

EXHIBIT D

Examination Number: 20080117152
Date of Exit Meeting: December 15, 2008



Exit Meeting Report for the Examination of

McGinn, Smith & Co., Inc., Albany, NY

We have completed the field work for the Financial/Operational, Sales Practice and Municipal examination of your Firm. The examination included reviews of the following regulatory areas:

- Administrative
 - FINRA Contact System
 - Business Continuity Plan
 - Form Filings
 - MSRB Registration and Fees
 - Regulatory Transaction Fees
- Registration and Education
 - Qualification and Registration
 - Regulatory Element of Continuing Education
 - Firm Element of Continuing Education
- Employee Supervision
 - Monitoring Employee Activities
 - Monitoring for Insider Trading
- Firm Supervision
 - Correspondence & Internal Communications
 - Insider Trading Supervision
 - Supervision & Supervisory Controls
- Anti-Money Laundering and OFAC Compliance
 - Suspicious Activity Reporting
 - Bank Secrecy Act
 - BSA Compliance for Foreign Correspondent and Private Banking Accounts
 - Testing of AML Compliance Program
 - OFAC Compliance
- Capital and Credit Regulation
 - Net Capital Verification
 - Customer Protection Rule Exemptions
- Customer Grievances
- Markups and Markdowns
- Customer Information and Disclosures
 - Customer Information Controls
 - Municipal Operations
 - Regulation S-P and Outsourcing
- Unsuitable Recommendations
- Transaction Reporting
- Underwriting

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- o Best Effort and Contingent Offerings
- o Unregistered Offerings

Exceptions:

We have examined these regulatory areas and have noted the following exceptions:

1. The firm was not in complete compliance with NASD Rule 3510(e) in that the firm could not supply evidence of providing written disclosure of the Business Continuity Plan (BCP) to new customers at account opening.
2. The firm was not in complete compliance with FINRA Bylaws Article IV, Section 1 in that a review of Form BD revealed that the firm did not make a timely update. Specifically, Stephen Smith (CRD # 1123669) became Chief Compliance Officer in October, 2007, but the update denoting this change was not filed until March 28, 2008.
3. The firm failed to comply with FINRA Bylaws Article V, Section 2 in that a review of the Form U-4 revealed the following:
 - a. For George Lex (CRD #2755908) Form U-4 failed to reflect his employment location in Allentown, PA ; and
 - b. For David Smith (CRD #2755908) Form U-4 only listed one outside business activity instead of nine, which the firm had mistakenly categorized as affiliates.
4. The firm was not in complete compliance with FINRA Bylaws Article V, Section 3(b), in that the firm failed to file two (2) amendments to Form U-5 for former registered representative Mark Casolo (CRD#1158074) to reflect a complaint received and an arbitration filed reflecting damages greater than \$5,000.
5. The firm failed to comply with NASD Rule 1031(a) in that it maintained the registrations of the following three individuals who were not active in the firm's investment banking or securities business or not functioning as a representative, requiring registration:
 - a. Richard Albert (CRD # 2372);
 - b. Kathleen McGinn (CRD # 3266075); and
 - c. Brian Shea (CRD # 2570872).

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6. The firm was not in complete compliance with NASD Rule 3010(c)(1)(c) in that a review of branch office inspections revealed the firm failed to develop a schedule for periodic inspection of the following non-branch locations:
 - a. Richard Albert (CRD # 2372) in Haverhill, MA;
 - b. George Lex (CRD # 2755908) in Allentown, PA; and
 - c. Kathleen McGinn (CRD # 3266075) in Chicago, IL.
7. The firm was not in complete compliance with NASD Rule 3010(a) in that a review of 28 registered representatives for attendance to the 2007 Annual Compliance Meeting revealed that one out of 28 or 3.6% was not in attendance. Specifically, the firm could not provide evidence that John Sanchirico (CRD #40999) attended the meeting.
This is a repeat violation of the previous exam # 20070072125
8. A review of forty-two (42) recommended private placement transactions indicated a failure to comply with NASD Rule 2310 as eleven (11) or 26%, of the transactions reviewed revealed that the firm failed to evidence they had obtained necessary information (investment objectives, customer's tax/financial status) in order to make an appropriate suitability determination.
9. The firm was not in complete compliance with NASD Rule 3010(d), as the firm failed to provide evidence of principal review and approval on eight (8) pieces of written outgoing correspondence.
10. The firm was not in complete compliance with NASD Rule 3010(d)(3) & SEC Rule 17a-4(b)(4) insofar as the firm failed to maintain certain electronic customer correspondence and internal communications sent from or received by non-firm e-mail accounts of registered representatives located at the King of Prussia, PA branch (CRD# 292388), Pawlet, VT branch (CRD# 317225) and Allentown, PA non-registered location.
11. The firm was not in complete compliance with SEC Rule 17a-3(a)(2). Staff reviewed the firm's General Ledger, Trial Balance, Income Statement and Balance Sheet as of July 31, 2008 compared with bank statements, clearing firm statements and reconciliations. Staff increased the Preferred Dividend account (Acct# 6050111081) balance by \$1,926.66 based on the firm's reconciled balance.
12. The firm was not in complete compliance with SEC Rule 17a-3(a)(11). Staff reviewed the firm's financial documentation for the period ending July 31, 2008 and determined the firm failed to accurately compute its Net Capital computation. The firm's Net Capital was reported as \$756,458.69 with a minimum [statutory]

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requirement of \$100,000, leaving excess net capital of \$656,458.69. Staff independently computed Net Capital to be \$756,121.97 with the same statutory requirement of \$100,000 leaving excess Net Capital of \$656,121.97. The difference is an overstatement of the Firm's Net Capital position by \$336.72 or .05% of the firm's calculated excess Net Capital. Staff found the difference was due to the following:

- a. A staff increase to allowable assets of \$1,926, as the firm's books and records did not properly reflect the firm's actual Preferred Dividends account balance;
 - b. A staff deduction from tentative net capital of \$2,320.47, as the firm did not properly take a 2% haircut on the money market balance within account MSA-001007; and
 - c. A staff increase to tentative net capital of \$57.75 based on the undue concentration calculation as a result of the increase to the firm's allowable assets.
13. The firm was not in complete compliance with SEC Rule 17a-5(a)(2)(ii) as the firm failed to accurately reflect their revenue from sales of investment company shares on the June 30, 2008 FOCUS Report.
14. The firm failed to comply with MSRB Rule G-8 in that staff conducted a review of ten (10) municipal order tickets and found the following:
- a. 5 of 10 or 50% of order tickets did not have the time executed denoted on the electronic records. Of the 5 with time executed, 5 out of 5 did not include seconds.
 - b. 3 of 10 or 30% of order tickets did not have the time of receipt denoted on the electronic records.
15. The firm failed to comply with SEC Rule 17a-3(a)(6)(i) in that staff conducted a review of nine (9) corporate bond order tickets and found the following:
- a. 6 of 9 or 67% did not have time of execution; and
 - b. 3 of 9 or 33% had time of execution, but seconds were not reflected on the time.
16. The firm was not in complete compliance with Regulation S-P as the firm failed to evidence that:
- a. New customers received the firm's initial privacy policy; and
 - b. Existing customers that conducted only application way business through the firm received the annual privacy notice.

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17. The firm was not in complete compliance with NASD Rule 3010(b)(1) in that a review of the Written Supervisory Procedures (WSP's) revealed the firm had not established reasonable procedures in the following areas:

- a. Determining qualifications of supervisory personnel;
- b. Disclosure of Control or Interest relating to Private Placements pursuant to SEC Rules 15c1-5 and 15c1-6;
- c. Amending Form U-5 within 30 days of learning of facts or circumstances causing the current Form U-5 to be inaccurate;
- d. Supervision of Outsourcing Arrangements;
- e. Ensure that customer information is safeguarded;
- f. Ensure that new technologies implemented will safeguard customer information;
- g. The proper disposal of consumer report information;
- h. Appropriate controls for reps that correspond from home computers or wireless devices;
- i. Address the annual mailing of the privacy policy to non-clearing firm customers; and
- j. Proper disclosures, suitability and review for structured product sales.

In addition, the firm failed to implement the procedures as outlined in the WSP's for the following:

- k. Failure to receive principal approval prior to sending an e-mail in relation to any firm or investment related business;
- l. Failure to maintain all e-mail communications;
- m. Requiring a new account form in documenting the firm's due diligence in learning the essential facts relative to every customer and every order;
- n. To maintain evidence that the privacy policy was mailed to new customers;
- o. All registered representatives attending the Annual Compliance Meeting;
- p. Provide the Business Continuity Plan disclosure to all new customers; and
- q. Timely and accurately update Form U-4.

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18. The firm was not in complete compliance with NASD Conduct Rule 3011(b), as the firm failed to implement its written procedures for reviewing existing accounts against the OFAC list when it is updated.

Open Items:

Best Efforts and Contingent Offerings: Compliance with escrow requirements;
and

Unregistered Offerings: Offering Documents and Materials.

The items in this report and the examination process were reviewed during an Exit Meeting at 99 Pine St, Albany, NY 12207 on December 15, 2008, with the following participants:

Member Organizational Personnel:

David Smith	President
Stephen Smith	Chief Compliance Officer
David Rees	Chief Financial Officer
Andrew Guzzetti	Managing Director

FINRA Personnel:

Michael Paulsen	Exam Manager
Thomas Grygiel	Associate Principal Examiner
Scott Karas	Associate Principal Examiner
Steven Rowen	Senior Examiner

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This Exit Meeting Report and supporting documentation in the examination file are subject to FINRA's supervisory review process. The member organization should understand that any of the open items discussed above or other matters identified during this examination that rise to the level of an exception, as well as any apparent exceptions or regulatory issues not discussed in this document, will be promptly communicated to appropriate Firm personnel.

After the supervisory review of the examination file, FINRA will be issuing an Examination Report that documents the exceptions and other observations noted during the examination. The member firm will be required to submit a written response that describes corrective action taken to address every exception cited on the Examination Report. The Examination Report will be issued with a Cover Letter that will provide guidance regarding the Firm's written response.

The purpose of the signature below is solely and exclusively to acknowledge that the matters noted in this form were reviewed with the Firm. No inference should be drawn that the signing of this form represents an acknowledgment by the Firm that a rule violation has been committed by the member or any of its employees.

Exit Meeting Report Received By:

David L. Smith

David L. Smith President 12/15/08

NAME	TITLE	DATE
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This form does not in any way constitute a waiver of the notification prohibitions set forth in 31 U.S.C. 5318(g) with respect to any suspicious activity report discussed herein. Consequently, any references in this letter to a suspicious activity report or its existence are confidential, and may not be disclosed by you to the subject of the report, or otherwise disclosed in a manner outside your Firm that would lead to the subject of the report being notified. The improper disclosure of a suspicious activity report, either in contravention of section 5318(g) or of a related rule implementing that authority, is punishable by criminal and civil penalties. See 31 U.S.C. 5321 and 5322.