



FIRST NATIONAL ALARMCAP INCOME FUND

**ANNUAL FORM INFORMATION
AS OF DECEMBER 31, 2005**

MARCH 23, 2006

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GLOSSARY OF TERMS

Unless the context otherwise requires, the following terms which are used in this Annual Information Form are intended to have the meanings set forth below.

“**Accredited Investors**” has the meaning ascribed thereto under Multilateral Investment 45-103 – *Capital Raising Exemptions* and Ontario Securities Commission Rule 45-501 – *Exempt Distributions*;

“**Additional Distributions**” has the meaning ascribed to such term in the section entitled “Description of the Fund – Distributions”;

“**Affiliate**” has the meaning ascribed thereto in the Securities Act;

“**Agency Agreement**” means the agency agreement dated February 24, 2005 between Mackie, Securex Investments Ltd, Securex and AlarmCap GP;

“**Alarm Accounts**” means the accounts or agreements (and extensions or renewals thereof) together with the related accounts receivable and prepaid revenues of the Securex Business pursuant to the Dealer Funding and Management Agreements, including all files, records and other materials or information whatsoever relating thereto, pursuant to which security alarm system monitoring services and/or security alarm system leases (including rental or purchase agreements) and/or maintenance services and/or security alarm response services which are provided to the customers thereunder, together with any equipment comprising the security alarm system owned by Securex used in connection with such Alarm Accounts and located on the premises of such customer;

“**AlarmCap GP**” means First National AlarmCap GP Inc., a corporation incorporated under the *Canada Business Corporations Act* on February 1, 2005;

“**AlarmCap Group**” means AlarmCap LP, together with its general partner, AlarmCap GP;

“**AlarmCap LP**” means First National AlarmCap LP, a limited partnership formed under the laws of the Province of Manitoba pursuant to the AlarmCap LP Partnership Agreement and a declaration filed under *The Business Names Registration Act* (Manitoba) on March 4, 2005;

“**Arrangement**” means the arrangement of Microtec proposed under the QCA;

“**AlarmCap LP Partnership Agreement**” means the Limited Partnership Agreement in respect of AlarmCap LP dated March 4, 2005;

“**Assignment of Oak Hill Claim**” means the assignment made as of March 10, 2005, between J.F. Mackie & Company Holdings Ltd., in trust, and AlarmCap LP, whereby Mackie Holdings transferred and assigned the Oak Hill Claim to AlarmCap LP;

“**Branchaud transaction**” has the meaning ascribed to such term in the section entitled –“Market for the negotiation of securities”;

“**Canadian GAAP**” means, for those generally accepted accounting principles stated in the Handbook of the Canadian Institute of Chartered Accountants, such principles so stated;

“**CCAA**” means the *Companies Creditors Arrangement Act* (Canada) as now in effect and as it may be amended from time to time;

“**Consolidation Transaction**” means the consolidation transaction described under the heading “Description of the Fund – Consolidation Transaction”;

“**Court**” means the Superior Court of Québec;

“**Credit Agreement**” means the credit agreement dated as of March 11, 2005 among AlarmCap LP as borrower, National Bank of Canada, The Bank of Nova Scotia and any other lender from time to time a party to the Credit Agreement, as lenders, National Bank Financial as arranger and National Bank of Canada as agent, in the maximum amount of \$45,000,000;

“**Dealer(s)**” means persons who install security alarm systems or monitor security alarm systems and which own security alarm monitoring accounts in Canada;

“Distributable Cash” means the estimated cash available for distribution to holders of trust units of the Fund;

“Distribution Priority” has the meaning ascribed to such term in the section entitled “Description of Capital Structure”;

“Distribution Priority Termination Event” has the meaning ascribed to such term in the section entitled “Description of Capital Structure”;

“Exchange” means the exchange of Class A trust units for Exchangeable Shares as contemplated in the Exchange Agreement;

“Exchange Agreement” means the exchange agreement between Microtec, the Fund, AlarmCap LP and a depository;

“Exchange Notes” means, together, the Series 2 Exchange Notes and the Series 3 Exchange Notes issued from time to time in exchange for Trust Notes in accordance with the Fund Declaration of Trust;

“Exchangeable Share” means a common share in the capital of Microtec, automatically exchangeable into 1.0004808 of a Fund Unit, in accordance with the Exchange Agreement;

“Fund” means First National AlarmCap Income Fund, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Alberta pursuant to the Fund Declaration of Trust;

“Fund Declaration of Trust” means the first amended and restated declaration of trust dated March 4, 2005, pursuant to which the Fund is established, as may be amended from time to time;

“GP Unit” means the general partner units of AlarmCap LP;

“LP Unit” means the limited partner units of AlarmCap LP;

“Mackie” means J.F. Mackie & Company Ltd.;

“Mackie Holdings” means J.F. Mackie & Company Holdings Ltd. , in trust for certain unnamed beneficiaries;

“Mackie Investors” means the Accredited Investors who subscribed for Subscription Receipts pursuant to the Subscription Receipt Agreement in the aggregate amount of \$37,000,000;

“Management Agreement” means the management agreement entered into between Securex and Securex Financial Corp. dated January 1, 2003, as amended by letter agreements dated January 15, 2004 and March 8, 2005;

“Microtec” means Microtec Enterprises Inc., a company amalgamated under Part IA of the QCA, or the Microtec Division of AlarmCap LP, as the context requires;

“Microtec Asset Closing” means the closing of the transaction whereby substantially all of the assets of Microtec were purchased by AlarmCap LP;

“Microtec Asset Purchase Agreement” means the asset purchase agreement between Microtec, certain of its subsidiaries named therein and AlarmCap LP dated as of March 14, 2005;

“Oak Hill Claim” means the certain rights in and to any and all claims, actions and rights or causes of actions, which Oak Hill Special Opportunities Management L.L.C., on its own behalf and as agent for Oak Hill Special Opportunities Fund L.P. (“**Oak Hill**”), and Sverica International Investment Fund L.P. (“**Sverica**”), on their own behalf and on behalf of their affiliates and subsidiaries had or may have had against Microtec and its affiliates and subsidiaries, by reason of any matter or thing whatsoever connected with or arising out of (a) that certain agreement entered into among Oak Hill, Sverica and Microtec, dated August 13, 2004, as amended from time to time, (b) the supplement to confidentiality Agreements entered into on September 9, 2004 among Oak Hill, Sverica, Protection Inc. and Microtec (and various confidentiality agreements referred to therein), or (c) the transactions contemplated in the above-noted agreements or resulting from the business dealings related thereto, which Oak Hill Claim was assigned to Mackie Holdings on or about January 27, 2005;

“Person” includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

“Pre-Arrangement Agreement” means the pre-arrangement agreement between Microtec, the Fund, the Trust, AlarmCap LP and AlarmCap GP dated as of March 14, 2005, which is attached hereto as Appendix C; **“QCA”**

means the *Companies Act* (Québec), as now in effect and as it may be amended from time to time prior to the Effective Date;

“**RMR**” means recurring monthly revenue;

“**Securex**” means Securex Master Limited Partnership, a limited partnership formed under the laws of the Province of Manitoba pursuant to a limited partnership agreement dated December 19, 2002 as amended and restated by the amended and restated limited partnership agreement dated as of January 1, 2003 and a declaration filed under *The Business Names Registration Act* (Manitoba) on December 23, 2002;

“**Securex Asset Closing**” means the closing of the transaction whereby substantially all of the assets of Securex were purchased by AlarmCap LP;

“**Securex Asset Purchase Agreement**” means the asset purchase agreement between Securex and AlarmCap LP dated as of March 16, 2005;

“**Securex Business**” means the business of Securex as it was conducted prior to the Securex Asset Closing and as now being conducted by AlarmCap LP;

“**Securities Act**” means the *Securities Act* (Québec), as now in effect and as it may be amended from time to time;

“**Special Distribution**” has the meaning ascribed to such term in the section entitled “Distributions”;

“**Subscription Receipt Agreement**” means the subscription receipt agreement made as of February 24, 2005 between the Fund, Mackie and ComputerShare Trust Company of Canada;

“**Subscription Receipts**” means the subscription receipts subscribed for by the Mackie Investors pursuant to the Subscription Receipt Agreement;

“**Subsidiary**” has the meaning ascribed thereto in the Securities Act;

“**Tax Act**” means the *Income Tax Act* (Canada), as now in effect and as it may be amended from time to time;

“**Trust**” means First National AlarmCap Trust, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Alberta pursuant to the Trust Declaration of Trust;

“**Trust Declaration of Trust**” means the declaration of trust dated March 4, 2005 pursuant to which the Trust is established, as may be amended from time to time;

“**Trustees**” means the trustees of the Fund;

“**Trust Notes**” means, collectively, the Series 1 Notes, the Series 2 Notes and the Series 3 Notes of the Trust issued pursuant to the note indenture made as of March 16, 2005, between the Trust, as Issuer, and CIBC Mellon Trust Company, as Indenture Trustee;

“**Trust’s Trustees**” means the trustees of the Trust;

“**Trust Unit**” means units of the Trust;

“**Trust Unitholders**” means holders of the Trust Units;

“**TSX**” means the Toronto Stock Exchange.

“**ULC**” means Underwriter’s Laboratories of Canada;

“**Unitholders**” means holders of the Units;

“**Units**” mean collectively the Class A trust units and the Class B trust units of the Fund.

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Introduction

All capitalized terms used in this Annual Information Form but not otherwise defined herein have the meanings set forth under “*Glossary of Terms*”. Information contained in this Annual Information Form is given as of December 31, 2005 unless otherwise specifically stated.

Currency

All references to “\$” or “dollar” in this Annual Information Form are in Canadian dollars, unless otherwise indicated.

Consolidation of Units

As a result of the Consolidation Transaction discussed under the heading “Description of the Fund - Consolidation Transaction”, all references to numbers of Class A trust units, Class B trust units or Units herein refers to the numbers of Class A trust units, Class B trust units or Units after giving effect to the Consolidation Transaction.

Forward-Looking Statements

This Annual Information Form contains forward-looking statements. All statements other than statements of historical fact contained in this Annual Information Form are forward-looking statements. Unitholders can identify many of these statements by looking for words such as “believe”, “expects”, “will”, “intends”, “projects”, “anticipates”, “estimates”, “would”, “could”, “likely”, “plans”, “forecasts”, “continues” or similar words or the negative thereof. There can be no assurance that the plans, intentions or expectations on which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed elsewhere in this Annual Information Form. Although Microtec, the Fund, AlarmCap LP, AlarmCap GP, the Trust and Securex believe that the expectations represented in these forward-looking statements are reasonable, there can be no assurance that those expectations will prove to be correct. Risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein can be found in the Section “Risk Factors”.

The information contained in this Annual Information Form identifies additional factors that could affect the operating results and performance of the Fund and the AlarmCap Group. We urge you to carefully consider those factors.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Annual Information Form are made as of the date of this Annual Information Form and none of Microtec, the Fund, AlarmCap LP, AlarmCap GP, the Trust or Securex undertake any obligation to publicly update or revise such forward-looking statements to reflect new information, subsequent events, results, circumstances or otherwise.

Supplemental Disclosure

Reference to “EBITDA” in this document are to earnings before interest, taxes, depreciation and amortization. EBITDA is not a defined term under Canadian GAAP but the Fund believes that presentation of EBITDA enhances an understanding of financial condition, results of operations and cash flows because EBITDA is used by the Fund to satisfy its debt service obligations, its capital expenditures and other operational needs, as well as to provide funds for customer account growth. In addition, EBITDA is used by lenders and the investment

community to determine the current borrowing capacity and to estimate the long-term value of companies with recurring cash flows from operations.

Distributable Cash is not a defined term under Canadian GAAP but is determined by the Fund as EBITDA less subscriber replacement costs, interest on debt and sustaining capital expenditures. Management believes that Distributable Cash is a useful measure of performance as it provides investors with an indication of the amount of cash available for distribution to Unitholders. Investors are cautioned, however, that Distributable Cash should not be construed as an alternate to using net earnings as a measure of profitability or the statement of cash flows. Furthermore, the Fund's method of calculating Distributable Cash may not be comparable to other similarly named calculations.

ITEM 1 – NAME AND CORPORATE STRUCTURE

History

The Fund was established in 2005 for the purpose of acquiring substantially all of the assets of Securex and substantially all the assets and shares of Microtec to constitute the third largest full-service commercial and residential alarm company in Canada.

Since 2003, Microtec had been making efforts to restructure its share capital due to the weight of its debt and resulting financial difficulties. In early May 2004, management of Microtec, in collaboration with its financial advisors, identified a number of investors who were interested in participating in Microtec's recapitalization. Efforts to negotiate an equity offer were unsuccessful. In late 2004, Microtec filed for protection under the CCAA and Securex and Securex Investments Ltd. presented to Microtec a recapitalization proposal which was accepted by Microtec on December 7, 2004. This proposal included the setting up of an income fund structure, including the Fund, the Trust and the AlarmCap Group, the purchase by AlarmCap LP of substantially all of the assets of Securex and substantially all of the assets and the shares of Microtec (as described under the heading "General Development of the Business - Significant Acquisitions and Significant Dispositions") and an arrangement with the shareholders of Microtec providing for the Exchange of their Exchangeables Shares pursuant to the Exchange Agreement. In connection with Microtec's restructuring, Microtec signed the Pre-Arrangement Agreement with, among other parties, the Fund and AlarmCap LP, providing for the completion of the Arrangement and the Exchange. The proposal was ultimately approved by Microtec's shareholders and homologated by the Court in May 2005.

The purchase of the assets of Microtec and Securex by AlarmCap LP, a wholly-owned indirect subsidiary of the Fund, resulted in the combining of Microtec's assets with those of Securex into an income trust structure. AlarmCap Group now operates both the business of Microtec (as described under the heading "Description of Microtec") and the business of Securex (as described under the heading "Description of Securex") as separate business units in substantially the same manner as was formerly operated by Microtec and Securex respectively. See "General Development of the Business - Business of AlarmCap Group".

Structure of AlarmCap

The Fund

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Alberta pursuant to a declaration of trust dated February 24, 2005, as amended and restated pursuant to the Fund Declaration of Trust.

The principal head office of the Fund is located at 810 - 1122, 4th Street S.W., Calgary, Alberta T2R 1M1. It is intended that the Fund be qualified as a mutual fund trust for the purposes of the Tax Act. The Fund has been established to acquire and hold the Trust Units and the Trust Notes. It was the public vehicle used to fund

indirectly the acquisition of Microtec and Securex and it intended to be used to fund future growth of the business of the AlarmCap Group.

The Trust

The Trust is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta pursuant to the Trust Declaration of Trust. All of the issued and outstanding Trust Units are owned by the Fund. The Trust has been established to acquire and hold all of the LP Units of AlarmCap LP and all of the issued and outstanding common shares of AlarmCap GP, the general partner of AlarmCap LP.

AlarmCap Group

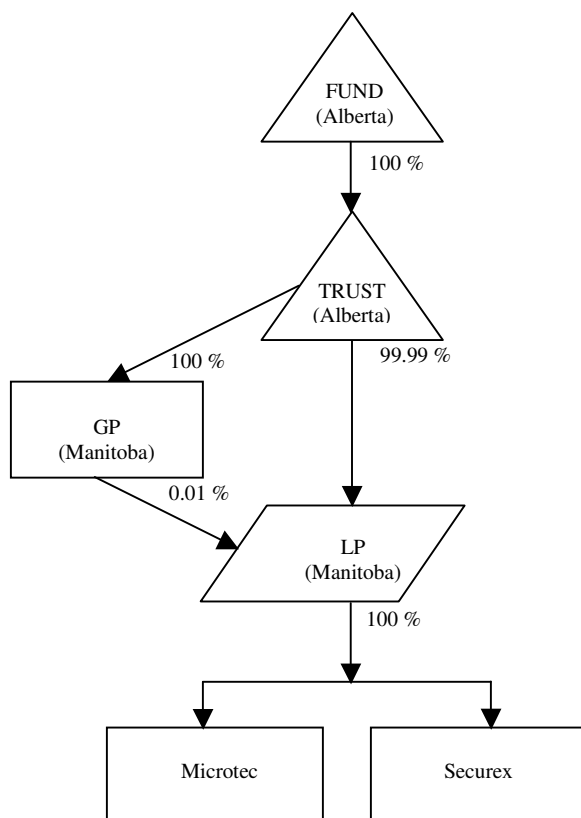
AlarmCap LP completed both the Microtec Asset Closing and the Securex Asset Closing described under the heading “General Development of the Business - Significant Acquisitions and Significant Dispositions”. These closings resulted in the combination of Microtec’s assets with those of Securex into an income trust structure. It is the operating entity of the business of the AlarmCap group.

The sole general partner of AlarmCap LP is AlarmCap GP. AlarmCap LP is an indirect wholly-owned subsidiary of the Fund while AlarmCap GP is a subsidiary of the Trust.

Inter-Corporate Relationships

The following diagram sets out, on a simplified basis, the organizational structure of the Fund and its subsidiaries:

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ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS

BUSINESS OF ALARMCAP GROUP

Recent Developments

The AlarmCap Group began operations in March 2005 when AlarmCap LP acquired substantially all of the assets of both Microtec and Securex. AlarmCap Group has since then operated both the business of Securex (as described under the heading “Description of Securex”) and the business of Microtec (as described under the heading “Description of Microtec”) as separate business units in substantially the same manner as was formerly operated by Microtec and Securex. The business units continue to operate under their respective names and trade-marks.

Since the beginning of operations, management initially focussed on obtaining the approval of the Microtec shareholders of the Exchange and the Arrangement and the approval of the Court. Once these were obtained, the vision for the Fund and the establishment of the Fund’s long-term mission and objectives were finalized and presented to the Board of AlarmCap GP. Operationally, management of the AlarmCap Group has focussed on the actual development strategies of both Microtec (internal sales forces, customer service, Dealers and acquisitions programs) and Securex (Dealers and acquisition programs) with the objective of maximizing their financial results. A number of cost-reduction and service improvement initiatives were approved in the customer service and monitoring centre areas. New capital investment plans were approved to consolidate some of these centres and acquire state-of-the-art monitoring and communication technology for implementation in 2006. Two successful customer retention programs were launched to reduce attrition, particularly in the moving period which, in Quebec, is concentrated in the July-August period. The Dealer programs were rationalized and some channel conflicts were resolved in order to re-energize the Dealer network. A marketing strategy was adopted and resources were acquired to launch such effort, resulting in a review of the Microtec brand and the adoption of a new positioning statement and logo for the brand. Human Resources policies were reviewed, notably employee and executive compensation plans, and as a result new incentive plans will be introduced in 2006. A new residential sales force is being built in order to drive the residential acquisition effort in 2006. In the meantime, Microtec began applying a new pricing approach to its products and services, the effects of which will be felt in 2006.

Significant Acquisitions and Significant Dispositions

Pursuant to the Microtec Asset Purchase Agreement, AlarmCap LP purchased substantially all of the assets of Microtec. The purchase price for the assets was \$74,000,000, financed partly by the credit facilities in favour of AlarmCap LP pursuant to the Credit Agreement and partly by the investment of an amount of \$37,000,000 in Subscription Receipts by the Mackie Investors who entered into the Subscription Receipt Agreement, which Subscription Receipts were later exchanged for Class A trust units of the Fund. The sale of Microtec’s assets to AlarmCap LP was approved by the Court on March 15, 2005. The Microtec Asset Closing took place on March 16, 2005. The Microtec Asset Closing enabled Microtec to repay in full its secured lenders.

On March 16, 2005, the Securex Asset Closing also occurred. Pursuant to the Securex Asset Purchase Agreement, AlarmCap LP purchased all of the Alarm Accounts and other assets and obligations of Securex. The purchase price was \$22,000,000 and paid by AlarmCap LP as follows: (i) the transfer by AlarmCap LP to Securex of 1,750,000 Class B trust units of the Fund, such Class B trust units having an aggregate value of \$17,500,000 (ii) a demand promissory note given by AlarmCap LP in favour of Securex in the amount of \$1,000,000, which demand promissory note was paid in full upon completion of the Securex Asset Closing; and (iii) a term promissory note given by AlarmCap LP in favour of Securex in the amount of \$3,500,000, maturing on April 28, 2009 and bearing an interest rate of 9% per annum, payable after as well as before maturity and

after as well as before default and judgment, with interest on amounts in default at the same rate, payable quarterly.

Pursuant to the Exchange Agreement, the shares of Microtec were exchanged for Class A trust units of the Fund at a ratio of one Microtec share for 1.0004808 Fund Unit on June 20, 2005. Microtec then became an indirect wholly-owned subsidiary of the Fund.

At the acquisition date, management took the strategic decision to exit the unprofitable alarm equipment manufacturing business carried on by Microtec Technologies Inc. It was management's view that it was more appropriate to focus on the core business and redirect financial and human resources to activities which could improve distributable cash flow. As a result, the operations were sold for a nominal amount in May 2005.

In December 2005, as a result of a thorough review of the real estate needs of the AlarmCap Group, the building on St-Laurent street, which housed the monitoring centre in Montreal, was disposed of for a sum of \$582,000. AlarmCap Group will continue to occupy a portion of the building until it is ready to consolidate those operations in a new location in the Montreal area which will comprise the Montreal monitoring centre as well as technical support for all the Microtec operations.

ITEM 3 – NARRATIVE DESCRIPTION OF THE BUSINESS

DESCRIPTION OF THE FUND

The Fund

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Alberta pursuant to a declaration of trust dated February 24, 2005, as amended and restated pursuant to the Fund Declaration of Trust. The principal head office of the Fund is located at 810 - 1122, 4th Street S.W., Calgary, Alberta T2R 1M1. It is intended that the Fund be qualified as a mutual fund trust for the purposes of the Tax Act. The Fund has been established to acquire and hold the Trust Units and the Trust Notes. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Fund Declaration of Trust, which summary does not purport to be complete. Reference is made to the Fund Declaration of Trust for a complete description of the Units and the full text of its provisions.

Activities of the Fund

The Fund Declaration of Trust provides that the Fund is restricted to:

- (i) investing in debt or equity securities of the Trust;
- (ii) temporarily holding cash in interest-bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units or other securities of the Fund and making distributions to Unitholders;
- (iii) issuing Units or other securities of the Trust (i) for cash, (ii) in satisfaction of any non-cash distribution, (iii) in order to acquire securities, (iv) pursuant to any distribution reinvestment plans, incentive option plans or other compensation plans, if any, established by the Fund; or (v) in respect of any rights of exchange given with respect to Units;
- (iv) issuing debt securities or otherwise borrowing and mortgaging, pledging or otherwise encumbering any of the Fund's assets as security therefor;

- (v) guaranteeing the payment of any indebtedness, liability or obligation of the Trust, AlarmCap LP or the affiliates of the Trust or AlarmCap LP or the performance of any obligation of any of them, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of its assets as security for such guarantee, and subordinating its rights under the Trust Notes to other indebtedness;
- (vi) disposing of any part of the assets of the Fund;
- (vii) issuing or redeeming rights and Units pursuant to any unitholder rights plan adopted by the Fund;
- (viii) purchasing securities issued by the Trust, including Trust Units;
- (ix) satisfying the obligations, liabilities or indebtedness of the Fund; and
- (x) undertaking all other usual and customary actions for the conduct of the activities of the Fund in the ordinary course as are approved by the Trustees from time to time, or as are contemplated by the Fund Declaration of Trust.

However, the Fund shall not undertake any activity, take any action, omit to take any action or make any investment which would result in the Fund not being considered a “mutual fund trust” for purposes of the Tax Act, or would result in the Units being treated as “foreign property” for the purposes of the Tax Act.

Consolidation Transaction

On December 9, 2005, and in accordance with the Fund Declaration of Trust, the Board of Trustees approved the consolidation of each of the Class A trust units on a four-for-one basis, such that immediately after consolidation of the outstanding Class A trust units, there were one-quarter (1/4) as many Class A trust units. While not publicly traded, a similar consolidation of each of the Fund’s Class B trust units occurred contemporaneously. The consolidation transaction became effective on December 16, 2005. All references to numbers of Class A trust units, Class B trust units or Units herein refers to the numbers of Class A trust units, Class B trust units or Units after giving effect to the Consolidation Transaction.

DESCRIPTION OF THE TRUST

The Trust is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta pursuant to the Trust Declaration of Trust. All of the issued and outstanding Trust Units are owned by the Fund. The principal head office of the Trust is located at 810 - 1122, 4th Street S.W., Calgary, Alberta. The Trust has been established to acquire and hold all of the LP Units of AlarmCap LP currently created and all of the issued and outstanding common shares of AlarmCap GP, the general partner of AlarmCap LP.

The Trust Declaration of Trust contains provisions substantially similar to those of the Fund Declaration of Trust relating to the Fund. The principal differences between the Trust Declaration of Trust and the Fund Declaration of Trust are those described below. The description below is a summary only and is qualified in its entirety by reference to the text of the Trust Declaration of Trust and the Fund Declaration of Trust.

General

The Trust is a limited purpose trust and its activities are restricted to, among other things:

- (i) investing in debt and equity securities of AlarmCap LP and AlarmCap GP;

- (ii) temporarily holding cash in interest-bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of paying the expenses and liabilities of the Trust, paying amounts payable by the Trust in connection with the redemption of any Trust Units or other securities of the Trust and making distributions to Trust Unitholders;
- (iii) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with securities of the Fund, including Units;
- (iv) issuing Trust Units and other securities of the Trust, including for the purposes of giving effect to the exercise of any rights of exchange given with respect to Trust Units;
- (v) issuing debt securities, including the Trust Notes;
- (vi) borrowing and mortgaging, pledging and otherwise encumbering any of the assets of the Trust as security therefore;
- (vii) disposing of any part of the assets of the Trust;
- (viii) redeeming Trust Units;
- (ix) purchasing securities issued by the Trust;
- (x) guaranteeing the obligations of AlarmCap LP, or any affiliate of the Trust or AlarmCap LP pursuant to any good faith debt for borrowed money incurred by AlarmCap LP or any affiliate of the Trust or AlarmCap LP, as the case may be, and mortgaging, pledging or otherwise encumbering all or any part of the assets of the Trust, including securities issued by AlarmCap LP or any affiliates of the Trust or AlarmCap LP, as security for such guarantee; and
- (xi) satisfying the obligations, liabilities or indebtedness of the Trust.

Trustees

The Trustees of the Trust may unanimously consent to appoint a single corporate trustee in their place and all of such Trustees of the Trust shall immediately cease to be Trustees following such corporate trustee becoming the sole Trustee of the Trust. A corporate trustee shall at all times be a corporation incorporated under the laws of Canada or a province thereof and shall not be a non-resident of Canada. The corporate trustee must also, at all times when it is the Trustee of the Trust, be registered under the laws of Alberta to carry on business therein.

Cash Distributions

The Trust intends to make monthly cash distributions to the Fund of its net monthly cash receipts, after satisfaction of its interest obligations, if any, and less any estimated cash amounts required for expenses and other obligations of the Trust, any cash redemptions or repurchases of Trust Units or Trust Notes and any tax liability. Such distributions will be made to Trust Unitholders of record on the last business day of each month in respect of the period commencing on the first day of that month and ending on such record date. The distributions shall be paid on or prior to the last day of the month subsequent to the month to which such distributions relate.

The distribution declared in respect of the month ending December 31 in each year includes such amount in respect of the taxable income and net realized capital gains, if any, of the Trust for such year as is necessary to ensure that the Trust will not be liable for ordinary income taxes under the Tax Act in such year.

If the Trust's Trustees determine that the Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Trust Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trust's Trustees, to be available for the payment of such distribution. The value of each Trust Unit so issued will be the redemption price thereof.

Any Trust Units transferred to Unitholders pursuant to a distribution in specie may be subject to resale and transfer restrictions and cannot be resold or transferred except as permitted by applicable securities law.

DESCRIPTION OF ALARMCAP GP

General

AlarmCap GP is a corporation incorporated under the Canada Business Corporations Act on February 1, 2005. The principal head office of AlarmCap GP is located at 810 - 1122, 4th Street S.W., Calgary, Alberta T2R 1M1. AlarmCap GP is a wholly-owned subsidiary of the Trust is the sole general partner of AlarmCap LP. All of the issued and outstanding shares of AlarmCap GP are owned by the Trust.

Functions and Powers of AlarmCap GP

AlarmCap GP has exclusive authority to manage the business and affairs of AlarmCap LP, to make all decisions regarding the business of AlarmCap LP and to bind AlarmCap LP. AlarmCap GP is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of AlarmCap LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The authority and power vested in AlarmCap GP to manage the business and affairs of AlarmCap LP includes all authority necessary or incidental to carry out the objects, purposes and business of AlarmCap LP, including without limitation, the ability to engage agents to assist AlarmCap GP to carry out its management obligations or substantially administrative functions. AlarmCap GP cannot dissolve AlarmCap LP or wind up AlarmCap LP's affairs except in accordance with the provisions of the AlarmCap LP Partnership Agreement.

Withdrawal or Removal of AlarmCap GP

AlarmCap GP may resign on not less than 180 days' written notice to the limited partners of AlarmCap LP, provided that AlarmCap GP will not resign if the effect would be to dissolve AlarmCap LP.

AlarmCap GP may not be removed as general partner of AlarmCap LP unless: (i) AlarmCap GP has committed a material breach of the AlarmCap LP Partnership Agreement, which breach has continued for 30 days after notice, and that removal is also approved by Special Resolution of the partners of AlarmCap LP; or (ii) the shareholders or directors of AlarmCap GP pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of AlarmCap GP, or AlarmCap GP commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that certain other conditions are satisfied, including a requirement that a successor general partner with the same ownership and governance structure at the relevant time agrees to act as general partner under the AlarmCap LP Partnership Agreement.

DESCRIPTION OF ALARMCAP LP

General

AlarmCap LP is a limited partnership formed under the laws of the Province of Manitoba pursuant to the AlarmCap LP Partnership Agreement and a declaration filed under *The Business Names Registration Act* on

March 4, 2005. The principal head office of AlarmCap LP is located at 810 - 1122, 4th Street S.W., Calgary, Alberta T2R 1M1. The sole general partner of AlarmCap LP is AlarmCap GP.

The following is a summary of the material attributes and characteristics of the LP Units which will be issued under the AlarmCap LP Partnership Agreement. This summary is qualified in its entirety by reference to the provisions of the AlarmCap LP Partnership Agreement which contains a complete statement of those attributes and characteristics.

Capitalization

AlarmCap LP may issue an unlimited number of LP Units to any person who becomes a limited partner of AlarmCap LP in accordance with the AlarmCap LP Partnership Agreement. All of the issued and outstanding LP Units are owned by the Trust. The interest of AlarmCap GP, which shall at all times not exceed 0.01% of the sum of all capital contributed to AlarmCap LP, shall be evidenced by GP Units. All of the issued and outstanding GP Units are owned by AlarmCap GP. The AlarmCap LP Partnership Agreement authorizes AlarmCap GP to cause AlarmCap LP to issue additional LP Units for any consideration and on any terms and conditions as are established by AlarmCap GP.

Pursuant to the terms of the AlarmCap LP Partnership Agreement, the general partner may from time to time in its discretion cause AlarmCap LP to create any new class or classes of LP Units with such rights, limitations and conditions ascribed thereto as the general partner may deem appropriate.

Distributions

AlarmCap LP intends to make monthly cash distributions to holders of record of GP Units and LP Units on the last business day of each month. AlarmCap LP may, in addition, make a distribution at any other time.

Allocation of Net Income and Losses

The income or loss for tax purposes of AlarmCap LP for a particular fiscal year will be allocated to AlarmCap GP in an amount calculated by multiplying the total income or loss for tax purposes from each source by 0.01%. The balance of the income or loss for tax purposes after the allocation made to AlarmCap GP shall be allocated to the limited partners in proportion to the number of LP Units held by each of them. The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by AlarmCap LP to that partner.

Income and loss of AlarmCap LP for accounting purposes is allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

Limited Liability

AlarmCap LP operates in a manner as to ensure to the greatest extent possible the limited liability of the Trust. The Trust may lose its limited liability in certain circumstances. If limited liability is lost by reason of the negligence of AlarmCap GP in performing its duties and obligations under the AlarmCap LP Partnership Agreement, AlarmCap GP has agreed to indemnify the Trust against all claims arising from assertions that its liability is not limited as intended by the AlarmCap LP Partnership Agreement.

Transfer of LP Units

The LP Units are transferable subject to compliance with applicable securities restrictions. However, an LP Unit is not transferable in part and no transfer of an LP Unit will be accepted by AlarmCap GP unless a transfer form, duly completed and signed by the registered holder of the LP Unit and the transferee, has been remitted to the registrar and transfer agent of AlarmCap LP. A transferee of an LP Unit will become a partner and will be

subject to the obligations and entitled to the rights of a partner under the AlarmCap LP Partnership Agreement on the date on which the transfer is recorded.

Amendment

The AlarmCap LP Partnership Agreement may be amended upon a written resolution of limited partners of AlarmCap LP holding in aggregate more than 80% of the LP Units, except for amendments, which require unanimous approval of holders of LP Units, including: (i) changing the liability of any limited partner; and (ii) changing AlarmCap LP from a limited partnership to a general partnership.

DESCRIPTION OF ALARMCAP GROUP

Outlook

The acquisition of the business of Microtec and of Securex established AlarmCap LP as one of the largest security monitoring companies in Canada. AlarmCap LP provides electronic security alarm monitoring and services for burglary, fire, emergencies as well as energy management and other home automation services to residential and commercial subscribers. AlarmCap LP's subscriber network consists of approximately 108,000 subscribers.

AlarmCap LP's revenues consist primarily of recurring payments under written contracts initially entered into for a long term with automatic yearly renewals after the initial term for the monitoring, maintenance and repair of security systems installed in client homes and businesses. The monitoring services are offered 24 hours a day, seven days a week, primarily through state-of-the-art, ULC-listed monitoring centres.

The provision of monitoring services is characterized by a fixed cost structure such that additional subscribers can be added at little incremental cost. The related subscriber billing and collections function enjoys similar economies of scale.

AlarmCap LP aims to establish itself as the leading provider of monitoring services in each major center where AlarmCap LP does business. By achieving greater account density in its markets AlarmCap LP will be able to more effectively market or acquire security alarm monitoring agreements and deliver the repair, installation and support services to the installed subscriber portfolio more efficiently.

Business Strategy

AlarmCap LP benefits from a strong position in its market and continues to explore opportunities to increase and leverage its subscriber base and infrastructure capacity through organic and external growth initiatives. AlarmCap LP will execute its strategy through a focus on achieving further operating efficiencies and increasing RMR, with a view to the generation of predictable increases in net cash flow.

AlarmCap LP also benefits from the network of Dealers established by both Microtec and Securex. Each Dealer has entered into agreements to sell and install residential security systems for Microtec and Securex. Such agreements have been assigned in favour of AlarmCap LP and have been since revised to return the more competitive program of payment for the Dealers. The use of this Dealer network to market and service security alarm systems is expected to reduce the overhead costs associated with the sale and customer service function.

AlarmCap LP is exploring different acquisition opportunities on a selective basis.

AlarmCap LP recognizes that in order to minimize subscriber attrition it must pro-actively initiate customer contact and track customers who move to ensure customer retention in the new location and that a new subscriber is obtained at the existing location.

Organic Growth

Organic growth consists of growth originating from the installed subscriber portfolio and internal sale forces. It typically comprises a combination of Alarm Account growth net of attrition, the sale of additional services, RMR increases, and general improvements to efficiency.

Subscriber Retention

Organic subscriber growth is derived from replacement Alarm Accounts and referral accounts. AlarmCap LP intends to emphasize low cost organic growth and Alarm Account retention programs over the sale of promotional accounts generated through expensive marketing programs and the deep discounting of security alarm system installations in an effort to drive growth rates beyond those achievable through organic growth. In this manner, AlarmCap LP expects to reduce capital expenditures on account replacement costs and higher cost account creation programs in favour of more modest growth yielding a predictable cash flow on behalf of the Fund.

Replacement accounts are generated through Alarm Account retention programs wherein AlarmCap LP's subscriber retention department tracks subscriber cancellations which occur when subscribers move to new premises and the reoccupation of a protected premise by a potential subscriber resulting in reduced net attrition rates. Referral accounts are generated when subscribers recommend AlarmCap LP to friends and associates through networking activities by AlarmCap LP's sales force. The subscriber retention departments also tracks the referral inquiry on behalf of AlarmCap LP's sales department and deploys a member of the sales force to the premises to assess security alarm system requirements and make recommendations for the installation or the upgrade of the security alarm system. Replacements and referral Alarm Accounts typically have a lower cost to create than promotional accounts.

This heightened priority on subscriber retention is an important aspect of AlarmCap LP's strategy. As net attrition rates are reduced, the number of referral Alarm Accounts required to effect the RMR reduction due to net attrition is reduced accordingly resulting in lower Alarm Account replacement costs and higher organic growth.

Additional Services

Organic growth can also be obtained through the sale by AlarmCap LP of additional monitoring services, such as fire, low temperature, carbon monoxide, and other environmental functions, to the subscriber portfolio.

Increases to RMR

AlarmCap LP intends to also achieve organic growth through modest monitoring rate increases in order to gradually raise rates to a level consistent with the average monitoring rate for new Alarm Accounts in Canada.

Subscriber Management

In addition to tracking cancellations, referrals and service calls to better manage net attrition rates, the subscriber retention department will also be responsible for identifying low margin subscribers and developing strategies to improve gross margin on a per subscriber basis. This will permit the more effective allocation of resources, and expand currently available infrastructure capacity. Low margins are typically attributable to inadequate RMR but can also occur due to excess subscriber activity and frequently can result from a combination of these factors. In fact a low margin subscriber creating excess activity can divert resources from a higher margin subscriber resulting in reduced service levels to the high margin subscriber and a possible cancellation.

Internal sale forces

AlarmCap LP continues to benefit from the well established internal sales force of Microtec, particularly in the commercial sector. Also, the sales force for the residential sector will likely be expanded. When well managed and by avoiding large scale and expensive marketing programs and the deep discounting of security alarm system installations, internal sales forces are very effective in large cities. It will also allow AlarmCap LP to benefit from incremental business, particularly in the commercial sector with the expansion of digital camera and card access systems.

External Growth

AlarmCap LP believes that attractive opportunities exist to utilize currently available infrastructure capacity by acquiring established security alarm monitoring companies with subscriber portfolios in those centers where AlarmCap LP currently provides monitoring services as well as to expand its network of security alarm companies, which service acquired accounts and regularly sell accounts to AlarmCap LP under established external account creation programs.

Acquisitions

AlarmCap LP has identified a number of acquisition targets which may be currently contemplating transactions or which have institutional financial sponsorship mandated to divest of their holdings within the next three to five years. While such an acquisition could have an immediate and material impact on AlarmCap LP's infrastructure utilization and concomitant cost savings within the target, AlarmCap LP also believes that it has identified an attractive source of acquisition opportunities in the thousands of local Dealers serving markets in which AlarmCap LP presently has a footprint and would like to increase its market share.

These local Dealers typically have established portfolios consisting of between 500 and 2000 seasoned accounts with a demonstrable RMR and predictable levels of attrition. In the last quarter of fiscal 2005, the LP proceeded to two acquisitions totalling 407 Accounts Account. Management believes in the aggregation of Accounts and plans to play a significant role in the industry.

Once acquired these Dealers would join AlarmCap LP's associate program, as discussed below.

Associates Program

The associates program represents the continuation and evolution of the business acquired by AlarmCap LP from Securex and Microtec. The existing Securex and Microtec Dealer networks will form the nucleus of the program.

AlarmCap LP intends to accelerate the implementation of the associates program in the Microtec division and as such partly replicate the business model historically applied by Securex.

Description of Microtec

General Development of the Business

Overview

Microtec operates in the security industry and in home automation services. Its subscriber network, as at December 31, 2005, included some 92,000 subscribers.

Microtec began marketing its services in 1989 and rapidly established itself as one of the largest residential security monitoring companies in Canada. Microtec's revenues consist primarily of recurring payments under written long-term contracts with automatic yearly renewals after the initial term for the monitoring, maintenance and repair of security systems. The monitoring services are offered 24 hours a day, seven days a week, primarily through three state-of-the-art monitoring centres located in Montreal, Quebec City and Ottawa, with a total monitoring capacity of approximately 300,000 security subscribers.

Over the years, Microtec has pursued an expansion strategy. From 18,000 subscribers at the beginning of 1992, its security network has grown to 92,000 subscribers as at December 31, 2005, representing an annual growth rate of 12.4%.

Microtec has maintained its penetration in Ontario with a subscriber network of 8,000 customers.

Outlook

The security industry continues to evolve in a very favourable context. Now more than ever, citizens are concerned for their safety and well being. While product evolution has made security more accessible, technological developments have made it possible to offer additional services that are tailored to specific needs. It is within this positive environment, yet highly restrictive financial framework, that Microtec has defined and executed its business plan over the last three years.

Microtec has concentrated on improving its profitability while limiting its investments. Moreover, the review of each of the business's activities resulted in the trimming of such expense categories as monitoring, customer service and administrative fees, and improvement in the quality of services offered.

A major reorganization of its development activities has significantly decreased recruiting costs. Emphasis was placed on consolidating Microtec's traditional subscriber acquisition networks. Special initiatives were taken to offer customers additional products and services. Microtec is pursuing its strategy to increase the profitability of newly recruited subscribers by adjusting its prices to current market conditions and offering new subscribers additional services.

Residential security

Microtec's current operations consist mainly of providing monitoring services for break-ins, fire, emergencies, to its residential and commercial customers.

Commercial Products and Services

Microtec sells, installs and monitors commercial and industrial security systems using computer technology to combine security and access control, closed-circuit television surveillance and fire detection. It currently serves approximately 16,000 security subscribers in the commercial and industrial market, which generated approximately 24% of Microtec's revenues in 2005. Microtec views its services to this market segment as complementary to its line of residential security products and services.

Monitoring Agreements

Microtec usually enters into monitoring agreements with its security subscribers. Generally, these agreements have initial terms of five years. Microtec maintains an individual file with a signed copy of the agreement for each of its subscribers, and information about each subscriber's system is contained in a fully computerized customer database. Most of Microtec's security monitoring agreements for the residential market (approximately 85% of Microtec's total subscriber network) call for subscriber payments of between \$15 and \$35 per month, depending on whether the customer makes an initial payment or not. Microtec's commercial subscribers typically pay from \$20 to \$50 per month, depending on the services offered.

Monitoring Centres

All of Microtec's products are equipped with a transmitter which sends a digital signal over telephone lines to a receiver at a monitoring centre. Microtec monitors most of its subscriber premises from its three monitoring centres in Quebec City, Montreal and Ottawa. As currently configured, each of these monitoring centres has the capacity to monitor more than 100,000 security subscribers, for a combined capacity of approximately 300,000 security subscribers. In case of network failure, all of Microtec's subscriber premises can be monitored from any of the three centres.

The equipment at the three principal monitoring centres includes sophisticated telephone switching equipment, digital receivers that process the incoming signals, computers with built-in redundancy, and backup generators. These monitoring centres incorporate the use of advanced communications and computer systems that route incoming emergency signals and telephone calls to operators. Monitoring operators sit in front of a computer terminal that provides immediate information concerning the nature of the emergency signal, the subscriber whose security system has been activated and the premises where the system is located.

Microtec's Montreal, Quebec City and Ottawa monitoring centres are listed by the ULC as protective signalling service centres. ULC specifications for monitoring centres include building integrity, back-up systems, staffing and standard operating procedures. ULC listing is required by some commercial subscribers' insurance companies as a condition for coverage.

Recruitment Program

As part of its strategy to expand its subscriber base and geographical coverage in Quebec and Ontario, Microtec is actively prospecting and recruiting new security subscribers through the acquisition of subscriber networks as well as through the efforts of its authorized dealers, its sales team and Affinity Programs.

Acquisition of Subscriber Networks. Potential portfolio acquisitions are generally identified through two sources: recommendations from employees, suppliers or former owners, and solicitation by Microtec. Acquisition opportunities have, since 1994, been evaluated by a dedicated team. Each acquisition's potential is evaluated on the basis of the number of security subscriber accounts, the monthly recurrent revenues of such accounts, profit margins and the reputation of the business to be acquired. In the past years, Microtec has expanded its activities in Ontario by acquiring subscriber networks in the Toronto and Ottawa areas and thereafter, slowed down its activities.

Dealers. Since March 1995, Microtec has also relied on subscriber growth generated by dealers. These agents are generally former Microtec employees or owners of small security companies purchased by Microtec who specialize in the installation of residential security systems. Microtec enters into recruiting agreements with each agent for a given territory whereby it agrees to pay a fixed price for each additional security subscriber recruited by the agent and added to Microtec's subscriber base. These recruiting agreements are for a period ranging from 12 to 60 months. Under the terms of these agreements, the recruiting agents agree not to sell competing products manufactured by other companies during the entire term of the agreement and for a period of approximately three years thereafter. The recruiting agent assumes at all times all the costs related to the sale and installation of the security system. By recruiting security subscribers through independent agents, Microtec generates additional monitoring revenues and has the opportunity of selling its high-margin products and services to new customers without incurring certain costs inherent in having its own direct sales force, such as recruitment, training and retention of competent sales personnel.

Internal sales force and Affinity Programs. Microtec currently employs 23 representatives in Quebec who actively market Microtec products and services to potential subscribers. Since 2000, Microtec has also set up several Affinity programs.

Facilities

The following table gives information on Microtec's facilities:

<u>Location</u>	<u>Type of Facility</u>	<u>Square Footage</u>	<u>Type of Occupancy</u>
4780-4790 St. Felix Street ⁽¹⁾ Saint-Augustin-de-Desmaures, Quebec G3A 2J9	Executive Office, Administrative Centre, Customer Service Centre	65,000	Owned
615 St.Vallier Street West ⁽¹⁾ Quebec City, Quebec G1N 1C6	Monitoring Centre	6,900	Owned
10090-10092 St.Laurent Blvd Montreal, Quebec H3L 2N7	Regional Office, Customer Service Centre and Monitoring Centre	8,413	Leaseholder
B-4 2212, Gladwin Crescent ⁽¹⁾ Ottawa, Ontario K1B 5N1	Monitoring Centre	3,906	Owned
10200 Louis-H.-Lafontaine Blvd. Anjou, Quebec H1J 2T3	Sales Office	4,695	Leaseholder

(1) These properties are subject to hypothecs in favour of to the bankers under the Credit Agreement.

Competition

The security industry is an established industry characterized by a high level of fragmentation as well as by the presence of major security companies with substantial financial resources. Microtec estimates that the North American industry is comprised of approximately 17,000 security monitoring companies, of which 2,000 are currently offering security monitoring services in Canada (over 400 in Quebec). The large number of competitors causes the emphasis to be on the reliability of monitoring services and equipment, market visibility, reputation for quality of customer service, and price.

The development of the security industry illustrates the reasons for its current fragmentation. Requiring only a small initial investment, the security business offers good opportunities for small, family-owned companies. Because barriers to entry are not significant, the industry was rapidly composed of a large number of local and regional security service companies.

1980s saw the entrance of big companies. These companies, using their substantial financial resources, entered the residential security market by offering low-cost security systems and installation fees to capture clients and secure multi-year monitoring contracts which assured recurring monthly revenues. This aggressive marketing strategy was intended to acquire the monitoring contract by subsidizing a new subscriber's security system and installation costs. As the price of security systems and their installation became the industry's major marketing thrust, security companies needed to generate high margin long-term recurring revenues in their search for profitability.

Microtec estimates that the number of companies operating in this industry in Quebec has dropped from over 800 to 400 since early 1992. Many of the companies that have ceased operations have sold their subscriber base to larger providers. Because of their small size, higher overhead expenses as a percentage of revenues, and lack of access to capital on attractive terms, Microtec believes that many security companies will continue to be acquisition opportunities for larger companies.

Consequently, in addition to smaller regional and local companies, Microtec now competes with other major firms with substantial financial resources, including ADT Ltd. In Quebec, Protectron inc. is a major competitor of Microtec. In spite of the entry of major firms into the security industry over the past 15 years, the key

competitive feature of this industry has been and remains the absence of highly visible, well-known market leaders with the power to dominate the industry. Microtec believes that it can take advantage of the current state of the industry through its strategy that targets the residential market and its continued efforts to develop products and services tailored to that specific market, its reputation for reliable equipment and services, its concentrated presence in the areas surrounding its regional offices, its ability to offer bundled services and its low cost structure.

Customer Service

Microtec recognizes that superior customer service is necessary to minimize subscriber attrition and ensure Microtec's success. Accordingly, Microtec has implemented a customer service centre where all its subscribers can obtain the necessary information on Microtec's products and services and receive prompt and reliable service. Microtec's customer service centres are located in Quebec City and Montreal and employ more than 50 representatives. These centres are equipped with a fully computerized database that provides instant access to subscriber information such as the nature of the services provided, the type of equipment installed, the most recent service calls made and the status of the subscriber's account. The centres offer 24-hour service, seven days a week, to all Microtec subscribers. Customer service representatives can be contacted via toll-free telephone lines.

Microtec offers maintenance of security systems through its repair team, independent recruiting agents and other subcontractors. These subcontractors are trained by Microtec to provide repair services for the various types of security systems. By outsourcing its maintenance and repair services, Microtec aims to provide faster field response and support services in all regions where Microtec has subscribers.

Employees

Microtec employed a total of 190 employees. In addition to its employees, some 162 people provided installation, technical support and monitoring services to Microtec and its subscribers for a total of 352 people. The table below shows the distribution of employees and sub-contractors by the various Microtec functions.

<u>Function</u>	Employees	Sub-Contractors	Total
Management	2	-	8
Sales and Marketing	25	73	98
Administration	72	-	76
Customer Service	50	29	79
Installation and Repair	13	38	51
Monitoring	28	22	50
Total	190	162	352

Microtec is of the opinion that its relations with its employees are good.

Description of Securex

Overview

Securex is engaged in the business of acquiring, directly or indirectly, Alarm Accounts relating to security alarm monitoring agreements from Dealers or otherwise providing financing to Dealers with a view to earning income and making a profit from such business activities. The monitoring services provided pursuant to such Alarm

Accounts are offered 24 hours a day, seven days a week, pursuant to third party alarm monitoring contracts (which are managed by Securex Financial Corp.) between either Securex or Securex Financial Corp., as manager of Securex, and monitoring companies such as Consolidated Monitoring Ltd., SecurityLink Ltd. and API Alarm Inc. Securex Financial Corp. (formerly Securex Services Ltd.) is a corporation incorporated under the laws of the province of Alberta and is owned by Securex Ltd., a corporation incorporated under the laws of the province of Alberta.

Business

Securex is an alternative credit provider to Dealers and owns Alarm Accounts, which generate RMR. Securex offers bundled financial, billing / back office and monitoring services to independent Dealers throughout Canada.

Business Model

Securex's acquisition program is predicated on acquiring Alarm Accounts in order to provide financing to Dealers and in turn contracting back with the Dealer for customer service / relationship management and the replacement of Alarm Accounts. Under the program, Securex undertakes the customer billing, monitoring and cash management functions under the Dealer's business name making the transaction seamless to the customer.

Securex identifies Alarm Account portfolios with acceptable credit profiles and Dealers with operational infrastructure capable of managing Alarm Accounts with little incremental cost. The fees paid to the Dealers are structured based on a percentage of RMR. Monitoring services for the aggregated Alarm Account portfolio are likewise subcontracted at a fixed rate per Account to ULC approved service providers based on their marginal cost. Securex Financial Corp., a company related to Securex Investments Ltd. provides billing services for a fixed per Account fee and general management services based on a percentage of the RMR. See "- Management Agreement".

Management Agreement

Securex entered into the Management Agreement with Securex Financial Corp. on January 1, 2003, as amended by letter agreements dated January 15, 2004 and March 8, 2005, whereby Securex Financial Corp. manages and operates all of the Alarm Accounts business of Securex, including providing administrative facilities.

Pursuant to the Management Agreement, Securex Financial Corp. is engaged as an independent contractor to carry out the supervision, direction and control of the management and operation of the business of Securex (as described under the heading "Description of Securex) on behalf of Securex, which includes without limitation, the following duties:

- To ensure that Securex is and continues to be duly licensed, registered and qualified as a limited partnership, and otherwise, to carry on business in each jurisdiction which it owns or leases property or carries on its business;
- To ensure that monitoring services are being provided by reputable service providers in accordance with industry standards on commercially reasonable terms which, among other things, preclude the service provider from soliciting Alarm Accounts and protect Securex's confidential proprietary information;
- To ensure that billings and collections as required under the Alarm Accounts are being performed in a timely and accurate manner and that appropriate records are being kept;
- To provide timely and accurate financial information to each of the limited partners of Securex;

- To monitor the operation of the Dealers who have been contracted to provide customer service and relationship management in connection with the Alarm Accounts, on a regular basis to ensure that they are complying with the provisions of the management agreements executed by them;
- To ensure that the Alarm Accounts managed by the Dealers are subject to written agreements which, among other things, include appropriate Alarm Account non-solicitation provisions and protect Securex's confidential proprietary information;
- To ensure that Securex has appropriate monitoring liability insurance in place to cover potential liability under the Alarm Accounts that may be acquired from; and
- To otherwise protect and preserve Securex's investment in the Alarm Accounts.

In consideration of the services performed by Securex Financial Corp. pursuant to the Management Agreement, Securex pays Securex Financial Corp. management fees equal to the following:

- (a) 10% multiplied by the RMR from the Alarm Accounts collected in the month; and
- (b) a monthly fee equal to \$1.50 per Alarm Account for billings and collection services.

Employees of Securex

Pursuant to the Management Agreement as described under the heading "Management Agreement", Securex is fully operated through the contracting out of all services. As such, Securex itself does not have any employees.

Monitoring Agreements

The monitoring services provided pursuant to the Alarm Accounts owned by Securex, are offered 24 hours a day, seven days a week, pursuant to third party alarm monitoring contracts between either Securex or Securex Financial Corp., as manager of Securex, and monitoring companies such as API Alarm Inc., Consolidated Monitoring Ltd., Security 24 Monitoring and SecurityLink Ltd. (the "**Service Providers**").

These Service Providers are engaged to monitor the signals received from alarm panels of the Alarm Accounts and to promptly notify the police, fire department or other authority or other such persons as directed by subscribers. The monitoring services provided include, but are not limited to, burglary and fire monitoring, open and closed monitoring and reporting, and other environmental monitoring functions. In addition, these Service Providers are required to offer Securex's Dealers secured remote access to the monitoring database in order to enable them to provide customer service to Securex's Alarm Accounts. For each calendar month, a monitoring fee on favourable terms and discounted pricing is charged to Securex by each of the Service Providers, based on the number of Securex's Alarm Accounts that are monitored by such Service Provider.

RISK FACTORS

The following are certain factors relating to the business of the Fund which the Unitholders or potential Unitholders should carefully consider. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. These risks and uncertainties are not the only ones facing AlarmCap Group and the Fund. Additional risks and uncertainties not presently known to AlarmCap Group or the Fund, or that AlarmCap Group or the Fund currently deems immaterial, may also impair the operations of AlarmCap Group or the Fund. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of AlarmCap Group could be materially adversely affected and the ability of the Fund to make distributions on the Units could be adversely affected.

Risks Related to Business of AlarmCap Group

Ability to Maintain Profitability and Manage Growth

There can be no assurances that AlarmCap Group's business and growth strategy will enable AlarmCap Group to achieve or sustain profitability in the future. The AlarmCap Group's future operating results will depend on a number of factors, including (i) the efficiency and effectiveness of the AlarmCap Group's marketing programs, (ii) the AlarmCap Group's ability to continuously improve its service to achieve new and enhanced customer benefits, better quality service and reduced costs, (iii) the AlarmCap Group's ability to successfully identify and respond to emerging trends in the security industry, (iv) the level of competition in the security industry and (v) the ability to manage attrition level.

There can be no assurance that the AlarmCap Group will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the AlarmCap Group's business, financial condition, liquidity and results of operations.

Competition

The security industry is highly competitive and highly fragmented. The AlarmCap Group competes with larger companies, as well as smaller regional and local companies, in all of its operations. Furthermore, new competitors are continuing to enter the security industry and The AlarmCap Group may encounter additional competition from such future industry newcomers. Certain of the AlarmCap Group's current competitors have, and new competitors may have, greater financial resources than the AlarmCap Group. In addition, other security services companies have adopted as strategy similar to the AlarmCap Group's that entails the aggressive purchase of security monitoring accounts through acquisitions of portfolios of subscriber accounts. Some of these companies may be willing to offer higher prices than the AlarmCap Group is prepared to offer to purchase security subscriber accounts. The effect of such competition may be to reduce the volume of sales and the purchase opportunities available to the AlarmCap Group, thus increasing the price paid by the AlarmCap Group for security subscriber accounts, which would adversely affect the AlarmCap Group's cash distributions and its results of operations.

Securex Asset Purchase Agreement

The Securex Asset Purchase agreement contained certain customary representations and warranties and related indemnities. The representations and warranties are to survive the closing of the transaction contemplated by the Securex Asset Purchase Agreement for a period of three years. There can be no assurances of recovery by the Alarm Group from Securex for breaches of such representations and warranties, given that there can be no assurance that the assets or financial resources of Securex will be sufficient to satisfy such obligations.

Expansion

The success of the AlarmCap Group's planned expansion will depend upon many factors, including the ability of the AlarmCap Group to access capital, find suitable acquisition candidates, maintain acceptable Alarm Account creation costs and attrition rates and control of operating costs. There can be no assurance that the AlarmCap Group will be able to grow or achieve its planned expansion. Such risks, if they materialize, could have a material adverse effect on the AlarmCap Group's business, financial condition, liquidity and results of operations.

Industry Risk and Economic Sensitivity

The AlarmCap Group's business is impacted by the health of the economy in the regional markets in which the AlarmCap Group operates and as such the AlarmCap Group's financial results are sensitive to consumer confidence and the level of unemployment, among other factors. Although the AlarmCap Group cannot specifically correlate the impact of macro-economic conditions on its sales activities, the AlarmCap Group believes that a decline in economic conditions in Canada or in any of the regions in which the AlarmCap Group operates may result in decreased demand for the products/services that it sells and, to the extent that this decline continues or increases in severity, the AlarmCap Group's business, financial condition, liquidity and results of operations could be materially adversely affected.

Dependence on Key Personnel

The Fund's success will be substantially dependent on the continued services of senior management of the AlarmCap Group. The loss of the services of one or more key members of senior management of the AlarmCap Group could adversely affect the AlarmCap Group's financial results. In this connection, Mr. Michel Gosselin resigned as Chief Financial Officer in 2005 and Mr. Paul-René Lacroix is expected to leave the employment of AlarmCap Group as interim Chief Financial Officer in May 2006. In addition the AlarmCap Group's continued growth depends on the ability of the AlarmCap Group to attract and retain skilled managers and employees and the ability of its personnel to manage the AlarmCap Group's growth. The inability to attract and retain key personnel could have and adverse effect on the AlarmCap Group's business, financial condition, liquidity and results of operations.

Dependence on Dealers

The Fund's success will be substantially dependent on the Dealers of the AlarmCap Group. The loss of some key Dealers of the AlarmCap Group could adversely affect the AlarmCap Group's financial results. In addition the AlarmCap Group's continued growth depends on the ability of the AlarmCap Group to attract and retain Dealers. The inability to attract and retain Dealers could have and adverse effect on the AlarmCap Group's business, financial condition, growth and results of operations.

Technological Risk

Technology in the security industry and in the telecommunications industry evolves continually and, while AlarmCap Group intends to attempt to keep abreast of changing technology, there is no assurance that the AlarmCap Group's products, or its services, will continue to be competitive.

Effectiveness and Efficiency of Advertising Expenditures

The AlarmCap Group's future growth and profitability will be dependent in part on the effectiveness and efficiency of the AlarmCap Group's advertising expenditures, including the ability of the AlarmCap Group to (i) create greater awareness of the AlarmCap Group's products and services, (ii) determine the appropriate creative message and media mix for future advertising expenditures, and (iii) effectively manage advertising costs in order to maintain acceptable operating margins. There can be no assurance that the AlarmCap Group will experience benefits from advertising expenditures in the future. In addition, no assurance can be given that the

AlarmCap Group's planned advertising expenditures will result in increased sales, will generate sufficient levels of product and service awareness or that the AlarmCap Group will be able to manage such advertising expenditures on a cost-effective basis.

Increase in Interest Rates

One of the factors that may influence the price of the Class A trust units in public trading markets will be the annual cash-on-cash return from distributions of the Fund on the Class A trust units compared to cash-on-cash returns on other financial instruments. Thus an increase in market interest rates will result in higher cash-on-cash return on other financial instruments, which could adversely affect the market price of the Class A trust units.

Labour Relations

None of the AlarmCap Group's employees are unionized and the AlarmCap Group is of the opinion that its relations with its employees are good. A deterioration of its labour relations could negatively impact its operating results.

Risk of Liability from Operations

The nature of the services provided by AlarmCap Group potentially exposes it to greater risks of liability for employee acts or omissions or system failures that may be inherent in other businesses. Most of Microtec's alarm monitoring agreements and other agreements pursuant to which AlarmCap Group sells its products and services contain provisions limiting liability to subscribers in an attempt to reduce this risk. Also, AlarmCap Group benefits from Insurance coverage. However, in the event of litigation with respect to such matters, there can be no assurance that these limitations will be enforced, and the costs of such litigation could have an adverse effect on AlarmCap Group.

Possible Adverse Effect of "False Alarm" Ordinances

According to American industry sources, approximately 95% of alarm activations that result in the dispatch of police or fire department personnel are not emergencies, and thus are "false alarms". Significant concern has arisen in certain municipalities about this high incidence of false alarms. This concern could cause a decrease in the likelihood or timeliness of police response to alarm activations and thereby decrease the propensity of consumers to purchase or maintain security monitoring services.

A number of municipalities have considered or are considering adopting various measures aimed at reducing the number of false alarms. Such measures include: (i) subjecting monitoring companies to fines or penalties for transmitting false alarms, (ii) licencing individual security systems and the revocation of such licences following a specified number of false alarms, (iii) imposing fines on security subscribers for false alarms, (iv) imposing limitations on the number of times the police will respond to alarms at a particular respond. Enactment of such measures could adversely affect AlarmCap Group future business and operations.

Possible Adverse effect of Futures Government Regulations : Risks of Litigation

AlarmCap Group's operations are subject to a variety of laws, regulations and licencing requirements of federal, provincial, municipal authorities and ULC. The loss of such licences, or the imposition of conditions to the granting or retention of such licences, could have a material adverse effect on AlarmCap Group. AlarmCap Group believes that it is in material compliance with applicable laws and regulations requirements.

AlarmCap Group's advertising and sales practices to a certain extent are regulated by consumer protection legislation. Such legislation includes restrictions on the manner in which AlarmCap Group may promote the sale of its security systems and the obligation of AlarmCap Group to provide purchasers of its security systems with certain rescission rights. While AlarmCap Group believes that it has complied with this legislation in all

material respects, there can be no assurance that such legislation was violated in connection with the solicitation of AlarmCap Group existing subscriber Alarm Accounts, particularly with respect to accounts acquired from third parties, or that no such violation will occur in the future.

Insurance

The AlarmCap Group maintains insurance coverage in respect of its potential liabilities, including theft, fire damage, accidental loss of value of its assets and personal injury, in amounts, with such insurers, and on such terms as it considers appropriate, taking into account all relevant factors. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes and floods, that may be uninsurable or not economically insurable. The AlarmCap Group will use its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on the AlarmCap Group's assets and the business at a reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of the AlarmCap Group's lost investment. Certain factors also might make it unattractive to use insurance proceeds to replace the property after such property has been damaged or destroyed. Under such circumstances, the insurance proceeds received by the AlarmCap Group might not be adequate to restore its economic position with respect to such property. There are no assurances that the AlarmCap Group's insurance coverage will continue to be available to it on reasonable terms, including reasonable premium, deductible and co-insurance requirements or that the AlarmCap Group's insurer will not disclaim coverage of any future claim. The AlarmCap Group's business, financial condition, liquidity and results of operations could be materially adversely affected if any of the foregoing developments were to occur.

Risks Related to the Structure of the Fund

Dependence on Operations

The Fund is an unincorporated open-ended, limited purpose trust which will be entirely dependent on the operations and the assets acquired from Microtec and Securex as a result of the Microtec Asset Closing and the Securex Asset Closing, respectively. Cash distributions to holders of Class A trust units will be dependent on, among other things, the ability of the Fund to make cash distributions in respect of the Class A trust units, which, in turn, is dependent on AlarmCap LP, the owner of the assets of Microtec and Securex, making cash distributions. In the conduct of its business, AlarmCap LP pays expenses and incurs debt and obligations to third parties. These expenses, debts and obligations could impact the ability of AlarmCap LP to produce positive operating results. The ability of AlarmCap LP or the Fund to make cash distributions or other payments or advances further is subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of those entities.

Credit Facilities and Restrictive Covenants

AlarmCap LP will have third party debt service obligations under the Credit Agreement. The degree to which AlarmCap LP is leveraged could have important consequences to the Unitholders or potential Unitholders, including: (i) a portion of the AlarmCap Group's cash flow from operations will be dedicated to the payment of the principal of and interest on the indebtedness, thereby reducing funds available for future operations and distribution to the Fund, (ii) AlarmCap Group's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited. AlarmCap LP's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. These factors might inhibit the AlarmCap Group from refinancing the indebtedness at all or on favourable terms, which could have a negative impact on the Fund's ability to make distributions on its Units.

Cash Distributions Are not Guaranteed and Will Fluctuate with the Business Performance

Although the Fund intends to distribute the cash distributions received in respect of the Class A trust units, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Class A trust units, there can be no assurance regarding the amounts of income to be generated by the AlarmCap Group's business or ultimately distributed to the Fund. The actual amount distributed in respect of the Units is not guaranteed and will depend upon numerous factors, including the AlarmCap Group's profitability, its ability to sustain EBITDA margins and the fluctuations in the AlarmCap Group's working capital and capital expenditures, all of which are susceptible to a number of risks.

Nature of Class A Trust Units

Securities like the Class A trust units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Class A trust units do not represent a direct investment in the AlarmCap Group's business. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Class A trust units represent a fractional interest in the Fund. The price per Fund Unit is a function of anticipated distributable income.

The Class A trust units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporations Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Distribution of Securities on Redemption or Termination of the Fund

Upon redemption of Units or termination of the Fund, the Trustees may distribute the Exchange Notes, the Trust Notes or the Trust Units directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the Exchange Notes, the Trust Notes or the Trust Units. In addition, Exchange Notes, Trust Notes and Trust Units are not freely tradable or listed on any stock exchange. The Exchange Notes so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education saving plans, depending upon the circumstances at the time. The Trust Notes and the Trust Units would not be qualified investments for such plans.

Class A trust units Restrictions on Potential Growth

The payout by AlarmCap LP of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of such funds could limit the future growth of AlarmCap LP and the related cash flow to the Fund.

Unitholder Liability

The Fund Declaration of Trust provides that no holder of Class A trust units will be subject to any liability whatsoever to any person in connection with a holding of Class A trust units. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a holder of Class A trust units could be held personally liable, despite such statement in the Fund Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the affairs of the Fund will be conducted to seek to minimize such risk wherever possible.

Dilution of Existing Holders of Class A Trust Units

The Fund Declaration of Trust authorizes the Fund to issue an unlimited number of Class A trust units for that consideration and on those terms and conditions as shall be established by the Trustees without the approval of

any holders of Class A trust units. The holders of Class A trust units will have no pre-emptive rights in connection with such further issues.

Investment Eligibility and Foreign Property

There can be no assurance that the Class A trust units will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans or that the Class A trust units will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Class A trust units. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations described herein under the heading “Certain Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects.

The Fund Declaration of Trust provides that a sufficient amount of the Fund’s net income and net realized capital gains will be distributed each year to holders of Class A trust units in order to eliminate the Fund’s liability for tax under Part 1 of the Tax Act. Where such amount of net income and net realized capital gains of the Fund in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to holders of Class A trust units in the form of additional Class A trust units.

Holders of Class A trust units will generally be required to include an amount equal to the fair market value of those Class A trust units in their taxable income, in circumstances when they do not directly receive a cash distribution.

Debt

In order to finance the acquisition of the assets of Microtec and Securex as well as the implementation of the income trust structure, AlarmCap LP has taken on debt. Amounts paid in principal and interest may impair the Funds ability to make cash distributions.

ITEM 4 – DISTRIBUTIONS

The Fund intends to make distributions of its available cash to the maximum extent possible to the Unitholders. The Fund intends to make monthly cash distributions to Unitholders of record on the last business day of each month, less estimated cash amounts required for expenses and other obligations of the Fund and cash redemptions of Units and any tax liability.

During the year ended December 31, 2005, the Fund declared the following cash distributions:

Class A Trust Unit

Period	Record Date	Payment Date	Distribution per Unit	Total \$
March 2005 (16 days)	March 31, 2005	May 31, 2005	0.05699	219,616
April 2005	April 30, 2005	May 31, 2005	0.10685	411,781
May 2005	May 31, 2005	June 30, 2005	0.11041	425,507
June 2005	June 30, 2005	July 31, 2005	0.10685	481,291
July 2005	July 31, 2005	August 31, 2005	0.11041	497,334
August 2005	August 31, 2005	September 30, 2005	0.11041	497,334
September 2005	September 30, 2005	October 31, 2005	0.11041	497,334
October 2005	October 31, 2005	November 30, 2005	0.11041	497,334
November 2005	November 30, 2005	December 31, 2005	0.10685	481,291
December 2005	December 31, 2005	January 31, 2006	0.11041	497,334
			<u>1.04000</u>	<u>4,506,156</u>

Class B Trust Unit

Period	Record Date	Payment Date	Distribution per unit	Total \$
April 2005	April 30, 2005	May 31, 2005	0.08219	143,836
May 2005	May 31, 2005	June 30, 2005	0.08493	148,630
June 2005	June 30, 2005	July 31, 2005	0.08219	143,836
July 2005	July 31, 2005	August 31, 2005	0.08493	148,630
August 2005	August 31, 2005	September 30, 2005	0.08493	148,630
September 2005	September 30, 2005	October 31, 2005	0.08219	143,836
October 2005	October 31, 2005	November 30, 2005	0.08493	148,630
November 2005	November 30, 2005	December 31, 2005	0.08219	143,836
December 2005	December 31, 2005	January 31, 2006	0.08493	148,630
			<u>0.75341</u>	<u>1,318,494</u>
Total declared distributions				5,824,650

The Fund may make additional distributions in excess of monthly distributions during the year (“**Additional Distributions**”), as the Trustees may determine. Further, the Trustees may make a special Additional Distribution out of the capital of the Trust to holders of the Class A trust units, as a return of capital (the “**Special Distribution**”). The Special Distribution shall be paid in such amounts and on such dates as the Trustees may determine to the holders of the Class A trust units at the record date for such distribution. The Special Distribution shall be paid through the issuance to such holders of the Class A trust units, on a prorata basis, of additional Class A trust units.

Monthly cash distributions shall be made to Unitholders of record on the last business day of a month in respect of the period commencing on the first day of that month and ending on such record date. The distributions shall be paid on or prior to the last day of the month subsequent to the month to which such distributions relate.

Holders of Units who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether those distributions are in the form of cash or additional Units. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Units.

Distributable Income and Distributions

Period ended December 31, 2005

(in thousands of dollars, except amounts per Unit)

	2005			
	Q4	Q3	Q2	Total
	\$	\$	\$	\$
EBITDA	4,332	4,417	4,476	13,225
Less :				
Interest on debt	(732)	(739)	(693)	(2,164)
Sustaining capital expenditures ^(a)	162	(142)	(20)	-
Subscriber Replacement Costs ^(b)	(1,853)	(1,953)	(1,631)	(5,437)
Cash available for distributions	1,909	1,583	2,132	5,624
Cash available for distributions per Unit	0.305	0.253	0.374	0.926
Distributions declared	1,917	1,933	1,975	5,825
Distributions declared per Unit	0.307	0.309	0.346	0.959
Weighted average Units outstanding during the period (in thousands)	6,254	6,254	5,703	6,072

(a) Sustaining capital expenditures represent costs incurred to maintain the current functionality of the Fund's information technology and infrastructure. In December 2005, AlarmCap Group disposed of a building in Montreal for a sum of \$582,000. See "General Development of the Business – Business of AlarmCap Group – Significant Acquisitions and Significant Dispositions".

(b) Subscriber replacement costs represent management's estimates of the costs to acquire new subscribers to replace subscribers lost through attrition. Subscriber replacement costs are necessary to maintain the Fund's recurring monthly revenues and Distributable Cash at current levels. To maintain recurring monthly revenue, the Fund replaces recurring monthly revenue reductions due to subscriber attrition by investing capital to acquire recurring monthly revenue through its Associated Dealers Network, internal sales teams, call centres, as well through the sale of new value-added services to its existing subscriber base.

ITEM 5 – DESCRIPTION OF CAPITAL STRUCTURE

Capital Structure of the Fund

An unlimited number of Class A trust units and Class B trust units of the Fund may be issued pursuant to the Fund Declaration of Trust. Each Unit is transferable and, subject to certain priorities of Distributable Cash flow and special distributions given to the Class A trust units over the Class B trust units, represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts, and in the net

assets of the Fund in the event of termination or winding-up of the Fund. The Units are not subject to future calls or assessments, and entitle the holders thereof to one vote for each whole Unit held at all meetings of Unitholders. Except under certain circumstances, the Units have no conversion, retraction, redemption or pre-emptive rights.

The holders of Class A trust units shall have priority over the holders of Class B trust units of the Fund to Distributable Cash flow payable in respect of each Unit which exceeds \$0.07916 per Unit, but is less than \$0.10834 per Unit (the “**Distribution Priority**”), which limits may be adjusted from time to time in order to reflect a subdivision or a consolidation of Units. The Distribution Priority shall remain in effect until such time as the holders of the Class A trust units have received aggregate distributions (which includes all forms of distributions other than the described below) paid by the Fund to the holders of the Class A trust units over a fiscal quarter which are equal to \$0.325 per Fund Unit for a period of four (4) consecutive fiscal quarters (the “**Distribution Priority Termination Event**”), which limit may be adjusted from time to time in order to reflect a subdivision or a consolidation of Units. Upon the occurrence of the Distribution Priority Termination Event, the holders of Class B trust units of the Fund shall, at the option of each holder of Class B trust units of the Fund, be exchangeable for Class A trust units on the basis of one (1) Fund Unit for one (1) Class B trust unit of the Fund.

The Fund has paid to the holders of the Class A trust units an amount of \$0.325 per Fund Unit for the last three consecutive quarters ended December 31, 2005.

The following table sets forth the pro forma capitalization of the Fund as of February 28, 2006.

Designation	Authorized	As at February 28, 2006
Class A trust units	Unlimited	\$45,187,940 (4,574,401 Class A trust units)
Class B trust units	Unlimited	\$17,500,000 (1,750,000 Class B trust units)

Under the Fund’s Phantom Unit Plan which is subject to Unitholders’ approval, phantom units can be granted to certain executives and directors of the AlarmCap Group and the Trustees and the Trust’s Trustees. Phantom units are granted without monetary consideration being payable to the Fund and their vesting is entirely based on the level of achievement of certain financial performance targets measured over the cycle (as defined in the plan) beginning with the fiscal year of their grant. Upon vesting, each phantom unit is convertible into a fully paid Class A trust unit. The maximum number of phantom units which may be issued pursuant to this plan is equal to 10% of the number of Units outstanding at any time. As at December 31, 2005, there were no phantom units outstanding under the plan. On January 26, 2006, 12,500 phantom units were awarded under the plan subject to Unitholders’ approval of the plan.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Fund Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49.9% of the Units. This 49.9% limitation will be applied with respect to the issued and outstanding Units of the Fund on both (i) a non-diluted basis and (ii) a fully-diluted basis. The Trustees, in their sole discretion, may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of at least 49.9% of the Units then outstanding are, or may be, non-

residents or that such a situation is imminent, the transfer agent and registrar may make a public announcement thereof and shall not accept a subscription for Units from, or issue or register a transfer of Units to, a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the Trustees, in their sole discretion, determine that 49.9% or more of the Units are held by non-residents, the Trustees may send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the persons receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents within such period, the Trustees may, on behalf of such persons, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be holders of the Units and their rights shall be limited to receiving the net proceeds of such sale.

Under a proposed amendment to the Tax Act, in order for the Fund to maintain its status as a mutual fund trust, at no time may more than 50% of the fair market value of the Units be held by non resident persons or partnerships that are not “Canadian Partnerships” (as defined in the Tax Act).

ITEM 6 – MARKET FOR THE NEGOCIATION OF SECURITIES

The Class A trust units of the Fund were approved for listing on the Toronto Stock Exchange under the symbol “FNA.UN” in June 2005. The following table identifies the price range and volume traded on such exchange on a monthly basis during the fiscal year 2005.

	TSX		
	High \$	Low \$	Volume
2005			
June	15.00	12.00	2,550
July	14.00	11.00	214,275
August	13.00	11.20	189,823
September	11.80	11.00	226,369
October	11.60	9.80	164,267
November	10.40	8.96	132,072
December	10.00	9.40	32,259

On March 16, 2005, 1,750,000 Class B trust units were issued to the Trust at a price of \$17,500,000 paid by the Trust issuing a Series 1 Note to the Fund in the amount of \$16,625,000 and 175,000 Trust Units issued to the Fund at a price of \$875,000 (see “Significant Acquisition and Significant Dispositions”).

On March 16, 2005, AlarmCap LP purchased from Robert Branchaud, then President and Chief Executive Officer of Microtec Sécuri-T Commercial Inc., all of his interest in the share capital of Microtec Sécuri-T Commercial Inc., a subsidiary of Microtec which was 87.5% owned by Microtec and 12.5% owned by Robert Branchaud. The purchase price was \$1,000,000, \$300,000 of which was paid to him on March 16, 2005 and the balance of \$700,000 was paid by the transfer to him of 70,000 Class A trust units of the Fund on January 1, 2006 (the “Branchaud Transaction”).

ITEM 7 – ESCROWED SECURITIES

The following table sets forth the class and number of securities held, to the knowledge of the Fund, in escrow and the percentage that number represents of the outstanding securities of that class.

Escrowed Securities ^(a)		
Designation of Class	Number of Securities held in Escrow	Percentage of Class
Class A trust units	138,630	3%

- (a) Under the terms of the escrow agreement entered into with, amongst other, Equity Transfer Services Inc. as escrow agent, the escrowed Class A trust units may not be sold, assigned or transferred until released from escrow. Provided that certain conditions set out in the escrow agreement are satisfied, the escrowed Class A trust units will be released from escrow as follows: one-half on June 27, 2006 and the balance on December 27, 2006.

ITEM 8 – TRUSTEES, DIRECTORS AND MANAGEMENT

Trustees and Directors

The table below sets forth the name, municipality of residence, the year he first started serving as a director or trustee and the position with the entity of each Director, Trustee and Trust's Trustee:

Name and Municipality of Residence	Director/Trustee since	Principal Occupation	Number and percentage of Class A trust units	Number and percentage of Class B trust units
Leonard SUDERMANN Calgary (Alberta)	2005	Trustee of the Fund and Director and President and Chief Executive Officer of AlarmCap GP	147,900 3.23%	1,750,000 100%
Pierre-Marc JOHNSON ⁽¹⁾ Montreal (Quebec)	2005	Senior Counsel, Heenan Blaikie LLP, law firm	-	-
Oliver PLETT ⁽³⁾ Rosenort (Manitoba)	2005	Retired	-	-
Adrien POULIOT Montreal (Quebec)	2005	Chairman of the Board and Director of AlarmCap GP and Trustee of the Trust	129,388 ⁽²⁾ 2.83%	-
Timothy G. WHYTE ⁽¹⁾ Calgary (Alberta)	2005	President of Simpson's Num-Ti-Jah Lodge Ltd.	-	-
Jean E. CLERK Montreal (Quebec)	2005	Partner, Heenan Blaikie LLP, law firm	250 0.005%	-
George FINK ⁽¹⁾ Calgary (Alberta)	2005	President and Chief Executive Officer; Bonterra Energy Income Trust, Comaplex Minerals Corp. and Prime Cliff Energy Ltd.	15,000 0.32%	-

(1) Members of the Audit Committee, of the Compensation Committee and of the Corporate Governance and Nominating Committee.

(2) These securities are held by a family trust.

(3) Oliver Plett has direct or indirect holdings in Securex Investments Ltd. and each of SMIP's III, IV, V, VI, VII and XI, each of which is a limited partner of Securex

Executive Officers

The table below sets forth the name, municipality of residence, the first year of employment with AlarmCap Group and the position with the entity of each executive officer:

Name and Municipality of Residence	Executive Officer since	Principal Occupation	Number and percentage of Class A trust units	Number and percentage of Class B trust units
Robert BRANCHAUD ⁽¹⁾ Saint-Augustin-de-Desmaures (Quebec)	2005	Executive Vice President and Chief Operating Officer, Microtec Division, AlarmCap GP	70,000 1.53%	-
Pierre MATTE ⁽²⁾ Quebec (Quebec)	2005	Vice President, Data Systems, Telecommunication and Logistics, AlarmCap GP	3,250 0.07 %	-
Daniel JOBIN ⁽³⁾ Saint-Augustin-de-Desmaures (Quebec)	2005	Executive Vice President, Dealers and Business Development, AlarmCap GP	2,764 ⁽⁴⁾ 0.06%	-
Paul-René LACROIX ⁽⁵⁾ Quebec (Quebec)	2005	Vice President Finance, Administration and Accounting And Interim Chief Financial Officer, AlarmCap GP	150 0.003%	-
Adrien POULIOT ⁽⁶⁾ Montreal (Quebec)	2005	Chairman of the Board, and Director, AlarmCap GP and Trustee of the Trust	129,388 ⁽⁷⁾ 2.83%	-
Leonard SUDERMANN ⁽⁷⁾ Calgary (Alberta)	2005	Trustee of the Fund and Director and President and Chief Executive Officer, AlarmCap GP	147,900 3.23%	1,750,000 100%
Karen CHARTERS ⁽⁸⁾ Vancouver (British Columbia)	2005	Executive Vice President, Securex Division, AlarmCap GP	-	-

(1) For the last 5 years, Robert Branchaud was the President and Chief Executive Officer of Microtec Securi-T Commercial Inc.

(2) For the last 5 years, Pierre Matte was the Executive Vice President, Research and Development of Microtec Technologies Inc.

(3) For the last 5 years, Daniel Jobin was the Executive Vice President, Dealers and Affinity Programs of Microtec Securi-T Inc.

(4) Of such number, 891 are held by his wife.

(5) For the last 5 years, Paul-René Lacroix was the Vice President, Accounting and Administration of Microtec Enterprises Inc.

(6) For the last 5 years, Adrien Pouliot was the Chairman, President and Chief Executive Officer of Entourage Technology Solutions Inc.

(7) These securities are held by a family trust.

(8) For the last 5 years, Leonard Sudermann was and continues to be a director and officer of Securex Ltd., Securex Ltd. was subject to a cease trade order on June 10, 1999, and subsequently revoked in January 2002. Securex Ltd. was also in CCAA proceedings, Leonard Sudermann indirectly owns 100% of the class B units.

(9) For the last 5 years, Karen Charters was and continues to be Vice President of Securex Investments Ltd., and of Securex Financial Corp.

Conflicts of interest

The Fund Declaration of Trust contains “conflict of interest” provisions that serve to protect Unitholders without creating undue limitations on the Fund. The Fund Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each Trustee to disclose to the Fund, as applicable, any interest in a material contract or transaction or proposed material contract or transaction with the Fund, or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to (i) his remuneration as a Trustee or officer of the Fund, as applicable, (ii) insurance or indemnity, or (iii) a contract or transaction with the Trust.

Securex Investments Ltd., a wholly-owned subsidiary of Securex Ltd., owns 33.13% of Securex which owns all of the Class B Units. Leonard Sudermann, a trustee of the Fund and director, President and Chief Operating Officer of AlarmCap GP, indirectly owns or controls a majority of the shares of Securex Investments Ltd. Furthermore, Leonard Sudermann, indirectly and directly owns or controls a majority of the shares of Securex G.P. Ltd., the general partner of Securex. Securex G.P. Ltd. is also the general partner of the individual limited partnerships, which make up the majority of the limited partners of Securex. As such, Leonard Sudermann indirectly exercises direction and control over all of the issued and outstanding units of Securex and thereby, the Class B Units.

Ms. Karen Charters, Executive Vice President of AlarmCap, Securex Division, and also a Vice President of Securex Financial Corp. and Securex Investments Ltd., indirectly holds an interest of 1.9% in Securex Financial Corp., a wholly-owned subsidiary of Securex Ltd.

On January 1, 2003, Securex concluded with Securex Financial Corp. the Management Agreement (described under the heading “Description of Securex – Management Agreement”, by which Securex Financial Corp. manages and controls the activities of Securex related to the portfolios of Alarm Accounts, including the provision of administrative and billing services.

In consideration of the services rendered by Securex Financial Corp. under the terms of the Management Agreement, Securex pays administrative fees in corresponding to what follows :

- a) 10 % of the RMR coming from the accounts of alarm recovered during the month; and
- b) monthly expenses corresponding to 1,50 \$ per account of alarm with regard to the services of covering and invoicing of the accounts of alarm.

During the financial year ended December 31, 2005, AlarmCap GP paid to Securex Financial Corp. the sum of \$441,000 as remuneration under the terms of the Management Agreement.

Mrs. Linda Sudermann, who is Mr. Leonard Sudermann’s spouse, owns and controls Golden Ears Alarm Systems Ltd. which is an AlarmCap Dealer.

ITEM 9 – LEGAL PROCEEDINGS

Management is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Fund, the Trust or AlarmCap LP, or their respective subsidiaries which would have a material effect on the Units.

ITEM 10 – INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except for the Management Agreement, the Securex Asset Purchase Agreement, the Microtec Asset Purchase Agreement and the Branchaud Transaction, management does not have a material interest in any transaction that has materially affected the Fund other than as follows:

- A demand note amounting to \$198,000 bearing interest at 9%, without specific repayment terms, is payable to Securex, which is controlled by Mr. Leonard Sudermann;
- A term note amounting to \$3,500,000 is also payable to Securex, which is controlled by Mr. Leonard Sudermann; and
- A note payable amounting to \$700,000 bearing interest at 12%, without specific terms of repayments, was payable to Mr. Robert Branchaud as at December 31, 2006. On January 1, 2006, the Fund issued, by way of a private placement, 70,000 Class A trust units valued at \$683,000 to settle such note.

During the last fiscal year, the Fund entered into transactions with companies controlled by Unitholders who are also officers of the Fund, including the Management Agreement described under “Conflicts of Interest”. These transactions were in the normal course of business and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. These transactions were reflected in the financial statements as follows:

(in thousands of dollars)

Monitoring and customer service expenses	441
Interest on debt including amortization of deferred financing costs	240
Accounts receivable	152

ITEM 11 – TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Equity Transfer Services Inc., at its principal transfer office located at 120 Adelaide Street W., Suite 420, Toronto, Ontario, M5H 4C3.

ITEM 12 – MATERIAL CONTRACTS

The only material contracts entered into by the Fund or its subsidiaries as of the date hereof, other than in the ordinary course of business, are as follows:

1. The Fund Declaration of Trust, described under the heading “Description of the Fund” and in the Glossary of terms;
2. The Trust Declaration of Trust, described under the heading “Description of the Trust” and in the Glossary of terms;
3. The AlarmCap LP Partnership Agreement, described under the heading “Description of AlarmCap LP” and in the Glossary of Terms;
4. The Securex Asset Purchase Agreement, described under the heading “Business of AlarmCap Group” and in the Glossary of Terms;
5. The Microtec Asset Purchase Agreement, described under the heading “Business of AlarmCap Group and in the Glossary of Terms”;
6. The Exchange Agreement, described under the heading “History”;
7. The Credit Agreement, described in the Glossary Terms;
8. The Pre-Arrangement Agreement, described under the heading “History”;
9. As part of the restructuring of Microtec, AlarmCap LP entered into the Assignment of the Oak Hill Claim with Mackie Holdings, whereby Mackie Holdings transferred and assigned the Oak Hill Claim to AlarmCap LP in consideration for AlarmCap LP transferring to Mackie Holdings 153,846 Class A trust units. The Class A trust units were issued by the Fund to the Trust on March 10, 2005, in consideration for the Trust issuing to the Fund a promissory note in the amount of \$950,000 and 10,000 Trust Units at an aggregate purchase price of \$50,000. The Trust transferred the 153,846 Class A trust units to AlarmCap LP as a capital contribution to AlarmCap LP and received 1,000,000 LP Units therefor, at a price of \$1.00 per LP Unit.
10. The Subscription Receipt Agreement, described in the Glossary of Terms;
11. The Agency Agreement, pursuant to which the Mackie Investors subscribed for Subscription Receipts, which were exchanged for Units upon the satisfaction of certain conditions;
12. The Management Agreement, described under the heading “Description of Securex – Management Agreement”; and
13. The agreement implementing the Branchaud Transaction described under the heading “Market for the Negotiation of Securities”.

Copies of the foregoing documents may be examined during normal business hours at the office of the Fund located at 1122,4 Street SW, Suite 810, Calgary, Alberta T2R 1M1.

ITEM 13– ADDITIONAL INFORMATION

Available documentation

More information on the Fund is available on SEDAR at www.sedar.com. The Fund is a reporting issuer in certain provinces of Canada and is thereby required to file financial statements and information circulars with the various securities commissions in such provinces. The Fund will also file its annual information forms annually with such securities commissions. Copies of the Fund's most recent annual information form, information circular, financial statements and management's discussion and analysis may be obtained on request from the Corporate Secretary of the Fund once they have been published. The Fund may require the payment of a reasonable charge when the request is made by someone other than a holder of securities of the Fund. The financial information of the Fund will be available in the comparative financial statements and management's discussion and analysis for our last financial year on SEDAR once they are filed within the prescribed delays.