UNITED PROTECTION SECURITY GROUP INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2009

August 6, 2010

UNITED PROTECTION SECURITY GROUP INC.

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INTRODUCTORY NOTES

INTRODUCTORY NOTES

This annual information form (hereinafter the "AIF" or "Annual Information Form") is dated July 29, 2010. In this Annual Information Form, unless the context requires otherwise, the terms "we", "us", "our", "UPSG" and the "Company" refer to United Protection Security Group Inc., on a consolidated basis, including its subsidiaries, divisions and their respective predecessors. Unless indicated otherwise, (i) all references to "dollars" and "$" are to Canadian dollars and (ii) the information presented in this Annual Information Form is given as at the closing date of the last fiscal year of the Company, namely December 31, 2009 unless stated otherwise.

Forward Looking Information

This AIF may contain forward-looking statements relating to trends in, or representing management's beliefs about, the Company's future growth, results of operations, performance, and business prospects and opportunities. These forward-looking statements are generally denoted by the use of words such as "anticipate", "foresee", "believe", "expect", "intend", "aim", "target", "plan", "continue", "estimate", "may", "will", "should" and similar expressions or the negatives of these terms or variations of them. The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Company's circumstances. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to known and unknown risks and uncertainties. Some important factors that could affect our future operating results, financial position and cash flows and could cause our actual results to differ materially from those expressed in these forward-looking statements include: general economic, financial or market conditions; actions of our competitors; variations in expected capital and operating costs; labour disputes or strikes; changes in laws and regulations, the availability of financing; the commencement and outcome of litigation. Undue reliance should not be placed on the forward-looking statements. Although the forward-looking statements contained in this AIF are based upon what management believes to be reasonable estimates and assumptions, the Company cannot ensure that actual results will not be materially different from those expressed or implied by these forward-looking statements. The Company assumes no obligation to update or revise these forward-looking statements to reflect new events or circumstances. These risks, uncertainties and other factors include, among other things, those discussed under "Risks and Uncertainties" as well as those discussed elsewhere in this AIF.

1. CORPORATE STRUCTURE

1.1 THE COMPANY

The head office and principal place of business of the Company is located at 212, 8711A 50 Street, Edmonton, Alberta, T6B 1E7. The telephone number of the Company is (780) 465-1708 or 1 (877) 465-1708 and its website address is www.unitedprotection.com.com. None of the documents or information found on the website shall be deemed to be included in or incorporated by reference into this Annual Information Form.

1.2 OUR SUBSIDIARIES

The Company has three subsidiaries; all of the entities identified below are, directly or indirectly, wholly owned subsidiaries of the Company.

Subsidiaries:
1: United Protection Services Inc. (Alberta)
2: United Electronic Technologies Inc. (Alberta)
3: Tri-Force Security Services Ltd. (British Columbia)

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Profile

UPSG is one of the largest integrated physical and electronic security firms in Western Canada on a revenue basis.

The Company is one of a select few companies in Canada to offer a full range of security services, for a total security solution. The Company's principal operating segments are physical security and electronic security.

2.2 History and main acquisitions and divestitures

The Company has experienced growth over the years, primarily through acquisitions, with our most recent significant acquisitions being the assets of Kanaf Security Group Inc. in November 2008 and the acquisition of Tri-Force Security Services Ltd. in April 2008. The Company has concentrated on the integration, realization of operational synergies and implementation of cost control measures related to its acquisitions.

The following chart summarizes the principal acquisitions made in the physical security business segment since 2004:

Date of Acquisition	Corporation Name	Asset – Share Purchase	Location
Dec. 2005	North Star Patrol Ltd	Asset	British Columbia
Jan. 2007	Academy Protection	Asset	Alberta
Apr. 2008	Tri-Force Security Services Ltd.	Share	British Columbia
Nov. 2008	Kanaf Security Group Inc.	Asset	British Columbia

Tri-Force Security Services Ltd. was purchased and settled in cash for $466,000. Kanaf Security Group Inc. was purchased for $1,377,000, $777,000 in cash and $600,000 in vendor financing over a period of three years bearing interest at 5% per annum. Both acquisitions were strategic decisions based on expanding the Company's geographic footprint in British Columbia and increasing market share. The resulting market presence assisted the Company in becoming one of three companies that collectively bid for the security services contract for the 2010 Winter Games in British Columbia. The Company provided security for spin-off venues of the 2010 Winter Games but was not directly involved with provision for security for the actual 2010 Winter Game events.

3. DESCRIPTION OF OPERATIONS

We are among the largest integrated physical and electronic security firms in Western Canada, offering a broad portfolio of services. We operate through two business segments: physical security and electronic security. The diversity of our services and the ability to operate in both the physical security and electronic security markets helps limit our dependence upon any single market or customer.

3.1 OPERATING SEGMENTS AND CLIENTELE

Physical Security

The Company offers physical security to address a wide range of security needs: commercial building and shopping mall security, airport security, security in industrial parks and oil projects, investigation services, risk analysis and training, maintaining order during labour conflicts and lockouts, tactical and special events services and K-9 narcotic and bomb detection services. The Company operates one of the largest mobile patrol and rapid alarm response fleets in Western Canada.

Electronic Security
The Company offers a wide range of electronic security products and services, including advanced access control card systems, alarm, CCTV and video surveillance installations and products, 24 hour video monitoring, Mobile Surveillance Units (”MSU’s”), as well as other surveillance and protection products.

Our strategy is to build business platforms from which we can achieve industry leadership positions. On these platforms we focus our business development, operational expertise and dedicated employees to pursue the goal of becoming the “best operator in the industry”. The Company’s decentralized management structure and philosophy encourages employees to adopt an entrepreneurial attitude focused on performance and excellence, with a particular emphasis on client service and operational efficiency.

3.2 SERVICE CENTERS

The Company operates through ten facilities across Western Canada, all of which are leased.

Head Office
Edmonton

Operating Locations

Edmonton	Red Deer
Slave Lake	Victoria
Lloydminster	Surrey
Calgary	Kelowna
Red Deer	Saskatoon

3.3 THE INDUSTRY AND CONDITION OF COMPETITIVE MARKETS

3.3.1 The Physical Security Industry

Physical security consists of providing uniformed and licensed security guards for asset protection and loss prevention. Customers represent a wide range of industrial, commercial and facility operators including airports, government services, oil and natural gas, property management, manufacturing and retail. The high end of the market consists of risk consulting services, which include market entry strategy, project risk assessment, and asset protection. Industry demand for physical security services is driven by a number of factors, including the need for security experts, tailor-made security solutions and specialized services, the heightened threat of terrorism, the increase in conventional crime rates and other security threats, as well as the outsourcing of security by governments and the private sector.

Highly Fragmented Market
The physical security industry in Western Canada is highly fragmented. We believe that we are one of the leading providers of physical security services in the region. Over the past decade, the industry has gone through a consolidation process, which is likely to continue as the primary means to establish sizeable domestic market positions and expand into foreign markets.

Training and Recruiting
The ability to attract, train and retain employees, and maintain an efficient human resources organization is a significant differentiator between security industry competitors. Western Canada’s workforce turnover in security firms is typically high. To meet this challenge, the Company has an ongoing hiring program in all branches and, of particular note, works with Aboriginal Bands to train band members for entry into the security industry.

3.3.2 Electronic Security

Electronic Security consists of providing camera sales, installations, rental of mobile surveillance units ("MSU's") and digital video monitoring. The Company considers itself to be a leader in providing MSU deployment and monitoring in Western Canada. Industry demand for electronic security services is driven by the same factors as apply in physical security, but with special application in geographically remote settings or where the use of video surveillance is more cost-effective or practicable than use of physical guards.

Market for Electronic Security

The electronic security industry in Western Canada is still in a developmental stage, with only a few companies in the market. We believe that we are a leading provider of electronic security services in the region.

Significant Barriers to Entry

Barriers to entry into electronic security are significant and are in contrast to the much lower requirements for entry into physical security. New entrants to the electronic security segment face investment in MSU's, secured facilities, monitoring stations and related technology, as well as the need for specialized and technical accreditations. In addition, a firm's reputation, experience, geographic footprint, scale and logistics capabilities are significant criteria in a contract win or a renewal. While we have contributed to the consolidation of the Western Canadian physical security market through our past acquisitions, the physical security market remains fragmented and the electronic security market is largely undeveloped. Currently the Western Canada market consists of approximately six large physical security providers, some of which provide electronic security services, together with a large number of small regional and local firms, few of which offer any electronic security services. We believe that, as a result of past consolidation and current market structure, it would be difficult for a new provider to become a major player in the Western Canadian physical and electronic security market through acquisitions of regional providers.

3.4 HUMAN RESOURCES

As of December 31, 2009, the Company had approximately 900 full-time and part-time employees as well as 20 dedicated subcontractors. The Company is party to 3 collective bargaining agreements covering approximately 300 full-time and part-time employees, the collective agreements expires in February 28, 2011, May 31, 2012 and August 13, 2014, respectively. The Company believes it generally has a good working relationship with its employees and the various unions that represent its employees.

3.5 RISKS AND UNCERTAINTIES

In the course of business, the Company is subject to various risks and uncertainties. Risks that could negatively affect the Company's profitability are regularly reviewed, assessed and monitored. We describe the principal risks and uncertainties relating to our operations in our Management's Discussion and Analysis Report for the fiscal year ended December 21, 2009, under the heading "Risks and Uncertainties", which is available on SEDAR at www.sedar.com.

Investors should carefully consider the risks and uncertainties described in this section and elsewhere in this Annual Information Form, as well as all other information and documentation we have filed with the regulatory authorities. The risks and uncertainties described in such sections are not the only ones we may face. Other risks and uncertainties that we are unaware of, or that we currently consider immaterial, may also become important factors that could affect us. If any of the risks and uncertainties actually occurs, our business, cash flow, financial condition or results of operations could be significantly affected. Such risks and uncertainties should be considered in connection with any forward-looking statements in this Annual Information Form and with the cautionary statements contained herein.

4. DIVIDENDS

The Corporation has not declared or paid any dividends on any of its shares since incorporation. Any decision to pay dividends in the future will be made by the Board of Directors on the basis of earnings, financial requirements and other conditions existing at such future time. The Corporation may issue preferred shares of the Corporation ("Preferred Shares") that have preference over the Common Shares with respect to the payment of dividends, in which case such preference may prevent the Corporation from paying dividends on the Common Shares. The Corporation has 2,500,000 Preferred Shares outstanding. The *Business Corporations Act* (Alberta) does not permit a corporation to pay dividends if the corporation is, or would after the payment, be unable to pay its liabilities as they become due or the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. There are no other restrictions on the Corporation's ability to pay dividends.

5. DESCRIPTION OF SHARE CAPITAL

As of December 31, 2010, the Company's authorized share capital stock was composed of an unlimited number of Common Shares without par value of which 63,574,706 were issued and outstanding. An additional 3,000,000 Common Shares were subscribed and paid for as at that date and were issued in January 2010. The Company is authorized to issue unlimited preferred shares issuable in Series. The Company has authorized up to 10,000,000 Series I non-redeemable preferred shares with conversion rights of one preferred share to one common share. As at December 31, 2009 the Company had 2,500,000 Series I preferred shares outstanding

In the event of the distribution of the assets of the Company upon dissolution, winding-up or voluntary liquidation, the holders of Common Shares shall be entitled to receive the remaining assets of the Company, subject to the prior rights of the holders of preferred shares. The holders of Common Shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Company and, as such, shall have one vote for each Common Shares.

6. MARKET FOR SECURITIES

6.1 Trading Price and Volume

The Company's Common Shares have been listed on the TSX Venture Exchange (''TSX-V'') under the ticker symbol UZZ since 2005.

The following chart sets forth the price range and trading volume of the Company's Common Shares traded on the TSX Venture Exchange since the beginning of the fiscal year ended December 31, 2007:

VOLUME OF OPERATIONS	HIGH $	LOW $	VOLUME # SHARES
Fiscal year ending December 31, 2010			
June 2010	0.095	0.070	699,053
May 2010	0.080	0.065	927,750
April 2010	0.090	0.065	1,128,104
Mar 2010	0.095	0.060	1,162,275
February 2010	0.095	0.075	645,000
January 2010	0.105	0.095	665,699
Fiscal year ending December 31, 2009			
December 2009	0.135	0.095	572,691
November 2009	0.130	0.105	676,750
October 2009	0.140	0.110	742,900

September 2009	0.160	0.800	755,955
August 2009	0.130	0.090	985,646
July 2009	0.150	0.095	560,856
June 2009	0.230	0.160	684,809
May 2009	0.195	0.135	1,506,502
April 2009	0.155	0.135	1,206,567
March 2009	0.160	0.115	1,106,217
February 2009	0.145	0.100	380,389
January 2009	0.165	0.110	836,600
Fiscal year ending December 31, 2008			
4th Quarter	0.185	0.060	1,300,300
3rd Quarter	0.320	0.115	1,211,766
2nd Quarter	0.410	0.255	3,468,861
1st Quarter	0.430	0.265	4,599,123
Fiscal year ending December 31, 2007			
4th Quarter	0.285	0.150	4,880,442
3rd Quarter	0.215	0.140	3,465,415
2nd Quarter	0.230	0.140	7,610,458
1st Quarter	0.170	0.090	5,628,816

7. ESCROWED SECURITIES

To the Company's knowledge, the number of securities for each class of its securities providing a right to vote and currently under escrow is as follows:

Escrowed securities and securities subject to contractual restriction on transfer

Designation of class	Number of securities held in escrow or that are subject to contractual restrictions on transfer	Percentage of class
Common Shares	13,500,000	20.28%

The shares in escrow are being held by CIBC Mellon Trust Company as escrow trustee, and are scheduled to be released from escrow on December 31, 2010.

8. DIRECTORS AND OFFICERS

Each director remains in office until the adjournment of each annual general meeting of the shareholders, unless he resigns from his position, or the position becomes vacant due to his death, dismissal or any other reason before the annual meeting. The name and municipality of residence of each of the directors of the Company, their current positions, the period of time during which each director has been in office, as well as the number and percentage of Common Shares of the Company beneficially owned, or controlled or directed, directly or indirectly, by each director of the Board of Directors, are indicated below:

Name, Municipality of Residence	Position	Principal Positions During the Last Five (5) Years	Number and Percentage of Common Shares Held or Controlled
Sigurd .D. Jorstad, Edmonton, AB	Chairman of the Board, Chief Executive Officer and Director since 2005	Mr. Jorstad is the original founder and principal (1989) of United Protection Services Inc. In 1985 he formed the Security Officer Career College Inc. to provide entry-level training to the security industry. Prior to that, he was involved in the transportation industry on a national scale for 20 years. He is a past member of the Advisory Board of the Canadian Consultative Council on Multiculturalism, and the Deputy Prime Minister's Task Force on government programs review. He is a Paul Harris Fellow of Rotary International and a member of various industry-related committees and initiatives, including the American Society of Industrial Security and a variety of fraternal and community based organizations.	31,489,454 47.19%
Fredy V. Ramsoondar, Edmonton, AB	Chief Financial officer since May 2005 and Director since June 2010.	Mr. Ramsoondar has 15 years of experience in corporate finance and mergers and acquisitions. He joined the Company as Vice President of Finance and Administration in 1999. Mr. Ramsoondar holds a B.Comm and is an accredited Certified General Accountant, Microsoft Certified Solutions Providers and Microsoft Certified Network Administrator.	1,672,589 2.51%
Richard Shuhany, Edmonton, AB	Director since 2004	Mr. Shuhany is a graduate of the University of Alberta and a member of the Institute of Chartered Accountants of Alberta. He is president of Shuhany & Company Ltd., specializing in corporate advisory services involving corporate finance and strategic planning. He is also President & CEO of First Surveillance Inc., a provider of Digital Video Surveillance equipment and systems. Previously, he was Director of Corporate Finance for Ernst & Whinney (Edmonton) for 7 years and was involved as an	265,000 0.40%

		advisor in numerous acquisitions, divestitures and financing. He was a founding partner of Lambridge Capital Partners specializing in mid market corporate finance activities and was Vice-President of a merchant banking / venture capital group operating in western Canada.	
Lawrence Cunningham, Edmonton, AB	Director since January 2008	Mr. Cunningham is a corporate lawyer with over 40 years as a member of the Alberta Bar Association. He is also a Board of Director member of Total Telcom Inc., listed on the TSX-V.	Nil
Mike Derbyshire, Sherwood Park, AB	Director since February 2009	Mr. Derbyshire’s policing career spanned nearly 26 years with the Edmonton Police Service. He retired in 2006 to become Director of Safety and Security for the Edmonton Transit System, subsequently Assistant Vice President of Enterprise Risk Management for Servus Credit Union, the third largest Credit Union in Canada and more recently Director of Security at Edmonton Northlands. He graduated with Distinction from Athabasca University with a Bachelor of Professional Arts in Criminal Justice and is also a graduate of the Management Development Program at the University of Alberta. He served as a member of the Advisory Committee for the Police and Security Program at Grant MacEwan College. More recently, he attained the coveted ICD.D designation from the Institute of Corporate Directors.	Nil
Gerard Davies, Edmonton, AB	Director since June 2010	Mr. Davies received a Master of Arts degree from the University of Western Ontario in 1973 and a certificate in Personnel Administration from the University of Alberta in 1978. He is a Certified Management Consultant. Mr. Davies is the founder of Davies Park & Associates, a national executive search firm with offices in Edmonton, Calgary and Vancouver and has extensive experience in human resource management.	Nil
Gary Jones, Sherwood Park, AB	Director since 2010	Mr. Jones had thirty-one years police experience with the Edmonton Police Service, rising from the rank of Cadet Constable to Superintendent in charge of	Nil

		the Major Crimes Division. He is recognized as the founding police co-coordinator for the highly successful Crime Stoppers program of Edmonton and Northern Alberta, and is the first Canadian awarded the Crime Stoppers International Co-coordinator of the Year Award. He also has experience in administrative law with the Métis Settlements Ombudsman's Office ("MSO") as Senior Advisor investigating allegations of Administrative Unfairness and Conflict of Interest on Alberta's eight Métis Settlements. He was appointed as Alberta Métis Settlements Ombudsman by the Minister of Aboriginal Relations on June 05, 2007 for a two year contract duration.	

Each of the above directors was either elected or re-elected at the Company's Annual Shareholder meeting held on June 29, 2010, for a term to expire at the next Annual meeting.

As at July 29, 2010, the following members sat on committees of the Board:

Audit Committee: Shuhany, Cunningham, Derbyshire and Davies
Governance Committee: Cunningham and Jones

Cease Trade Order, Bankruptcies, Penalties or Sanctions

Except as set out below, no director or executive officer of the Company is as at the date hereof, or has been, within the 10 years before the date hereof, a director or chief executive officer or chief financial officer of any company, including UPSG that while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; and (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets. Except as set out below, no director or executive officer of the Company has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder. In addition, no director or executive officer, or a shareholder holding a sufficient number of securities of UPSG to affect materially the control of the Company, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

1. Lawrence Cunningham, a director of the Company, was a director of Bartizan Capital Corporation ("Bartizan") from June 28, 2000 to January 22, 2001. On July 26, 2000, Bartizan

voluntarily delisted from the CDNX (now the TSX Venture Exchange) and was the subject of cease trade orders issued by the Alberta Securities Commission on December 8, 2000 and by the British Columbia Securities Commission on February 27, 2001, as a result of Bartizan's failure to file financial statements, which orders remain in effect. Bartizan filed for bankruptcy on September 16, 2002.

9. LEGAL PROCEEDINGS

The Company is a party to sundry legal proceedings as either claimant or defendant none of which, in the opinion of management, are material except as described below.

The Company is a Defendant in 3 actions which are considered to be material. Each of the actions are filed in the Court of Queen's Bench of Alberta and each allege losses by claimants arising from property and related damage from fire incidents. The Company's insurers have responded to all the claims and are in the process of defending them; in each case the amount of the claim exceeds the insurance limits of the applicable insurance policy. Two of the actions arise from the same incident and were instituted in December 2007 and July 2009, respectively. Damages in excess of $14 million are claimed. Examinations for discovery in these matters have commenced but are not complete. The Company considers these claims to be duplicative as they relate to the same incident. The other parties to the litigation are a real estate developer as Plaintiff, and an insurance company and an insurance broker as Defendants. Management believes that the claim against it is without merit.

The other material action was commenced in April 2007 and seeks damages in excess of $2.7 million. The parties to the litigation are a manufacturer, as Plaintiff, 6 Defendants, 14 Third Parties, 12 Fourth Parties and 7 Fifth Parties. The Company was joined as a Third Party by a Defendant alarm company. Counsel for the Company's insurer initiated case management proceedings. This action is still in its early stages and examinations for discovery have not yet commenced. Management believes that the claim against it is without merit.

10. TRANSFER AGENT AND REGISTRARS

The transfer agent and registrar responsible to hold the register of the Common Shares of the Company is CIBC Mellon Trust Company, 600, 333 7th Avenue S.W., Calgary, Alberta, T2P 2Z1.

11. MATERIAL CONTRACTS

The Company has no material contracts as of December 31, 2009.

12. AUDIT COMMITTEE DISCLOSURE

12.1 Audit Committee Charter

The Charter of the Company's Audit Committee is attached as Schedule "A" to this Annual Information Form.

12.2 Composition of the Audit Committee

The Audit Committee is composed of three (3) directors, namely Mr. Richard Shuhany, Mr. Lawrence Cunningham and Mr. Mike Derbyshire. Mr. Richard Shuhany acts as Chair of the Audit Committee. The Board determined that all members of the Audit Committee are "independent" within the meaning of the regulations of the authorities on the Audit Committee. They are all financially literate within the meaning of the Multilateral Instrument 52-110 – Audit Committees ("MI 52-110").

12.3 Education and Relevant Experience

All members of the Audit Committee have acquired their relevant experience through their work, their education and other directorships and senior management positions held with various companies, as more particularly described in Item 8 above.

12.4 Pre-Approval Policies and Procedures

MI 52-110 requires the Company to disclose whether its audit committee has adopted specific policies and procedures for the engagement of non-audit services and to prepare a summary of these policies and procedures. The Charter of the Company's Audit Committee, attached as Schedule "A" to the present annual information form, provides that it is such Committee's responsibility to:

1. Recommend the appointment of the external auditors to the Board, consider their independence and performance and approve their remuneration, treatments or other compensation to be paid;

2. Review and discuss periodically with the external auditors the relationship between the Company and the external auditors in order to analyze the independence and objectivity of the external auditors;

3. Consult at least annually the external auditors, without the attendance of the Executive Management, in order to discuss the internal audit control process;

4. Require from the external auditors a declaration of independence upon filing the annual statements and preceding each mandate granted;

5. Evaluate the external auditor's performance and recommend their replacement if the circumstances are justified; and

6. Review and approve the hiring policies regarding partners, employees and former partners and employees of the present and former external auditor its predecessor. The Audit Committee has adopted pre-approval criteria pursuant to which the Company may not engage the Company's external auditor to carry out certain non-audit services that are deemed inconsistent with the independence of auditors under applicable laws. The Audit Committee must pre-approve all audit services as well as important services that are unrelated to the audit services provided.

12.5 External Auditor Service Fees

The external auditors of the Company did not perform any other function other than audit the Company's consolidated financial statements

The external auditors, MacKay LLP, provided the audit service to the Company and billed the following fees for the Company's fiscal year ended December 31, 2009. The consolidated financial statements for the Company's fiscal year ended December 31, 2008, were audited by the predecessor auditor, Hawkings Epp Dumont LLP who expressed their opinion related to the successor auditor without reservation.

Audit Fees: $115,000 – 2009 Audit Fees $85,000 – 2008

13. INTEREST OF EXPERTS

The Company's auditor is MacKay LLP, Chartered Accountants ("MacKay"), who have prepared an auditors' report dated April 01, 2010, in respect of the Company's consolidated financial statements with accompanying notes as at and for the year ended 2009. Mackay has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

14. ADDITIONAL INFORMATION

Additional information, particularly regarding the director's and officers' remuneration and indebtedness, the principal shareholders of the Company and securities authorized for insurance under equity compensation plans, if applicable, are contained in the management's proxy circular prepared by the Company for the annual shareholders' meeting to be held on June 29, 2010.

Additional financial information is contained in the Company's annual report and audited and consolidated financial statements for the fiscal year ended December 31, 2009. Copies of these documents may be obtained by consulting the SEDAR Website at www.sedar.com.

15. SELECTED CONSOLIDATED ANNUAL FINANCIAL INFORMATION

15.1 SELECTED CONSOLIDATED FINANCIAL INFORMATION FOR THE PAST THREE (3) FISCAL YEARS

	2009 $	**2008 $**	**2007 $**
Revenue from continuing operations			
Physical security	30,418,808	27,635,932	22,139,920
Electronic Security	952,393	624,738	346,090
Total	**31,371,201**	**28,260,670**	**22,486,010**
Gross profit from continuing operations			
Physical security	5,446,879	6,519,280	5,317,100
Electronic Security	573,554	86,385	27,217
Total	**6,020,433**	**6,605,665**	**5,344,317**
Operating profits (loss) from continuing operations	**(573,079)**	**789,678**	**659,581**
Net income (loss)	**(1,450,158)**	**378,600**	**617,093**
Adjusted net income (loss)[(1)]	**(1,450,158)**	**378,600**	**617,093**

Note:
While operating profit (loss) (revenues after deduction of operating costs, fixed costs, general and administrative expenses) and adjusted net income (loss) is not a recognized measurement under Canadian generally accepted accounting principles ("GAAP"), management believes it to be a useful supplemental measure. It is provided to assist in determining the ability of the Company to generate cash flow from its operations. Investors should also note that our presentation of operating profits (loss) and adjusted net income (loss) might not be comparable to similarly titled measurements of other companies.

Adjusted net income (loss)

	2009 $	2008 $	2007 $
Net income (loss) as per financial statements	(1,450,158)	378,600	617,093
Adjust for specific items:			
Acquisition investigation cost	--	286,619	--
Goodwill impairment	1,045,984	--	--
Adjusted net income (loss)[1]	**(404,174)**	**665,219**	**617,093**

Per share data

	2009 $	2008 $	2007 $
Basic net income (loss) per share	(0.02)	0.01	0.01
Diluted net income (loss) per share	(0.02)	0.01	0.01

Adjusted per share data

	2009 $	2008 $	2007 $
Basic net income (loss) per share	(0.01)	0.01	0.01
Diluted net income (loss) per share	(0.01)	0.01	0.01

Balance sheet data

	2009 $	2008 $	2007 $
Total assets	8,160,233	9,116,787	5,975,443
Total long-term debt	325,522	548,376	153,599
Cash flow from (used in) operations	315,294	(245,266)	84,457

SCHEDULE "A"

UNITED PROTECTION SECURITY GROUP INC.

AUDIT COMMITTEE CHARTER

GENERAL

The purpose of this document is to establish the terms of reference of the Audit Committee for United Protection Security Group Inc. (the "Corporation").

It is critical that the external audit function, a mechanism key to investor protection, is working effectively and efficiently and that information is being relayed to the Board of Directors in an accurate and timely fashion. The activities of the Audit Committee are fundamental to the process.

STATUTORY REFERENCE

The Board of Directors of The Corporation shall elect annually from members of the Board of Directors, an Audit Committee which shall be composed of not less than three members, a majority of which are not officers or employees of the corporation or any of its affiliates.

Each member of the Audit Committee shall serve during the pleasure of the Board of Directors and in any event, only so long as he or she shall be a Director. The Directors may fill vacancies in the Audit Committee by election from among their number.

The Audit Committee shall have the power to fix its quorum at no less than a majority of its members and to determine its own rules of procedure subject to any regulation imposed by the Board of Directors fro time to time.

The auditors of the Corporation will be entitled to receive notice of every meeting of the Audit Committee and, at the expense of the Corporation, to attend and be heard thereafter, and if so requested by a member of the Audit Committee, shall attend every meeting of the Committee held during the term of the office of the Auditor. The auditor of the Corporation or any member of the Audit Committee may call a meeting of the Committee.

The Audit Committee shall review the financially statements of the Corporation prior to the approval thereof by the Board of Directors and shall have such other powers and duties as may from time to time by resolution be assigned to it by the Board.

PURPOSE

Responsibility for the development and maintenance of the Corporation systems for financial reporting, accounting for transactions and internal controls lies with senior management with oversight responsibilities vesting in the Board of Directors. The Audit Committee is a permanent committee of the Board whose purpose is to assist the Board by dealing with specific issues that may affect financial reporting to the shareholders, accounting and internal controls.

ANNUAL REPORTING

The Audit Committee shall review the annual financial statements, prepared for distribution to the shareholders. The Audit Committee should discuss with management the appropriateness of accounting policies selected by the Corporation, the use and effect of judgment on accounting measurements and the adequacy of accruals and estimate used by management in completing the annual financial statements. Upon satisfactory completion of the review procedure, the Audit Committee will recommend to the Board of Directors that the Board approve the annual financial statements.

The Audit Committee should review other financial information included in the Corporation's Annual Report to ensure that it is consistent with the Board of Directors knowledge of the affairs of the Corporation and is unbiased and nonselective.

The Audit Committee should review the Annual Information Form and the Management Discussion and Analysis Component of the Annual Report.

The Audit Committee should review planning for, and the results of, the annual external audit, including, but not necessarily limed to, specifically the following:

(a) The auditor's engagement letter as agreed between the auditor and financial management of the Corporation.
(b) The reasonableness of audit fees as agreed between the auditor and corporate management.
(c) Audit scope, including locations to be visited, area of audit risk, and materiality as it affects audit judgment timetable, deadlines, and coordination with internal audit.
(d) The audit report to the Corporation shareholders and any other reports prepared by the auditors.
(e) The informal reporting from the auditors on accounting systems and internal controls, including management's response.
(f) Non-audit related services provided by the auditor.
(g) Assessment of the auditor's performance.
(h) Recommendation with respect to the auditor's appointment or re-appointment.
(i) Hold in camera meeting with representatives of the auditors to discuss the audit related issues including the quality of accounting personnel.

INTERIM REPORTING

When unaudited interim financial statements are issued, for example, quarterly reports and financial statements required for inclusion in public offering documents, the Chief Financial Officer of the Corporation will provide a copy of the interim financial statement to the Audit Committee and will formally advise the Audit Committee that the interim financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied. The Chief Financial Officer is obliged to draw to the attention of the Audit Committee any other matters relating to such interim financial statement of the Committee should be aware of. Similarly the Auditor has an obligation to advise the Audit Committee of any issues which the Auditor believes merit the Committee's attention identified during the course of application of auditing procedures relating to any comfort level to be issued by the Auditor.

REPORTING ARRANGEMENTS

The Audit Committee, through the Chairman or Minutes of the Audit Committee's meetings, should report to the Board of Directors following each meeting of the Audit Committee. The report should review the nature of discussions and the major decisions reached by the Audit Committee. The Audit Committee shall refer to the Audit Committee's terms of reference as required and propose changes to the Board.

GENERAL

The Audit Committee clearly places the onus of reporting items that may be of concern to the Audit Committee with corporate management and representatives of the Audit firm as the case may be.