

**William J. Brown, as Receiver
of McGinn, Smith & Co., Inc., et al.**

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August 4, 2011

VIA CM/ECF

Hon. David R. Homer
United States Magistrate Judge
United States District Court
Northern District of New York
United States Courthouse
Albany, NY 12207

Re: Securities and Exchange Commission vs. McGinn, Smith & Co., Inc., et al.
Case No. 10-457

Dear Judge Homer:

I am writing concerning the Vero Beach property. I was previously appointed by the Court (Docket No. 263) to take all necessary steps to effectuate a sale of the Florida property. The property has been listed for sale, and the current listing price is \$1,490,000 (furniture available).

Late last week during a visit by the broker to the property for a showing, she found a water leak in the garage and a malfunctioning piece of equipment causing the leak. The pool was also out of order. I promptly notified the Smith's of those events. They subsequently informed me that they had previously decided not to pay the insurance premiums and that the homeowners and flood insurance policies had lapsed several weeks before.

Considering that there is a reasonable possibility that equity remains in the property, I recommended to the SEC that homeowners and flood insurance be procured if possible. The SEC concurred in that decision as did the mortgagee. After several attempts, and with the cooperation of the broker, it appears that I have been able to procure both homeowners and flood insurance which will likely go back into effect as of today. The cost on a per annum basis will be approximately \$10,000. There is a very high deductible. I am withdrawing funds from the monies held as a result of Lynn Smith's investment in Pine Street, the current balance of which is in excess of \$1 million. I will be paying the homeowners insurance on an installment basis in case the home is sold in the interim.

While the broker has worked hard to sell the home, and we have looked at a number of creative ways of trying to sell the home, it is a difficult market in a gated golfing community which is

Hon. David R. Homer

August 4, 2011

Page 2

very expensive to reside in and appears to appeal to only the most avid golfers as a general rule. I will continue to evaluate the equity situation as we move forward giving the accruing expenses.

I previously notified the Smith's and Mr. Featherstonhaugh that I would be advising Your Honor of these events. I view my actions as being within the ambit of your Order, but I believed it prudent to notify you of these events.

Very truly yours,

/s/ William J. Brown

William J. Brown

Receiver

cc: David Stoelting, Esq.
Kevin McGrath, Esq.
E. Stewart Jones, Esq.
William Dreyer, Esq.
James Featherstonhaugh, Esq.
David & Lynn Smith

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