entity or any other prospective subscribers or dealer or any subscribers not related to the terms of this Agreement.

8. RELATIONSHIP OF THE PARTIES. The relationship of Buyer on the one hand and the Sellers on the other shall be exclusively as independent contracting parties. Neither Buyer nor its personnel, agents, employees, officers, directors, members or affiliates shall be deemed employees or agents of the Sellers. Neither Sellers nor their personnel, employees, officers, directors or affiliates shall be deemed agents or employees of Buyer under any

circumstances. Sellers and Buyer shall not have the right or authority to incur any liability, debt or obligation of any kind, on behalf of, or as an agent for the other, or to make any commitment of any kind or in any manner on behalf of, or as an agent for the other.

9. REPRESENTATIONS AND WARRANTIES. Sellers are selling the Accounts and other assets identified on the Rider "as is, where is" without recourse, representation or warranty, except that the Receiver warrants that the Sellers own the Accounts and other assets free and clear of all liens and encumbrances and that the Receiver has the authority to sell the Accounts and other assets to the Buyer on behalf of the Sellers.

10. COVENANTS BY BUYER. Buyer by signing below hereby covenants as follows:

a. In the event this Agreement is terminated for any reason, Buyer shall cause all Subscriber information received by Buyer relating to the Accounts to be delivered forthwith, as reasonably requested by Sellers, in electronically readable format to Sellers and shall not keep copies of same.

b. Buyer shall maintain all records relating to this transaction and the assets sold hereunder for a minimum of four (4) years and shall provide Sellers with reasonable access to such information following closing. This provision shall survive the closing of the transactions contemplated by this Agreement.

c. Until one year following the payment of the Purchase Price in full, Buyer grants Sellers access to the records and premises of Buyer for inspection and copying.

11. INDEMNITY. Buyer shall indemnify and hold harmless the Receiver and the Sellers and their officers, directors, shareholders, employees, attorneys and agents, from and against all claims, demands, causes of action and liabilities of every kind or nature, including reasonable attorneys fees asserted by a Subscriber with respect to matters occurring after the Purchase Date. Seller shall indemnify and hold harmless the Buyer and their officers, directors, shareholders, employees, attorneys and agents, from and against all claims, demands, causes of action and liabilities of every kind or nature, including reasonable attorneys' fees asserted by a Subscriber with respect to matters occurring before the Purchase Date. This paragraph shall survive the closing or termination of this Agreement.

12. CONFIDENTIAL INFORMATION; NON-DISCLOSURE. Buyer recognizes that it will have access to, will acquire, and may assist in developing confidential and proprietary information relating to the business and operations of Sellers. Neither Buyer nor any Affiliate, nor any of their shareholders, officers, directors, and employees shall use for its or their own account, or disclose after the date hereof to any person, corporation, firm, partnership, association or other entity, directly or indirectly; (a) any other information relating to the Seller's other business; and (b) any other information the disclosure of which would have an adverse effect on the business of any Seller. This paragraph shall survive the termination of this Agreement.

13. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without reference to its conflicts of law. Any dispute arising either under this Agreement or in relation to any services or obligations to be

provided pursuant to this Agreement or any Account Agreement or other dispute between the parties shall be resolved exclusively in the United States District Court for the Northern District of New York ("Court"). This paragraph shall survive the closing or termination of this Agreement.

14. MODIFICATIONS. No amendment, change or modification of this Agreement shall be valid unless in writing and signed by the Parties.

15. Intentionally Omitted.

16. ASSIGNMENT. Buyer shall not have the right to assign or otherwise transfer this Agreement, and any rights, duties or any interest herein, in whole or in part.

17. NOTICES. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if: (a) served personally on the party to whom notice is to be given; (b) telecopied to the party to whom notice is to be given, provided that a confirming receipt is maintained and a confirming mailing is made as described in (c) below; or (c) on the third day after mailing if mailing to the party to whom notice is to be given by first class mail, registered or certified, postage prepaid, and properly addressed.

18. ENTIRE AGREEMENT. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the subject matter of this Agreement, and any and all prior agreements, understandings or representations are hereby terminated and canceled in their entirety and are of no further force and effect, being merged herein.

19. SURVIVAL OF REPRESENTATIONS. All representations, warranties, covenants, and agreements of the parties contained in this Agreement or in any instrument, certificate, opinion, or other writing provided for in it, shall survive the execution and delivery of this Agreement.

20. WAIVERS. No waiver by any party of any condition, term or provision of this Agreement shall be deemed a waiver of any preceding or succeeding breach of the same or of any other condition, term, or provisions hereof.

21. HEADINGS. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement. All pronouns shall refer to the individual or entity involved, the masculine shall refer to the feminine and vice versa, as the context may require.

22. AGREEMENT TO PERFORM NECESSARY ACTS. Each Party agrees to perform any further acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement.

23. BINDING NATURE. This Agreement shall be binding upon the parties hereto and their assigns, representatives, executors, administrators and successors.

24. COUNTERPART EXECUTION. This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had signed the same document. All counterparts shall be construed together and shall constitute one agreement.

25. NO THIRD-PARTY BENEFICIARY. This Agreement is made and entered into by the parties for their sole purposes and benefit. There is no third-party beneficiary to this Agreement, and nothing contained herein shall be deemed, directly or indirectly, expressly or implied, to create a third-party beneficiary to this Agreement.

26. SEVERABILITY. In the event that any one or more of the provisions contained in the Agreement shall be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforcement of any such provision in every other respect and of the remaining provisions of this Agreement shall not in any way be affected or impaired and shall be deemed wholly enforceable.

27. ATTORNEY'S FEES. If any party to this Agreement resorts to any legal action against the other, the prevailing party shall be entitled to recover reasonable attorney's fees in addition any other relief to which the prevailing party may be entitled. This provision applies to the entire agreement and all related documents.

28. STALKING HORSE FEE. Buyer acknowledges that Sellers will solicit other proposals for the purchase of the assets identified hereunder. Buyer will be paid a \$60,000 stalking horse fee in the event Sellers accept and close on a proposal for the acquisition of the assets other than that of Buyer hereunder, which will be paid to Buyer at the time of such closing.

29. SOLICITATION OF QUALIFIED ALTERNATIVE OFFERS. Sellers will from the filing of this Agreement with the Court until the hearing date or the approval of this Agreement by the Court solicit higher and better offers. An offer will be deemed to be a "qualified alternative offer" only if the alternative offer meets the following conditions:

(i) makes a deposit of at least \$100,000 on such alternative offer;

(ii) such alternative offer results in a net higher economic value to Sellers of not less than \$100,000 based upon all consideration payable by Buyer under this Agreement;

(iii) such alternative Offeror commits to close on the transaction no later than March 30, 2012.

30. The obligation of the parties to close the transactions which are the subject matter of this Agreement are contingent upon the approval of the Court by entry of an Order in form and substance satisfactory to parties.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

“Sellers”

McGinn, Smith Firstline Funding, LLC
MSFC Security Holdings, LLC
First Excelsior Income Notes, LLC
First Independent Income Notes, LLC
Third Albany Income Notes, LLC
Pacific Trust 02
McGinn, Smith Funding, LLC
McGinn, Smith Alarm Trading, LLC

By: _____
William J. Brown, Esq. As Receiver For Each Of The Above

Alarm Services, LLC

By: _____
Its authorized agent

By: _____
Its authorized agent

Exhibit "A"

- 1) **Subscriber Account Agreement's eligible for acquisition are subject to, but not limited by the conditions below:**
- A.) The Alarm System must be installed in Subscriber's premises and be fully operational.
 - B.) Subscriber has signed a valid monitoring Account Agreement on forms approved by Buyer, which includes but is not limited to the following:
 - Must be an original or copy with Subscriber and dealer signatures.
 - The RMR must be clearly indicated.
 - Limitation of Liability clause, and assignment by dealer clause on the Agreement.
 - The three day right of recession clause signed and dated
 - Term of Agreement no less than 1 year with annual renewal or renewal of like terms.
 - C.) Subscriber is the owner of the premises being monitored.
 - D.) Subscriber has a separate Central Station Monitoring Agreement.
 - E.) Evidence provided that the Account is less than 60 days past due under the terms and conditions of the monitoring contract at the Purchase Date.
 - F.) The main control panel installed in the Subscriber's premises remains the property of Subscriber, and any known Installer Code programmed by the Sellers has been supplied to Buyer.
 - G.) Subscriber must not have given either written or verbal intent to cancel their monitoring contract at a future date.

Initials: _____
Buyer

Sellers

Closing Documents:
Assignment By Sellers
Bill of Sale
Bring Down Certificate

Assignment by Sellers

FOR VALUE RECEIVED, the undersigned Sellers as "Assignors" hereby sell, assign and transfer to Buyer, LLC, ("Buyer"), as "Assignee", its successors and assigns, all of Seller's right, title and interest in and to the Account Agreements and other assets identified on the Rider attached to this Agreement, on an "as is, whereis" basis and without warranty.

Assignee information:

Assignor's information:

Name:
Alarm Services, LLC

Sellers' Name:

McGinn, Smith Firstline Funding, LLC
MSFC Security Holdings, LLC
First Excelsior Income Notes, LLC
First Independent Income Notes, LLC
Third Albany Income Notes, LLC
Pacific Trust 02
McGinn, Smith Funding, LLC
McGinn, Smith Alarm Trading, LLC

Address: 99 Pine Street – 3rd Floor

Address: 3400 HSBC Center

City: Albany

City: Buffalo

State: New York

State: New York

Zip: 12207

Zip: 14203-2887

Dated: _____

William J. Brown, Receiver

BILL OF SALE

KNOW ALL MEN BY THESE PRESENT that the undersigned Sellers ("Seller"), each a company having offices and authorized to operate at its address set forth below, for and in consideration of the purchase price set forth in the Asset Purchase Agreement dated as of February 10, 2012 between the Seller and the Purchaser hereunder ("Agreement") and other good and valuable consideration paid to it by Buyer, ("Purchaser"), having offices at 99 Pine Street – 3rd Floor, Albany, NY 12207, the receipt of which is hereby acknowledged by Seller, hereby grants, bargains, sells, conveys, transfers and sets over unto Purchaser, its successors and assigns, all of Seller's rights, title and interests in and to the monitoring accounts and other assets described on the Rider attached hereto and made a part hereof (the "Assets") pursuant to the terms and conditions of the Agreement. this sale is "AS IS, WHERE IS", without recourse, representation or warranty.

All the terms, covenants and conditions herein contained shall be for and shall inure to the benefit of and shall bind the respective parties hereto, and their legal representatives, successors and assigns, respectively.

In all references herein to any parties, persons, entities or corporation, the use of any particular gender or the plural or singular number is intended to include the appropriate gender or number as the text of the within instrument may require.

IN WITNESS WHEREOF, Seller has caused the Bill of Sale to be duly executed in its name by its duly authorized officers the day and year set forth below.

Dated: February __, 2012

"Sellers"

McGinn, Smith Firstline Funding, LLC
MSFC Security Holdings, LLC
First Excelsior Income Notes, LLC
First Independent Income Notes, LLC
Third Albany Income Notes, LLC
Pacific Trust 02
McGinn, Smith Funding, LLC
McGinn, Smith Alarm Trading, LLC

By: _____
William J. Brown, Esq. As Receiver For Each Of The Above

RIDER

1. All Accounts identified on the attached Excel file including the Zero Value accounts, with an allocation of Purchase Price with respect to each of the Sellers individually.
2. All accounts receivable relating to the Accounts included within paragraph 1.
3. All office assets and other equipment at 99 Pine Street – 3rd Floor, Albany, New York, except business records not related to the Accounts sold pursuant to paragraph 1 hereof.
4. All accounts placed with the collection agency Solomon and Soloman by McGinn, Smith Alarm Trading, LLC. Should monthly collections from these accounts exceed \$2,500 in any month following the Purchase Date, Buyer shall pay 50% of the proceeds above \$2,500 to Seller within ten days of each month end.

Exhibit “B”

PROPOSED PURCHASE TERMS: The purchase terms that follow will be predicated on data as of the Purchase Date.

Qualified Purchase Multiple “QPM” shall apply for Accounts that meet all of the criteria in section 1 of Exhibit A.

Zero Value “ZV” shall apply for Accounts that are over 60 days past due as of the Purchase Date, have indicated an intent to cancel at a future date as of the Purchase Date, or have already been cancelled as of the Purchase Date.

A. Total RMR	\$TBD
B. LESS – Zero Value RMR:	\$TBD (ZV)
C.	
F. Resultant Qualified RMR for sale:	\$TBD
G.	
I. Qualified Purchase Multiple:	10
J. Purchase Price:	\$TBD
K. Plus Alarm monitoring inventory	\$
L. Office supplies, furniture, office equipment, yard signs and other equipment	\$
M. Less Prepays	\$
N. Total	\$

Initials: _____

Buyer

Sellers

Exhibit "C"

NOTE

Albany, New York
February __, 2012

§ _____

FOR VALUE RECEIVED, ALARM SERVICES, LLC (“Buyer”) hereby promises to pay to the order of **WILLIAM J. BROWN, AS RECEIVER FOR MCGINN, SMITH FIRSTLINE FUNDING, LLC, MSFC SECURITY HOLDINGS, LLC, FIRST EXCELSIOR INCOME NOTES, LLC, FIRST INDEPENDENT INCOME NOTES, LLC, THIRD ALBANY INCOME NOTES, LLC, PACIFIC TRUST 02, MCGINN, SMITH FUNDING LLC, MCGINN, SMITH ALARM TRADING LLC** (collectively, the “Seller”) at c/o Phillips Lytle, LLP, 3400 HSBC Center, Buffalo, New York 14203, the principal sum of [_____] (\$ _____) in lawful money of the United States of America, together with interest thereon. Commencing on March 1, 2012, and continuing on the same day of each succeeding month thereafter during the term of this note, Buyer shall make monthly payments of accrued unpaid interest. Buyer shall make principal payments equal to 75% of its remaining available cash balance after the payment of third party expenses, salaries, operating expenses and interest hereunder, with one (1) final “balloon” payment of all unpaid principal, accrued unpaid interest, and all other amounts due hereunder due and payable on March 1, 2015 (“Maturity Date”). If any payment of principal, interest or other amounts to be made by Borrower hereunder shall become due on a day which is not a business day, such payment shall be made on the next succeeding business day and such extension of time shall be included in computing the interest in such payment.

1. **Interest and Late Payment Charges.**

a. **Rate.** Subject to subsection 1.c., below, the unpaid principal amount of this Note shall bear interest until maturity, whether by acceleration or otherwise, at a rate of interest of seven percent (7%) per annum.

b. **Computation of Interest.** Interest shall be calculated on the basis of one three-hundred sixtieth (1/360th) of the interest rate thereof in effect for each calendar day such balance of principal is unpaid which shall result in a higher effective rate of interest. If any installment of this Note is not paid when due, whether because such installment becomes due on a Saturday, Sunday or a banking holiday, or for any other reason, Buyer will pay interest thereon at the applicable rate until the date of actual receipt of such installment by the holder hereof.

c. **Post-Maturity Interest.** After maturity, whether by acceleration or otherwise this Note shall bear interest at a per annum rate of ten percent (10%), provided, however, in no event shall the interest on this Note exceed the maximum rate authorized by law.

d. **Late Payments.** If any installment of principal hereof is not paid within ten (10) days of when due, Buyer shall pay the holder of this Note a late charge equal to five percent (5%) of the overdue installment.

2. **Prepayment.**

This Note may be prepaid in full or in part without premium or penalty, provided, however, any prepayment shall be accompanied by payment of interest on the amount prepaid, and any partial prepayment shall be applied to payment of this Note in inverse order of maturity.

3. **Covenants and Reporting.** So long as any principal of this Note remains unpaid, Buyer agrees:

a. To furnish to Seller the following in form acceptable to Seller: (i) within ninety (90) days after the end of each of Buyer's fiscal year, Buyer's annual financial statements for such year reviewed by Chiampou Travis Besaw & Kershner LLP or other certified public accountants acceptable to Seller; and (ii) within (30) thirty days after the end of each fiscal quarter, Buyer's internally-prepared financial statements for such quarter.

b. Permit Seller to perform appraisals of the collateral securing this Note at least annually on or before each anniversary date of this Note, the costs of which shall be paid by Buyer and are not to exceed \$5,000.

c. Indebtedness. Create, incur, assume, permit, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Indebtedness, except (a) Indebtedness evidenced by this Note and (b) Indebtedness incurred which is collateralized by separate al

d. Liens. Create, incur, assume, or permit to exist, directly or indirectly, any Lien on or with respect to any of its assets, or any kind, whether now owned or hereafter acquired, or any income or profits therefrom.

e. Restrictions on Fundamental Changes.
(i) Enter into any merger, consolidation, reorganization, or recapitalization, or reclassify its stock.
(ii) Liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution)
(iii) Amend, restate or otherwise modify its certificates of formation or limited liability company agreement in a manner adverse to Lender.

f. Disposal of Assets. Other than the sale of inventory in the ordinary course of business, convey, sell, lease, license, assign, transfer or otherwise dispose of any Collateral or any other assets or property of Buyer or any Subsidiary.

g. Change Name. Change its name, organizational identification number, structure, or identity, or add any new fictitious name; provided, however, that Buyer may change its name upon at least 30 days prior written notice to Seller or such change and so long as, at the time of such written notification, it provides any financing statements or fixture filings necessary to perfect and continue perfected the Seller's Liens.

h. **Guarantee.** Guarantee or otherwise become in any way liable with respect to the obligations of any third person except by the endorsement of instruments or items of payment for deposit to the account of the Buyer or which are transmitted or turned over to the Seller.

i. **Nature of Business Conducted.** Engage directly or indirectly in any line of business or activity other than activities related to the security alarm industry.

j. **Accounting Methods.** Modify or change its method of accounting (other than as may be required to conform to GAAP) or its fiscal year.

k. **Suspension.** Suspend or go out of a substantial portion of its business.

l. **Change in Location of Chief Executive Office.** Relocate its chief executive office to a new location without providing 30 days prior written notification thereof to the Seller and so long as, at the time of such written notification, the Buyer provides any financing statements necessary to perfect and continue perfected the Seller's Liens.

m. **Financial Covenants**

(i) Maintain at the end of each calendar month commencing March 1, 2012 (a) the ratio of indebtedness to Adjusted EBITDA not to exceed 4.0 to 1 (b) the ratio of Indebtedness to Recurring Monthly Revenue not to exceed 14 to 1.

4. **Events of Default.** Any holder of this Note may declare all indebtedness evidenced by this Note to be immediately due and payable upon the occurrence of any of the following (each an "Event of Default"):

a. **Nonpayment:** Nonpayment of any amount payable on this Note within ten (10) days of the date when due;

b. **Event of Default Under Other Loan Documents:** An event of default, under the General Security Agreement from Buyer to Seller, dated of even date herewith, as the same may be amended from time to time (the "General Security Agreement"), or any other document securing this Note;

c. **Voluntary Insolvency Proceedings:** The filing by Buyer of a request or a petition for liquidation, reorganization, adjustment of debts, arrangement, adjudication as a bankrupt or similar relief under the bankruptcy, insolvency or similar laws of the United States or any state or territory thereof or any foreign jurisdiction; the consent by Buyer to the filing of any such petition against Buyer; the making by Buyer of a general assignment for the benefit of its creditors or the institution by Buyer of, or consent by Buyer to, any formal or informal proceeding for the reorganization, dissolution or liquidation of, settlement of claims against, or winding up of affairs of Buyer.

d. Involuntary Insolvency Proceedings: The filing against Buyer of a request or a petition for liquidation, reorganization, adjustment of debts, arrangement, adjudication as a bankrupt or similar relief under the bankruptcy, insolvency or similar laws of the United States or any state or territory thereof or any foreign jurisdiction; or the institution against Buyer of any formal or informal proceeding for the reorganization, dissolution or liquidation of, settlement of claims against, or winding up of affairs of, Buyer; and the failure by Buyer within forty-five (45) days to terminate, discharge or otherwise remove such proceeding.

e. Receiver: The appointment of or authorization for a custodian, trustee or receiver of Buyer, or for a trustee, custodian, receiver or agent to take charge of any property of Buyer; provided, such custodian, trustee, receiver or agent shall not have been removed or otherwise discharged within forty-five (45) days of the date of qualification.

f. Insolvency: The failure of Buyer to generally pay its debts as such debts become due.

g. Other Insolvency Events: The occurrence of any event or existence of any condition described in d. through f. above with respect to Brian Shea or Douglas Keenholts (each a 'Guarantor' and collectively, the "Guarantors").

h. Misrepresentation: If any certificate, statement, representation, warranty or audit heretofore or hereafter furnished by or on behalf of Buyer or Guarantor pursuant to or in connection with this Note or the Asset Purchase Agreement between Buyer and Seller dated as of February 10, 2012 ("Asset Purchase Agreement") or otherwise (including, without limitation, representations and warranties contained herein) or as an inducement to Seller to extend any credit to or to enter into this or any other agreement with Buyer proves to have been false in any material respect at the time as of which the facts therein set forth were stated or certified or to have omitted any substantial contingent or unliquidated liability or claim against Buyer or any Guarantor or if on the date of execution of this Note there shall have been any materially adverse changes in any of the facts previously disclosed by any such certificate, statement, representation, warranty or audit, which change shall not have been disclosed to Lender at or prior to the time of such execution.

i. Materially Adverse Changes: Any materially adverse change in the financial condition of Buyer or any Guarantor or the existence of any other condition which shall constitute an impairment of Buyer's ability to perform its obligations under this Note or any other document securing this Note, and which condition is not remedied within ten (10) business days after written notice to Buyer thereof.

j. Death or Incompetency: The death or judicial declaration of incompetency of both Guarantor.

k. Failure to Perform Other Obligations: Failure by Buyer to perform in any material respect any other term, condition or covenant herein, or in the General Security Agreement, the Asset Purchase Agreement or any other agreement with Seller, which failure shall have continued for ten (10) Days after notice by Seller to Buyer specifying such failure and requiring such failure to be remedied.

l. **Judgments:** Any judgment or judgments against the Buyer (other than any judgment for which the Buyer is fully insured) shall remain unpaid, unstayed on appeal, undischarged, unbonded, or undismissed for a period of thirty (30) days.

m. **Contests:** The Buyer or any Guarantor commences any action or proceeding to contest the validity or enforceability of this Note or any lien or security interest granted to secure payment of this Note.

5. **Waiver.** No failure by Seller to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Seller of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies of Seller as herein specified are cumulative and not exclusive of any other rights or remedies which Seller may otherwise have.

6. **Costs and Expenses.** Buyer agrees to pay all costs and expenses incurred by the holder in enforcing this Note or in collecting the indebtedness evidenced hereby, including, without limitation, if the holder retains counsel for any such purpose, attorneys' fees and expenses.

7. **Successors and Assigns.** Buyer and Seller as used herein shall include the legal representatives, successors and assigns of those parties.

8. **Governing Law.** This Note shall be construed under, and governed by, the internal laws of the State of New York without regard to principles of conflicts of laws.

ALARM SERVICES, LLC

By: _____
Name: _____
Title: _____

Schedule A

Minimum Monthly Payment

Schedule B

Estimated Payment Based on Cash Flow

Exhibit “D”

GENERAL SECURITY AGREEMENT

1. **Security Interest.** ALARM SERVICES, LLC, a New York limited liability company, with an office at 99 Pine Street, 3rd Floor, Albany, New York 12207 (the “Debtor”), hereby grants to WILLIAM J. BROWN, AS RECEIVER FOR MCGINN, SMITH FIRSTLINE FUNDING, LLC, MSFC SECURITY HOLDINGS, LLC, FIRST EXCELSIOR INCOME NOTES, LLC, FIRST INDEPENDENT INCOME NOTES, LLC, THIRD ALBANY INCOME NOTES, LLC, PACIFIC TRUST 02, MCGINN, SMITH FUNDING LLC AND MCGINN, SMITH ALARM TRADING LLC (the “Secured Party”) a continuing security interest (“Security Interest”) in all Debtor’s Accounts, Inventory, Equipment, Chattel Paper, Documents, Instruments, Investment Property, General Intangibles and Deposit Accounts, whether or not affixed to realty, in all Proceeds and Products thereof in any form, in all parts, accessories, attachments, special tools, additions, replacements, substitutions and accessions thereto or therefor, in all supporting obligations thereof and in all increases or profits received therefrom (collectively, the “Collateral”).

2. **Indebtedness Secured.** The Security Interest granted by Debtor secures the payment, performance and observance of all loans, advances and liabilities owing by Debtor to Secured Party of any kind or nature, present or future, however evidenced, whether arising under this Agreement or under the Note from Debtor to Secured Party in the original principal amount of [\$ _____] dated of even date herewith or any renewal, replacement or modification thereof (the “Note”) or otherwise, due or to become due, now existing or hereafter arising, including, without limitation, all interest, charges, expenses or other fees, including attorneys’ fees and expenses (collectively, the “Indebtedness”).

3. **Covenants of Debtor.**

(A) Debtor will keep, in accordance with generally accepted accounting principles consistently applied, accurate and complete records concerning the Collateral, and at Secured Party’s request, Debtor will permit Secured Party or its agents at any time, upon reasonable prior notice, to inspect the Collateral and to audit and make extracts from such records or any of Debtor’s books, ledgers, financial reports, correspondence or other records.

(B) Without thirty (30) days prior written notice to Secured Party, Debtor will not change its business addresses or chief executive office, will not change the address at which all records concerning the Collateral are kept or will not make any change in Debtor’s name, identity or organizational status;

(C) Debtor will keep the Collateral in good condition, working order and repair and will not use the Collateral in violation of any provisions of this Security Agreement, any applicable law or governmental regulation or of any policy insuring the Collateral, unless the failure to so keep the Collateral will not have a material adverse effect on Debtor or the business, operation, assets or affairs of Debtor;

(D) Debtor will pay all taxes, assessments and other charges of every nature which may be levied or assessed against the Collateral other than taxes, assessments, fees

and charges being contested in good faith by appropriate proceedings being diligently pursued and will at all times keep the Collateral insured against loss, damage, theft and other risks, in such amounts, with such insurance carriers and under such form of policies as shall be reasonably acceptable to Secured Party;

(E) Debtor will not permit any part of the Collateral to be or become an accession to other goods not covered by this Security Agreement.

4. Verification of Collateral. Secured Party shall have the right to verify all or any Collateral in any manner and through any medium Secured Party may consider appropriate, and Debtor agrees to furnish all assistance and information and perform any acts which Secured Party may require in connection therewith.

5. Notification and Payments. Secured Party may notify Debtor in writing, at any time after the occurrence of an Event of Default, and without waiving in any manner the Security Interest, that any payments on account of and from the Collateral received by Debtor (a) shall be held by Debtor in trust for Secured Party in the same medium in which received, (b) shall not be commingled with any assets of Debtor and (c) shall be turned over to Secured Party not later than the next business day following the day of their receipt.

6. Events of Default. Any of the following events or conditions shall constitute an Event of Default hereunder: (i) nonpayment within ten (10) days of the date when due, whether by acceleration or otherwise, of principal of or interest on any Indebtedness or default by Debtor in the performance of any obligation, term or condition of this Security Agreement, the Note, or any other agreement between Debtor and Secured Party; (ii) the filing by or against Debtor of a request or petition for liquidation, reorganization, arrangement, adjustment of debts, adjudication as a bankrupt, relief as a debtor or other relief under the bankruptcy, insolvency or similar laws of the United States or any state or territory thereof or any foreign jurisdiction, now or hereafter in effect, and, in the case of any such filing against Debtor, the failure of such filing to be dismissed within forty-five (45) days; (iii) the making of any general assignment by Debtor for the benefit of creditors; the appointment of a receiver or trustee for Debtor or for any assets of Debtor, including, without limitation, the appointment of or taking possession by a "custodian", as defined in the federal Bankruptcy Code; the making of any, or sending notice of any intended, bulk sale; or the institution by or against Debtor of any other type of insolvency proceeding (under the federal Bankruptcy Code or otherwise) or of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of, Debtor; (iv) the sale, assignment, transfer or delivery of all or substantially all of the assets of Debtor; the cessation by Debtor as a going business concern; the entry of judgment against Debtor, other than a judgment for which Debtor is fully insured, if thirty (30) days thereafter such judgment is not satisfied, vacated, bonded or stayed pending appeal or if an execution against Debtor's assets or any part thereof remains unsatisfied for a period of ten (10) days; or if Debtor is generally not paying Debtor's debts as such debts become due; (v) the occurrence of any event described in Section 7(a) (ii), (iii) or (iv) hereof with respect to any indorser, guarantor or any other party liable for, or whose assets or any interest therein secures, payment of any Indebtedness ("Third Party"); (vi) if any certificate, statement, representation, warranty or audit heretofore or hereafter furnished by or on behalf of Debtor or any Third Party, pursuant to or in connection with this Security Agreement, or otherwise (including, without limitation, representations and warranties contained herein), or as an inducement to Secured

Party to extend any credit to or to enter into this or any other agreement with Debtor (including, without limitation, the Asset Purchase Agreement between Debtor and Secured Party dated as of January 11, 2012), proves to have been false in any material respect at the time as of which the facts therein set forth were stated or certified, or to have omitted any substantial contingent or unliquidated liability or claim against Debtor or any such Third Party; (vii) nonpayment by Debtor when due of any material indebtedness for borrowed money owing to any third party; or (viii) the reorganization, merger or consolidation of Debtor (or the making of any agreement therefor) without the prior written consent of Secured Party.

(F) Upon the occurrence of an Event of Default, Secured Party's rights and remedies with respect to the Collateral shall be those of a Secured Party under the Uniform Commercial Code and under any other applicable law, as the same may from time to time be in effect, in addition to those rights granted herein. Without in any way limiting the foregoing, Secured Party, upon the occurrence of an Event of Default, may at any time and from time to time, with or without judicial process, enter upon any premises in which any Collateral may be located and, without resistance or interference by Debtor, take possession of the Collateral; and/or dispose of any Collateral on any such premises; and/or require Debtor to assemble and make available to Secured Party at the expense of Debtor any Collateral at any place or time designated by Secured Party; and/or remove any Collateral from any such premises for the purpose of effecting sale or other disposition thereof. Secured Party may apply the net proceeds actually received from any sale or other disposition to the expenses of retaking, holding, preparing for sale, selling, leasing and the like, to attorney's fees and all legal, travel and other expenses incurred by Secured Party in attempting to collect any part of the Indebtedness or enforcing this Security Agreement; and then to the Indebtedness in such order of application as Secured Party may elect; and Debtor shall remain liable and will pay to Secured Party on demand the amount of any deficiency remaining.

(G) Without in any way requiring notice to be given in the following manner, Debtor agrees that any notice by Secured Party of sale, disposition or other intended action hereunder or in connection herewith, whether required by the Uniform Commercial Code or otherwise, shall constitute reasonable notice to Debtor if such notice is mailed by regular mail, postage prepaid, at least ten (10) days prior to such action, to the address set forth above as the location of Debtor's chief executive office or to any other address which Debtor has specified in writing to Secured Party as the address to which notices hereunder shall be given to Debtor.

(H) Debtor agrees to pay on demand all costs and expenses incurred by Secured Party in enforcing this Security Agreement, in realizing upon or protecting any Collateral and in enforcing and collecting any Indebtedness, including, without limitation, if Secured Party retains counsel for advice, suit, insolvency proceedings or any of the above purposes, the counsel's fees and expenses incurred by Secured Party.

7. Miscellaneous. Debtor hereby appoints Secured Party as attorney-in-fact of Debtor, irrevocably and with power of substitution, in the same manner, to the same extent and with the same effect as if Debtor were to do the same to file financing statements relating to the Collateral, all as Secured Party may deem appropriate to perfect and continue the Security Interest; upon the occurrence of an Event of Default, (i) to make, adjust or settle and receive payment on any insurance claims with respect to the Collateral; (ii) to endorse the name of Debtor on any instruments, documents or other evidences of the Collateral that may come into

Secured Party's possession; (iii) to execute proofs of claim and loss; (iv) to execute endorsements, assignments or other instruments of conveyance or transfer; and (v) to perform all other acts which Secured Party deems appropriate to protect and preserve the Collateral and to enforce the terms of this Security Agreement. The agency hereunder is unconditional and shall not terminate until all of the Indebtedness is paid in full.

(I) Upon Debtor's failure to perform any of its covenants or obligations hereunder, Secured Party may, but shall not be obligated to, perform any or all such covenants or obligations, and Debtor shall pay an amount equal to the expense thereof to Secured Party upon demand by Secured Party, and all such amounts shall become part of the Indebtedness secured hereby.

(J) No course of dealing and no delay or omission by Secured Party in exercising any right or remedy hereunder or with respect to any Indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Secured Party may remedy any default by Debtor hereunder or with respect to any Indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by Debtor. All rights and remedies of Secured Party hereunder are cumulative, and are in addition to any and all rights and remedies available to Secured Party under the Uniform Commercial Codes and other applicable law in effect from time to time.

(K) Secured Party shall have no obligation to take, and Debtor shall have the sole responsibility for taking, any and all steps to preserve rights against any and all prior parties to any instrument or chattel paper constituting Collateral whether or not in Secured Party's possession. Secured Party shall not be responsible to Debtor for loss or damage resulting from Secured Party's failure to enforce or collect any Collateral or to collect any moneys due or to become due thereunder. Debtor waives protest of any instrument constituting Collateral at any time held by Secured Party on which Debtor is in any way liable and waives notice of any other action taken by Secured Party.

(L) The rights and benefits of Secured Party hereunder shall, if Secured Party so agrees, inure to any party acquiring any interest in the Indebtedness or any part thereof.

(M) Secured Party and Debtor as used herein shall include the heirs, distributees, executors or administrators, or successors or assigns, of those parties.

(N) No modification, rescission, waiver, release or amendment of any provision of this Security Agreement shall be binding except by a written agreement subscribed by Debtor and Secured Party.

(O) This Security Agreement and the transaction evidenced hereby shall be construed under the laws of New York State as the same may from time to time be in effect. All terms, unless otherwise defined in this Security Agreement or in any financing statement, shall have the definitions set forth in the Uniform Commercial Code adopted in New York State, as the same may from time to time be in effect. If any term of this Security

Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby.

(P) This Security Agreement is and is intended to be a continuing Security Agreement and shall remain in full force and effect until all of the Indebtedness and any extensions or renewals thereof shall be finally and irrevocably paid in full. If, after receipt of any payment of all or any part of the Indebtedness, Secured Party is for any reason compelled to surrender such payment to any person or entity, because such payment is determined to be void or voidable as a preference, impermissible set off, or a diversion of trust funds, or for any other reason, this Agreement shall continue in full force notwithstanding any contrary action which may have been taken by Secured Party in reliance upon such payment, and any such contrary action so taken shall be without prejudice to Secured Party's rights under this Agreement and shall be deemed to have been conditioned upon payment having become final and irrevocable.

Debtor has executed and delivered this Security Agreement to Secured Party as of February ____, 2012.

ALARM SERVICES, LLC

By: _____
Name: _____
Title: _____

Doc # 01-2536141.2

BANK ACCOUNT ASSIGNMENT

December____, 2011

ALARM SERVICES, LLC, a New York limited liability whose address is 99 Pine Street, 3rd Floor, Albany, New York 12207 (“Pledgor”) and **WILLIAM J. BROWN, AS RECEIVER FOR MCGINN, SMITH FIRSTLINE FUNDING, LLC, MSFC SECURITY HOLDINGS, LLC, FIRST EXCELSIOR INCOME NOTES, LLC, FIRST INDEPENDENT INCOME NOTES, LLC, THIRD ALBANY INCOME NOTES, LLC, PACIFIC TRUST 02, MCGINN, SMITH FUNDING LLC and MCGINN, SMITH ALARM TRADING LLC**, with an address at c/o Phillips Lytle LLP, 3400 HSBC Center, Buffalo, New York 14203 (“Secured Party”).

agree as follows:

1. Assignment of and Security Interest in the Account.

In consideration of any extension of credit heretofore or hereafter made by Secured Party to Pledgor, Pledgor hereby pledges, transfers and assigns to Secured Party and grants to Secured Party a security interest (“Security Interest”) in deposit account number [_____], maintained by Pledgor with [_____] (“Account”). The Security Interest includes: (a) the statement, certificate or other written evidence of the Account; (b) all money in the Account currently and all money deposited in the Account hereafter; and (c) all interest or other money earned on the Account.

2. Indebtedness Secured.

The Security Interest secures payment of any and all indebtedness (“Indebtedness”) of Pledgor to Secured Party, whether now existing or hereafter incurred, of every kind and character, direct or indirect, and whether such Indebtedness is from time to time reduced and thereafter increased, or entirely extinguished and thereafter reincurred, including, without limitation: (a) Indebtedness not yet outstanding, but contracted for; (b) all interest provided in any instrument, document, or agreement (including this Agreement) which accrues on any Indebtedness until payment of such Indebtedness in full; (c) any moneys payable as hereinafter provided; and (d) any debts owed or to be owed to others by Pledgor which Secured Party has obtained, or may obtain, by assignment or otherwise.

3. Representations and Warranties of Pledgor.

Pledgor represents and warrants and, so long as this Agreement is in effect, shall be deemed continuously to represent and warrant that: (a) Pledgor is the owner of the Account free of all security interests or other encumbrances, except the Security Interest; (b) Pledgor is authorized to enter into this Agreement; and (c) Pledgor will not pledge or assign the Account to anyone else

as long as this Agreement is in effect and (d) Until default, Pledgor will not withdraw any money from the Account while this Agreement is in effect unless the Secured Party agrees in writing.

4. Covenants of Pledgor.

(a) So long as this Agreement is in effect, Pledgor: (i) will defend the Account against the claims and demands of all other parties; will keep the Account free from all security interest or other encumbrances, except the Security Interest; and will not sell, transfer, assign or deliver of the Account or any interest therein without the prior written consent of Secured Party; (ii) will notify Secured Party promptly in writing of any change in Pledgor's address, specified above; and (iii) will pay all taxes, assessments and other charges of every nature which may be imposed, levied or assessed against the Account.

(b) In addition to the foregoing covenants, so long as this Agreement is in effect. Pledgor: (i) will notify Secured Party promptly in writing at least thirty (30) days prior to any of any change in Pledgor's name, identity or corporate or other structure; (ii) will keep, in accordance with generally accepted accounting principles consistently applied, accurate and complete books and records, including, without limitation, records concerning the Account; will permit Secured Party or its agents to audit and make extracts from or copies of such books and records and any of Pledgor's ledgers, reports, correspondence or other books and records pertaining to the Account, and will duly account to Secured Party's satisfaction, at such time or times as Secured Party may require, for any of the Account; (iii) will not, without the prior written consent of Secured Party file or authorize or permit to be filed in any public office any financing statement naming Pledgor as debtor and not naming Secured Party as secured party; and (iv) will pay all taxes, assessments and other charges of every nature which may be imposed, levied or assessed against Pledgor or any of Pledgor's assets, prior to the date of attachment of any penalties or liens with respect thereto (other than liens attaching prior to payment becoming due, if payment is made when due), provided, however, Pledgor shall not be required to pay any such tax, assessment or other charge so long as its validity is being contested in good faith by appropriate proceedings diligently conducted.

5. Income from and Interest on the Account.

(a) Until the occurrence of an event of default, Pledgor reserves the right to all income from or interest on the Account and all principal in the Account.

(b) Upon the occurrence of an event of default, Pledgor will not demand or receive any income from or interest on the Account, and if Pledgor receives any such income or interest without any demand by it, same shall be held by pledgor in trust for Secured Party in the same medium in which received, shall not be commingled with any assets of Pledgor and shall be delivered to Secured Party in the form received, properly indorsed to permit collection, not later than the next business day following the day of its receipt. Secured Party may apply the net cash receipts from such income or interest to payment of any of the Indebtedness, provided that Secured Party shall account for and pay over to Pledgor any such income or interest remaining after payment in full of the Indebtedness.

6. **Events of Default.**

Any of the following events or conditions shall constitute an event of default hereunder:
(a) The occurrence of any Event of Default, as defined in the General Security Agreement between Pledgor and Secured Party dated of even date herewith, as the same may be amended or supplemented from time to time (the "Security Agreement").

(b) Secured Party, at its sole election, may declare all or any part of any Indebtedness to be immediately due and payable without demand or notice of any kind upon the happening of any event of default (other than an event of default under either paragraph 6(a)(ii) or (iii) (references are incorrect) of the Security Agreement). All Indebtedness shall be immediately due and payable without demand or notice of any kind upon the happening of one or more events of default under paragraph 6(a)(ii) or (iii) (references are incorrect) of the Security Agreement.

(c) Secured Party's rights and remedies with respect to the Account shall be those of a Secured Party under the Uniform Commercial Code and under any applicable law, as the same may from time to time be in effect, in addition to those rights granted herein and in any other agreement now or hereafter in effect between Pledgor and Secured Party.

(d) Without in any way requiring notice to be given in the following time and manner, Pledgor agrees that any notice by Secured Party of sale, disposition or other intended action hereunder or in connection herewith, whether required by the Uniform Commercial Code or otherwise, shall constitute reasonable notice to Pledgor if such notice is mailed by regular or certified mail, postage prepaid, at least ten (10) days prior to such action, to Pledgor's address specified above or to any other address which Pledgor has specified in writing to Secured Party as the address to which notices hereunder shall be given to Pledgor.

(e) After the occurrence of an Event of Default pledgor agrees to pay on demand all reasonable costs and expenses incurred by Secured party in enforcing this Agreement, in realizing upon or protecting the Account and in enforcing and collecting any Indebtedness or any guaranty thereof, including, without limitation, if Secured Party retains counsel for advice, suit, appeal, insolvency or other proceedings under the federal Bankruptcy Code or otherwise, or for any of the above purposes, the reasonable attorneys' fees incurred by Secured Party. Payment of all moneys hereunder is secured by the Account.

7. **Miscellaneous.**

(a) Pledgor authorizes Secured Party, without notice or demand and without affecting Pledgor's obligations hereunder, from time to time; (i) to renew, extend, increase, accelerate or otherwise change the time for payment of, the terms of or the interest on the Indebtedness or any part thereof; (ii) to take from any party and hold collateral (other than the Account) for the payment of the Indebtedness or any part thereof, and to exchange, enforce or release such collateral or any part thereof; (iii) to accept and hold any indorsement or guaranty of payment of the Indebtedness or any part thereof and to release, substitute or modify any obligation of any such indorser or guarantor, or any party who has given any security, mortgage or other interest in any other collateral as security for the payment of the Indebtedness or any part thereof, or any

other party in any way obligated to pay the Indebtedness or any part thereof; (iv) upon the occurrence of any event of default as hereinabove provided, to direct the order or manner of the disposition of the Account and any and all other collateral and the enforcement of any and all indorsements, guaranties and other obligations relating to the Indebtedness or any part thereof as Secured Party, in its sole discretion, may determine; and (v) to determine, in its sole discretion, how, when and what application of payments and credits, if any, shall be made on the Indebtedness or any part thereof.

(b) Pledgor hereby appoints Secured Party as Pledgor's attorney-in-fact (without requiring Secured Party) to perform all acts which Secured Party deems appropriate to perfect and continue the Security Interest and to protect, preserve and realize upon the Account. This power of attorney shall not be affected by the subsequent disability or incompetence of Pledgor.

(c) After the occurrence of an Event of Default Secured Party may notify the issuer of the Account of this assignment of and security interest in the Account and, subject to the terms of this Agreement, demand, collect and sue on the Account (in either Pledgor's or Secured Party's name at the latter's option), and may enforce, compromise, settle or discharge the Account, without discharging the Indebtedness or any part thereof and whether or not any action of Secured Party results in the imposition of any early withdrawal or other penalty. After the occurrence of and during the continuance of an Event of Default Pledgor further appoints Secured Party as Pledgor's attorney-in-fact to execute such checks, withdrawal slips, certificates, orders or receipts for payment of the Account as Secured Party deems appropriate and surrenders any passbook, statement, certificate or other written evidence of the Account. This power of attorney shall not be affected by the subsequent disability or incompetence of Pledgor. After the occurrence of an Event of Default Debtor authorizes and directs the issuer of Account consisting of any certificate of deposit or similar instrument to make any payments requested by Secured Party as Secured Party may direct and hereby releases such issuer from any liability to Pledgor for making such payments. After the occurrence of an Event of Default Pledgor further authorizes Secured Party from time to time to renew any such Account at or before its maturity, or to convert the Account to another type of an Account, on such terms as Secured Party deems appropriate.

(d)(i) As further security for payment of the Indebtedness, Pledgor grants to Secured Party a Security Interest in and lien on any and all property of Pledgor which is or may hereafter be in the possession or control of Secured Party in any capacity or of any third party acting on its behalf, including, without limitation, all deposit and other accounts and all moneys owed or to be owed by Secured Party to Pledgor; and with respect to all of such property, Secured Party shall have the same rights hereunder as it has with respect to the Account; (ii) without limiting any other right of Secured Party, whenever Secured Party has the right to declare any Indebtedness to be immediately due and payable (whether or not it has so declared), Secured Party at its sole election may set off against the Indebtedness any and all moneys then or thereafter owed to Pledgor by Secured Party in any capacity, whether or not the Indebtedness or the obligation to pay such moneys owed by Secured Party is then due, and Secured Party shall be deemed to have exercised such right of set off immediately at the time of such election though any charge therefore is made or entered on Secured Party's records subsequent thereto.

(e) Upon Pledgor's failure to perform any of its duties hereunder, Secured Party may, but shall not be obligated to, perform any or all such duties, including, without limitation, payment of taxes, assessments, insurance and other charges and expenses as herein provided, and Pledgor shall pay an amount equal to the reasonable cost thereof to Secured Party on demand of Secured Party. Payment of all moneys hereunder shall be secured by the Account.

(f) Unless any instrument, document, or agreement evidencing any Indebtedness expressly provides a rate for the accrual of interest after such Indebtedness becomes due, the rate at which interest on such Indebtedness shall accrue after such Indebtedness becomes due, whether by reason of default or otherwise and until such Indebtedness is paid in full, shall be the rate provided in such instrument, document, or agreement which is in effect immediately prior to such Indebtedness becoming due.

(g) No course of dealing between Pledgor and Secured Party and no delay or omission by Secured Party in exercising any right or remedy hereunder or with respect to any Indebtedness shall operate as a waiver thereof or of any right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Secured Party may remedy any default by Pledgor hereunder or with respect to any Indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by Pledgor. All rights and remedies of Secured Party hereunder are cumulative.

(h) Secured Party shall have no obligation to take, and Pledgor shall have the sole responsibility for taking, any and all steps to preserve rights against any and all prior parties to any Instrument constituting Account, whether or not in Secured Party's possession. Secured Party shall not be responsible to Pledgor for loss or damage resulting from Secured Party's failure to enforce or collect any such Account or to collect any moneys due or to become due thereunder. Pledgor waives protest of any Instrument constituting Account at any time held by Secured Party on which Pledgor is in any way liable and waives notice of any other action taken by Secured Party.

(i) The rights and benefits of Secured Party hereunder shall, if Secured Party so directs, inure to any party acquiring any interest in the Indebtedness or any part thereof.

(j) Secured Party and Pledgor as used herein shall include the heirs, executors or administrators, or successors or assigns, of those parties.

(k) If more than one Pledgor executes this Agreement, the term "Pledgor" shall include each as well as all of them and their obligations, warranties and representations hereunder shall be joint and several.

(l) No modification, rescission, waiver, release or amendment of any provision of this Agreement shall be made except by a written agreement subscribed by Pledgor and by a duly authorized officer of Secured Party.

(m) This Agreement and the transaction evidenced hereby shall be construed under the laws of the State of New York, as the same may from time to time be in effect.

(n) All terms, unless otherwise defined in this Agreement, shall have the definitions set forth in the Uniform Commercial Code adopted in the State of New York, as the same may from time to time be in effect.

(o) This Agreement is and is intended to be a continuing Agreement and shall remain in full force and effect until all of the Indebtedness, together with interest accruing thereon after such notice, shall be finally and irrevocably paid in full. If, after receipt of any payment of all or any part of the Indebtedness, Secured Party is for any reason compelled to surrender such payment to any person or entity, because such payment is determined to be void or voidable as a preference, impermissible set off, or a diversion of trust funds, or for any other reason, this Agreement shall continue in full force notwithstanding any contrary action which may have been taken by Secured Party in reliance upon such payment, and any such contrary action so taken shall be without prejudice to Secured Party's rights under this Agreement and shall be deemed to have been conditioned upon such payment having become final and irrevocable.

PLEDGOR:

ALARM SERVICES, LLC

By: _____

Name: _____

Title: _____

Exhibit "E"

GUARANTY

This Guaranty (“Guaranty”), dated February 10, 2012, by **ALARM SERVICES, LLC** (“Debtor”), and **BRIAN SHEA AND DOUGLAS KEENHOLTS** (each individually and collectively, the “Guarantor” and together with Debtor, the “Indemnitor”) in favor of **WILLIAM J. BROWN, AS RECEIVER FOR MCGINN, SMITH FIRSTLINE FUNDING, LLC, MSFC SECURITY HOLDINGS, LLC, FIRST EXCELSIOR INCOME NOTES, LLC, FIRST INDEPENDENT INCOME NOTES, LLC, THIRD ALBANY INCOME NOTES, LLC, PACIFIC TRUST 02, MCGINN, SMITH FUNDING LLC, MCGINN and SMITH ALARM TRADING LLC**, having an office at c/o Phillips Lytle LLP, 3400 HSBC Center, Buffalo, New York 14203 (the “Lender”). Capitalized terms used herein but not defined herein shall have the meanings given to them in the General Security Agreement from Debtor to Lender dated of even date, as the same may be amended or supplemented from time to time (“Security Agreement”).

1. **Guaranty and Indemnification.**

In connection with any extension of credit whether heretofore or hereafter made by Lender to Debtor, each Indemnitor hereby indemnifies and defends Lender from and against, and agrees to hold Lender harmless from, any and all claims, liabilities, losses, damages, costs and expenses actually incurred by Lender in connection with any of the following:

(a) the misappropriation or conversion by Debtor of (i) any payments on any Collateral, or (ii) any insurance proceeds paid by reason of any loss, damage or destruction to any Collateral;

(b) failure to deliver to Lender any security deposits, advance deposits or other deposits, collected with respect to the Collateral after the occurrence of an Event of Default;

(c) failure to pay taxes or insurance or any and all other charges which may create liens on the Collateral or any part thereof which are not paid on or before the applicable due date for the payment of same without penalty;

(d) any fraud, misrepresentations or breaches of warranties made by any Indemnitor in any instrument relating to any Indebtedness;

(e) amounts necessary to repair or replace any damage caused by the gross negligence or willful or wanton misconduct, act or omission by Debtor or any other Indemnitor;

(f) the sale, conveyance, alienation, transfer, or encumbrance of any interest in the Collateral without the express written consent of Lender; or

(g) costs and expenses (including reasonable attorney’s fees and expenses) incurred in the enforcement of this Guaranty.

2. Agreement with respect to Sale of Collateral.

Each Guarantor covenants and agrees to use reasonable efforts to cause the Debtor to comply with all of terms, covenants and conditions set forth in the Security Agreement entered into between Debtor and Lender dated of even date and the Note from Debtor to Lender dated of even date in the original principal amount of \$_____, and any renewal, replacement, modification or extension thereof (the "Note"). If Debtor fails to comply with the covenants set forth in Section 3.m of the Note, each Guarantor agrees to use reasonable and commercial effort to cause Debtor to liquidate the Collateral sufficient so that Debtor is in compliance with such covenant within four (4) months from the applicable default. Each Guarantor further agrees that, notwithstanding anything to the contrary contained in the Note, commencing on [_____, 2015] each Guarantor will cause Debtor to actively commence a sale of Collateral and each Guarantor will use reasonable effort to maximize the priced at which the Collateral is sold.

3. Lender's Costs and Expenses.

After the occurrence of and during the continuance of an Event of Default under the Note, Indemnitors agree to pay on demand all reasonable costs and expenses of every kind incurred by Lender in enforcing this Guaranty. "Costs and expenses" as used in the preceding sentence shall include, without limitation, the attorneys' fees and disbursements incurred by Lender in retaining counsel for advice, suit, appeal, any insolvency or other proceedings under the Federal Bankruptcy Code or otherwise, or for any purpose specified in the preceding sentence.

4. Nature of Guaranty.

Indemnitor acknowledges that valuable consideration supports this Guaranty, including, without limitation, any commitment to lend, extension of credit or other financial accommodation, whether heretofore or hereafter made by Lender to Debtor; any forbearance with respect to any indebtedness of Debtor to Lender, or otherwise; any purchase of any of Debtor's assets by Lender; or any other valuable consideration.

This Guaranty is absolute and unconditional and shall not be changed or affected by any representation, oral agreement, act or thing whatsoever, except as herein provided. This Guaranty is intended by Indemnitor to be the final, complete and exclusive expression of the agreement between Indemnitor and Lender and Indemnitor expressly disclaims any reliance on any oral representation of Lender. No modification or amendment of any provision of this Guaranty shall be effective unless in writing and signed by a duly authorized officer or agent of Lender.

5. Certain Rights and Obligations.

Indemnitors' obligations hereunder shall not be affected by any of the following, all of which Indemnitors hereby waive: (i) any failure to perfect or continue the

perfection of any security interest in or other lien on any Collateral; (ii) the invalidity, unenforceability, manner of enforcement of, or loss or change in priority of any such security interest or other lien; (iii) any failure to protect, preserve or insure any Collateral; (iv) any defense arising by reason of the cessation from any cause whatsoever of liability of Debtor including, without limitation, any failure, negligence or omission by Lender in enforcing its claims against Debtor; (v) any release, settlement or compromise of any obligation of Debtor; or (vi) the invalidity or unenforceability of any of the Indebtedness of Debtor to Lender.

6. **Termination.** This Guaranty shall continue indefinitely in full force and effect and survive the satisfaction, termination, suspension or cancellation of any and all other obligations and agreements between Lender and Debtor, notwithstanding any provision of any previous agreement between Debtor and Lender to the contrary.

7. **Miscellaneous.**

(a) “Debtor”, “Guarantor” and “Indemnitor” as used in this Guaranty shall include: (i) the successors or assigns of those parties and any successor, association, partnership or corporation to which all or a substantial part of the business or assets of Debtor, Guarantor and Indemnitor shall have been transferred; (ii) in the case of Debtor, any new entity which shall have been created by reason of the admission of any new member or members therein or by reason of the dissolution of the existing limited liability company.

(b) No course of dealing between Debtor, any Guarantor or Indemnitor and Lender and no act, delay or omission by Lender in exercising any right or remedy hereunder shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Lender may remedy any default by Debtor under any agreement with Debtor or with respect to any Indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by Debtor. All rights and remedies of Lender hereunder are cumulative.

(c) The rights and benefits of Lender hereunder shall, if Lender so directs, inure to any party acquiring any interest in the Indebtedness, or any part thereof. If any right of Lender hereunder is construed to be a power of attorney, such power of attorney shall not be affected by the subsequent disability or incompetence of Debtor, any Guarantor and Indemnitor.

(d) Captions of the sections of this Guaranty are solely for the convenience of Lender and Indemnitor, and are not an aid in the interpretation of this Guaranty.

(e) EACH INDEMNITOR AGREES THAT ANY ACTION OR PROCEEDING TO ENFORCE OR ARISING OUT OF THIS GUARANTY MAY BE COMMENCED IN THE SUPREME COURT OF NEW YORK IN ALBANY COUNTY, OR IN THE DISTRICT COURT OF THE UNITED STATES IN THE NORTHERN DISTRICT OF NEW YORK, AND EACH NDEMNITOR WAIVES PERSONAL SERVICE OF PROCESS AND AGREES THAT A SUMMONS AND COMPLAINT COMMENCING AN ACTION OR

PROCEEDING IN ANY SUCH COURT SHALL BE PROPERLY SERVED AND SHALL CONFER PERSONAL JURISDICTION IF SERVED BY REGISTERED MAIL TO INDEMNITOR.

(f) If any provision of this Guaranty is unenforceable in whole or in part for any reason, the remaining provisions shall continue to be effective.

(g) This Guaranty and the transactions evidenced hereby shall be construed under the internal laws of New York State without regard to the principles of conflicts of laws.

(h) This Guaranty may be executed in any number of duplicate originals, and each duplicate original shall be deemed to be an original. This Guaranty (and each duplicate original) also may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together constitute a fully executed Guaranty even though all signatures do not appear on the same document.

(i) If this Guaranty is executed by more than one person or entity, all representations, warranties, obligations and covenants made by the Indemnitor hereunder shall be deemed to have been made by each of such persons and entities and the obligations and duties of such parties hereunder shall be deemed to be joint and several in all respects.

[This space intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned have signed, or have cause this Guaranty to be signed by its duly authorized representative as the case may be, as of the date first set forth above.

ALARM SERVICES, LLC

By: _____

Name: _____

Title: _____

DOUGLAS KEENHOLTS

Address _____

BRIAN SHEA

Address _____

[Signature Page to Guaranty]

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

On the _____ day of February, 2012 before me, the undersigned, personally appeared **Douglas Keenholts**, 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 acknowledged 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.

Notary Public

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

On the _____ day of February, 2012 before me, the undersigned, personally appeared **Brian Shea**, 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 acknowledged 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.

Notary Public

[Notary Page to Guaranty]