



FIRST NATIONAL ALARMCAP INCOME FUND

TRADING POLICY

1. Purpose

As a reporting issuer and in its capacity as administrator of First National AlarmCap Income Fund (the “Fund”), First National AlarmCap GP Inc. (“GP”) seeks to ensure compliance with securities laws, instruments of the Canadian securities regulatory authorities and the rules of the Toronto Stock Exchange (the “TSX”; securities laws, instruments of the Canadian securities regulatory authorities and rules of the TSX are collectively referred to as “applicable laws”) relating to insider trading, “tipping” or informing others about undisclosed material information and insider reporting.

2. Application

This Trading Policy extends to all employees, agents, consultants, officers and directors of GP, First National AlarmCap LP (“LP”), First National AlarmCap Trust (“Trust”), the Fund and of Securex Financial Corp. or any manager appointed under the Management Agreement entered into between Securex Master Limited Partnership and Securex Financial Corp. (“Manager”). This Policy addresses trading by directors, officers, employees, agents, consultants and other “insiders” of securities of GP and Fund, “tipping” or selective disclosure by such persons of material non-public information and insider reporting obligations under applicable laws.

3. Implementation

The Corporate Governance and Nominating Committee will develop and implement this Trading Policy, monitor the effectiveness and compliance therewith and educate the directors, officers and employees about such Policy. The Corporate Governance and Nominating Committee will review this Policy on an annual basis.

4. Material Information

Material information is any information that could affect the investment decision of a reasonable investor, including any information relating to the business, operations or capital of GP, LP, Trust or Fund that significantly affects, or would reasonably be expected to have a significant effect on, the units of Fund (“Material Information”). Examples of types of events or developments that may give rise to Material Information are listed under Schedule “A” attached

hereto. However, the list is not exhaustive and is not a substitute for the Corporate Governance and Nominating Committee exercising its judgement in making materiality determinations.

5. Trading and Tipping Restrictions and Blackout Periods

It is illegal for directors, officers, trustees and employees of GP, LP, Trust, Fund and Manager and others to purchase or sell units of the Fund with knowledge of Material Information that has not been publicly disclosed. Except in the necessary course of business, it is also illegal for such persons to inform any other person or company of non-public Material Information affecting GP, LP, Trust and/or Fund.

(1) Trading in GP and Fund Securities Generally

All directors, officers, employees, agents and consultants of Manager, GP and LP and holders beneficially owning or controlling more than 10% of the voting rights attaching to Manager, GP or Fund voting securities are prohibited from trading in units of the Fund while in possession of undisclosed Material Information. Once disclosure of such Material Information has been made generally by GP, any such person may trade in units of the Fund on and after the business day following the day of public disclosure by GP. All directors, officers, employees, agents and consultants of Manager, GP and LP are encouraged to refrain from rapid buying and selling of units of the Fund. Such “flipping” or “playing the market”, while legally permissible, may adversely affect the public perception regarding trading in units of the Fund.

(2) Trading in Fund Securities During a Blackout Period

All directors, officers and holders beneficially owning or controlling more than 10% of the voting rights attaching to Manager, GP or Fund voting securities are prohibited from trading in Fund securities during a Blackout Period. In each and every GP/Fund fiscal quarter, a Blackout Period shall run between the last day of a quarter and the close of business on the day of the public release of GP's and the Fund's interim or year-end financial results. As well, the Corporate Governance and Nominating Committee may from time to time declare a Blackout Period to be in effect in the event there exists undisclosed Material Information about GP, LP, Trust or Fund. Written notice of both the establishment and termination of any such non-quarterly Blackout Period shall be given by the Chief Executive Officer to all directors, officers and holders beneficially owning or controlling more than 10% of the voting rights attaching to Manager, GP or Fund voting securities. Trading in Fund securities by such persons may commence on and after the business day following the termination of a Blackout Period. In addition, during any Blackout Period, any director, officer or holder beneficially owning or controlling more than 10% of the voting rights attaching to Manager, GP or Fund voting securities may apply to the Chief Executive Officer for approval to trade in Fund securities.

(3) Tipping

All directors, officers, employees, agents and consultants of Manager, GP and LP and holders beneficially owning or controlling more than 10% of the voting rights attaching to Manager, GP

or Fund voting securities are prohibited from informing any other person of undisclosed Material Information.

(4) Reporting

All “insiders” of GP and/or Fund must file insider trading reports with the Canadian Securities Administrators within 10 days of becoming an insider, unless such insider does not own or have control or direction over GP or Fund securities, or within 10 days of the date of a change in that person’s holdings, and concurrently with such filing shall deliver a copy of any such insider trading report to the Chief Executive Officer. For this purpose, an “insider” means all directors and senior officers of GP and its subsidiaries (including the five highest paid employees of GP) together with any holder beneficially owning or controlling more than (i) 10% of the voting rights attaching to GP voting securities; or (ii) with respect to the Fund, 10% of the voting rights attaching to Fund voting securities.

6. Maintaining Confidentiality

Any director, officer, employee, agent and consultant of Manager, GP and LP privy to confidential information relating to GP, LP, Trust or Fund is prohibited from communicating such information to anyone else, unless it is necessary to do so in the course of business. Efforts will be made to limit access to such confidential information to only those who need to know the information and such persons will be advised that the information is to be kept confidential. In order to prevent the misuse or inadvertent disclosure of Material Information, the procedures set forth below should be observed at all times:

- (1) Confidential matters should not be discussed in places where the discussion may be overheard, such as elevators, hallways, restaurants, airplanes or taxis.
- (2) Confidential documents should not be read in public places and should not be discarded where others can retrieve them.
- (3) Transmission of documents by electronic means, such as by fax or directly from one computer to another, should be made only where it is reasonable to believe that the transmission can be made and received under secure conditions.
- (4) Unnecessary copying of confidential documents should be avoided and documents containing confidential information should be promptly removed from conference rooms and work areas after meetings have concluded. Extra copies of confidential documents should be shredded or otherwise destroyed.
- (5) Access to confidential electronic data should be restricted through the use of passwords.
- (6) Documents and files containing confidential information should be kept in a safe place to which access is restricted to individuals who "need to know" that information in the necessary course of business.
- (7) All proprietary information, including computer programs and other records, remain the property of GP, LP, Trust and Fund, as the case may be, and may not be removed, disclosed, copied or otherwise used except in the normal course of employment or with the prior permission.

7. Communication, Education and Enforcement

New directors, trustees, officers and employees of Manager, GP, LP, Trust and Fund will be advised of this Policy and its importance and this Policy will be brought to the attention of all employees on an annual basis. The Corporate Governance and Nomination Committee shall be responsible for ensuring that all Directors, trustees, officers and those employees who are, or may be, involved in making disclosure decisions under this Policy, understand this Policy and its relevance to ensure compliance with applicable laws. The Corporate Governance and Nomination Committee shall also be responsible for implementing and monitoring appropriate internal controls to ensure that this Policy is properly enforced. An officer or employee of GP or the LP who violates this Policy may face disciplinary action up to and including termination of his or her employment. If an employee of Manager violates this Policy, Manager must take appropriate disciplinary action. Without prejudice to its other rights and remedies, GP reserves the right to terminate the Management Agreement for cause in case of such violation. The violation of this Policy may also violate certain securities and other laws. If GP discovers that an employee has violated such securities or other laws, it may refer the matter to the appropriate regulatory authorities.

Schedule “A”

The following are examples of the types of events or developments that may give rise to Material Information. However, the list is not exhaustive and is not a substitute for the Corporate Governance and Nomination Committee exercising its judgment in making materiality determinations.

Changes in Corporate Structure

- changes in ownership that may affect control of Fund, Trust, GP or LP
- major reorganizations, amalgamations or mergers
- take-over bids, issuer bids or insider bids

Changes in Capital Structure

- the public or private sale of additional securities
- planned repurchases or redemptions of securities
- planned splits of shares/units or offerings of warrants or rights to buy shares/units
- any share/unit consolidation, or share/unit exchange or share/unit dividend
- changes in dividend or distribution payments or policies
- material modifications to rights of securityholders

Changes in Financial Results

- significant increase or decrease in near-term earnings prospects
- unexpected changes in the financial results for any periods
- shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- changes in the value or composition of GP’s, Fund’s, Trust’s or LPs’ assets
- any material change in GP’s, LP’s, Trust’s or Fund’s accounting policy

Changes in Business and Operations

- any development that affects the resources, technology, products or markets of GP, LP, Trust or Fund
- a significant change in capital investment plans or corporate objectives
- major labour disputes or disputes with major contractors or suppliers
- significant new contracts, products, patents or services or significant losses of contracts or business

- changes to the Board of Directors or executive management, including the departure of the President and Chief Executive Officer or the Chief Financial Officer
- the commencement of, or developments in, material legal proceedings or regulatory matters
- waivers of corporate ethics and conduct rules for officers, directors, and other key employee
- any notice that reliance on a prior audit is no longer permissible
- de-listing of securities or their movement from one quotation system or exchange to another

Acquisitions and Dispositions

- significant acquisitions or dispositions of assets, property or joint venture interests
- acquisitions of other companies or legal entities, including a take-over bid for, or merger with, another company or legal entity

Changes in Credit Arrangements

- the borrowing or lending of a significant amount of money
- any mortgaging or encumbering of assets
- defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- changes in rating agency decisions
- significant new credit arrangements or material changes to any such credit arrangements.