

II. Facts

KFP, without admitting or denying liability, stipulated to the facts set forth in the attached Stipulation. The Chair has determined to accept the facts for purposes of this Decision, and they are incorporated herein.

III. Violations

Based upon the stipulated facts, the Chair concludes that KFP:

(1) violated SEC Rule 11Ac1-1, Exchange Rule 958A and Article V, Section 4(h) of the Exchange Constitution on multiple occasions between January and December 2003 by either failing to execute orders upon presentment or executing orders at prices inferior to the Firm's published quoted market;

(2) violated Exchange Rule 943(a) and Article V, Section 4(h) of the Exchange Constitution on 434 occasions between July 2003 and January 2004 by creating a Locked or Crossed Market and failing to unlock or uncross that market or failing to direct a Principal Order through Linkage to trade against the bid or offer that it locked or crossed;

(3) violated Exchange Rule 109 and Article V, Section 4(h) of the Exchange Constitution on 40 occasions between November 2003 and January 2004 by failing to comply with Exchange requirements regarding stopping options in accordance with Exchange Rule 109; and

(4) violated Exchange Rule 320 between January 2003 and January 2004 by failing to have a supervisory system which included written supervisory procedures providing for: (i) identification of the person(s) responsible for supervision with respect to the applicable rules; (ii) a statement of the supervisory step(s) to be taken by the identified person(s); (iii) a statement as to how often such person(s) should take such

step(s); and (iv) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.

IV. Penalties and Publicity

The Stipulation proposes that the Chair impose on KFP a censure and a \$50,000 fine. After considering the stipulated facts and the statements of the parties, as well as the decisions cited in the Exchange's precedent memorandum, the Chair finds that the proposed penalty is appropriate under the facts and circumstances of this case, and therefore it will be imposed.

The Chair further finds that the results of this disciplinary proceeding should be publicly disclosed, as provided in Rule 12 of the Exchange Rules on Disciplinary Proceedings.¹

V. Conclusion

The Chair accepts the Stipulation of Facts and Consent to Penalty and hereby imposes upon Knight Financial Products, LLC a censure and a \$50,000 fine.

FOR THE DISCIPLINARY PANEL



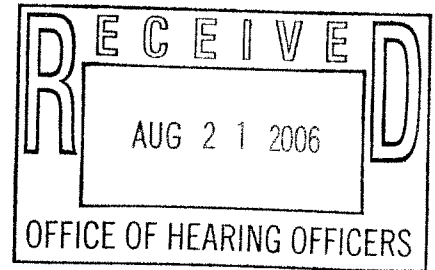
Rochelle S. Hall, Chair

Copies to: Knight Financial Products, LLC (*overnight and via first class mail*)
Leonard J. Amoruso, Esq. (*via facsimile and first class mail*)
Jennifer D. Kim, Esq. (*electronically and via first class mail*)
Arlene Collins-Day (*electronically and via first class mail*)

¹ Rule 12 exempts from publicity those cases in which the Panel finds that the offense "related solely to minor administrative requirements of the Exchange and does not materially affect the public interest or the interest of investors." That exemption does not apply to the facts of this case.

EXHIBIT A

**Disciplinary Panel
American Stock Exchange LLC**



IN THE MATTER
OF
KNIGHT FINANCIAL PRODUCTS, LLC

**STIPULATION OF FACTS
AND CONSENT TO PENALTY**

Case Nos.: 03-82, 04-21, 04-120,
04-143, 05-62, 05-329

This proceeding was instituted by the American Stock Exchange LLC (the "Exchange") against Knight Financial Products, LLC ("KFP" or the "Firm"), a former Regular Member Organization of the Exchange. This Stipulation of Facts and Consent to Penalty ("Stipulation") is entered into with KFP pursuant to Article V, Section 2 of the Exchange Constitution in order to settle and conclude all disciplinary actions by the Exchange against KFP based upon or arising out of the facts hereinafter stipulated. KFP, without admitting or denying the facts, allegations and conclusions contained in this Stipulation of Facts and Consent to Penalty, hereby consents to the entry of findings of violations of the Exchange Constitution, Rules and Federal securities laws, and the imposition of the penalties hereinafter provided. KFP understands that this settlement is subject to approval by an Exchange Disciplinary Panel and can be the subject of review by the Amex Adjudicatory Council ("AAC") and that, if so approved, shall constitute a final decision, which may not be appealed by the parties. KFP understands and acknowledges that the Disciplinary Panel's decision in this matter will become part of the Firm's disciplinary record and may be considered in any future proceeding brought by the Exchange.

STIPULATED FACTS:

1.0 During all relevant periods herein, KFP was a Regular Member Organization of the Exchange and registered options specialist organization of the Exchange.

1.1 During all relevant periods herein, KFP served as a specialist for various options that traded on the Floor of the Exchange.

2.0 Firm Quote Violations

2.1 Subject to certain exceptions, Exchange specialists are required to execute orders to buy or sell options presented to them at a price at least as favorable as the published bid or offer, in accordance with SEC Rule 11Ac1-1 and Exchange Rule 958A.

2.2 On 81 occasions during the period of January 2, 2003 through May 30, 2003, an order was presented to KFP at the published bid or offer in an amount up to the published quotation size. KFP failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 04-120).

2.3 On 36 occasions during the period of June 2, 2003 through July 31, 2003, an order was presented to KFP at the published bid or offer in an amount up to its published quotation size. KFP failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 03-82).

2.4 On 40 occasions during the period of August 1, 2003 through October 31, 2003, an order was presented to KFP at the published bid or offer in an amount up to the published quotation size. KFP executed these orders at

prices inferior to the Firm's published quoted market or failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 04-21).

2.5 On 64 occasions during the period of November 3, 2003 through December 31, 2003, an order was presented to KFP at the published bid or offer in an amount up to the published quotation size. KFP executed these orders at prices inferior to the Firm's published quoted market or failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 04-143).

2.6 The conduct described in paragraphs 2.2 through 2.5 constitutes separate and distinct violations of SEC Rule 11Ac1-1, Exchange Rule 958A and Article V, Section 4(h) of the Exchange Constitution.

3.0 Stopped Order Violations

3.1 Subject to certain exceptions, Exchange Rule 109¹ requires an Exchange specialist to take certain steps when stopping stock and prohibits a specialist from stopping stock against the book or for his own account at a price at which he holds an order capable of execution at that price.

3.2 On 40 occasions during the period of November 3, 2003 through January 30, 2004, KFP did not comply with Exchange requirements regarding stopping options in accordance with Exchange Rule 109 (Amex Case No. 05-62).

¹ The provisions of Exchange Rule 109 and Commentary thereto regarding "stopping" stock apply to Exchange options transactions. See Exchange Rule 950(o).

3.3 The conduct described in paragraph 3.2 constitutes separate and distinct violations of Exchange Rule 109 and Article V, Section 4(h) of the Exchange Constitution.

4.0 Linkage Locked/Crossed Violations

4.1 Subject to certain exceptions, Exchange Rule 943(a) requires that an Eligible Market Maker that creates a Locked or Crossed Market unlock or uncross that market or direct a Principal Order through Linkage to trade against the bid or offer that the Eligible Market Maker locks or crosses.

4.2 On 434 occasions during the period of July 1, 2003 through January 30, 2004, KFP created a Locked or Crossed Market and failed to unlock or uncross that market or failed to direct a Principal Order through Linkage to trade against the bid or offer that KFP locked or crossed (Amex Case No. 05-329).

4.3 The conduct described in paragraph 4.2 constitutes separate and distinct violations of Exchange Rule 943(a) and Article V, Section 4(h) of the Exchange Constitution.

SUPERVISORY DEFICIENCIES:

5.0 For the period January 2, 2003 through January 30, 2004, KFP's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Exchange rules concerning firm quotes, stopped orders and Linkage Locked and Crossed Markets. Specifically, KFP's supervisory system did not include written supervisory procedures providing for: (1) identification of the person(s)

responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.

5.1 The conduct described in paragraph 5.0 constitutes a violation of Amex Rule 320.

DISCIPLINARY ACTION:

By reason of the foregoing Stipulated Facts, a Disciplinary Panel may impose the following penalties against KFP:

- (a) a censure; and
- (b) a \$50,000 fine.

KFP hereby acknowledges that it has read carefully this Stipulation and understands all of the provisions contained herein; that it has agreed to its provisions voluntarily; and that no offer, promise, threat or inducement of any kind has been tendered to KFP by the Exchange, its staff or representatives to induce KFP to enter into this Stipulation, aside from the prospect of settling this disciplinary proceeding based on the terms and conditions set forth in this Stipulation rather than adjudicating this matter by way of a hearing on a Charge Memorandum as provided by Exchange rules.

Further, KFP hereby agrees that it 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 Stipulation or create the impression that the Stipulation is without factual basis. Nothing in this provision affects KFP's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.

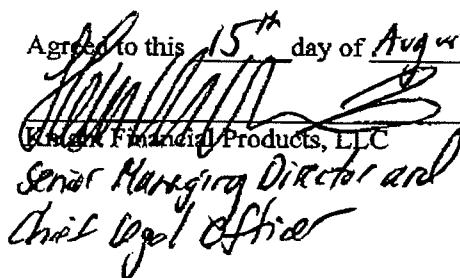
Finally, it is understood and agreed that in any written submission to or proceeding before any person or body convened to consider this Stipulation of Facts and Consent to Penalty (including to, a Hearing Officer acting alone, a Hearing Panel, or any reviewing body authorized by the Amex Constitution and/or Rules), neither Enforcement nor KFP shall offer any argument that is inconsistent with the stipulated facts or the agreed-upon penalty, nor shall either party ask for the imposition of any penalty other than that agreed upon in this Stipulation of Facts and Consent to Penalty.

ON BEHALF OF AMERICAN STOCK EXCHANGE LLC


By _____

David Rosenstein
Vice President and Deputy Director
NASD Amex Regulation Division

Agreed to this 15th day of August, 2006.


Senior Managing Director and
Chief Legal Officer