

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ## E1020032137-01

TO: Department of Enforcement
NASD

RE: Gregory I. Gatto (CRD No. 2815275)
Respondent

Pursuant to Rule 9216 of NASD Code of Procedure, I, Gregory I. Gatto ("Gatto" or "Respondent"), submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against Respondent alleging violations based on the same factual findings.

Respondent understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
3. If accepted:
 - a. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Respondent;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. Respondent 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects

Respondent's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Respondent also understands that his experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Gatto first became registered with NASD as a General Securities Representative ("GSR") through an association with a former member firm on or about November 21, 1996.

From on or about June 21, 2002 through on or about December 17, 2003, Gatto was registered as a GSR and as a General Securities Principal ("GSP") through an association with member firm McGinn, Smith & Co., Inc. (BD No. 8453) ("McGinn").

From on or about December 18, 2003 through on or about April 28, 2005 Gatto was registered as a GSR and GSP through an association with another member firm.

Gatto is currently not registered or associated with any NASD member firms. However, NASD retains jurisdiction over Gatto until at least April 27, 2007 pursuant to Article V, Section 4 of its By-Laws.

Gatto has no disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against Respondent;
- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent 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.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD 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 NASD:
1. While registered through McGinn, Gatto was engaged in the following activity:
 - a. From in or about August 2003 through in or about December 2003, Gatto was engaged in an outside business activity known as RGB Developers LLC ("RGB"). Specifically, as set forth in an Operating Agreement and Private Placement Memorandum with respect to RGB, Gatto was, inter alia, a "Class A Member" and member of RGB's Management Committee. Gatto failed to provide prompt written notice to McGinn of his outside business activities with RGB.
 - b. From in or about July 2003 through in or about December 2003, Gatto was engaged in an outside business activity known as U Dirty Dog, which Gatto has represented was a dog grooming business. Specifically, Gatto was a Vice President of U Dirty Dog. Gatto failed to provide prompt written notice to McGinn of his outside business activities with U Dirty Dog.

By reason of the foregoing, Gatto violated NASD Conduct Rules 2110 and 3030.

2. On December 2, 2004, Gatto appeared for an on-the-record interview ("OTR") at the Staff's offices at One Liberty Plaza, New York, New York pursuant to a

notice sent pursuant to, and in accordance with, NASD Procedural Rule 8210. At the OTR, Gatto failed to cooperate by refusing to answer the Staff's questions. Specifically, Gatto refused to answer questions from the Staff that related to an entity known as Manhattan Structures.

By reason of the foregoing, Gatto violated NASD Procedural Rule 8210 and Conduct Rule 2110.

- B. Respondent also consents to the imposition, at a maximum, of the following sanctions:

- A bar from associating with any member firm in any and all capacities.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this AWC by the NAC.

III.

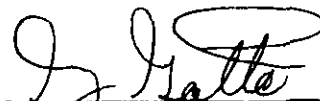
OTHER MATTERS

- A. Respondent understands that he may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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 NASD, nor does it reflect the views of NASD or its staff.
- B. Respondent understands that if he is barred or suspended from associating with any NASD member, he becomes subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, he may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.).

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce Respondents to submit it.

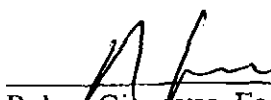
7-15-05

Date



Gregory I. Gatto

Reviewed by:

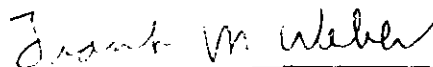


Robert Giacobas, Esq.
Counsel for Respondent

Accepted by NASD:

August 1, 2005

Date



Frank M. Weber
Regional Counsel
District 10 - Department of Enforcement
Signed on behalf of the Director of ODA, by
delegated authority