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UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	
v.	:	Civ. No.
KENNETH D. PASTERNAK and JOHN P. LEIGHTON,	:	
Defendants.	:	

COMPLAINT FOR INJUNCTIVE RELIEF,
DISGORGEMENT AND PENALTIES, FOR VIOLATIONS
<u>OF THE FEDERAL SECURITIES LAWS</u>

Plaintiff Securities and Exchange Commission (the "Commission") alleges as follows against the above-named defendants:

<u>ADDRESSES OF PARTIES</u>

1. The address of plaintiff Securities and Exchange Commission is 100 F Street, N.E., Washington, D.C. 20549. The address of defendant Kenneth D. Pasternak

("Pasternak") is 111 East Saddle River Road, Saddle River, New Jersey 07458. The address of defendant John P. Leighton ("John Leighton") is 48 Dartmouth Street, Garden City, New York 11530.

SUMMARY OF ALLEGATIONS

2. Knight Securities, L.P. ("Knight" or "Firm"), a registered broker-dealer, and the defendants engaged in a fraudulent scheme designed to conceal from their institutional customers the manner in which they were working their orders. In doing so, the defendants failed to provide best execution to their customers resulting in profits for Knight, and the defendants personally, that far exceeded the industry norm. Knight's ISD and Joseph Leighton also engaged in the improper use of Automated Confirmation Transaction Service ("ACT") trade modifiers, which obscured the execution quality that the institutional customers were receiving from Knight. These fraudulent practices included material omissions and misrepresentations and was inconsistent with the duty of best execution.

3. Defendants John Leighton and Kenneth Pasternak, as senior executives at Knight, reviewed Knight reports and data which disclosed, among other things, the manner in which Joseph Leighton was working institutional customer orders and the extraordinary profits that Knight was generating from these institutional orders. John Leighton and Pasternak therefore knew or were reckless in not knowing that customers were being fraudulently deprived of "best execution", but permitted John Leighton's brother Joseph Leighton to continue the unlawful trading practices while both John Leighton and Pasternak were receiving millions of dollars in compensation which was generated from the illegal trading. At the same time that Pasternak and John Leighton

knew, or were reckless in not knowing, that Knight was fraudulently depriving its customers of "best execution", they made material misstatements or omissions to the marketplace concerning the quality of order execution at Knight.

4. John Leighton and Pasternak were also responsible for supervising Knight's institutional sales traders on the ISD. Through the review of institutional trade and exception reports, John Leighton and Pasternak knew or were reckless in not knowing that the sales traders systematically misused ACT trade modifiers. The fraudulent misuse of ACT trade modifiers: (a) resulted in untimely reporting of Knight's trades to the ACT; (b) allowed certain sales traders to record inaccurate execution times on Knight's books and records; (c) compromised the ability of customers to determine the quality of executions they were receiving; and (d) allowed sales traders to circumvent limit order protection protocols at Knight. Despite the systematic misuse of the ACT modifiers, John Leighton and Pasternak did not take any effective remedial action, and the sales traders continued to misuse the trade modifiers until November 2002.

5. By engaging in the transactions, acts, omissions, practices, and courses of business alleged herein, John Leighton and Pasternak violated, and are liable for the violations of, Section 17(a) of the Securities Act of 1933 (the "Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rule 10b-5 thereunder. [15 U.S.C. §§ 77q(a), 78j(b); 17 C.F.R. § 240.10b-5] Furthermore, the defendants aided and abetted Knight in perpetrating manipulative, deceptive and fraudulent devices and contrivances in violation of Sections 15(c)(1), 10(b) and 17(a) of the Exchange Act and Rules 10b-5 and 17a-3 thereunder. Unless enjoined, the defendants are likely to commit and aid and abet similar violations in the future.

6. The Commission seeks a judgment from the Court: (a) enjoining John Leighton and Pasternak from engaging in future violations of the above sections of the federal securities laws; (b) enjoining the defendants from aiding and abetting violations of Exchange Act Sections 15(c)(1)(A) and 17(a) and Rule 17a-3 [15 U.S.C. §§ 78o(c)(1), 78q(a); 17 C.F.R. §240.17a-3(a)(1)] ; (c) enjoining Pasternak from controlling any person that is in a position to violate Exchange Act Sections 15(c)(1) and 17(a) and Rule 17a-3; (d) requiring the defendants to disgorge, with prejudgment interest, the amounts by which they were unjustly enriched as a result of their violations of the securities laws; and (e) ordering the defendants to pay civil monetary penalties pursuant to Securities Act Section 20(d) and Exchange Act Section 21(d)(3) [15 U.S.C. §§ 77t(d), 78u(d)(3)].

JURISDICTION AND VENUE

7. The Court has jurisdiction of this civil enforcement action pursuant to Securities Act Sections 20 and 22 [15 U.S.C. §§ 77t and 77v] and Exchange Act Sections 21(d) and 27 [15 U.S.C. §§ 78u(d) and 78aa]. The defendants, directly or indirectly, used the means or instrumentalities of interstate commerce or the mails, or the facilities of a national securities exchange, in connection with the transactions, acts, practices, and courses of business described herein.

8. Venue is proper in this District pursuant to Securities Act Section 22(a) and Exchange Act Section 27 [15 U.S.C. §§ 77v(a), 78aa] because certain acts or transactions constituting the violations occurred in this District.

THE DEFENDANTS

9. Kenneth D. Pasternak, age 51, a resident of Saddle River, New Jersey, was one of the original founders of Knight and Chief Executive Officer and Chairman of

Knight. Pasternak also was the Trading Room Manager from 1995 through approximately August 2000. He held a Series 7 general securities license as well as Series 24, 55 and 63 licenses. Pasternak has been a portfolio manager at a hedge fund called Chestnut Ridge Capital from April of 2002 to the present.

10. John P. Leighton, age 49, a resident of Garden City, New York, was Knight's Institutional Sales Desk Manager. John Leighton held a Series 7 general securities license as well as Series 24, 55 and 63 licenses. John Leighton ceased to be employed by Knight in November 2000. In January 2003, John Leighton was named President and CEO of Crown Financial Group, Inc. and continues to be affiliated with the firm.

OTHERS

11. Knight, now known as Knight Equity Markets, L.P., is a registered broker-dealer headquartered in Jersey City, New Jersey. Knight is a subsidiary of Knight Trading Group, Inc., a Delaware corporation also headquartered in Jersey City, New Jersey. The common stock of Knight Trading Group, Inc. is registered with the Commission pursuant to Exchange Act Section 12(g) [15 U.S.C. § 78g] and is listed on the Nasdaq National Market. On December 16, 2004, the Commission issued an administrative order censuring Knight and ordering Knight to cease and desist from committing or causing any violations and any future violations of Section 15(c)(1) and 17(a) of the Exchange Act and Rules 17a-3(a)(1), 17a-3(a)(7), 17a-4(b)(1) and 17a-4(b)(4) thereunder.

12. Joseph W. Leighton, John Leighton's brother, was an associated person with Knight. Joseph Leighton worked as an institutional sales trader at Knight and was a

Senior Vice President. He held a Series 7 general securities license as well as Series 24, 55 and 63 licenses. He managed the vast majority of Knight's largest institutional accounts and handled approximately 50 percent of the trade volume on the Institutional Sales Desk. Joseph Leighton ceased to be employed by Knight in November 2000. Joseph Leighton then worked as an equity sales trader at Jeffries & Company until January 2005. On May 17, 2005, the Commission issued an administrative Order barring him from association with any broker or dealer. The Commission's order was based on the entry of a final judgment, dated May 5, 2005, which among other things, enjoined Joseph Leighton from violating the antifraud provisions of the federal securities laws.

FACTS

I. GENERAL INDUSTRY PRACTICE.

13. In 1999 and 2000, Knight was one of the largest market makers on the Nasdaq market. A "market maker" is a dealer who stands ready to buy or sell a specific security or securities at all times. Market makers like Knight provide trade executions by offering to buy securities from, or sell securities to, customers.

14. Institutional customers who wanted to purchase or sell Nasdaq securities in which Knight functioned as a market maker routed their orders to Knight's ISD for execution services. "Institutional investors" or "institutional customers" are mutual funds, investment advisors, pension plan sponsors, trusts or endowments that invest in securities. Institutional customers included entities such as T. Rowe Price Associates, Putnam Investment Management, Inc., Pilgrim Baxter, Trust Company of the West and Delaware Investment Advisors, Inc., all of which were customers of Knight.

15. Unless otherwise specified by the customer, the standard procedure was for Knight to trade with its institutional customers on a "net basis." A market maker trades "net" with a customer when it accumulates a position at one price and executes the offsetting trade with a customer at a different price, so that the market maker's compensation for trades are embedded in the prices that customers pay for trades.

16. Institutional customers of Knight believed, consistent with industry practice and concepts of best execution as advertised by Knight and touted in its press releases, that the net prices they paid for trades were based on the Firm's cost in acquiring (or selling) shares pursuant to their orders, plus a reasonable amount of compensation. The customary compensation understood by Knight's institutional customers was in the range of a few cents per share to an eighth of a dollar, or 12.5 cents per share. In circumstances not applicable to the fraudulent trading in this action, a higher compensation could be agreed on between the sales trader and the customer.

17. In 1999 and 2000, Knight performed most institutional orders on a "not held" basis. A "not held order" is an order that gives a broker-dealer discretion as to the time and price of execution of an order for the purchase or sale of securities. Institutional sales traders at Knight were responsible for the execution of institutional customer transactions and, in "not held orders," had discretion as to when -- and at what price -- to execute the securities to the customer. However, Knight also had a fiduciary duty to the customer to fill orders on the most favorable terms reasonably available under the circumstances.

II. KNIGHT DEFRAUDED ITS INSTITUTIONAL CUSTOMERS.

18. In connection with institutional orders that he handled, Joseph Leighton, Knight's most prolific sales trader, engaged in a pattern of fraud by trading for Knight's institutional customers using a method that concealed from the customer the manner in which not held orders were worked, including the use of a delayed execution scheme and the improper use of ACT modifiers, which obscured the quality of the execution price from the institutional customer, resulting in profits above the industry norm at effectively no risk to Knight. In so doing, Joseph Leighton failed to make full and appropriate disclosures and failed to provide best execution for orders placed by the institutional customers.

19. To accommodate institutional customers' orders, Knight was organized into separate functional groups – an institutional sales desk with institutional sales traders and a market making group with market makers. Institutional sales traders employed by Knight were responsible for maintaining the relationship between Knight and its institutional customers. The institutional sales traders executed the institutional orders on Knight's behalf. Knight's market makers were responsible for establishing Knight's positions, either long or short in the particular security, so as to fill orders. A "long position" means the amount of securities owned. For example, if a market maker is "long 100 ETEK" it means that the market maker owns 100 shares of ETEK stock. A "short position" means the amount of borrowed stock an individual has sold short and has not covered as of a particular time, reflecting a deficit position in the stock.

20. Joseph Leighton defrauded his institutional customers in the following manner: After receipt of an institutional order, but prior to executing the order, Joseph

Leighton had Knight's market makers acquire long or short positions pursuant to the customer's order. For example, if an institutional customer wanted to purchase a security, the market making desk would acquire a long position in the stock in anticipation of filling the customer's order. On the other hand, if a customer wanted to sell securities, the market making desk would acquire a short position in the stock in anticipation of using the customer's securities to ultimately fill the position.

21. When the market moved in a favorable direction relative to Knight's position in the security, Joseph Leighton and his sales team incrementally executed relatively small portions of the position to the institutional customer while retaining the rest of the position. Thus, contrary to the customer's expectations and, in a method concealed from the customer, Joseph Leighton delayed executing portions of the customer's order and ultimately filled the order at prices substantially higher than Knight's cost in establishing the position plus a reasonable and commonly understood compensation of a few cents per share. The customer paid a higher price for the security, and Joseph Leighton maximized Knight's profit at the expense of the customer. When the market moved in an unfavorable direction relative to Knight's position in a security, Joseph Leighton reduced the position by executing the remainder of the position to the customer at prices that generated a profit for Knight, thereby limiting the risk that Knight would incur losses on the execution of the order.

22. Knight's handling of the following six institutional orders illustrates the manner in which several of Knight's institutional customers were defrauded when Joseph Leighton improperly worked both buy and sell orders.

A. <u>Razorfish, Inc. -- September 20, 1999 Buy Transaction.</u>

23. On September 20, 1999, Knight obtained a profit of more than $27,000 -- or an average of at least $.62 per share by executing a market not-held order on behalf of Putnam Investment Management, Inc. ("Putnam") to purchase 45,000 shares of Razorfish, Inc. (RAZF:NASDAQ).

24. At approximately 9:03 a.m., Knight received a market not-held order from Putnam with instructions to buy 45,000 shares of RAZF. Within minutes of the opening, Knight acquired approximately 30,000 shares of RAZF. Rather than execute this entire position promptly pursuant to the customer order, at 9:46 a.m. Knight sold only 5,000 shares to Putnam at $38.50 – a profit of nearly $1.80 per share. Over the next fifteen minutes, while continuing to acquire additional shares of RAZF on behalf of Putnam, Knight sold the remaining 40,000 shares to Putnam through four separate executions at a profit of more than $27,000 – or approximately $.62 per share.

B. <u>Hispanic Broadcasting Corp. -- December 13, 1999 Buy Transaction.</u>

25. On December 13, 1999, Knight obtained a profit of more than $75,000 -- or an average of at least $.73 per share by executing a market not-held order on behalf of Trust Company of the West ("Trust") to purchase 104,050 shares of Hispanic Broadcasting Corp. (HBCCA:NASDAQ).

26. At approximately 9:37 a.m., Knight received the first part of the market not-held order from Trust with instructions to buy 54,200 shares of HBCCA, which was later increased to an order to buy 104,050 shares. Knight began buying shares of HBCCA almost immediately on receipt of the institutional order.

27. Over approximately the next ninety minutes, Knight acquired approximately 25,000 shares of HBCCA. By 10:22 a.m, Knight had acquired over 15,000 shares at an average cost of approximately $96.14. Knight executed these 15,000 shares to Trust 45 minutes later at an average price of $96.95 per share -- yielding Knight an average profit of approximately $.81 per share. Knight continued to delay executing the Trust order as the share price was increasing and executed an additional 10,000 shares to Trust at an average price of $98.38 per share profiting nearly $1.50 per share.

28. Throughout the day, Knight continued to acquire shares in anticipation of filling Trust's order. However, instead of passing those shares on to Trust to fill the order at or around the price the Firm had acquired the shares, Knight continued to sell portions of its HBCCA position to Trust at prices significantly higher than its own costs plus a reasonable and commonly understood profit of a few cents per share. In fact, at one point in working the order, Knight sold shares to Trust at a profit of more than $2.00 per share. Knight finally executed the last part of the order at 4:01 p.m., more than six hours after receiving the initial order. Knight's average profit per share for the order was approximately $.73 -- for a total of more than $75,000 in profit on a transaction for which Knight bore effectively no risk of loss.

C. <u>ViroPharma, Inc. -- January 18, 2000 Sell Transaction.</u>

29. On January 18, 2000, Knight profited more than $350,000 -- or an average of at least $4.81 per share -- by executing a market not-held order on behalf of T. Rowe Price Associates ("T. Rowe Price") to sell 72,700 shares of ViroPharma Inc. (VPHM:NASDAQ), a transaction that involved effectively no risk to Knight. Knight received the order at approximately 9:10 a.m. Knight's proprietary position in VPHM at

the time was long approximately 300 shares. Within minutes of the opening, Knight built a short position of 102,380 shares at an average price of approximately $79.81 per share. Knight's first execution with T. Rowe Price was a purchase from T. Rowe Price of 41,000 shares.

30. Even though Knight -- with T. Rowe Price's sell order in hand -- sold VPHM stock for almost $79.81 per share, Knight covered its short position by purchasing stock from the institutional customer at $75.00 per share. In approximately 25 minutes, Knight made three purchases from the institutional customer, all at the same execution price of $75.00. For the entire order Knight's average profit per share was approximately $4.81.

D. <u>E-Tek Dynamics -- March 16, 2000 Sell Transaction.</u>

31. On March 16, 2000, Knight profited more than $971,000 -- or an average of at least $7.00 per share -- by executing a market not-held order on behalf of Putnam to sell 138,800 shares of E-Tek Dynamics (ETEK:NASDAQ), a transaction that involved effectively no risk to Knight. Knight received the sell order at approximately 9:20 a.m. At the time, Knight's proprietary account was long 20,000 shares of ETEK. Knight reduced its position from long 20,000 shares to flat within the first 5 minutes of trading as it sold ETEK aggressively.

32. Knight sold approximately 75,000 shares of ETEK at an average sale price of $239.51 per share, to establish a short position of about 55,000 shares within approximately fifty minutes after receiving the sell order from Putnam. Over the next two hours, Knight continued to sell to the market while incrementally purchasing shares from Putnam. Even though Knight -- with Putnam's sell order in hand -- sold ETEK at

an average sale price of approximately $239.51 per share, the Firm covered its short position by purchasing the stock from Putnam at prices ranging from $229.00 per share to $239.00 per share. At one point in the ETEK order, Knight bought stock from Putnam at a profit approximately $19.72 per share. Knight executed the last part of the order at 11:44 a.m., more than two hours after receiving the order to sell. Knight's average profit was approximately $7.00 per share -- an exorbitantly high profit, in excess of the industry norm, for handling an order that involved effectively no risk to Knight.

E. <u>Applied Micro Circuits Corp. -- April 4, 2000 Buy Transaction.</u>

33. On April 4, 2000, Knight profited more than $1.1 million -- or an average of at least $3.94 per share -- over a period of less than ninety minutes by executing a market not-held order on behalf of T. Rowe Price to purchase 290,000 shares of Applied Micro Circuits Corporation (AMCC:NASDAQ), a transaction that involved effectively no risk to Knight. At approximately 12:49 p.m., Knight received the first part of the market not-held order from T. Rowe Price with instructions to buy 250,000 shares of AMCC. The order was later increased and Knight ultimately filled a 290,000 share order to buy AMCC. At the time it received the first part of the order, Knight held a short position of 1,239 shares of AMCC in its proprietary account.

34. Knight's market maker began purchasing shares of AMCC almost immediately upon receipt of the institutional order. Over the next eighteen minutes, Knight acquired a long position of approximately 147,000 shares of AMCC at an average cost of approximately $91.00 per share. Instead of promptly selling the 147,000 shares of AMCC to the institutional customer at Knight's own cost basis of $91.00 plus a reasonable amount of compensation, Knight delayed the execution to the customer and

incrementally sold the shares to T. Rowe Price over a period of time at an average price of $93.00 per share -- yielding Knight an average profit of $2.00 per share. Throughout the day, Knight continued to hold a significant long position in the stock in anticipation of filling the institutional customer's order. However, instead of passing those shares on to the institutional customer to fill its order at or around the price Knight had acquired the shares, the Firm continued to sell smaller portions of its position to T. Rowe Price at prices significantly higher than its cost.

35. At one point in working the order, Knight sold shares to T. Rowe Price at a profit of more than $8.00 per share. Knight executed the last part of the order at 2:10 p.m. – 2 hours and 21 minutes after receiving the first part of the order from T. Rowe Price. The Firm's average profit per share was approximately $3.94 per share, in excess of the industry norm -- for a total of more than $1.1 million in profit on a transaction for which the Firm bore effectively no risk of loss.

F. Tut Systems, Inc. -- August 9, 2000 Buy Transaction.

36. On August 9, 2000, Knight obtained a profit of more than $178,000, or an average of at least $1.18 per share, by executing a market not-held order on behalf of Delaware Investment Advisors, Inc. ("Delaware") to purchase 150,700 shares of Tut Systems, Inc. (TUTS:NASDAQ).

37. At approximately 8:54 a.m., Knight received the first part of the market not-held order from Delaware with instructions to buy 30,000 shares of TUTS, which was later increased to an order to buy 150,700 shares. At the time, Knight was long 206 shares of TUTS in its proprietary account. Knight began purchasing shares of TUTS almost immediately on receipt of Delaware's order. By 10:07 a.m., 37 minutes after the

market's opening, Knight had acquired a long position of over 25,000 shares at an average cost of approximately $96.31 per share. At that time, Knight sold to Delaware 15,000 shares of TUTS at a price of $96.75, a profit of $.44 per share.

38. Throughout the day, Knight continued to hold a significant position in the stock in anticipation of filling Delaware's order. However, instead of passing those shares on to Delaware to fill its order at or around the price Knight had acquired the shares plus a reasonable compensation of a few cents per share, Knight continued to sell portions of its TUTS position to Delaware at prices significantly higher than Knight's own costs plus a reasonable and commonly understood compensation of a few cents per share. In fact, at one point in working the order, Knight sold shares to Delaware at a profit of more than $2.59 per share. Knight finally executed the last part of the order at 4:01 p.m., more than seven hours after receiving the initial order. Knight's average profit per share for Delaware's order was approximately $1.81 -- for a total of more than $178,000 in profit on a transaction for which the Firm bore effectively no risk of loss.

39. In these fraudulently executed orders, the institutional customers had no expectation that Knight was delaying execution of its orders and taking unreasonably exorbitant profits and profits per share out of the orders. While the transactions described in paragraphs 23 through 38 above typified Knight's fraudulent trading practices, there were a significant number of trades that exhibited indicia of the same fraudulent execution practices. The indicia associated with the fraudulent trading include profits per share in excess of the industry norm on large customer orders. In 1999, Joseph Leighton executed over 400 institutional orders in which he realized profits per share in excess of $.50 per share. Over 100 of those 1999 orders were in excess of 50,000 shares. In 2000,

Joseph Leighton executed over 950 institutional orders in which he realized profits per share of $.50 or more. More than 230 of those orders were for 50,000 shares or more. The consistency with which Joseph Leighton executed large customer orders that resulted in profits per share well above the industry norm were a clear signal of improper trading practices.

III. JOHN LEIGHTON AND PASTERNAK KNEW OF THE FRAUD AND PARTICIPATED IN ITS PERPETRATION.

A. John Leighton And Pasternak Knew Of The Fraud Or Were Reckless In Not Knowing Of The Fraud.

40. From January 1999 through August 2000, John Leighton was the Head of the ISD and was responsible for supervising Knight's institutional sales traders, including Joseph Leighton, his brother. Pasternak was Knight's Chief Executive Officer, Trading Room Manager and Manager of the ISD in John Leighton's absence. John Leighton and Pasternak were present on a regular basis on the ISD trading floor. They were able to observe how Knight's institutional sales traders, including Joseph Leighton, handled customers' orders and the manner in which the traders worked institutional orders.

41. John Leighton, as Head of the ISD and Joseph's brother, was able to observe that Joseph Leighton had a reputation amongst the Knight sales traders for being an aggressive trader and making extraordinary profits on certain trades. Joseph Leighton was a demonstrably loud individual who would routinely shout out that he had "major size to buy" or "major size to sell" (a large institutional order) and that he made "piles of money." When he would loudly make these comments on the ISD, other sales traders looked into the BRASS system and saw the profits Joseph Leighton was generating on his orders. BRASS is an automated, computer- based, integrated trade and order

management tool, widely used by broker-dealers to execute trades and monitor positions. Each sales trader and market maker at Knight had a BRASS terminal available for his or her use.

42. When individuals on Knight's ISD, including John Leighton, looked into the BRASS system they could see the price at which Joseph Leighton was executing the stock to the customer and the fact that the price, at times was outside the current inside market. The "inside market" means the highest bid and lowest offer currently being published for a specific security. Both John Leighton and Pasternak had full access to Knight's BRASS system, including the management screen, which provided information about all trades at the Firm. The information on the system enabled John Leighton and Pasternak to see the price at which Joseph Leighton executed his trades with the institutional customers, the profit generated for the Firm and the fact that the prices were, at times, outside the inside market.

43. Knight's market makers who worked Joseph Leighton's institutional orders, including Pasternak, also had access to the BRASS system and could observe the manner in which he worked his orders, including the fact that he would execute partial orders, would execute orders to institutional customers outside the inside market, and would sell to customers at a high profit. The market makers actively and openly discussed the extraordinary profits that Joseph Leighton made on his orders. A part of these discussions centered on whether he could legitimately generate such high profits or whether his trading was improper. The discussions were common on the market making desk, but no one complained because the market makers were making so much money on Joseph Leighton's orders.

44. John Leighton made it a regular part of his supervision of the ISD to query the sales traders about orders they were handling and to observe the manner in which they were working customer orders. John Leighton paid attention to: (a) the profitability of the sales traders on the ISD; (b) , the average profit per share they generated; and (c) the profitability of the ISD in terms of an absolute dollar figure. He had access to the BRASS management screen and reviewed daily BRASS printouts of trading runs which contained every trade that went into BRASS. The ISD held regular meetings every morning, attended by John and Joseph Leighton, during which business practices and issues were discussed. John and Joseph Leighton were aware of the sales traders' productivity and executions and would tell the traders that they needed to increase their trading volume and bring in more business. As Head of the ISD, John Leighton also closely monitored the business patterns of Knight's institutional customers and directly communicated with them regarding their satisfaction with how their orders were being handled.

45. Pasternak was responsible for supervising the market making desk, where he noticed that the market makers were visibly happy to work a Joseph Leighton order. Pasternak had access to the BRASS system on which he could view the customer executions and the profit and loss for each order. He was also an active market maker and acted as the market maker for a number of Joseph Leighton's institutional orders. When Pasternak was the market maker on a Joseph Leighton order he observed on a first-hand basis the progression of the trade. He was able to observe the manner and the price at which Joseph Leighton executed his orders to the customers.

46. John Leighton and Pasternak knew or were reckless in not knowing how Joseph Leighton worked institutional customers' orders and the extraordinarily large profits per share that he generated on particular trades. In a conversation with a former senior executive at Knight, Pasternak acknowledged that he knew Joseph Leighton was generating profits of $.35 to $.50 per share, well above the industry norm. John Leighton reviewed monthly Institutional Group Performance Reports which listed, among other things, each sales trader, the total shares they traded and the average profit per share they generated on their trading.

47. Pasternak and John Leighton made material misstatements to public investors about Knight's purported practice of providing best execution and omitted to disclose that Knight's top trader engaged in delayed execution. Pasternak signed Knight's Commission filings, including SEC Form 10-K's, which represented that Knight provided best execution to its institutional customers, and made public statements about Knight's best execution practices. John Leighton spoke directly to Knight's institutional customers about their satisfaction with Knight's execution quality.

48. Pasternak reviewed on a daily basis the market makers' profit and loss report. At month's end, Pasternak received a summary report detailing each sales trader's -- including Joseph Leighton's -- gross revenues and profits per share. Several times a week he "spot checked" trades from all perspectives, including the trades of Joseph Leighton.

B. Trades Generated Extraordinary Profits In 1999.

49. In 1999, Pasternak, at a minimum, used a threshold of $250,000 profit or loss to determine which orders he would spot check. Knight's internal profit and loss information for 1999 identified seventeen orders in which Joseph Leighton generated a profit of $250,000 or more for the Firm. The profit and loss information showed the number of shares and gross profit for each order so that the profit per share was readily apparent. A review of these orders would reveal a profit per share in excess of the industry norm.

50. Pasternak knew or was reckless in not knowing how Joseph Leighton was working institutional customers' orders and of the extraordinarily large profits per share that he was generating on particular trades. In 1999, these orders included:

a. a 74,700 share At Home Corp. (ATHM:NASDAQ) order on January 8, 1999 with Fidelity Management & Research Company ("Fidelity") resulting in an internally reported profit per share of approximately $3.35;

b. a 90,000 share Data Broadcasting Corp. (DBCC:NASDAQ) order on January 15, 1999 with Dimensional Fund Advisors, Inc. resulting in an internally reported profit per share of approximately $3.13;

c. an 82,500 share Nuclear Solutions Inc. (NSOL:NASDAQ) order on January 28, 1999 with Putnam resulting in an internally reported profit per share of approximately $3.21;

d. a 142,000 share Nuclear Solutions Inc. (NSOL) order on January 29, 1999 with Putnam resulting in an internally reported profit per share of approximately $2.13;

e. a 900,000 share Majesco Entertainment Co. (COOL:NASDAQ) order on March 16, 1999 with T. Rowe Price resulting in an internally reported profit per share of approximately $.42;

f. a 400,000 share Nuclear Solutions Inc. (NSOL) order on April 19, 1999 with Putnam resulting in an internally reported profit per share of approximately $.82;

g. a 817,060 share Nuclear Solutions Inc. (NSOL) order on April 20, 1999 with Putnam resulting in an internally reported profit per share of approximately $.49;

h. a 160,000 share Nuclear Solutions Inc. (NSOL) on April 21, 1999 with Putnam resulting in an internally reported profit per share of approximately $2.25;

i. a 135,000 share Yahoo! Inc. (YHOO:NASDAQ) order on August 5, 1999 with T. Rowe Price resulting in an internally reported profit per share of approximately $2.51;

j. a 65,700 share Alteon Websystems, Inc. (ATON:NASDAQ) order on September 27, 1999 with Fidelity resulting in an internally reported profit per share of approximately $7.61;

k. a 210,000 share Interwoven, Inc. (IWOV:NASDAQ) order on October 10, 1999 with Trust Company of the West resulting in an internally reported profit per share of approximately $1.39;

l. a 751,250 share QUALCOMM, Inc. (QCOM:NASDAQ) order on November 11, 1999 with Putnam resulting in an internally reported profit per share of approximately $.72;

m. a 479,600 share QUALCOMM, Inc. (QCOM) order on November 11, 1999 with Putnam resulting in an internally reported profit per share of approximately $1.87;

n. a 525,310 share QUALCOMM, Inc. (QCOM) order on November 15, 1999 with Putnam resulting in an internally reported profit per share of approximately $1.75;

o. a 1,950,000 share Charter Communications (CHTR) order on November 11, 1999 with NV Investments resulting in an internally reported profit per share of approximately $.61;

p. a 30,700 share QUALCOMM, Inc. (QCOM) order on December 15, 1999 with Putnam resulting in an internally reported profit per share of approximately $10.42; and

q. a 227,500 share MyPoints.com, Inc. (MYPT:NASDAQ) order on December 21, 1999 with Trust Company of the West resulting in an internally reported profit per share of approximately $1.76.

51. Each of these orders resulted in a profit per share considerably above the industry norm.

C. Trades Generated Extraordinary Profits In 2000.

52. In 2000, Pasternak, at a minimum, used a threshold of $500,000 profit or loss to determine which institutional orders he would spot check. Pasternak admittedly saw a few orders in 2000 in which Joseph Leighton generated a profit of $500,000. Knight's internal profit and loss information for 2000 identified nine orders as institutional orders in which Joseph Leighton generated $500,000 or more in profits for the Firm. A review of these trades would reveal a profit per share in excess of the industry norm.

53. Pasternak knew or was reckless in not knowing how Joseph Leighton was working institutional customers' orders and the extraordinarily large profits per share that he was generating on particular trades. In 2000, these orders included:

a. a 181,200 share Therma-Wave, Inc. (TWAV:NASDAQ) order on February 4, 2000 with Capital Guardian Trust Company resulting in an internally reported profit per share of approximately $2.76;

b. a 250,000 share Crayfish Co., Ltd. (CRFH:NASDAQ) order on March 8, 2000 with Fidelity resulting in an internally reported profit per share of approximately $3.24;

c. a 200,000 share Digex, Inc. (DIGX:NASDAQ) order on April 4, 2000 with Trust Company of the West resulting in an internally reported profit per share of approximately $6.19;

d. an 8,000,000 share Costco Wholesale Corp. (COST:NASDAQ) order on May 24, 2000 with Davis Select Advisors resulting in an internally reported profit per share of approximately $.36;

e. a 1,250,000 share Citrix Systems, Inc. (CTXS:NASDAQ) order on June 9, 2000 with Trust Company of the West resulting in an internally reported profit per share of approximately .60 per share; and

f. a 255,000 share Juniper Networks (JNPR:NASDAQ) order on June 30, 2000 with Putnam resulting in an internally reported profit per share of approximately $3.33.

54. Each of these orders resulted in a profit per share above the industry norm.

55. The nine orders included the fraudulently executed January 18, 2000 VPHM order with T. Rowe Price, the March 16, 2000 ETEK order with Putnam, and the April 4, 2000 AMCC order with Putnam, which are described in paragraphs 29 through 35 above. Thus, Pasternak knew or was reckless in not knowing of the fraudulent trading methods that Joseph Leighton used in working institutional customers' orders which resulted in extraordinarily large profits per share.

D. John Leighton And Pasternak Had The Motive And Opportunity To Commit Fraud.

56. John Leighton had a unique profit-sharing arrangement with Joseph Leighton, his brother and supervisee. John and Joseph Leighton participated in a joint compensation arrangement, approved by Pasternak and other members of Knight's senior management, by which they pooled and shared compensation. John Leighton, as the Head of the ISD, allocated a disproportionate share of the largest institutional customers to his brother, Joseph. Pasternak allowed John Leighton to allocate the largest institutional customers to Joseph and share in Joseph Leighton's trading profits despite the fact that John Leighton was Joseph Leighton's brother and direct supervisor. Pursuant to this arrangement, John Leighton received half of the individual payout for profits generated by Joseph Leighton's trading with institutional customers. John Leighton received millions of dollars from Joseph Leighton's orders with institutional customers, including the ill-gotten gains attributable to Joseph Leighton's fraudulent and deceptive trading. John and Joseph Leighton divided $15 million in trading profits in 1999 and $12 million in 2000.

57. Pasternak also profited from the trading activity on the ISD through Knight's management compensation pool, through his ownership interest in Knight and from his active market making. In fact, Pasternak acted as the market-maker on approximately 5 percent of Joseph Leighton's institutional orders in 1999 and received a portion of the sales credit on them. When he was the market maker on Joseph Leighton's orders, Pasternak would see the price at which Leighton executed the order to the customer. Pasternak was aware that Joseph Leighton made $.25 a share profit on some orders and "would not have been surprised to find that he made $.50 a share profit." Indeed, Pasternak's market making account was used in connection with nine orders in 1999 in which Joseph Leighton generated profits of $.50 or more, five of which were orders for 20,000 shares or more. These orders are as follows:

a. a 40,000 share eBay, Inc. (EBAY:NASDAQ) order on April 15, 1999 with Fidelity resulting in an internally reported profit per share of $.50;

b. a 25,000 share EBAY order on October 27, 1999 with Delaware resulting in an internally reported profit per share of $.50;

c. a 20,797 share Foundry Networks, Inc. (FDRY:NASDAQ) order on November 23, 1999 with Putnam resulting in an internally reported profit per share of $1.50;

d. a 20,000 share Interleaf, Inc. (LEAF:NASDAQ) order on December 9, 1999 with Aesoph Capital Partners, LLC resulting in an internally reported profit per share of $.58; and

e. a 261,700 share Coastal Holdings, Inc. (SCOC:NASDAQ) order on December 14, 1999 with Columbia Management Advisors, Inc. resulting in an internally reported profit per share of $.56.

58. Each of these orders resulted in a profit per share above the industry norm.

59. Pasternak's market making account was used in connection with at least 21 orders in which Joseph Leighton earned profits in excess of $.50 per share during 2000, eight of which were orders for 20,000 shares or more. These orders are as follows:

a. a 125,000 share Optika, Inc. (OPTK:NASDAQ) order on February 11, 2000 with Pilgrim resulting in an internally reported profit per share of $.82;

b. a 37,200 share OPTK order on February 14, 2000 with Pilgrim resulting in an internally reported profit per share of $.65;

c. a 30,700 share Conductus, Inc. (CDTS:NASDAQ) order on February 28, 2000 with Keystone resulting in an internally reported profit per share of $.78;

d. a 46,000 share OPTK order on February 29, 2000 with Pilgrim resulting in an internally reported profit per share of $.89;

e. a 68,300 share Foundry Networks, Inc. (FDRY:NASDAQ) order on March 7, 2000 with Trust Company of the West resulting in an internally reported profit per share of $1.32;

f. an 80,000 share OPTK order on March 22, 2000 with Pilgrim resulting in an internally reported profit per share of $.65;

g. a 53,600 share CDTS order on April 3, 2000 with Keystone resulting in an internally reported profit per share of $.54; and

h. an 85,000 share Audiocodes, Ltd. (AUDC:NASDAQ) order on May 30, 2000 with Putnam Investments resulting in an internally reported profit per share of $.68.

60. Each of these orders resulted in a profit per share above the industry norm.

61. On information and belief, Joseph Leighton generated profits per share above the industry norm on the orders he executed through Pasternak's market making account using the same fraudulent delayed execution method described in paragraphs 23 through 38 above. For example, with respect to the February 11, 2000 order from Pilgrim for 125,000 shares of OPTK, Knight received the first part of this market not held order at approximately 9:51 a.m. Pilgrim later increased its order to buy 125,000 shares

of OPTK. Knight began buying shares of OPTK almost immediately on receipt of the order. From the time of order receipt until the first execution to Pilgrim, Knight acquired a long position at an average cost of approximately $38.18 per share. At 10:30 a.m. Knight sold 10,000 shares of OPTK to Pilgrim at a price of $38.88, a profit of at least $.68 per share.

62. Throughout the day, Knight continued to acquire shares in anticipation of filling Pilgrim's order. Instead of executing those shares to Pilgrim at or around the price at which Knight had acquired the shares plus a reasonable compensation of a few cents per share, Knight continued to sell portions of its OPTK position to Pilgrim at prices significantly higher than Knight's costs. At one point in working the order, Knight sold shares to Pilgrim at a profit of more than $1.80 per share. Knight finally executed the last part of the order at 4:03.p.m., more than six hours after receiving the initial order Knight's average profit per share was at least $.63 -- for a total of more than $78,000 in profit. (This price per share is lower than that in paragraph 59 a. above because the Commission's method of calculating profit per share is more conservative than the method Knight used for its own internal reporting purposes.)

IV. KNIGHT FAILED TO MAINTAIN ACCURATE TRADE BLOTTERS AND OTHER BOOKS AND RECORDS.

A. Knight Misused ACT Trade Modifiers.

63. Knight's institutional sales traders were required to report institutional customer transactions to the ACT. ACT is an automated system owned and operated by The Nasdaq Stock Market, Inc. and is designed to document and report the clearing of trades in Nasdaq. Among other things, ACT instantaneously transmits reports of

transactions to the National Trade Reporting System for dissemination to the public and the industry. All NASD members are required to participate in ACT.

64. NASD rules require that member firms, including Knight, accurately report transactions to ACT within ninety seconds of execution. If a member firm fails to report the transaction within ninety seconds, the firm must use certain codes, called "ACT trade modifiers," to identify late trade reports and executions. NASD Rule 4632 states that transactions not reported to ACT within ninety seconds after execution must be designated as late, and such trade reports must include the time of execution. According to Rule 4632, firms must use the ".SLD" trade modifier for all trades that are reported late. The .SLD trade modifier should be used <u>only</u> when transactions are <u>not</u> reported within ninety seconds after execution.

65. In August 1999, the NASD introduced the ".PRP" trade modifier. The NASD requires that firms use the .PRP trade modifier when they report late executions. These are for executions that, although reported to ACT in a timely manner, (a) related to an obligation to trade that arose at an earlier time in the day, or (b) referred to a prior reference price. Firms are required to use the .PRP trade modifier for trade reports that reflect a price different from the current inside market because the execution was supposed to have been effected at an earlier time, when that price was available. When using the .PRP trade modifier, firms are required to input the prior reference time (i.e., the time the obligation to trade arose), which has to be placed in the execution time field on the ACT report. Knight's sales traders were responsible for attaching the .SLD and .PRP trade modifiers to specific transactions and manually entering the execution time.

66. Knight's sales traders, including Joseph Leighton and his sales team, routinely and improperly reported transactions with the .SLD trade modifier even for trades in which the execution time was within ninety seconds of the report time. Furthermore, the sales traders improperly reported transactions with a .PRP modifier. This improper use of the .PRP modifier gave the false impression that the execution was supposed to have occurred earlier, based on the price at the prior time when, in reality, there was no such obligation.

67. The misuse of the .SLD and .PRP modifiers by Knight's sales traders limited the ability of Knight's institutional customers to monitor the quality of the executions they received from Knight. Pursuant to the fraud implemented by Joseph Leighton, Knight reported executions for its institutional customers at prices that were different from the inside market at the time of execution. With the ACT trade modifiers, Knight reported those executions to ACT as being effected at different points in time -- points when the market prices were closer to the prices given to the customers. Because the misuse of trade modifiers camouflaged the disparity between Knight's execution price and the current market price, the Firm's institutional customers could not accurately determine whether it was fulfilling its execution quality obligations.

68. Knight was often obligated to fill unprofitable or minimally profitable retail limit orders before it filled the profitable institutional not-held orders. To avoid this obligation, Knight's sales traders, including Joseph Leighton, used an ACT modifier so as to place an institutional order ahead of a resting limit order. They thereby circumvented limit order protection protocols and, in breach of their fiduciary duty, profited at the expense of their retail customers.

69. From 1999 through 2002, Knight's sales traders misused the .SLD and .PRP modifiers in connection with more than 12,000 trades. By attaching the ACT modifiers, Knight's sales traders were able to input trades into Knight's trading system at prices that were different from the inside market at the time the trades were reported, resulting in inaccurate and untimely reporting of trades to ACT. The abuse caused Knight to record inaccurate execution times on its books and records, including its purchase and sale blotters. The misuse of the modifiers by Knight's sales traders resulted in the inaccurate reporting of its trades to ACT and misrepresented that many of the trades were late reports or late executions when they were not.

B. John Leighton And Pasternak Knew About Knight's Misuse Of ACT Trade Modifiers.

70. John Leighton and Pasternak were responsible for supervising Knight's institutional sales traders. They knew that the sales traders systematically misused ACT modifiers, causing the inaccurate and untimely reporting of trades to the ACT.

71. Knight's trade reports reflected the frequency of modifier misuse. The trade reports showed that sales traders used modifiers even for orders in which the execution times were within ninety seconds of the report time. Furthermore, John Leighton and Pasternak received and reviewed trade reports, which detailed transactional activity, including trade modifier uses. John Leighton received and reviewed the "Daily Trade Report," a report generated by Knight which detailed, chronologically, all of the transactional activity of the ISD, including modifier use, to learn of any trade disputes and aberrant transaction activity and documented his review by signing his initials to the Report. Pasternak reviewed trading activity on the market making desk which reflected all trades that were reported as "late". Trade reports from both the ISD and the market

making desk reflected the frequency of the ACT trade modifier misused by the institutional sales traders. Knight was aware of the overuse of ACT modifiers as early as 1999, when the NASD made available to Knight NASD's "Report Cards" which demonstrated the frequency of modifier use at Knight as compared with the industry. Despite knowing the information in the trade reports, John Leighton and Pasternak did not take effective remedial action, and the sales traders continued to misuse the trade modifiers until November 2002.

FIRST CLAIM

The Defendants' Violations Of and Aiding and Abetting Exchange Act Section 10(b) and Rule 10b-5

72. The Commission realleges and reincorporates paragraphs 1 through 71 above.

73. John Leighton and Pasternak, knowingly or recklessly, directly or indirectly, in connection with the purchase or sale of securities, by use of means or instrumentalities of interstate commerce, of the mails, or the facilities of a national securities exchange:

a. employed devices, schemes or artifices to defraud;

b. made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

74. By engaging in the foregoing conduct, defendants John Leighton and Pasternak violated and aided and abetted Knight's violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

SECOND CLAIM

The Defendants' Violations Of Securities Act Section 17(a)

75. The Commission realleges and reincorporates paragraphs 1 through 74 above.

76. John Leighton and Pasternak, knowingly or recklessly, in the offer or sale of securities, by use of means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

a. employed devices, schemes or artifices to defraud;

b. obtained money or property by means of untrue statements of a material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

c. engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchaser.

77. By engaging in the foregoing conduct, John Leighton and Pasternak violated Section 17(a) of the Securities Act of 1933 [15 U.S.C. § 77q(a)].

THIRD CLAIM

The Defendants' Aiding and Abetting Of Knight's Violations Of Exchange Act Section 15(c)(1)(A)

78. The Commission realleges and reincorporates paragraphs 1 through 77 above.

79. While acting as a broker-dealer, Knight made use of the mails and instrumentalities of interstate commerce, and induced the purchase and sale of securities, otherwise than on a national securities exchange of which it was a member, by means of manipulative, deceptive and fraudulent devices and contrivances.

80. By engaging in the foregoing conduct, Knight violated Section 15(c)(1)(A) of the Securities Exchange Act of 1934 [15 U.S.C. § 78o(c)(1)(A)].

81. By engaging in the conduct described herein, John Leighton and Pasternak aided and abetted Knight's violations of Exchange Act Section 15(c)(1)(A) [15 U.S.C. § 78o(c)(1)(A)].

FOURTH CLAIM

The Defendants' Aiding and Abetting Of Knight's Violations Of Exchange Act Section 17(a) And Rule 17a-3

82. The Commission realleges and reincorporates paragraphs 1 through 81 above.

83. Exchange Act Rule 17a-3(a)(1) requires that a broker-dealer make and keep current, among other things, blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities.

84. The misuse of ACT modifiers by Knight's sales traders resulted in the recording of inaccurate execution times on Knight's daily trading blotters and other books and records. By failing to maintain accurate trading blotters and other books and records, Knight violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3 thereunder [15 U.S.C. § 78q(a); 17 C.F.R § 240.17a-3].

85. By engaging in the conduct described herein, John Leighton and Pasternak aided and abetted Knight's violations of Exchange Act Section 17(a) and Rule 17a-3 [15 U.S.C. § 78q(a); 17 C.F.R. § 240.17a-3].

FIFTH CLAIM

Pasternak's Control Person Liability Under Exchange Act Section 20(a) For Knight's Violations Of Exchange Act Sections 15(c)(1)(A) And 17(a) And Rule 17a-3

86. The Commission realleges and reincorporates paragraphs 1 through 85 above.

87. Pasternak had the power to control the general affairs of Knight and the sales traders who conducted the above-described activities including, but not limited to, the Institutional Sales Desk and the Firm's, including Knight's leading sales trader, Joseph Leighton. Pasternak also had the power to directly or indirectly control or influence the specific policies which resulted in violations of Exchange Act Sections 15(c)(1) and 17(a) and Exchange Act Rule 17a-3 thereunder [15 U.S.C. §§ 78o(c)(1), 78q(a); 17 C.F.R § 240.17a-3], as described above. By reason of the foregoing, Pasternak controlled Knight. Pursuant to Exchange Act Section 20(a) [15 U.S.C. §78t(a)], Pasternak is liable jointly and severally with and to the same extent as Knight, with regard to the Firm's violations of Exchange Act Sections 15(c)(1) and 17(a) and

Exchange Act Rule 17a-3 thereunder [15 U.S.C. §§ 78o(c)(1), 78q(a); 17 C.F.R § 240.17a-3(a)(1)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a judgment:

(I) permanently enjoining, pursuant to Securities Act Section 20(b) and Exchange Act Section 21(d)(1) [15 U.S.C. §§ 77t(b), 78u(d)(1)], defendants Pasternak and John Leighton from violating, directly or indirectly, Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Exchange Act Rule 10b-5 [15 U.S.C. §§77q(a), 78j(b); 17 C.F.R. § 240.10b-5];

(II) permanently enjoining Pasternak and John Leighton from aiding and abetting violations of Exchange Act Sections 15(c)(1)(A) and 17(a) and Exchange Act Rule 17a-3 thereunder [15 U.S.C. §§ 78o, 78q(a); 17 C.F.R § 240.17a-3],

(III) permanently enjoining Pasternak from controlling any person that is in a position to violate Exchange Act Sections 15(c)(1)(A) and 17(a) and Exchange Act Rule 17a-3 [15 U.S.C. § 78o(c)(1)(A), 15 U.S.C. § 78q(a), 17 C.F.R § 240.17a-3].

(IV) ordering Pasternak and John Leighton to pay civil monetary penalties pursuant to Securities Act Section 20(d) and Exchange Act Section 21(d)(3) [15 U.S.C. §§ 77t(d) 78u(d)(3)];

(V) ordering Pasternak and John Leighton to disgorge, with prejudgment interest, the amount by which each of them was unjustly enriched as a result of his participation in the conduct described above;

(VI) granting such other relief as the Court deems appropriate; and

(VII) retaining jurisdiction of this civil action in accordance with the principles of equity and the Federal Rules of Civil Procedure so as to implement and carry out the terms of all orders and decrees or to entertain any suitable application or motion for additional relief within the jurisdiction of the Court.

Respectfully submitted,

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