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Confidential Private Placement Memorandum

$10,000,000

8.00% PARTICIPATING NOTES DUE JULY 1, 2012

MCGINN, SMITH TRANSACTION FUNDING CORP.

MAXIMUM OFFERING $10,000,000
MINIMUM OFFERING $500,000

MINIMUM PURCHASE $250,000

McGinn, Smith Transaction Funding Corp. (the "Company") is hereby offering $10,000,000 of Participating Notes (the "Notes") due July 1, 2012.

The interest paid on the Notes will be 8.00% per annum plus, as contingent interest, a participation in investment banking fees generated by McGinn, Smith & Co., Inc. ("McGinn, Smith") on proprietary transactions originated, negotiated, documented, and funded by and through the efforts of McGinn, Smith.

Prior to this offering, there has been no market for the Notes offered hereby. The offering price of the Notes was arbitrarily determined by the Company and thus there can be no assurance that the Notes can be resold at the offering price or that any market liquidity will develop.

Price of Notes 100%

See "Risk Factors" for a discussion of certain risks that should be considered by prospective purchasers of the Notes offered hereby.

THESE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to the Public	Underwriting Discount	Proceeds to the Company
	100%	2.0%	98.0%
Minimum Offering	$500,000	$10,000	$490,000
Maximum Offering	$10,000,000	$200,000	$9,800,000

The date of this Memorandum is April 22, 2008

MCGINN, SMITH & CO., INC.
Capital Center • 99 Pine Street
Albany, New York 12207

GOVERNMENT EXHIBIT
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The Offering of Notes will terminate on July 31, 2008, unless all are sold prior to that date. All subscriptions will be held in an escrow account (the "Escrow Account") at Mercantile Bank, Boca Raton, Florida (the "Escrow Agent") or at such other financial institution as may be selected by McGinn, Smith Transaction Funding Corp. (the "Company") in the event that the Escrow Agent is unable or unwilling to serve. Interest will be earned on funds held in the Escrow Account commencing three days after the funds are deposited until the earlier of the termination of this Offering or the investment of such funds in Notes. During the period that an investor's funds are held in the Escrow Account, he will not be a Noteholder. An investor's funds will not be held in the Escrow Account more than two months before being invested in the Notes, with Escrow Agent fees being deducted from escrow interest payable to investors. See "Terms of the Offering".

The Company will furnish to investors certain reports, financial statements and tax information. See "Description of the Notes and the Trust Agreement - Reports".

WHO MAY INVEST

The Notes will generally be offered only to accredited investors ("Accredited Investors") as that term is defined under Regulation D promulgated under the Securities Act of 1933, as amended (the "Act"). McGinn, Smith & Co., Inc. (the "Sales Agent") may, however, offer and sell Notes to 35 or fewer non-accredited investors. With certain exceptions (primarily with respect to institutional investors) an Accredited Investor is an individual who (i) has a net worth (along and together with the Investor's spouse) in excess of $1,000,000 or (ii) has had gross income in excess of $200,000 in each of the past two years or joint income with that person's spouse in excess of $300,000 in each of those years and reasonably expects gross income at the same level in the current year. Corporations, partnerships and other entities will be considered Accredited Investors if each of its beneficial owners individually qualify as Accredited Investors, or if such entity has total assets in excess of $5 million. Prospective investors to be admitted as Accredited Investors will be required to represent that they satisfy the requirements of an Accredited Investor. See "Suitability".

The Notes offered hereby are suitable only for those investors whose business and investment experience makes them capable of evaluating the merits and risks of their prospective investment in the Notes, who can afford to bear the economic risk of their investment for an indefinite period of time and have no need for liquidity in this investment. Each investor will be required to represent in a Subscription Agreement that he is acquiring the Notes for his own account as principal for investment, and not with a view to resale or distribution, and that he is aware that (a) his transfer rights are restricted; and (b) that the Notes have not been registered under the Act, and therefore, cannot be resold unless they are so registered or unless exemption from registration is available with respect to such transaction. (See "Suitability".) Since there can be no assurance that the Company, as hereinafter defined, will generate sufficient income necessary to pay the Notes, investment in the Notes is suited for persons who have substantial income from other sources. See "Risk Factors".

The Company or Sales Agent may require prospective investors to complete a questionnaire relating to the suitability of the investment for them, and may make or cause to be made such further inquiry as it deems appropriate. The Company and Sales Agent will collectively have the sole discretion regarding sale of the Notes to any prospective investor. The Company and Sales Agent reserve the right to reject any subscription for any reason and to allocate to any investor a smaller amount of Notes, or fractions thereof, than that for which he has subscribed. See "Suitability".

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This offering document contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities and Exchange Act of 1933, as amended (the "Securities Act"), and Section 2IE of the Securities and Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could" or "may".

Forward-looking statements provide management's current expectation or predictions of future conditions, events or results. They may include projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items, descriptions of management's plans or objectives for future operations, products or services, or descriptions of assumptions underlying or relating to the foregoing. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. These statements speak only as of the date they are made. Management of the Company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made except as required by federal securities law.

There are a number of significant factors which could cause actual conditions, events or results to differ materially from those described in the forward-looking statements, many of which are beyond management's control or its ability to accurately forecast or predict. Factors that might cause future performance to vary from that described in forward-looking statements include market, credit, operational, regulatory, strategic, liquidity, capital and economic factors as described under "Risk Factors" in this memorandum. In addition, other factors could adversely affect our results and this list is not a complete set of all potential risks or uncertainties. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included or incorporated by reference in this memorandum supplement.

NO ONE HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE REPRESENTATIONS WITH RESPECT TO THE COMPANY OR THE NOTES WHICH ARE NOT CONTAINED IN THIS MEMORANDUM OR FURNISHED BY THE OFFICERS OR DIRECTORS OF THE COMPANY UPON A REQUEST AS SET FORTH UNDER "ADDITIONAL INFORMATION". ANY OTHER INFORMATION OR REPRESENTATION GIVEN OR MADE MUST NOT BE RELIED ON AS HAVING BEEN AUTHORIZED BY THE COMPANY.

THE NOTES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFORM. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THIS MEMORANDUM DOES NOT CONTAIN AN UNTRUE STATEMENT OF A MATERIAL FACT OR FAIL TO STATE A MATERIAL FACT NECESSARY TO MAKE THE STATEMENTS MADE, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING. IT CONTAINS A FAIR SUMMARY OF THE MATERIAL TERMS OF DOCUMENTS PURPORTED TO BE SUMMARIZED HEREIN.

INTRODUCTORY STATEMENT

The information set forth below is intended to supply, in summary form, certain information and highlights from material contained in this Memorandum and should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Memorandum.

McGinn, Smith Transaction Funding Corp.
McGinn, Smith Transaction Funding Corp. (the "Company") is a New York corporation with its principal place of business at 99 Pine Street, Albany, NY 12207. The Company is engaged in providing capital necessary to close financial transactions originated by McGinn, Smith & Co., Inc. ("McGinn, Smith") prior to various capital raises undertaken by McGinn, Smith. The Company anticipates that such activities will experience durations of 90-150 days per transaction. The Company will also invest in other public and private securities deemed by management to be credit worthy. The Company has agreed to purchase $1,500,000 of McGinn, Smith & Co., Inc. 2008 Series Cumulative Preferred Stock. It is anticipated that the Company will be paid a commitment fee as well as an accretive coupon for transactions which it funds.

The Company is a newly formed New York corporation with no operating history, balance sheet, or income statement prior to the closing of this offering and related transaction.

McGinn, Smith & Co., Inc.
McGinn, Smith is a New York corporation with its principal place of business at 99 Pine Street, Albany, NY 12207. McGinn, Smith is engaged in the investment banking, securities sales, and financial advisory businesses. McGinn, Smith was formed on September 4, 1980 and became registered with the National Association of Securities Dealers (predecessor of the Financial Industry Regulatory Authority) on January 15, 1981. McGinn, Smith is currently licensed as a Broker/Dealer in 44 states plus the District of Columbia.

THE OFFERING

Securities Offered:	Offering up to $10,000,000 of Participating Notes priced at par.
Maturity:	July 1, 2012
Stated Interest Rate:	8.00%
Contingent Interest:	The Notes will be entitled to incremental interest as a function of investment banking fees earned by McGinn, Smith on proprietary transactions originated, negotiated, documented, and funded by and through the efforts and resources of McGinn, Smith. The amount of contingent interest allocated, based upon a maximum offering of $10,000,000 is as follows: 30% of the first $2,500,000 of net investment banking fees. 20% of the next $2,500,000 of net investment banking fees. 10% of the net investment banking fees in excess of $5,000,000. To the extent that the maximum offering of $10,000,000 is not achieved, contingent interest percentages as described above will be reduced on a pro rata basis. For example, if $5,000,000 is sold, each of the percentages of contingent interest cited above will be reduced by half.
Accounting Period:	For the purpose of determining the contingent interest, as described above; the 12 month period shall be January 1 to December 31 of each year.
Payment Intervals:	Interest shall be paid quarterly on February 1, May 1, August 1, and November 1 of each year. A two percent (2.00%) interest payment shall be made on each of February, May, August and November of each year. Contingent interest shall be paid on March 1 of each year.
Call Probation/Call Pricing:	The Notes will be non-callable for two years post closing. Subsequently, call prices will begin at 106.
Offering Period:	The Offering will continue until July 31, 2008 unless extended by the Company.
Use of Proceeds:	The net proceeds of this Offering will be employed to (1) purchase $1,500,000 of McGinn, Smith cumulative preferred stock and (2) to employ approximately $8,285,000 for bridge financing purposes.

RISK FACTORS TO BE CONSIDERED BY PROSPECTIVE NOTEHOLDERS

An investment in the Company's securities offered hereby is illiquid and the securities are restricted. There has been no market for the securities, and one is not expected to develop. An investment should be made after careful consideration of the various risk factors which will affect the McGinn, Smith Transaction Funding Corp. and McGinn, Smith & Co., Inc. and should only be made by persons who can afford to hold their investment indefinitely and who can bear the loss of their investment.

1. Dependence upon McGinn, Smith. The Company will provide bridge financing capital to close transactions originated, negotiated, documented, and ultimately funded by the capital market activities of McGinn, Smith. As such, the Company is highly dependent upon McGinn, Smith to source, structure, and sell transactions. There can be no assurance that McGinn, Smith will be successful in these efforts. Consequently, the Company may not realize the number of "turns" on its capital as contemplated.

2. Nature of the McGinn, Smith Business. McGinn, Smith's securities businesses, by their nature, are subject to various risks, particularly in volatile markets, including the incurrence of losses from trading and underwriting of securities, customer inability to meet commitments, customer default, and employee misconduct and errors.

   McGinn, Smith like other securities firms, is directly affected by national and international economic and political conditions, broad trends in business and finance, including interest rates and substantial fluctuations in the volume and price levels of securities transactions. Reduced trading volume and prices generally result in lower commissions and may result in losses from declines in the market prices of securities held in the trading and underwriting positions. During periods of low business activity, McGinn, Smith's profitability is adversely affected because a substantial portion of its expenses remains relatively fixed.

3. Competitive Industry Environment. All aspects of the businesses of McGinn, Smith are highly competitive. McGinn, Smith competes directly with numerous other securities brokers and dealers, investment banking firms and investment advisors and, indirectly, for investment funds, with commercial banks, insurance companies and other financial services firms. Some commercial banks and thrift institutions also offer securities; brokerage services and many commercial banks offer a variety of investment banking services. Competition among financial services firms also exists for investment representatives and other personnel. Many of McGinn, Smith competitors have substantially greater capital and other resources than McGinn, Smith.

   The securities industry generally has become considerably more concentrated and competitive since the late 1960's, as numerous securities firms have either ceased operations or have been acquired for merger into other firms. In addition, companies not engaged primarily in the securities business, but having substantial financial resources, have acquired leading securities firms. These developments have increased competition from firms with greater capital resources that those of McGinn, Smith.

   McGinn, Smith operates a full service securities brokerage business and relies upon a clearing firm to carry customer accounts and execute trades. Currently, McGinn, Smith's clearing agent is National Financial Services, One Whitehall Street, New York, New York.

McGinn, Smith currently has no securities research department and has no intention of staffing such a department. Securities research, employed by McGinn, Smith, is generally available to the investing public.

McGinn, Smith does not have a broad based advertising plan. Generally, customers of McGinn, Smith are solicited directly by registered representatives employed by McGinn, Smith or are obtained as a result of referrals made by existing customers.

4. Capital Requirements. Pursuant to the net capital provisions of Rule 15c3-1(c) of the Securities Exchange Act of 1934, McGinn, Smith is required to maintain minimum net capital as defined under such provisions. According to Rule 15c3-1(c), McGinn, Smith's net capital ratio (aggregate indebtedness to net capital) shall not exceed 15 to 1 in any year of operation. At December 31, 2007 McGinn, Smith had net capital of $829,313 compared with net capital requirements of $100,000. McGinn, Smith has received an opinion from its accountants that the issuance of Cumulative Preferred Stock to the Company will be accretive.

5. Dependence on Management. McGinn, Smith is heavily dependent upon the services and experience of its officers. It is particularly dependent upon the services of Messrs. Timothy M. McGinn, David L. Smith and Thomas E. Livingston. Although McGinn, Smith does not rely on any single officer entirely to conduct its business, the loss of the services of either Mr. McGinn, Mr. Smith or Mr. Livingston would materially adversely affect the conduct of McGinn, Smith's business.

6. Control of McGinn, Smith & Co., Inc. The following table describes the Officers, Directors, and voting Shareholders of McGinn, Smith:

	Age	% Ownership
Timothy M. McGinn Chairman of the Board and Secretary Director	59	30%
David L. Smith President & CEO and Director	63	50%
Thomas E. Livingston Senior Vice President and Director	49	20%
Matthew Rogers Senior Managing Director	42	0%
Joseph B. Carr Vice President & General Counsel	63	0%
Andrew G. Guzzetti Managing Director, Private Client Group	60	0%
Brian T. Mayer Vice President and Branch Manager	35	0%

Frank H. Chiappone Vice President and Sales Manager	52	0%
Philip S. Rabinovich Vice President	34	0%
Ryan C. Rogers Vice President	35	0%

7. Risks of Brokerage Transactions. McGinn, Smith's securities trading, market-making and underwriting activities involve the purchase, sale or short sale of securities as a principal and, accordingly, involve the risks of a change in the market price of such securities and a decrease in the liquidity of markets, which can limit McGinn, Smith's ability to sell securities purchased or purchase securities sold in such transactions. Underwriting the issuance of securities represents an important part of McGinn, Smith's business, and subjects its' capital to significant risk.

   McGinn, Smith is subject to credit risks. To the extent that McGinn, Smith advances funds in a securities transaction, the repayment of such advances may not occur. If the securities decline in value, McGinn, Smith may not recover the amounts advanced.

8. Arbitrary Offering Price. The price which the Notes are being offered to Noteholders has been arbitrarily determined and bears no relationship to the Company's assets, earnings, book value, net tangible value or other generally accepted criteria of value for investment.

9. Restrictions on Transferability of Securities. Noteholders should be fully aware of the long-term nature of their investment. The Notes will not be registered under the Act and will be sold in reliance on an exemption from registration.

   In view of the foregoing, each Investor should be satisfied that he has adequate means of providing for his current needs and possible future contingencies and that he has no need for liquidity in his investment.

10. Control of Existing Shareholders. The Notes to be issued hereunder will all not be convertible into any other class of security, therefore, virtually all decisions relating to the business of the Company will be made by the existing shareholders. Noteholders will have no control over the Company or its policies except in very limited circumstances. Noteholders will be unable to prevent dissipation of the assets of the Company, and no sinking fund is provided to retire the Notes.

11. Litigation. Many aspects of McGinn, Smith's business involve substantial risks of liability. In recent years, there has been an increasing instance of litigation involving the securities industry, including class action suits that generally seek substantial damages. Underwriters are subject to substantial potential liability for material misstatements and omissions from memorandums and other communications with respect to underwritten offerings of securities. McGinn, Smith may become a defendant in civil actions arising out of its brokerage and other activities.

12. Regulation. McGinn, Smith's business is subject to extensive regulation at both the Federal and State levels by various regulatory bodies responsible for enforcing statutes and protecting the interest of customers. In addition, self-regulatory organizations such as the Financial Industry

Regulatory Authority require strict compliance with rules and regulations. The failure to comply with any of these laws, rules or regulations could result in fines, suspension or expulsion, and could have a material, adverse effect on McGinn, Smith, and consequently the Company

USE OF PROCEEDS

The Company estimates that if the maximum amount of Notes are sold, the net proceeds from the sale of Notes will be approximately $9,785,000 after deducting $200,000 for selling commissions and $15,000 for legal, printing, filing and miscellaneous expenses.

The Company intends to employ the net proceeds of this offering immediately in its business.

The Company has agreed to purchase $1,500,000 of McGinn, Smith 2008 Series Cumulative Preferred Stock.

Additionally, the Company has two additional transactions which it may fund, approximately $2,250,000 to Charter Cruise Ventures LLC, which is currently being marketed by McGinn, Smith and a security alarm structured finance transaction of approximately $2,000,000, which is in the formation stage. The Company will earn a two percent (2.00%) commitment fee plus earn interest at a rate of 15.00% per annum on each funding.

MINIMUM OFFERING

Sources		Uses	
Net Proceeds	$475,000	Investment in McGinn Smith & Co., Inc.	$475,000
Total Sources	$475,000	**Total Uses**	$475,000

MAXIMUM OFFERING

Net Proceeds	$9,785,000	Investment in McGinn Smith & Co., Inc.	1,500,000
		Available for Bridge Financing	8,285,000
Total Proceeds	$9,785,000	**Total Uses**	$9,785,000

The first $1,500,000 of net proceeds from this offering will be allocated to the purchase of 5.25% 2008 Series Cumulative Preferred Stock to be issued by McGinn, Smith.

THE BUSINESS

The Company, is a newly formed New York corporation with its principal office at 99 Pine Street, Albany, NY 12207. The Company's officers are Timothy M. McGinn, Chairman & CEO; David L. Smith, President; and Thomas E. Livingston, Secretary.

The Company, upon completion of this Offering, will be engaged in the business of providing bridge financing for transactions originated, negotiated, documented, and funded by and through the efforts of McGinn, Smith. Most of the issuers who have engaged McGinn, Smith to raise capital have a need to access the capital in advance of the completion of the capital raise. In such cases, the Company will advance funds as necessary, taking as collateral the unsold securities being sold by McGinn, Smith.

The Company will be compensated as follows:

1. Commitment fees paid by the issuer on amounts funded. Typically these fees range from two to five percent.

2. Interest paid to the Company. The rate of interest to be paid will generally range from 14.00 to 19.00 percent per annum, often with a minimum duration calculation, irrespective of actual time the capital is lent.

3. A share in net investment banking fees earned on proprietary investment banking executed by McGinn, Smith. This share predicated on a $10,000,000 raise, shall be as follows:

   a) 30% of the first $2,500,000 of net investment banking fees earned in the prescribed period.
   b) 20% of the next $2,500,000 of net investment banking fees earned in the prescribed period.
   c) 10% of these investment banking fees in excess of $5,000,000 earned in the prescribed period.

To the extent that the maximum offering of $10,000,000 is not achieved, contingent interest percentages as described above will be reduced on a pro rata basis. For example, if $5,000,000 is sold, each of the percentages of contingent interest cited above will be reduced by half.

For the calendar year 2007, the fees generated by (3) above aggregated $2,470,542 on employed bridge capital of approximately $3,000,000. Should these results be duplicated for a normalized year, the yield on the Notes offered hereby would be approximately 15.4%.

Calculation as follows: ($10,000,000 X .08) + (.30 X $2,470,542) = 15.4%

$10,000,000

Future refinance will depend upon numerous variables. There can be no assurance that past performance will be replicated.

The Company believes that with greater bridging resources available, more transactions can be executed and consequently greater returns can be produced.

SELECTED FINANCIAL DATA

The following table sets, on a pro-forma basis, the balance sheet of the Company assuming both a minimum and maximum closing.

Minimum Closing

Assets:

Cash	$ 10,000
McGinn, Smith & Co., Inc. Preferred Stock	475,000
Unamortized Offering Expenses	25,000
Total Assets	$ 510,000

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Liabilities:		
Notes due July 1, 2012	$	500,000
Paid in Capital		10,000
Total Liabilities	$	510,000

Maximum Closing

Assets:		
Cash		$8,295,000
McGinn, Smith & Co., Inc. Preferred Stock		1,500,000
Unamortized Offering Expenses		215,000
Total Assets	$	10,010,000
Liabilities:		
Notes due July 1, 2012	$	10,000,000
Paid in Capital		10,000
Total Liabilities	$	10,010,000

INCOME STATEMENT AND BALANCE SHEET

McGinn, Smith has been in business on an operating basis for 27 years. Over that time span, McGinn, Smith has had one (1) year in which it failed to make a profit.

Our auditors, Piaker & Lyons have provided audited financial statement for the past 15 years. During this time, with our consent, they have classified McGinn, Smith's revenue into the broad categories as defined in the attached audited financial statements. While this methodology has served us well in prior years it does not provide a thorough market segmentation analysis needed to evaluate an investment in McGinn, Smith Transaction Funding Corp's 8% Participation Notes as the contingent interest is predicated upon McGinn, Smith ability to source and fund deals which will provide the revenue stream to support the contingent interest payments. The most significant difference between the audited financial statements and the revenue analysis pertains to underwriting revenue. The firm's audited financial statements classify underwriting as a separate line item. In an attempt to provide more clarity to potential investors, McGinn, Smith has provided an analysis of its Investment Banking and Advisory Fee revenue streams to highlight the increase in transaction based advisory fees the firm has experience over the past several years.

The following table represents the past three years of Investment Banking and Advisory Fee revenue further defined to demonstrate the revenue stream to support the contingent interest.

($ in thousands)		2007		2006		2005
Investment Banking-per audited financial stmts.	$	2,815	$	3,407	$	2,802
Advisory Services-per audited financial stmts.		2,545		775		1,539
	$	5,360	$	4,182	$	4,341
Less:						
Underwriting		2,271		2,758		2,414
Account Mgmt. fees in Advisory Svcs. above		496		775		1,539
Other in Investment Banking above		121		76		96
Total adjustments ot revenue above	$	2,888	$	3,609	$	4,049
Core investment bank/advisory services revenue	$	2,470	$	573	$	292

Set forth below is the Income Statement Items for the years 2005 through 2007.

Balance Sheet ($ in thousands)	2007	2006	2005
Cash			
Total Assets	4,637	3,878	3,581
Total Liabilities	1,699	1,030	926
Stockholder Equity	**2,938**	**2,847**	**2,655**

McGinn, Smith made a decision to increase its emphasis on investment banking related activities in the fourth quarter of 2006. McGinn, Smith's decision was predicated on an interest in moving away from low margin brokerage and agency business towards higher margin, proprietary business.

The significant increase in core investment bank/advisory services revenue in 2007 over 2006 is attributable to the addition of two seasoned professionals to McGinn, Smith. Timothy McGinn rejoined McGinn, Smith in October, 2006 after serving as Chairman & CEO of Integrated Alarm Services Group from January, 2004 to June, 2006. Mr. McGinn brought 25 years of investment banking experience to McGinn, Smith. Additionally, Matthew Rogers joined McGinn, Smith in January, 2007. Mr. Rogers had been previously employed by Tyco International LTD as Vice President of Strategy and Business Development for the Fire & Security segment, a twelve billion dollar revenue business. In that capacity, Mr. Rogers was responsible for the global direction for mergers and acquisition for the segment. Mr. Rogers works out of the Boca Raton, Florida office of McGinn, Smith.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans to which Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, which we refer to as ERISA, applies; plans, individual retirement accounts and other arrangements to which Section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code, which we collectively refer to as Similar Laws, apply; and entities whose underlying assets are considered to include "plan assets" of such plans, accounts and arrangements (each of which we call a Plan).

Each fiduciary of a Plan should consider the fiduciary standards of ERISA or any applicable Similar Laws in the context of the Plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA or any applicable Similar Laws and would be consistent with the documents and instruments governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans subject to such provisions, which we call ERISA Plans, from engaging in certain transactions involving "plan assets" with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the ERISA Plans. A violation of these "prohibited transaction" rules may result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code, but may be subject to Similar Laws.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code could arise if the Notes were acquired by an ERISA Plan with respect to which we or any of our affiliates are a party in interest or a disqualified person. For example, if we are a party in interest or disqualified person with respect to an investing ERISA Plan (either directly or by reason of our ownership of our subsidiaries), an extension of credit prohibited by Section 406(a)(1)(B) of ERISA and Section 4975(c)(1)(B) of the Code between the investing ERISA Plan and us may be deemed to occur, unless exemptive relief were available under an applicable exemption (see below).

The United States Department of Labor has issued prohibited transaction class exemptions, or PTCEs, that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase, holding or disposition of the Notes. Those class exemptions include:

- PTCE 96-23 — for certain transactions determined by in-house asset managers;
- PTCE 95-60 — for certain transactions involving insurance company general accounts;
- PTCE 91-38 — for certain transactions involving bank collective investment funds;
- PTCE 90-1 — for certain transactions involving insurance company separate accounts; and
- PTCE 84-14 — for certain transactions determined by independent qualified professional asset managers.

In addition, ERISA Section 408(b)(17) provides a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays no more than adequate consideration in connection with the transaction (the so-called "service provider exemption").

No assurance can be made that all of the conditions of any such exemptions will be satisfied.

Because of the possibility that direct or indirect prohibited transactions or violations of Similar Laws could occur as a result of the purchase, holding or disposition of the Notes by a Plan, the Notes may not be purchased by any Plan, or any person investing the assets of any Plan, unless its purchase, holding and disposition of the Notes will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or a violation of any Similar Laws. Any purchaser or holder of the Notes or any interest in the Notes will be deemed to have represented by its purchase and holding of the Notes that either:

- it is not a Plan and is not purchasing the Notes or interest in the Notes on behalf of or with the assets of any Plan; or
- its purchase, holding and disposition of the Notes or interest in the Notes will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or a violation of any Similar Laws.

Due to the complexity of these rules and the penalties imposed upon persons involved in non-exempt prohibited transactions, it is important that any person considering the purchase of Notes on behalf of or with the assets of any Plan consult with its counsel regarding the consequences under ERISA, the Code and any applicable Similar Laws of the acquisition, ownership and disposition of Notes, whether any exemption would be applicable, and whether all conditions of such exemption have been satisfied such that the acquisition and holding of the Notes by the Plan are entitled to full exemptive relief thereunder.

Nothing herein shall be construed as, and the sale of Notes to a Plan is in no respect, a representation by us or the underwriters that any investment in the Notes would meet any or all of the relevant legal requirements with respect to investment by, or is appropriate for, Plans generally or any particular Plan.

SUITABILITY

Notes will be sold only to investors who make a minimum purchase of $250,000. The Company may accept subscriptions less than $250,000 at its sole discretion.

As described elsewhere in this Memorandum, the Notes will generally be sold only to Accredited Investors as defined in Rule 501 of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended; provided, however, that at the discretion of the Sales Agent and the Company, Notes may be sold to up to 35 non-accredited investors. Included in the definition of "Accredited Investor", as defined in Rule 501, are the following:

(a) any natural person whose individual net worth (including personal residences, furnishings and automobiles), or joint net worth with that person's spouse, at the time of purchase exceeds $1,000,000;

(b) any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and who reasonably expects gross income at the same level in the current year; and

(c) any entity in which all of the equity owners are Accredited Investors or which has total assets in excess of $5,000,000.

Each investor accepted as an Accredited Investor will be required to represent that he satisfies the requirements of an Accredited Investor under Rule 501.

Among other things, each investor will be required to acknowledge and represent in the Subscription Agreement that: (i) he is purchasing the Notes for his own account for investment and not with a view to the sale or distribution thereof; (ii) he is aware that the Notes have not been registered for sale under the Securities Act of 1933 as amended, and that he will not transfer his Notes in the absence of an opinion of counsel satisfactory to the Company that the Notes have been registered or that registration is not required under the Securities Act of 1933, as then in effect, and under applicable state securities laws, if any; (iii) he understands that this investment involves a high degree of risk; (iv) he has adequate means of providing for his current needs and foreseeable personal contingencies, and has no need for liquidity in this investment; (v) all books, records and documents pertaining to this investment have been made available to him; and (vi) his overall commitment to investments which are not readily marketable is not disproportionate to his net worth and his purchase of Notes will not cause such overall commitment to become excessive.

The Sales Agent and Company reserve the right to reject any subscription in its entirety for any reason or to allocate to any investor Notes in an aggregate principal amount less than that for which a prospective investor has subscribed. In the event a subscription is rejected, the investor's subscription check for his Notes (or the amount thereof) will be returned, and in the event of a partial rejection, a pro rata amount of the investor's subscription check for his Notes will be refunded.

Prospective investors may be required to complete an Investor Representation Letter relating to the suitability of the investment for them, and the Company may make or cause to be made such further inquiry as the Company deems appropriate.

Any prospective investor will be afforded the opportunity to obtain from the Company prior to the consummation of the transaction contemplated herein any additional information he may request necessary to verify the accuracy of the contents of this Memorandum and which the Company possesses or can acquire without unreasonable effort or expense and to confer with, ask questions of, and receive answers from the Company or persons authorized to act on its behalf, concerning the terms and conditions of the transaction, this memorandum and any additional information which has been requested and supplied to a prospective investor or his purchaser representative.

The purchase of Notes may be suitable for individuals seeking an investment intended to provide income. An investment in Notes may also be appropriate for corporations and trusts seeking investments which are structured to provide income. Nevertheless, this investment involves a number of significant risks, including no assurance that the Notes will be paid and illiquidity. See "Risk Factors." Accordingly, the suitability of a purchase of Notes for any particular investor will depend upon, among other things, such investor's investment objectives and such investor's ability and willingness to accept the risks of an investment in the Notes.

The Sales Agent Agreement between the Company and the Sales Agent requires the Sales Agent to make diligent inquiries as required by law of all prospective purchasers in order to ascertain whether a purchase of Notes is suitable for such person and to transmit promptly to the Company all fully completed Subscription Agreements. By tendering payment for a Note and by acceptance of the confirmation of purchase, an investor represents that he or it satisfies any applicable suitability standards. See "Plan of Distribution."

TERMS OF THE OFFERING

Subject to the conditions set forth in this Memorandum, Notes in the maximum amount of $10,000,000 (the "Maximum Offering") and the minimum amount of $500,000 (the "Minimum Offering") will be offered by the Company.

The Notes will be offered through McGinn, Smith & Co., Inc., the Sales Agent, on a best efforts basis over a period of two months. The Sales Agent is a member of the Financial Industry Regulatory Authority.

All funds received by the Sales Agent from subscriptions for the Notes will be placed in an escrow account (the "Escrow Account") maintained by Mercantile Bank, Boca Raton, Florida (the "Escrow Agent"). Interest will be earned on funds held in the Escrow Account commencing three (3) business days after the funds are deposited until the earlier of the termination of this Offering or the investment of the funds in the Notes. During the period that an investor's funds are held in the Escrow Account he will not be considered a Noteholder.

With respect to the Notes, no funding from the Escrow Account will occur until the Minimum Offering is subscribed for. If subscriptions for the Minimum Offering are not received within two months from the date of this Memorandum, subscriptions received with respect to the Notes will be promptly returned in full to the investor by the Escrow Agent, together with all interest earned while funds were held in the Escrow Account after deducting fees payable to the Escrow Agent. Fees payable to the Escrow Agent will be deducted from interest earned on the Escrow Account.

How to Subscribe. The Notes will be available for purchase in the minimum denomination of $250,000.00 and increments of $25,000.00. The Company may elect to accept subscriptions for less than $250,000. An investor who meets the qualifications set forth under "Who May Invest" and "Suitability" may subscribe for Notes by completing, signing and delivering to the Sales Agent an executed copy of the Subscription Agreement contained in this Memorandum. All subscriptions must be accompanied by a check in the amount of the Note(s) purchased payable to "Mercantile Bank, Escrow Agent for McGinn, Smith Transaction Funding Corp." Upon execution of a Subscription Agreement, the investor agrees to all of the terms and conditions contained in the Agreement. Subscriptions are, however, subject to acceptance by the Company.

PLAN OF DISTRIBUTION

The Company is offering a maximum of $10,000,000 of Notes, and a minimum of $500,000. The minimum investment by an investor is $250,000 with increments of $25,000. The Company, at its sole discretion may accept subscriptions of less than $250,000. The Offering period will end not later than July 31, 2008. No Notes will be sold unless subscriptions for the Minimum Offering are received and accepted by July 31, 2008. Subscriptions are subject to acceptance by the Company. See "Suitability"; "Who May Invest".

During the course of the Offering, the subscription payments will be promptly forwarded by the Sales Agent to the Escrow Agent for deposit into the Escrow Account. For a description of the distribution of funds from the Escrow Account, see "Terms of the Offering".

The Notes will be offered on a "best efforts" basis by the Sales Agent.

INCOME TAX CONSIDERATIONS

The following discussion summarizes certain material anticipated federal income tax consequences relevant to the acquisition, ownership and disposition of Notes, but does not purport to address all potential consequences. The summary is for general information only and does not discuss all of the tax consequences that may be relevant to particular investors in light of their personal investment circumstances or holders who receive special treatment under the Internal Revenue Code of 1986, as amended (the "Code"), such as insurance companies, financial institutions, and broker-dealers. In addition, this discussion does not describe any tax consequences arising out of foreign, state or local jurisdictions.

The discussion is based upon current provisions of the Code, applicable regulations promulgated thereunder, judicial authority and administrative rulings and practice. All of the foregoing are subject to change which may be retroactive and could affect the continuing validity of this discussion. There can be no assurance that the Internal Revenue Service (the "IRS") will not take a contrary view, and no ruling from the IRS has been or will be sought.

The Company has not obtained an independent tax opinion with regard to this Offering. Prospective investors should consult their own tax advisors regarding the federal, foreign, state, local and other tax consequences of purchasing, holding and disposing of the Notes.

Interest Income to Noteholders. It is anticipated that the Notes will be issued at par value and, therefore, no original issue discount will arise with respect to the Notes. Accordingly, a Noteholder will be required to report interest on a Note as income for federal income tax purposes in accordance with such holder's method of accounting.

Gain or Loss on Disposition of Notes. In general, the holder of a Note will recognize gain or loss on the sale, exchange, redemption or other disposition of a Note equal to the difference between the amount realized (except to the extent attributable to the payment of accrued interest) and the adjusted basis in his Note. Any gain or loss recognized will generally be a Trust gain or loss if the Note is held as a Trust asset and will be long-term gain or loss if the Note is held for more than one year.

Information Reporting. The Company will report interest income to Noteholders on IRS Form 1099-INT and as otherwise consistent with such treatment.

Backup Withholding. A Noteholder may be subject to "backup withholding" at the rate of 31% (see IRC-3406(a)) with respect to interest paid on, or the proceeds of a sale, exchange or redemption of, such Notes, unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable exemption from backup withholding rules. Any amount withheld under these rules will be creditable against the Noteholder's federal tax liability.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISER WITH RESPECT TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES.

LEGAL MATTERS

Legal matters in connection with the validity of the Notes offered hereby will be passed upon for the Company by Joseph B. Carr, Esq., Capital Center, 99 Pine Street, Albany, New York 12207.

TABLE OF CONTENTS OF EXHIBITS

The discussion in this Memorandum of each Exhibit set forth below is qualified in its entirety by reference to such Exhibit.

Exhibit "A"	Subscription Agreement
Exhibit "B"	Purchaser Questionnaire
Exhibit "C"	McGinn, Smith & Co., Inc. Audited Financial Statements for December 31, 2007 and December 31, 2006

ADDITIONAL INFORMATION

Additional information is available upon request to the Company. Only additional information provided by the Company may be relied upon. Prospective investors may request such information from the Sales Agent, McGinn, Smith & Co., Inc., Fifth Floor, 99 Pine Street, Albany, New York 12207.

EXHIBIT "A"

SUBSCRIPTION AGREEMENT

SUBSCRIPTION AGREEMENT

THE NOTES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE OFFERED FOR RESALE IN THE ABSENCE OF AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED. IN ADDITION, THIS AGREEMENT AND THE NOTES CONTAIN SUBSTANTIAL RESTRICTIONS ON TRANSFERABILITY.

MCGINN, SMITH TRANSACTION FUNDING CORP.

TO: MCGINN, SMITH TRANSACTION FUNDING CORP.:

1. Subscriptions. I hereby subscribe for and agree to purchase the dollar amount of the Company's Notes (the "Notes") as is set forth opposite my name acknowledging the minimum purchase to be Two Hundred and Fifty Thousand Dollars ($250,000) and increments of Twenty-Five Thousand Dollars ($25,000).

2. Payment. I hereby agree to pay the Company the purchase price for the Notes by delivery herewith of a check in the face amount of the Notes subscribed for payable to the order of "MERCANTILE BANK-Escrow Agent for McGinn, Smith Transaction Funding Corp.".

3. Restriction on Transfer of the Notes. I understand that any resale or transfer of the Notes by me is subject to substantial restriction, in that:

   (i) The Notes have not been registered under the Securities Act of 1933 as amended (the "Act") or applicable state securities laws. The Notes cannot be sold or transferred by subscribers in the absence of an opinion of counsel that registration is not necessary. The Company is not required to register the Notes or to make any exemption from registration available.

   (ii) My right to sell or transfer any of the Notes will be restricted as follows: (1) restrictions against sale or transfer in violation of applicable securities law; (2) the requirement that I furnish an opinion of counsel that any proposed sale or transfer by me will not violate such laws; (3) the Company must consent to the transfer of my Notes; and (4) other restrictions and requirements, including such restrictions on transfer arising under state securities laws.

   (iii) There will be no public market for the Notes, and I may not be able to sell my Notes. Accordingly, I must bear the economic risk of my investment for an indefinite period of time.

4. Investment Representation. I represent and warrant that I am acquiring my Notes for my own account and not on behalf of other persons, and that I am acquiring my Notes for investment purposes only and not with a view to the resale or distribution thereof; I understand that the Notes will be offered and sold in a manner which would qualify the transaction for an exemption as a private placement under Rule 506 of the Act. The Notes may not be transferred or assigned except as provided herein.

5. Subscription Irrevocable by Certificateholder. This Subscription Agreement is not, and shall not be, revocable by me, except as provided by applicable state securities law requirements, and I intend to be legally bound by this Subscription Agreement.

6. Subscription Subject to Acceptance or Rejection by the Company. The Company, in its sole discretion, shall have the right to accept or reject this subscription at any time on or before the Closing.

7. Offering of Notes Subject to Withdrawal. If the Company does not receive subscriptions for Notes in the minimum amount of $500,000.00 before the Termination Date, the Offering of Notes will be

withdrawn and I understand that all my subscription documents and payments will be returned to me, with interest, less the cost of escrow, and without further obligation of the Company.

8. Additional Representations and Warranties. I represent and warrant that:

(a) (i) I have received and have carefully read and understood the Private Placement Memorandum dated April 22, 2008 (the "Memorandum") given to me by the Company in connection with the offering of Notes.

(ii) I have been furnished with all additional documents and information which I have requested.

(iii) I have had the opportunity to ask questions of and receive answers from the Company concerning the Company and the offering of Notes and to obtain any additional information necessary to verify the accuracy of the information furnished.

(iv) I have relied only on the foregoing information and documents in determining to make this subscription, and the decision to acquire Notes of the Company has been made based upon my own evaluation of the merits and risks of the Company.

(v) I will not offer to sell, or resell, the Notes except in accordance with Section 3(ii) hereof.

(vi) I will require any purchaser to provide the Company with his address.

(b) I recognize that investment in the Notes involves substantial risk factors, including those set forth under "Risks" in the Memorandum.

(c) I have adequate means of providing for my current needs and possible personal contingencies, and I have no need for liquidity in my investment in the Notes.

(d) My overall commitment to investments which are not readily marketable is not disproportionate to my net worth and my purchase of Notes will not cause such overall commitment to become excessive.

9. Indemnification and Hold Harmless. If I breach any agreement, representation or warranty I have made in this Subscription Agreement or any other document I have executed in connection with this offering, I agree to indemnify and hold harmless the Company, the Sales Agent, and any officer or director of the Company and any person controlling either or any of them against any claims, actions, liability, loss, damage or expense (including attorney's fees and other costs of investigation and litigating claims) caused, directly or indirectly, by my breach.

10. Subscriber Information. This Subscription and my Notes shall be recorded on the Company's books.

IN WITNESS WHEREOF, I have executed this Subscription Agreement this ___ day of ____________, 2008.

____

Print exact name in which title is to be held

Name: ______________________________ ______________________________

Printed Name Tax ID # Printed Name Tax ID#

Signature: X ______________________________ Signature X ______________________________

Address: ______________________________

Amount Purchased: $______________

____

ACCEPTED BY MCGINN, SMITH TRANSACTION FUNDING CORP. this _____ of ______________, 2008.

001652

McGinn, Transaction Funding Corp.

By: ______________________________
Timothy M. McGinn, Chairman & CEO

or

By: ______________________________
David L. Smith, President

EXHIBIT "B"

PURCHASER QUESTIONNAIRE

CONFIDENTIAL

PURCHASER QUESTIONNAIRE FOR INDIVIDUALS

MCGINN, SMITH TRANSACTION FUNDING CORP.

The offering is being made pursuant to Regulation D under the Securities Act of 1933, as amended, (the "Act"). One of the requirements of the Regulation is that the persons involved in the offering and sale of the securities must have reasonable grounds to believe either:

(i) that the Offeree has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment; or

(ii) the undersigned is acquiring the Notes for investment purposes only and not with a view towards resale.

The undersigned is aware that this offering will involve Notes for which no resale market exists, thereby requiring this investment to be maintained for the stated term of eachCertificate.

Your answers will, at all times, be kept strictly confidential; however, each party who signs the questionnaire hereby agrees that the Company may present this questionnaire to such parties as may seem appropriate in order to insure that the offer and sale of the Notes to you will not result in violation of any exemption from registration under the Act which may be relied upon by the Company in connection with the sale of the Notes.

Please complete this questionnaire as thoroughly as possible and sign, date and return to the Company c/o McGinn, Smith & Co., Inc., 5th Floor, 99 Pine Street, Albany, New York 12207.

Please print or type:

Name: ____________________

Home Address: ____________________

Date of Birth: ____________

Social Security No.: ____________

Occupation: ____________________

Business Address: ____________________

Business Telephone: ____________

Home Telephone: ____________

Communications should be sent to:

Home Address _____ or Business Address _____

1. What is your approximate net worth?

_____________ $50,000 - $100,000
_____________ $100,000 - $250,000
_____________ $250,000 - $500,000
_____________ $500,000 - $1,000,000
_____________ Greater than $1,000,000

2. Did your individual income exceed $200,000.00 in 2006 and 2007, or did your joint income with your spouse exceed $300,000.00 in each of those years?

Yes _____ No _____

3. If the answer to #2 above is "yes", do you expect to reach the same income level in 2008?

Yes _____ No _____

4. What was your approximate gross income for calendar year2007?

_____________ $25,000 - $100,000
_____________ $100,000 - $200,000
_____________ $200,000 - $300,000
_____________ $300,000 - $500,000
_____________ Greater than $500,000

5. What will your approximate gross income be for calendar year 2008?

_____________ $25,000 - $100,000
_____________ $100,000 - $200,000
_____________ $200,000 - $300,000
_____________ $300,000 - $500,000
_____________ Greater than $500,000

To the best of my information and belief, the above information is accurate and complete in all respects. I agree to notify the Company promptly of any changes which occur prior to sale of theNotes.

Purchaser Date:

_______________________________ _______________

Name (printed)

____

Signature

001656

B. Had an individual net income in excess of $200,000 in 2006 and 2007, or joint income with that person's spouse in excess of $300,000 in each of those years, and have a reasonable expectation of reaching the same income level in 2008?

Yes_____ No_____

4. I am aware that the Notes proposed to be offered will not be readily marketable or transferable.

Yes_____ No_____

5. The organization can afford the complete loss of its investments in the Notes and has no need for liquidity in this investment.

Yes_____ No_____

6. Stated below are the organization's previous investments in similar securities and other private placements during the past five years:

____

____

____

7. I understand that, unless the organization satisfies certain criteria, in order to qualify as a purchaser of Notes, I must have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Company or I must engage an attorney, accountant or other financial advisor for the purpose of this particular transaction.

I hereby represent, by initialing on the Representation A or Representation B line below, that:

A. I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of an investment in the Notes and will not require a Purchase Representative.

Representation A.______________

B. I have relied upon the advice of the following Purchaser Representative(s) in evaluating the merits and risks of an investment in the Notes:

Representation B.______________

Name	Name
Relationship	Relationship

To the best of my information and belief, the above information is accurate and complete in all respects. I agree to notify the Company promptly of any changes which occur prior to sale of the Company's Notes.

Purchaser: Date:

______________________________ ______________

Print Name of Organization

By: ______________________________

Title: ______________________________

PURCHASER REPRESENTATIVE QUESTIONNAIRE

MCGINN, SMITH TRANSACTION FUNDING CORP.

The information contained herein is being furnished to MCGINN, SMITH TRANSACTION FUNDING CORP. (the "Company") in order to facilitate a determination as to whether the undersigned may act as a Purchaser Representative, as such term is used in Regulation D promulgated under the Securities Act of 1933, as amended, (the "Act"), in connection with the proposed offer and sale by the Company of its Contract Notes (hereinafter referred to as the "Notes"). The answers below are correct, and the Companyee is entitled to rely on them in making the foregoing determination.

REPRESENTATIONS

I represent, warrant and covenant to you that:

(a) the information contained herein is complete and accurate and may be relied upon by you in determining whether I may act as a Purchaser Representative pursuant to Regulation D in connection with offers and sales of the Notes;

(b) I will notify you immediately of any material change in any of such information occurring within ninety (90) days of the close of sale of the Notes to the Purchaser;

(c) (i) I have been designated, or will be designated, pursuant to the Purchaser Questionnaire of each Purchaser, as the Purchaser Representative or such Purchaser, in connection with evaluating the merits and risks of his prospective investment in the Notes;

(ii) I have disclosed or will disclose, to each Purchaser, in writing, prior to the designation referred to above, any material relationship between me or my affiliates and the Company, which now exists or is mutually understood to be contemplated, or which has existed at any time during the previous two (2) years, and any compensation received as a result of such relationship, including any compensation received in connection the offering of Notes herein; and

(iii) I will deliver to each of you a counterpart of the disclosure statement referred to in (ii) above, and such other documents or information as each of you may request relating to the performance by me of my duties as a Purchaser Representative.

(Attach additional sheets if required)

1. Name: ______________________

Age: ________

Social Security No.: ______________________

2. Names of offerees I am representing:

____

____

____

3. Firm name: ______________________

Empl. Iden. No.: ______________________

Position: ______________________

Nature of Duties: ______________________

Business Address: ______________________________

Business telephone number: ( ) ______________

4. Prior occupations or positions during the past five years:

____

____

____

____

5. Description of prior experience in advising clients with respect to investments, including a description of the types of investments, the dollar amounts involved, and the number of years of experience which you have in financial, business and tax oriented matters:

General Investments (specify)

____

____

____

Private Placements (specify)

____

____

Other Investments (specify)

____

____

6. The Professional licenses or registrations (including bar admissions, accounting Notes, real estate brokerage licenses, broker-dealer or investments advisory registrations) held by me are as follows:

Registration	Year Received	Is License or Registration Still Effective?

7. My educational background, including degrees obtained and date of attendance:

____

____

____

8. (a) Neither I nor any of my affiliates now have or have had any material relationship with the Company or any of its affiliates, are not affiliates or the Company, and no such relationship is contemplated in the future, except as follows:

____

____

____

(b) The amounts of compensation received or to be received as a result of the material relationship(s) described in Item 8(a)(including any compensation received or to be received in connection with this transaction) are as follows:

____
____
____

9. Neither I nor any of my affiliates own beneficially any interest in the Company except as follows: ______

____
____
____

10. I have received and read the Company's Private Placement Memorandum dated April 22, 2008 and Exhibits thereto and have reviewed it with the Offeree.

11. Other comments or disclosures:

____
____
____

____
Purchaser Representative Signature

____
Type Purchaser Representative Name

____
Firm Name

____
Street Address

____
City and State

(   ) ______________________
Telephone

Acknowledgement of Investor(s)

I acknowledge receipt of the foregoing disclosures this ______ day of _____________, 200__, and this represents my acknowledgment in writing to the Company that I have read the foregoing and desire that the above stated person serve as my Purchaser Representative with respect to the offering of the Company's Notes.

____
Investor's Signature

____
Investor's Signature

____
Investor's Signature

EXHIBIT "C"

AUDITED FINANCIAL STATEMENTS FOR DECEMBER 31, 2007 AND DECEMBER 31 2006

McGINN, SMITH & CO., INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2007

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McGINN, SMITH & CO., INC.
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Piaker & Lyons
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
McGinn, Smith & Co., Inc.

We have audited the accompanying statements of financial condition of **McGINN, SMITH & CO., INC. (a New York corporation)** as of December 31, 2007 and 2006, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McGinn, Smith & Co., Inc. as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Piaker & Lyons

PIAKER & LYONS

Syracuse, New York
February 25, 2008

572 South Salina Street • Syracuse, New York 13202 • (315) 471-8109 • Fax: (315) 471-3293

McGINN, SMITH & CO., INC.

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2007 AND 2006

ASSETS

	2007	2006
Cash	$ 132,757	$ 852,265
Marketable Securities	2,028,624	6,526
Not Readily Marketable Investments, at Estimated Fair Market Value	145,146	829,140
Receivables – Clearing Agent and Other	376,509	321,394
Advances Due From Employees	357,756	387,877
Notes Receivable – Affiliates	620,184	583,083
Property, Equipment, and Software – Net	356,350	414,648
Cash Surrender Value – Life Insurance Policies	132,787	97,330
Prepaid Expenses and Deposits	486,807	385,525
TOTAL ASSETS	$ 4,636,920	$ 3,877,788

The Notes to Financial Statements are an integral part of this statement.

(continued on the following page)

McGINN, SMITH & CO., INC.

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2007 AND 2006

LIABILITIES AND STOCKHOLDERS' EQUITY

	2007	2006
LIABILITIES		
Note Payable	$ -	$ 82,225
Accounts Payable and Accrued Expenses	612,335	187,252
Incentive Savings Plan Liability	65,693	58,039
Commissions Payable to Brokers	295,888	215,853
Dividends Payable	59,377	60,824
Income Taxes Payable – Deferred	666,100	426,200
TOTAL LIABILITIES	1,699,393	1,030,393
STOCKHOLDERS' EQUITY		
Preferred Stock – 1987 Series – $100 Par Value – 30,000 Shares Authorized and Issued, 29,800 and 29,670 Shares Outstanding, Respectively	3,000,000	3,000,000
Preferred Stock – 1992 Series – $100 Par Value – 7,500 Shares Authorized and Issued, No Shares Outstanding	750,000	750,000
Common Stock - $.01 Par Value – 2,000,000 Shares Authorized – 1,000,000 Shares Issued and Outstanding	10,000	10,000
Additional Paid in Capital	1,183	1,183
Retained Earnings (Deficit)	(53,656)	(130,788)
	3,707,527	3,630,395
Less: Preferred Stock in Treasury – At Cost:		
1987 Series – 200 and 330 Shares at December 31, 2007 and 2006, Respectively	20,000	33,000
1992 Series – 7,500 Shares	750,000	750,000
TOTAL STOCKHOLDERS' EQUITY	2,937,527	2,847,395
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,636,920	$ 3,877,788

The Notes to Financial Statements are an integral part of this statement.

McGINN, SMITH & CO., INC.

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
REVENUES		
Commissions	$ 3,920,668	$ 2,905,889
Investment Banking	2,815,116	3,407,568
Advisory Fees	2,545,397	775,047
Interest and Dividends	61,080	44,877
Gain on Securities – Net	1,260,449	758,851
TOTAL REVENUES	10,602,710	7,892,232
EXPENSES		
Employee Compensation and Benefits	6,282,076	4,553,981
Commissions and Floor Brokerage	985,603	960,462
Communications	472,091	404,642
Interest	132,042	11,828
Fees and Permits	92,924	90,576
Other Operating Expenses	2,058,630	1,706,996
TOTAL EXPENSES	10,023,366	7,728,485
INCOME BEFORE TAXES	579,344	163,747
PROVISION FOR INCOME TAXES	263,976	113,342
NET INCOME	$ 315,368	$ 50,405

The Notes to Financial Statements are an integral part of this statement.

McGINN, SMITH & CO., INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Capital Stock					Treasury Stock		
	1987 Series Preferred	1992 Series Preferred	Common	Additional Paid-In Capital	Retained Earnings (Deficit)	1987 Series Preferred	1992 Series Preferred	Total Stockholders' Equity
BALANCE – JANUARY 1, 2006	$ 2,841,500	$ 750,000	$ 10,000	$ 1,183	$ 47,420	$(245,300)	$(750,000)	$ 2,654,803
Dividends	-	-	-	-	(228,613)	-		(228,613)
(Purchase) Sale of Preferred Stock – Net	158,500	-	-	-	-	212,300		370,800
Net Income	-	-	-	-	50,405	-	-	50,405
BALANCE – DECEMBER 31, 2006	3,000,000	750,000	10,000	1,183	(130,788)	(33,000)	(750,000)	2,847,395
Dividends	-	-	-	-	(238,236)	-	-	(238,236)
(Purchase) Sale of Preferred Stock – Net	-	-	-	-	-	13,000	-	13,000
Net Income	-	-	-	-	315,368	-	-	315,368
BALANCE – DECEMBER 31, 2007	$ 3,000,000	$ 750,000	$ 10,000	$ 1,183	$(53,656)	$(20,000)	$(750,000)	$ 2,937,527

The Notes to Financial Statements are an integral part of this statement.

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McGINN, SMITH & CO., INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Cash Flows From Operating Activities:		
Net Income	$ 315,368	$ 50,405
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities:		
Depreciation and Amortization	88,489	98,490
Deferred Income Taxes	239,900	70,900
Changes in Operating Assets and Liabilities:		
Securities and Investments	(1,338,104)	(731,353)
Receivables – Clearing Agent and Other	(435,874)	324,843
Prepaid Expenses and Deposits	(101,282)	(1,717)
Accounts Payable and Accrued Expenses	425,083	111,339
Incentive Savings Plan Liability	7,654	(636)
Commissions Payable to Brokers	80,035	82,357
Income Taxes Payable – Current	-	(170,429)
Total Adjustments	(1,034,099)	(216,206)
Net Cash Used in Operating Activities	$(718,731)	$(165,801)

The Notes to Financial Statements are an integral part of this statement.

(continued on the following page)

McGINN, SMITH & CO., INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	**2006**
Cash Flows From Investing Activities:		
Purchases of Property and Equipment	$(30,191)	$(82,089)
Cash Surrender Value – Officers Life Insurance	(35,457)	(97,330)
Repayments From (Advances To) Employees	30,121	5,650
Repayments From (Advances To) Loans Made to Affiliates	343,658	(89,919)
Cash Provided by (Used in) Investing Activities	308,131	(263,688)
Cash Flows From Financing Activities:		
Principal Payments Made on Borrowings	(82,225)	
Dividends Paid	(239,683)	(218,091)
Sale of 1987 Series Preferred Stock		158,500
Sale (Purchase) of 1987 Series Preferred Treasury Stock	13,000	212,300
Net Cash Provided by (Used in) Financing Activities	(308,908)	152,709
Net Decrease in Cash and Cash Equivalents	(719,508)	(276,780)
Cash – Beginning of Year	852,265	1,129,045
Cash – End of Year	$ 132,757	$ 852,265

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest	$ 132,042	$ 3,668
Corporate Income Taxes	17,624	178,025

The Notes to Financial Statements are an integral part of this statement.

McGINN, SMITH & CO., INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Operations and Concentration of Credit Risk – McGinn, Smith & Co., Inc. (Company), a corporation organized in the state of New York during September 1980, is engaged in the securities and investment brokerage business in Albany and New York City, New York. The company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company monitors its cash balances which at times exceed FDIC insurance coverages.

Accounting Method – The Company's financial statements are prepared using the accrual basis as specified in the AICPA's Audit and Accounting Guide – "Audits of Brokers and Dealers in Securities." The Company maintains its records for income tax reporting purposes on the cash basis. Transactions in securities are recorded on a trade date basis for financial statements and tax purposes. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Customer Accounts – Fully Disclosed Basis – The Company operates pursuant to paragraph (k)(2)(B) of Rule 15c3-3 and does not carry customer accounts or clear customer transactions. Accordingly, all customer transactions are executed and cleared on behalf of the Company by National Financial Services, LLC (NFS), on a fully disclosed basis. The Company's agreement with NFS provides that as clearing broker, NFS will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities Exchange Act of 1934, as amended, and will perform all services customarily incident thereto. All customer funds and securities received, if any, are promptly transmitted directly to NFS. As a result, the Company is exempt from the remaining provisions and requirements of Rule 15c3-3.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Marketable Securities and Not Readily Marketable Investments – Marketable securities are valued at fair market value. Not readily marketable investments are valued at estimated fair value as determined by the Company's management. The resulting difference between cost and market is included in income as an unrealized investment gain or loss. At December 31, 2007 the market value of marketable securities and not readily marketable investments exceeded cost by $1,781,344. At December 31, 2006 the cost of marketable securities exceeded the market value of marketable securities by $739,102. The Company's gain (loss) on marketable securities and not readily marketable investments is comprised of both realized and unrealized gains and losses.

McGINN, SMITH & CO., INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables – Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. At December 31, 2007 and 2006, no allowance was deemed necessary by management.

Property, Equipment, and Software – Purchases of Property, Equipment, and Software are recorded at cost. Depreciation and amortization is provided on the straight-line and accelerated methods, which are considered adequate for the recovery of the assets over their estimated useful lives. Depreciation and amortization expense totaled $88,489 and $98,490 for the years ended December 31, 2007 and 2006, respectively.

Property, Equipment, and Software are comprised of the following at December 31:

	2007	2006
Leasehold Improvements	$ 96,639	$ 96,639
Equipment	793,184	762,993
Software	300,000	300,000
	1,189,823	1,159,632
Less: Accumulated Depreciation	833,473	744,984
	$ 356,350	$ 414,648

Income Taxes – Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to temporary differences caused by filing tax returns on the cash basis. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Advertising – The Company expenses advertising costs as they are incurred. Advertising expenses amounted to $3,085 and $5,480 in 2007 and 2006, respectively.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Reclassifications – Certain 2006 items have been reclassified to conform to the 2007 method of presentation.

McGINN, SMITH & CO., INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 2 – NOT READILY MARKETABLE INVESTMENTS

The Company owned limited partnership interests, common stock, and other investments for which a ready market did not exist during the years ended December 31, 2007 and 2006. These investments, which were valued at their estimated fair value, as determined by the Company's management or by available market information, totaled $145,146 and $829,140 at December 31, 2007 and 2006, respectively.

NOTE 3 – NOTES RECEIVABLES – AFFILIATES

The Company has notes receivable from, affiliated companies which bear interest at 6%, and totaled $620,184 and $583,083 at December 31, 2007 and 2006, respectively.

NOTE 4 – NOTE PAYABLE

The Company had a $82,225 note payable at December 31, 2006, which was repaid during the current year.

NOTE 5 – INCOME TAXES

The Company's provision for income taxes is comprised of the following for the years ended December 31:

	2007	2006
Current	$ 24,076	$ 42,442
Deferred	239,900	70,900
	$ 263,976	$ 113,342

McGINN, SMITH & CO., INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 5 – INCOME TAXES (CONTINUED)

At December 31, 2007 and 2006, deferred tax liabilities recognized for taxable temporary differences totaled $971,400 and $583,000, respectively. Deferred tax assets recognized for deductible temporary differences totaled $305,300 and $156,800, respectively. No deferred tax valuation allowance was deemed necessary by management.

The actual tax expense for 2007 and 2006 differs from the "expected tax expense (computed by applying the federal statutory tax rate of thirty-four percent to income before taxes) as a result of the net effect of federal surtax exemptions, tax-exempt income, non-deductible items, and the impact of state income taxes.

NOTE 6 – INCENTIVE SAVINGS PLAN

The Company maintains a 401(k) plan for the benefit of substantially all of its full time employees who are at least twenty-one years of age and have had at least one year of service. The plan is based on a voluntary salary reduction by employees. The Company amended its plan for 2005, to apply the safe harbor calculation, where the Company will match one hundred percent of each participant's plan contributions, up to a maximum of three percent of allowable compensation, and fifty percent of each participant's plan contributions, up to a maximum of an additional two percent of allowable compensation. The previous plan had the Company matching up to sixty percent of each participant's plan contributions, up to a maximum of five percent of allowable compensation, not to exceed $3,500 per employee per year. The Company can also make discretionary contributions to the plan. Plan expense for the years ended December 31, 2007 and 2006 was $65,693 and $50,404, respectively.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Company has a lease for its Albany location, which expires in July 2013, for the use of office space with additional charges for common area maintenance. The Company's minimum annual lease obligation is approximately $105,000. Additional rent is provided for certain cost escalations.

The Company has a lease for its New York City location which expires in November 2009. The Company's minimum annual lease obligation is approximately $315,000. At December 31, 2007, the Company had an outstanding letter of credit for $88,602 with its New York City landlord, in lieu of a security deposit for the same amount.

McGINN, SMITH & CO., INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company has a lease for its Clifton Park location which requires monthly payments of $4,936 through June 2009.

Rent expense was $513,011 and $514,071 for the years ended December 31, 2007 and 2006, respectively.

The Company is a Trustee of numerous contract certificate trusts, whose assets aggregate approximately $5,130,000 at December 31, 2007.

In the normal course of business, customer complaints may arise. Some of these complaints may lead to civil actions. At this time the Company is not currently aware of any pending litigation that would have a material effect on the financial position of the firm. The Company is currently a party to a lawsuit regarding a former employee's employment contract, whereby damages are being sought by said claimant. The Company believes it has meritorious defense to these claims and intends to vigorously defend its position. Accordingly, no provisions for losses, if any, are included in the financial statements. However, no assurances can be given as to the outcome of these proceedings.

NOTE 8 – PREFERRED STOCK

1987 Series

Dividends on 1987 Series Preferred Stock are cumulative and are determined by applying the applicable rate to the par value of outstanding shares times the number of days the shares are outstanding divided by 365 days. The rate is determined by the Company's Board of Directors on or about April 1 of each year to cover the period from April 1 through the following March 31. The rate is determined by adding three and one-half percentage points to the yield of seven year United States Treasury obligations in effect on March 15 of the applicable year. The rate used to calculate dividends on outstanding shares of Preferred Stock for the period April 1, 2006 through March 31, 2007, was 8.2%, and for the period April 1, 2007 through March 31, 2008, was 7.9%.

McGINN, SMITH & CO., INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 8 – PREFERRED STOCK (CONTINUED)

Preferred shares are redeemable in whole or in part at the election of the Board of Directors on thirty days written notice at a price equal to $100 per share plus accrued but unpaid dividends. If the Board of Directors elects to redeem less than one hundred percent of outstanding Preferred Stock, the redemption will be pro-rated among holders of the outstanding Preferred Stock. Preferred stockholders have the right to require the Company to repurchase shares on ninety days written notice to the Company at a price equal to the par value of those shares plus accrued but unpaid dividends. The Company's obligation to repurchase Preferred Stock is limited to twenty-five percent of the originally issued and outstanding preferred shares. The Company is prohibited from repurchasing shares of Preferred Stock and distributing dividends, and the Preferred stockholders are prohibited from demanding such payments, if such a withdrawal would cause the Company to violate its net capital requirements and its legal capital requirements.

The Company had sales of stock which totaled $13,000 and $370,800 in 2007 and 2006, respectively.

NOTE 9 – NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum level of net capital of $100,000 as defined under such provisions. Additionally, the Company is required to maintain a net capital ratio (a ratio of aggregate indebtedness to net capital) of not more than 15 to 1. The Company had net capital of $829,313 and $365,059 as of December 31, 2007 and 2006, respectively. The Company's net capital ratio was approximately 1.25 to 1 and 1.66 to 1 at December 31, 2007 and 2006, respectively.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Company had several different types of transactions with related parties during the years ended December 31, 2007 and 2006. The Company provides investment banking and management services to affiliates. A summary of the related party transactions, by category, are as follows as of, and for the years ending December 31:

	2007	2006
Interest and Dividend Income	$ 7,983	$ 25,419
Advisory Fees, Commissions, and Other Income	701,145	1,084,972
Receivables – Other	115,311	60,517
Notes Receivable – Affiliates	620,184	583,083

Piaker & Lyons
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
McGinn, Smith & Co., Inc.

We have audited the accompanying financial statements of **McGINN, SMITH & CO., INC.** as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated February 25, 2008 Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained in the contents of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Piaker & Lyons

PIAKER & LYONS

Syracuse, New York
February 25, 2008

572 South Salina Street • Syracuse, New York 13202 • (315) 471-8109 • Fax: (315) 471-3293

McGINN, SMITH & CO., INC.

COMPUTATIONS OF AGGREGATE INDEBTEDNESS
AND NET CAPITAL UNDER RULES 15c3-1
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
AGGREGATE INDEBTEDNESS		
Note Payable	$ -	$ 82,225
Accounts Payable and Accrued Expenses	612,335	187,252
Incentive Savings Plan Liability	65,693	58,039
Commissions Payable to Brokers	295,888	215,853
Dividends Payable	59,377	60,824
TOTAL AGGREGATE INDEBTEDNESS	$ 1,033,293	$ 604,193
NET CAPITAL		
Total Stockholders' Equity	$ 2,937,527	$ 2,847,395
Deferred Income Taxes Payable	666,100	426,200
TOTAL CAPITAL	3,603,627	3,273,595
DEDUCTIONS		
Not Readily Marketable Investments	145,146	829,140
Receivables – Other Than Clearing Agent	243,655	209,926
Advances Due From Employees	357,756	387,877
Notes Receivable From Affiliates	620,184	583,083
Cash Surrender Value – Officers Life Insurance	-	97,330
Property, Equipment, and Software	356,350	414,648
Prepaid Expenses and Deposits	486,807	385,525
Haircut on Securities	564,416	1,007
TOTAL DEDUCTIONS	2,774,314	2,908,536
NET CAPITAL	829,313	365,059
REQUIRED NET CAPITAL	113,293	100,000
CAPITAL IN EXCESS OF REQUIREMENT	$ 716,020	$ 265,059
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	1.25 to 1	1.66 to 1

See Independent Auditors' Report on Supplemental Information

McGINN, SMITH & CO., INC.

RECONCILIATIONS OF NET CAPITAL TO FORM X-17a-5
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
NET CAPITAL REPORTED ON DECEMBER FORM X-17a-5	$ 839,224	$ 466,027
ADJUSTMENTS ARISING FROM AUDIT ADJUSTMENTS WHICH AFFECT NET CAPITAL – FORM X-17a-5:		
Adjustment of Cash Balances	(7,897)	-
Adjustment of Dividend Payable	6,918	-
Adjustment of Accounts Payable and Accrued Expenses	(3,927)	(112,562)
Adjustment of Commissions Payable to Brokers	-	5,772
Adjustment to Incentive Savings Plan Liability	(4,193)	7,022
Adjustment of Corporate Income Taxes Payable	-	(1,200)
Adjustment to Haircut Calculation	(812)	-
TOTAL ADJUSTMENTS AFFECTING NET CAPITAL	(9,911)	(100,968)
NET CAPITAL AS ADJUSTED	$ 829,313	$ 365,059

See Independent Auditors' Report on Supplemental Information

$10,000,000 MAXIMUM
$500,000 MINIMUM

McGinn, Smith Transaction Funding Corp.

Participating Notes
Due July 1, 2012

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

MCGINN, SMITH & CO., INC.
ALBANY, NEW YORK

April 22, 2008

No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Memorandum and if given or made, such information or representations must not be relied upon as having been authorized. This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any securities to which it relates. This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy such securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. Neither the delivery of this Memorandum nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date. However, in the event of any material change, this Memorandum will be amended, supplemented or updated accordingly.

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