

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E102003193001**

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REGISTRATION & DISCLOSURE

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Granta Capital Group LLC, formerly known as Sky Capital LLC, Respondent
BD No. 114657

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Granta Capital Group LLC ("Granta" or "the Firm"), formerly known as Sky Capital LLC, submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Granta hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Granta has been a member of FINRA since May 13, 2002. The Firm maintains its principal place of business at 110 Wall Street, New York, New York.

RELEVANT PRIOR DISCIPLINARY HISTORY

The Firm has no relevant disciplinary history with the United States Securities and Exchange Commission, any state securities regulator, or any self-regulatory organization.

OVERVIEW

From May 13, 2002 through September 5, 2005, Granta failed to preserve copies of all electronic mail communications for three years, and/or maintain electronic mail communications for the first two years in an accessible place, as required by Section 17(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and

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Rule 17a-4 thereunder. By reason of the foregoing, Granta violated Section 17(a) of the Exchange Act, Rule 17a-4 thereunder, and NASD Conduct Rules 3010(d)(3), 3110(a) and 2110.

FACTS AND VIOLATIVE CONDUCT

From May 13, 2002 through September 5, 2005, associated persons and registered representatives of Granta sent and received electronic mail communications in connection with the Firm's business.

Before July 15, 2003, Granta's electronic storage media failed to capture and preserve the email records exclusively in a non-rewriteable, non-erasable format. Consequently, the Firm's individual email users, over fifty persons at one time, were able to delete emails, which the firm's backup system was unable to capture. Furthermore, Granta used erasable tapes to backup emails, which tapes were rotated and written over every thirty days.

On July 15, 2003, Granta installed a system to capture and preserve email records in a non-rewriteable, non-erasable format. However, during the period July 15, 2003 through September 5, 2005, the firm's email retention system was deficient in various respects.

- Due to software and/or hardware misconfigurations, from July 15, 2003 through August 31, 2004, Granta's email retention system failed to preserve 563,000 emails. Those emails were captured without any text. Granta only identified the misconfiguration problem when attempting to respond to regulator requests for emails in 2004. Before that time, the firm had failed to adequately test the accuracy and quality of the firm's email retention system.
- As installed, the email retention system only captured and retained emails using the email domain "skycapitalllc.com." This setup allowed certain personnel to use other email domains in connection with Granta's business, which were not captured and retained if not sent to or from other persons using the email domain "skycapitalllc.com."
- For one full month, from mid-June 2004 through mid-July 2004, Granta failed to capture and preserve on its retention system emails sent to or received by personnel at its branch offices in Boca Raton, Florida, and Red Bank, New Jersey.
- From July 15, 2003 through September 27, 2004, emails of one of the firm's employees were not captured or retained on the firm's email retention system.

- Granta personnel used approximately twenty Bloomberg emails accounts to send and receive emails from June 17, 2002 through September 5, 2005, but did not capture or retain those emails.

By reason of the foregoing, Granta violated Section 17(a) of the Exchange Act, Rule 17a-4 thereunder, and NASD Conduct Rules 3010(d)(3) and 3110(a) and 2110.

OTHER FACTORS

B. Granta also consents to the imposition of the following sanctions:

- A censure; and
- A fine of \$100,000.00.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Granta specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against it;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Granta specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Granta further specifically and voluntarily waives any right to claim that a person violated the ex

parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Granta understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against it; and
- C. If accepted:
 - 1. this AWC will become part of Granta's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Granta's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 - 4. Granta may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Granta may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Granta's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Granta may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Granta

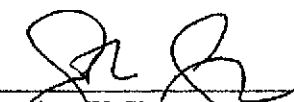
understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Granta certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Granta has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Granta to submit it.

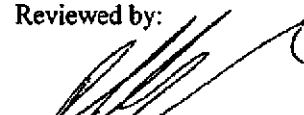
Respectfully submitted,

Granta Capital Group LLC

8/13/08
Date

By: 
Stephen W. Shea
Acting Interim President

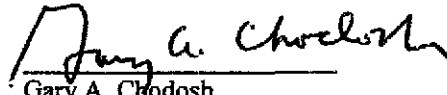
Reviewed by:


Counsel for Respondent
Richard J. Babnick, Esq.
Sichenzia Ross & Friedman LLP
61 Broadway, 32nd Floor
New York, New York 10006
(212) 398-3186; Fax No.: 212-930-9725

Accepted by FINRA:

September 25, 2008
Date

Signed on behalf of the Director of
ODA, by delegated authority

A handwritten signature in black ink, appearing to read "Gary A. Chodosh", written over a horizontal line.

Gary A. Chodosh
Senior Regional Counsel
FINRA Department of Enforcement
One Liberty Plaza
New York, New York 10006
(212) 858-4771; Fax: (202) 721-6564