

KNIGHT CAPITAL GROUP, INC.
Form 10-K/A
April 16, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(AMENDMENT NO. 1)

.. ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-14223

KNIGHT CAPITAL GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

22-3689303

(IRS Employer Identification No.)

545 Washington Boulevard, Jersey City, NJ 07310

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (201) 222-9400

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Class A Common Stock, \$0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the Class A Common Stock held by non-affiliates of the registrant was approximately \$838.8 million at June 30, 2012 based upon the closing price for shares of the registrant's Class A Common Stock as reported by the New York Stock Exchange. For purposes of this calculation, affiliates are considered to be executive officers, directors and holders of 10% or more of the outstanding Class A Common Stock of the registrant.

At April 12, 2013, the number of shares outstanding of the registrant's Class A Common Stock was 357,910,204 and there were no shares outstanding of the registrant's Class B Common Stock or Series A-1 Cumulative Perpetual Convertible Preferred Stock.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

EXPLANATORY NOTE

As previously announced, on December 19, 2012, Knight Capital Group, Inc., a Delaware corporation (Knight or the Company), entered into an Agreement and Plan of Merger (the Merger Agreement) by and among Knight, GETCO Holding Company, LLC, a Delaware limited liability company (GETCO) and GA-GTCO, LLC (GA-GTCO), a Delaware limited liability company. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Knight, GETCO and GA-GTCO will effect a strategic transaction by which Knight, GETCO and a successor entity to GA-GTCO will each become wholly owned subsidiaries of a newly-formed corporation, Knight Holdco, Inc. (Holdco) (the Mergers). Holdco will be a publicly traded company, with its shares listed on the New York Stock Exchange (NYSE).

The purpose of this Amendment No. 1 on Form 10-K/A (the Amendment) is to amend and restate Part III, Items 10 through 14 and Part IV, Item 15(a)(3) of our previously filed Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission (SEC) on March 1, 2013 (the Original Form 10-K), to include information previously omitted in reliance on General Instruction G to Form 10-K, which provides that registrants may incorporate by reference certain information from a definitive proxy statement prepared in connection with the election of directors, provided the definitive proxy statement is filed with the SEC within 120 days after the end of the fiscal year. As a result of the proposed Mergers, the Company s definitive proxy statement will not be filed within 120 days after the end of the Company s fiscal year. Accordingly, Part III of the Original Form 10-K is hereby amended and restated as set forth below.

Also included in this Amendment are the certifications required by Rule 12b-15 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

For purposes of this Annual Report on Form 10-K/A, and in accordance with Rule 12b-15 under the Exchange Act, Part III, Items 10-14 and Part IV, Item 15(a)(3) of the Original Form 10-K have been amended and restated in their entirety. Except as stated herein, this Annual Report on Form 10-K/A does not reflect events occurring after the filing of the Original Form 10-K on March 1, 2013 and no attempt has been made in this Form 10-K/A to modify or update other disclosures presented in the Original Form 10-K. Among other things, forward-looking statements made in the Original Form 10-K have not been revised to reflect events that occurred or facts that became known to the Company after the filing of the Original Form 10-K, and such forward looking statements should be read in their historical context. Accordingly, this Annual Report on Form 10-K/A should be read in conjunction with the Original Form 10-K and the Company s other filings with the SEC subsequent to the filing of the Original Form 10-K.

KNIGHT CAPITAL GROUP, INC.

FORM 10-K/A ANNUAL REPORT

For the Year Ended December 31, 2012

TABLE OF CONTENTS

PART III.

<u>ITEM 10. Directors, Executive Officers and Corporate Governance</u>	4
<u>ITEM 11. Executive Compensation</u>	15
<u>ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related</u>	38
<u>Stockholder Matters</u>	
<u>ITEM 13. Certain Relationships and Related Transactions, and Director Independence</u>	41
<u>ITEM 14. Principal Accounting Fees and Services</u>	42

PART IV.

<u>ITEM 15. Exhibits and Financial Statement Schedules</u>	44
<u>SIGNATURES</u>	51

PART III
Item 10. Directors, Executive Officers and Corporate Governance
Directors and Executive Officers

The Board of Directors of the Company (the Board of Directors or the Board) currently consists of ten (10) directors (Directors), nine of whom are non-employee Directors. The Board of Directors has determined that all current Directors, except for Thomas M. Joyce, our Chairman and Chief Executive Officer, are independent within the meaning of the SEC and NYSE director independence standards, as currently in effect.

The Board of Directors believes that an effective board consists of a diverse group of individuals who bring a variety of complementary skills, backgrounds and experiences. The Company's Nominating and Corporate Governance Committee (NCGC) and Board of Directors consider the skills and experiences of the Directors in the broader context of the Board's overall composition, with a view toward constituting a board that has the best skill set, background and experience to oversee the Company's business. As stated in the Company's Corporate Governance Guidelines, this assessment includes a consideration of diversity of age, professional experience (including skills and industry background), gender, ethnic background and country of citizenship. The NCGC regularly reviews the composition of the Board of Directors in light of our evolving business requirements and its assessment of the Board of Director's performance to ensure that the Board of Directors has the appropriate mix of skills, backgrounds and experiences needed for the broad set of challenges that it confronts.

The following table sets forth certain information concerning the Directors of the Company as of April 1, 2013:

Name	Age	Position
Thomas M. Joyce	58	Chairman of the Board and Chief Executive Officer
William L. Bolster	69	Lead Director
Martin J. Brand	38	Director
James W. Lewis	71	Director
James T. Milde	52	Director
Matthew Nimetz	73	Director
Christopher C. Quick	55	Director
Daniel F. Schmitt	61	Director
Laurie M. Shahon	61	Director
Fredric J. Tomczyk	57	Director

Thomas M. Joyce (58), Chairman of the Board and Chief Executive Officer of the Company, has more than 30 years of experience in the securities industry. Mr. Joyce has been Chairman of the Board of the Company since December 2004 and has served as a Director since October 2002. He has been Chief Executive Officer of the Company since May 2002. From December 2001 to May 2002, Mr. Joyce was the Global Head of Trading at Sanford C. Bernstein & Co. Prior to that, Mr. Joyce held a variety of leadership roles in the Global Institutional Equity business during his 15 years at Merrill Lynch & Co., where his last position was Head of Global Equity eCommerce from 1999 through 2001. Mr. Joyce is currently a member of the Board of Directors of the Securities Industry and Financial Markets Association (SIFMA) and is a former member of the Board of Directors of NASDAQ. In addition, he currently serves on the Board of Directors of Special Olympics Connecticut, Inc., The Alfred E. Smith Memorial Foundation Inc. and the Ronald McDonald House® New York. Mr. Joyce received his A.B. in Economics from Harvard College in 1977. Mr. Joyce's qualifications to serve on the Board of Directors include his significant experience in the securities industry, his senior leadership roles in global organizations, including as Chief Executive Officer of Knight, and his detailed knowledge of, and unique perspective and insight regarding, the strategic and operational opportunities and challenges facing the Company and its businesses.

William L. Bolster (69), Lead Director of the Company, has served on the Board since November 2003. Mr. Bolster worked for various publicly-held companies for over 30 years, including General Electric/NBC, where his most recent position was Chairman and Chief Executive Officer of CNBC International from July 2001 to November 2003. Prior thereto, he was President of CNBC from January 1996 until July 2001. Previously, Mr. Bolster was President and General Manager of WNBC-TV in New York. Mr. Bolster received a B.A. in Business Administration from Loras College in 1967. Mr. Bolster's qualifications to serve on the Board of Directors include his experience in a senior leadership role at a large global corporation, his in-depth knowledge and understanding of trends in the economy based on his years of experience covering such matters at a global news and media organization, and his experience in the important role of Lead Director of the Company.

Martin J. Brand (38), Director of the Company, has served on the Board since August 2012. Mr. Brand is a Managing Director at The Blackstone Group (Blackstone), a leading investment and advisory firm. He joined Blackstone in 2003 in the London office and in 2005 transferred to the New York office. Prior to Blackstone, Mr. Brand was a derivatives trader in the FICC division of Goldman Sachs in New York and Tokyo. He also worked at McKinsey & Company in London. Mr. Brand currently serves as a Director of Bayview Financial, Travelport, Performance Food Group, Orbitz Worldwide, Exeter Finance and PBF Energy. In addition, he is on the Advisory Board of the Hudson Union Society. Mr. Brand received a B.A. in Mathematics and Computation from Oxford University in 1998, as well as an M.B.A. from Harvard Business School in 2003. He currently serves on the Board of Directors of the Harvard Business School Club of New York. Mr. Brand's qualifications to serve on the Board of Directors include his experience as a director of other publicly-traded companies, extensive financial expertise, broad-based international experience and experience with a private equity firm.

James W. Lewis (71), Director of the Company, has served on the Board since January 2009. Mr. Lewis is the former Chairman of Vietnam Partners, LLC. Prior to founding Vietnam Partners, LLC in 2003, he was a Managing Director at Morgan Stanley where he spent 17 years working in senior positions across equities, fixed income and asset management. Mr. Lewis also served for a period of time as chairman of that firm's risk management committee. He is also a former member of the NYSE. Mr. Lewis currently serves as a director at Geometry Group LLC and its affiliate Investarit AG and is a founder of Shamrock Asset Management LLC. In addition, he is a member of the Advisory Councils at the University of Chicago Booth School of Business, Miami University (Ohio) and Fordham University and of the Finance Committee at Jazz at Lincoln Center. Mr. Lewis received a B.S. from Miami University (Ohio) in 1963 and an M.B.A. in Finance from the University of Chicago in 1970. Mr. Lewis' qualifications to serve on the Board of Directors include his significant experience in the securities and financial services industries, his experience as the founder and Chairman of an investment banking and advisory services firm, and his experience as a director of other companies in the securities and financial services industries.

James T. Milde (52), Director of the Company, has served on the Board since May 2005. Mr. Milde has over 25 years of broad corporate experience. He is currently President of Summit Advisors, a management consulting firm, and also serves as President Financial Services and Insurance for Keane Consulting, a subsidiary of NTT Data, Inc. From February 2006 to September 2007, he was the Senior Vice President and Chief Information Officer of United Rentals, Inc. Mr. Milde previously served as the Senior General Manager, Chief Information Officer for Sony Electronics, Inc., from January 2002 to January 2006, where he was responsible for all facets of information technology, supply chain and software-related ventures across the United States. Prior thereto, Mr. Milde served as the Senior Vice President, Chief Information Officer for The Pepsi Bottling Group from 1999 to February 2002. He received a B.A. in Economics and Finance from St. Lawrence University in 1982 and an M.B.A. from Clarkson University in 1984. He currently serves on the Clarkson University Board of Trustees. Mr. Milde's qualifications to serve on the Board of Directors include his significant corporate experience in senior leadership roles at a broad range of companies and his significant knowledge and understanding of matters related to information technology, an important area for the Company and its businesses.

Matthew Nimetz (73), Director of the Company, has served on the Board since August 2012. Mr. Nimetz is an Advisory Director and former Managing Director at General Atlantic LLC (General Atlantic), a leading global growth equity firm. He served as Managing Director and Chief Operating Officer of General Atlantic from 2000 through 2011. Prior to that, he was a partner and former chair of Paul, Weiss, Rifkind, Wharton & Garrison in New York, where he practiced corporate, securities, financing and international law from 1980 to 2000. Mr. Nimetz has served the public in a number of capacities, including as a Staff Assistant to President Lyndon Johnson, a law clerk to U.S. Supreme Court Justice John M. Harlan, an Under Secretary of State and Counselor to the U.S. Department of State, and as a Special Envoy to President Bill Clinton to help mediate international disputes. He currently serves as a member of the Council on Foreign Relations and a trustee of the National Committee on American Foreign Policy. Mr. Nimetz received a B.A. in Political Science from Williams College in 1960 and an M.A. in Philosophy, Politics and Economics from Balliol College, Oxford University in 1962, where he was a Rhodes Scholar. In addition, he earned a J.D. from the Harvard Law School in 1965, where he was president of the Harvard Law Review. Mr. Nimetz qualifications to serve on the Board of Directors include his significant experience in corporate, securities, financing and international law, his service and experience in several governmental capacities and his significant role and experience with a private equity firm.

Christopher C. Quick (55), Director of the Company, has served on the Board since January 2009. Mr. Quick is the former CEO of Banc of America Specialist, Inc., a wholly-owned subsidiary of Bank of America Corporation and member firm of the NYSE. He is also a past Vice Chairman of Global Wealth and Investment Management with Bank of America. Mr. Quick has spent his entire career in the specialist business and was instrumental in various mergers and acquisitions as the industry underwent a period of consolidation. From 1982 to 2004, he served as Chairman and Chief Executive Officer of Q&R Specialist, JJC Specialist and Fleet Specialists where he remained following the firm s acquisition by Bank of America Corporation. He is a member of the Board of Directors of The Alfred E. Smith Memorial Foundation Inc. and on the Board of Trustees for The Boys Club of New York, Catholic Relief Services, Fairfield University and Mutual of America. He is also a former member of the NYSE Board of Directors. Mr. Quick received a B.S. in Finance from Fairfield University in 1979. Mr. Quick s qualifications to serve on the Board of Directors include his significant experience in the financial services and securities industries, including in the specialist business, in senior leadership roles and his substantial experience with post-merger and acquisition integration matters.

Daniel F. Schmitt (61), Director of the Company, has served on the Board since May 2012. Mr. Schmitt has more than 38 years of audit experience and spent over 29 years as a partner with KPMG LLP primarily in the financial services industry, before retiring in September 2011. During his tenure at KPMG LLP, Mr. Schmitt served as the Area Professional Practice Partner for KPMG s Northeast Area and served on the firm s National Professional Practice Committee and the Area Leadership Team. He most recently served as the Global Lead Audit Partner for Bank of NY Mellon. Mr. Schmitt previously was the partner in charge of Risk Management/Professional Practice for KPMG s Western Area and served in KPMG s New York, San Francisco and Providence/Boston Office practices during his career. He was also an SEC Reviewing Partner, and has served as a college relations partner and a KPMG national training instructor. Mr. Schmitt is a member of the American Institute of Certified Public Accountants. He received a B.S. in Accounting from Bryant University (formerly Bryant College) in 1973 and has served as past Chairman of The Alumni Association, Trustee and Member of the Accounting Department Advisory Board. Mr. Schmitt s qualifications to serve on the Board of Directors include his substantial auditing and accounting background as a certified public accountant, extensive experience with, and knowledge of, the financial services industry, his strong background regarding SEC financial reporting and his prior service as lead partner to numerous large diversified financial services clients and other large SEC issuers.

Laurie M. Shahon (61), Director of the Company, has served on the Board since July 2006. Ms. Shahon is the President of Wilton Capital Group, a private direct investment firm she founded in

1994 that makes principal investments in later-stage ventures and medium-sized buyouts. She previously held investment banking positions with Morgan Stanley and Salomon Brothers. Ms. Shahon received an A.B. in English and Political Science from Wellesley College in 1974 and an M.B.A. in Finance and International Business from Columbia University in 1976. She is a former Adjunct Professor of Finance at Columbia Business School. Ms. Shahon has served on the boards of several public companies over the past 20 years, including The Bombay Company, Inc., Eddie Bauer Holdings, Inc. and Kitty Hawk, Inc. Ms. Shahon's qualifications to serve on the Board of Directors include her significant experience in the financial services and securities industries, her experience as the founder of a private direct investment firm, and her experience as a director of other publicly-traded companies.

Fredric J. Tomczyk (57), Director of the Company, has served on the Board since August 2012. Mr. Tomczyk is the President and Chief Executive Officer of TD Ameritrade Holding Corporation, a leading brokerage serving retail investors and independent registered investment advisors. Mr. Tomczyk started working with TD Ameritrade in 2006. After first serving as a member of the board of directors and later as chief operating officer, he assumed the role of President and Chief Executive Officer of TD Ameritrade in October 2008. Mr. Tomczyk joined TD Bank Group in 2000 and has served as Vice Chair of corporate operations, Executive Vice President of retail distribution for TD Canada Trust, and President and Chief Executive Officer of wealth management for TD Bank. Prior to TD Bank, he was President and Chief Executive Officer of London Life. He is a Fellow of the Institute of Chartered Accountants of Ontario. Mr. Tomczyk received a B.S. in Applied Economic and Business Management from Cornell University in 1977. He currently serves on Cornell's undergraduate business program advisory council. Mr. Tomczyk's qualifications to serve on the Board of Directors include his significant experience in the securities industry, his senior leadership role as President and Chief Executive Officer of TD Ameritrade Holding Corporation, a publicly traded company, and his significant management background in the financial services industry.

Board of Directors and its Committees

During 2012, the Board of Directors met thirty three (33) times and took action by unanimous written consent on two occasions. The Company's independent Directors also met at regularly scheduled executive sessions on at least a quarterly basis. Mr. Bolster serves as the Company's Lead Director.

The Company had, as standing committees throughout 2012, a Finance and Audit Committee, a Compensation Committee and a NCGC. The Company also formed a Risk Committee in October 2012. The committee membership and meetings during the last fiscal year and the function of each of the standing committees are described below. As an executive officer of the Company, Mr. Joyce does not serve as a member of any Board committees. In 2012, all Directors attended more than 90% of the Board's meetings and more than 95% of the meetings of any committees of the Board of Directors of which they were members. Although the Company does not have a formal policy requiring Director attendance at the Company's Annual Meeting of Stockholders, all of our Directors at that time, except for Daniel Schmitt as nominee for Director, attended the 2012 Annual Meeting of Stockholders (the 2012 Annual Meeting).

Name of Director	Finance and Audit	Compensation	Nominating and Corporate Governance	Risk
<i>Non-Employee Directors:</i>				
William L. Bolster	Member	Member	Chairperson	-
Martin J. Brand	-	-	-	-
James W. Lewis	Member	-	Member	-
Thomas C. Lockburner ⁽¹⁾	Former Chairperson	-	Former Member	-
James T. Milde ⁽²⁾	-	Member	Member	Chairperson
Matthew Nimetz ⁽²⁾	-	-	-	Member
Christopher C. Quick	-	Member	Member	-
Daniel F. Schmitt ⁽¹⁾	Chairperson	-	Member	-
Laurie M. Shahon	-	Chairperson	Member	-
Fredric J. Tomczyk ⁽²⁾	-	-	-	Member
Number of Meetings in 2012	16	17	3	1

(1) Mr. Schmitt became Chairperson of the Finance and Audit Committee and a member of the NCGC on May 9, 2012. Thomas Lockburner served as Chairperson of the Finance and Audit Committee and a member of the NCGC until May 9, 2012, at which time he retired from the Board.

(2) The Risk Committee was formed on October 16, 2012 and the members were named at such time. The Chairperson was named on November 16, 2012.

Finance and Audit Committee

The current members of the Finance and Audit Committee (the F&A Committee) are Messrs. Schmitt, Bolster and Lewis, each of whom is independent within the meaning of the NYSE director independence standards, as currently in effect, and each of whom satisfied the NYSE financial literacy requirements. Thomas Lockburner served as the Chairman of the F&A Committee until May 9, 2012, the date of our 2012 Annual Meeting, at which time he retired from the Board. Mr. Schmitt became the Chairperson of the F&A Committee upon his election to the Board at the 2012 Annual Meeting. The Board of Directors has determined in its business judgment that Mr. Lockburner was, and each current member is, in compliance with the independence, experience and financial literacy requirements set forth by the NYSE, The Sarbanes-Oxley Act of 2002 and rules adopted by the SEC pursuant to The Sarbanes-Oxley Act of 2002, as currently in effect. The Board of Directors has also determined in its business judgment that Mr. Lockburner (through the date of the 2012 Annual Meeting) and Mr. Schmitt (after the date of the 2012 Annual Meeting) are each an audit committee financial expert as defined under SEC rules. The SEC provides that an audit committee financial expert does not have additional duties, obligations or liabilities and is not considered an expert under the Securities Act of 1933, as amended.

The F&A Committee held sixteen (16) meetings during 2012 and did not take any action by unanimous written consent. The F&A Committee operates under a written charter, which was most recently amended by the Board of Directors on October 18, 2011, a current copy of which is available

through the Knight corporate website at www.knight.com in the Corporate Governance section of Investor Relations. The F&A Committee of the Board of Directors assists the Company's Board of Directors in fulfilling its oversight of: (1) the integrity of the financial statements and its risk and control environment; (2) the qualification of, and relationship with, the independent registered public accounting firm; (3) the Company's internal audit function; (4) compliance with applicable legal and regulatory requirements; and (5) compliance with the Company's Code of Business Conduct and Ethics. The F&A Committee also (A) reviews and makes recommendations to the Board regarding: (i) any proposed material capital formation plans, including planned issuances of equity securities and debt instruments, and stock repurchase programs; and (ii) certain acquisitions, investments, new business ventures, and divestitures by the Company; and (B) annually reviews and approves the Company's: (x) treasury investment policy outlining the general investment objectives of the Company and the specific instruments for which investments are permitted; (y) liquidity risk management policy; and (z) contingency funding plan.

Compensation Committee

The current members of the Compensation Committee are Ms. Shahon and Messrs. Bolster, Milde and Quick, each of whom is independent within the meaning of the NYSE's independence standards, as currently in effect. Ms. Shahon is the Chairperson of the Compensation Committee. The Compensation Committee is governed by a written charter, which was most recently amended by the Board of Directors on April 1, 2011, a current copy of which is available on our corporate website at www.knight.com in the Corporate Governance section of Investor Relations. During 2012, the Compensation Committee held seventeen (17) meetings and took action by unanimous written consent on one occasion.

The Compensation Committee has responsibility for approving and evaluating executive officer compensation, incentive compensation and equity-based plans, policies and programs of the Company and its subsidiaries. The Compensation Committee also evaluates the performance of the Company's Chief Executive Officer, and, based on such evaluation, reviews and approves his annual salary, cash incentive bonus and long-term equity incentive bonus. The Compensation Committee is also responsible for producing an annual report on executive compensation and assisting management in the preparation of a compensation discussion and analysis. Additionally, the Compensation Committee may retain and/or terminate outside compensation consulting firms to assist in the evaluation of executive officer compensation. The Compensation Committee also has the authority to obtain advice and assistance from internal or external legal, accounting, and other advisors.

Additionally, the Compensation Committee provides assistance to the Board of Directors by setting performance-based compensation criteria for the Company's Chief Executive Officer and other key executives, certifying the results of such performance at the end of the annual performance period and awarding the resulting performance-based compensation to such key executives. The Compensation Committee also is responsible for making equity grants to such key executives resulting from such performance-based compensation.

Nominating and Corporate Governance Committee

All of the current members of the Board, except for Messrs. Joyce, Brand, Nimetz and Tomczyk, serve on the NCGC. Mr. Bolster is the Chairman of the NCGC. Mr. Schmitt joined the NCGC upon his election to the Board at the 2012 Annual Meeting. Each member of our NCGC is independent within the meaning of the NYSE's independence standards, as currently in effect. The NCGC is governed by a written charter, which was most recently amended by the Board of Directors on May 25, 2010, a current copy of which is available on our corporate website at www.knight.com in the Corporate Governance section of Investor Relations. A primary function of the NCGC is to identify and recommend to the Board individuals qualified to serve as Directors of the Company, consistent with the

criteria included in the charter of the NCGC and our Corporate Governance Guidelines. The NCGC also considers nominee recommendations from stockholders of the Company. In connection with the identification and recommendation of nominees, the NCGC reviews the skills, backgrounds and experiences of Board members, as well as the composition of the Board as a whole, with a view toward constituting a Board that has the best skill set, background and experience to oversee the Company's business. As stated in the Company's Corporate Governance Guidelines, this assessment includes a consideration of independence and diversity of age, professional experience (including skills and industry background), gender, ethnic background and country of citizenship, as well as the ability of current and prospective directors to devote sufficient time to performing their duties in an effective manner. Other functions of the NCGC include: (i) recommending the size of, and Directors to serve on, committees of the Board; (ii) advising the Board with respect to matters of Board composition and procedures; (iii) developing and recommending to the Board a set of corporate governance principles applicable to the Company and overseeing corporate governance matters generally; and (iv) overseeing the annual evaluation of the Company's management and the Board. The NCGC held three (3) meetings in 2012 and did not take any action by unanimous written consent.

Risk Committee

The current members of the Risk Committee are Messrs. Milde, Nimetz and Tomczyk, each of whom is independent within the meaning of the NYSE's independence standards, as currently in effect. Mr. Milde is the Chairperson of the Risk Committee. The Risk Committee was formed on October 16, 2012 and is governed by a written charter, which was adopted on such date by the Board of Directors, a current copy of which is available on our corporate website at www.knight.com in the Corporate Governance section of Investor Relations. The primary purpose of the Risk Committee is to assist the Board in its oversight responsibilities relating to the identification, monitoring and assessment of the key risks of the Company, including the significant policies, procedures and practices employed in risk management. The Risk Committee held one (1) meeting in 2012 and did not take any action by unanimous written consent.

Compensation Committee Interlocks and Insider Participation

No executive officer of the Company serves as a member of the board of directors or compensation committee of any public entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

Section 16(a) Beneficial Ownership Reporting Compliance

The Company's executive officers and Directors are required under Section 16(a) of the Securities Exchange Act to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC and NYSE. Copies of these reports must also be furnished to the Company. Based solely upon its review of copies of such reports furnished to the Company through the date hereof, or written representations that no reports were required to be filed, the Company believes that during the fiscal year ended December 31, 2012, all Section 16(a) filing requirements applicable to its officers and Directors were complied with in a timely manner.

Purchases and sales of our equity securities by such persons are published on our corporate website at www.knight.com in the Investor Center section. The information on our corporate website is not incorporated by reference into this Form 10-K/A.

Corporate Governance

Board Leadership Structure

The Board does not have a fixed policy regarding the separation of the offices of Chairman and Chief Executive Officer and believes that it should maintain flexibility. The Board currently combines the positions of Chairman of the Board and Chief Executive Officer. The Board of Directors believes

that Mr. Joyce's service as both Chairman of the Board of Directors and Chief Executive Officer enhances the effectiveness of the Board and is in the best interest of the Company and its stockholders at this time. Because of his position, Mr. Joyce possesses detailed and in-depth knowledge of the issues, opportunities and challenges facing the Company and its businesses and is therefore well-positioned to develop agendas that ensure that the Board's time and attention are focused on the most critical matters. His combined role enables decisive leadership and decision-making, ensures clear accountability, and enhances the Company's ability to communicate its message and strategy clearly and consistently to the Company's stockholders, employees, customers and suppliers, particularly during times of turbulent economic and industry conditions.

Each of the current Directors other than Mr. Joyce is independent, and the Board believes that the independent Directors provide effective oversight of management, including through the Committees of the Board of Directors described herein. Moreover, in addition to feedback provided during the course of Board meetings, the independent Directors have regular executive sessions. The Lead Director, currently Mr. Bolster, also plays an important role in the Company's corporate governance structure. The Lead Director's responsibilities include: presiding at meetings of the Board of Directors at which the Chairman is not present, including executive sessions of the independent Directors; serving as liaison between the Chairman and the independent Directors; convening meetings of the independent Directors; consulting with the Chairman on matters relating to Board performance and corporate governance; providing the Chairman with input regarding agenda items for Board and Committee meetings; and coordinating with the Chairman regarding information to be provided to the independent Directors in performing their duties. The Board of Directors believes that the role of the independent Directors and Lead Director combined with the Company's overall corporate governance policies and practices appropriately and effectively complement the combined Chairman of the Board/Chief Executive Officer structure. The Board evaluates this structure periodically, including the appointment of the Lead Director.

Board Risk Oversight

Management has a process embedded throughout the Company to identify, analyze, manage and report on all significant risks facing the Company. In performance of risk oversight, the Board and its committees receive reports and regularly meet with the Company's Chief Executive Officer and other senior managers on significant risks facing the Company, including enterprise, financial, operational, legal, regulatory and strategic risks. The independent Board members also discuss the Company's significant risks when they meet in executive session without management.

In addition to oversight of enterprise and strategic risk by the Board of Directors, each of the Board committees reviews with management significant risks related to the committee's area of responsibility and reports to the Board on such risks, which include:

The Compensation Committee's review of risks related to Company-wide compensation and management resources;

The Finance and Audit Committee's review of risks relating to the financial statements and financial reporting processes, as well as key liquidity risks and risks arising from related person transactions, and the guidelines, policies and processes for monitoring and managing those risks;

The Risk Committee's review of risk management, as well as the Company's risk appetite and tolerance and key risks, including credit risk, market risk, operational risk, compliance risk and reputational risk; and

The Nominating and Corporate Governance Committee's review of risks related to the Company's governance structure and processes and succession planning.

Identification and Evaluation of Director Candidates

The NCGC believes that the minimum qualifications for serving as a director are that a nominee demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of the Company and for the nominee to have an impeccable record and reputation for honest and ethical conduct in both his or her professional and personal activities. In this regard, the NCGC examines a candidate's specific experiences and skills, time availability in light of other commitments, potential conflicts of interest and independence from management and the Company. Annex A to our Nominating and Corporate Governance Committee Charter lists criteria for nomination to our Board. Also, our Corporate Governance Guidelines list specific qualification rules for all of our Board members and nominees.

The NCGC identifies potential nominees by asking current Directors and executive officers to notify the NCGC if they become aware of persons meeting the criteria described above. The NCGC also, from time to time, engages firms that specialize in identifying director candidates. As described below, the NCGC will also consider candidates recommended by stockholders.

Once a person has been identified by the NCGC as a potential candidate, the NCGC may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the NCGC determines that the candidate warrants further consideration, the NCGC contacts the person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the NCGC requests information from the candidate, reviews the person's accomplishments and qualifications, conducts due diligence, including background checks, and conducts one or more interviews with the candidate. The NCGC members may also contact one or more references provided by the candidate or may contact other members of the business community or other persons who may have greater first-hand knowledge of the candidate's accomplishments and qualifications. All information regarding the candidate is then provided to the NCGC for review and consideration. The NCGC's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder.

Stockholder Recommendations for Director Nominees

The NCGC will consider director candidates recommended by stockholders for nomination to the Board. In considering candidates submitted by stockholders, the NCGC will take into consideration the needs of the Board and the qualifications of the candidate. Stockholders may make recommendations at any time, but nomination of candidates for election to the Board at the annual meeting of stockholders must be received not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders. To nominate a candidate for election to the Board, a stockholder must submit the nomination in writing and must include the following information (as more fully described in the Company's Amended and Restated By-Laws): (a) as to the stockholder (i) the name and address of the stockholder, such beneficial owner (if any) and any of their respective affiliates or associates or others acting in concert with the stockholder, (ii) the number of shares of the Company's Class A Common Stock (the "Common Stock") which are owned beneficially or of record by such stockholder, such beneficial owner and their respective affiliates or associates or others acting in concert with them, (iii) disclosure of any derivative instrument and certain other economic interests in the Company directly or indirectly owned beneficially by such stockholder, the beneficial owner, if any, or any affiliates or associates or others acting in concert with them, (iv) information related to proxies and voting commitments of such persons, (v) a brief description of all arrangements or understandings between such stockholder (and their respective affiliates or associates) and each proposed nominee, (vi) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice, (vii) a completed copy of the questionnaire noted in clause (b)(v) below and (viii) any other information relating to such person that would be required pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and (b) as to each proposed nominee (i) the name, age,

business address and residence of the proposed nominee, (ii) the principal occupation or employment of the proposed nominee, (iii) the number of shares of Common Stock owned by the proposed nominee, if any, (iv) the proposed nominee's consent to be named as a Director if selected by the NCGC and nominated by the Board, (v) a completed director's questionnaire with respect to the background and qualification of such person and executed written representation and agreement related to voting commitments, compensation, corporate governance compliance and other matters, (vi) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three (3) years, and any other material relationships, between or among such stockholder, if any, and their respective affiliates and associates, and each proposed nominee, and his or her respective affiliates or associates, including all information required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K of the Exchange Act, and (vii) any other information relating to such proposed nominee that would be required pursuant to Section 14 of the Exchange Act. The stockholder nomination, and accompanying information described above, must be sent to the Corporate Secretary at Knight Capital Group, Inc., 545 Washington Boulevard, Jersey City, New Jersey 07310.

Corporate Governance Guidelines

The NCGC is responsible for overseeing the Corporate Governance Guidelines and reporting and making recommendations to the Board concerning governance matters. Among other matters, the Corporate Governance Guidelines include the following items concerning the Board of Directors: (i) independent Directors will comprise a majority of the Board; (ii) disqualifying factors preventing a Board candidate or Director from serving or continuing to serve on the Board, absent a waiver by a majority of the Board; and (iii) qualifications for non-employee and employee Board members.

Stockholder and Interested Parties Communications

The Board has established a process to receive communications from stockholders and interested parties. Stockholders and interested parties may contact any member (or all members) of the Board, any Board committee or any chair of any such committee by mail. To communicate with the Board of Directors, any individual or group of Directors or Board committee members, correspondence should be addressed to the Board of Directors or any such individual Directors or group or Board committee members by either name or title. All such correspondence should be sent to the Corporate Secretary at Knight Capital Group, Inc., 545 Washington Boulevard, Jersey City, New Jersey 07310. To communicate with any of our Directors electronically, stockholders or interested parties may send an electronic message to boardofdirectors@knight.com.

All communications received as set forth in the preceding paragraph will be opened by our General Counsel for the sole purpose of determining whether the contents represent a message to our Directors. Any contents that are not in the nature of advertising, promotions of a product or service, or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the Board or any group of Directors or Board committee members, our General Counsel will make sufficient copies of the contents to send to each Director who is a member of the group or committee to which the envelope or e-mail is addressed.

Executive Officers

Executive officers serve at the discretion of the Board of Directors. The following table sets forth certain information concerning the executive officers of the Company as of April 1, 2013 (none of whom has a family relationship with another executive officer):

Name	Age	Position
Thomas M. Joyce	58	Chairman of the Board and Chief Executive Officer
Steven Bisgay	46	Executive Vice President, Chief Operating Officer and Chief Financial Officer
George Sohos	46	Senior Managing Director, Head of Market Making
Alan Lhota	50	Senior Managing Director, Co-Head of Institutional Fixed Income
Robert K. Lyons	53	Senior Managing Director, Co-Head of Institutional Fixed Income
Leonard J. Amoruso	47	Executive Vice President, General Counsel
Joseph C. Mazzella	46	Senior Managing Director, Head of Institutional Equities

For selected biographical information with respect to Mr. Joyce, please refer above to the biographical information of our Directors. Selected biographical information with respect to the other executive officers is set forth below.

Steven Bisgay (46), Executive Vice President, Chief Operating Officer and Chief Financial Officer of the Company, has more than 20 years of experience in the securities and financial services industries. Mr. Bisgay has been the Chief Operating Officer of the Company since September 2012 and was named Executive Vice President in May 2012. He has been Chief Financial Officer of the Company since August 2007. Prior to these appointments, Mr. Bisgay was the Managing Director, Business Development for the Company since November 2005. Previously, Mr. Bisgay was the Group Controller for the Company since June 2003 and the Director of Internal Audit for the Company since June 2001. Mr. Bisgay is a certified public accountant and was employed in the Financial Services Industry Practice at the accounting firm of PricewaterhouseCoopers LLP from 1989 to 2001, most recently as a Senior Manager. Mr. Bisgay served on the Board of Managers of Direct Edge Holdings LLC from July 2007 to December 2008. He currently is on the Board of the Financial Management Society of SIFMA. Mr. Bisgay received a B.S. in Accounting from Binghamton University in 1989 and an M.B.A. from Columbia University in 2000.

George Sohos (46), Senior Managing Director, Head of Market Making of the Company, oversees the Company's global market making activities. Mr. Sohos has been Head of Market Making since March 2011. Prior to his appointment, Mr. Sohos was a member of the senior management team for the Company's electronic trading group since 2005, where his primary responsibilities involved work related to the Company's U.S. and European client trading strategies. Mr. Sohos has worked at the Company since 2000. Prior to joining the Company, Mr. Sohos worked as a software engineer at IBM Corporation and as a senior scientist at Enviro Engineering. Mr. Sohos received a B.S. in Mathematics from Panepistimion Patron in Greece in 1988 and a Ph.D. in Applied Mathematics from the University of Arizona in 1994.

Alan Lhota (50), Senior Managing Director, Co-Head of Institutional Fixed Income, is responsible for co-managing and expanding the Company's institutional fixed income business. He has over 25 years of experience in the securities industry. Mr. Lhota has been Co-Head of Institutional Fixed Income since April 2011. Previously, Mr. Lhota was Head of U.S. High Yield, Distressed and Bank Loan Sales for the Company since June 2009. Prior thereto, he led the High Yield team at RBS Greenwich Capital Markets, Inc. from June 2007 to March 2009. From December 1999 to March 2007, Mr. Lhota handled High Yield sales in the U.S. and U.K. at UBS Securities LLC. Mr. Lhota attended Worcester Polytechnic University. Mr. Lhota's employment with the Company is expected to terminate in 2013 in connection with the consummation of the disposition of the Company's institutional fixed-income sales and trading business.

Robert K. Lyons (53), Senior Managing Director, Co-Head of Institutional Fixed Income, is responsible for co-managing and expanding the Company's institutional fixed income business. He has over 25 years of experience in the securities industry. Mr. Lyons has been Co-Head of Institutional Fixed Income since April 2011. Previously, Mr. Lyons was head of the Company's Capital Markets group since joining the Company in February 2010. Mr. Lyons is a former Vice Chairman of Investment Banking at Merrill Lynch & Co. where he spent over 20 years. Previously at Merrill Lynch & Co., Mr. Lyons served as Global Head of Capital Markets and before that he was Head of the Americas Capital Markets. Mr. Lyons received a B.A. in Economics from Hamilton College in 1982 and an M.B.A. from the University of Chicago in 1987. Mr. Lyons' employment with the Company is expected to terminate in 2013 in connection with the consummation of the disposition of the Company's institutional fixed-income sales and trading business.

Leonard J. Amoruso (47), Executive Vice President, General Counsel, oversees all legal, compliance, regulatory and market structure matters for the Company. Mr. Amoruso was named Executive Vice President in May 2012 and has been General Counsel of the Company since May 2007. Prior thereto, Mr. Amoruso was the Senior Managing Director and Chief Compliance Officer of the Company since June 2003. From October 1999 to June 2003, Mr. Amoruso served as Chief Compliance Officer and Assistant General Counsel of the Company's wholly-owned subsidiary, Knight Securities, L.P (now operating as Knight Capital Americas LLC). Prior to joining the Company, Mr. Amoruso spent a decade with FINRA's District 10 office in New York, most recently as Deputy Director. Mr. Amoruso serves on numerous industry committees and is a frequent speaker at industry conferences. He also currently serves on the Board of Managers of Direct Edge Holdings LLC, the Board of Directors of EDGEA Exchange, Inc. and the Board of Directors of EDGEX Exchange, Inc. Mr. Amoruso received a B.B.A. in Banking, Finance and Investments from Hofstra University in 1986 and a J.D. from Hofstra University School of Law in 1989.

Joseph C. Mazzella (46), Senior Managing Director, Head of Institutional Equities, is responsible for leading the Company's global sales and trading team serving institutional clients. He has over 25 years of experience in the securities industry. Mr. Mazzella was named head of Institutional Equities in October 2011. Prior thereto, he was Global Head of Trading since March 2010. He joined the Company in October 2003 as Head of Listed Block Trading. Previously, Mr. Mazzella spent more than a decade at Merrill Lynch, most recently as a Managing Director for Listed Trading.

Item 11. Executive Compensation
COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (CD&A) explains aspects of our executive compensation program for our named executive officers. For 2012, our Named Executive Officers and their titles were as follows:

Thomas M. Joyce, Chairman of the Board and Chief Executive Officer;

Steven Bisgay, Executive Vice President, Chief Operating Officer and Chief Financial Officer;

George Sohos, Senior Managing Director, Head of Market Making;

Alan Lhota, Senior Managing Director, Co-Head of Institutional Fixed Income; and

Robert K. Lyons, Senior Managing Director, Co-Head of Institutional Fixed Income.

The Company's executive compensation program is designed to retain, motivate, reward and recruit the talent needed to achieve growth and long-term success. Accordingly, in designing the executive compensation program, we focused on the following objectives: (i) aligning long-term economic interests of our executives with stockholders' interests; (ii) providing balanced incentives for achieving short-term and long-term business goals and objectives; and (iii) providing competitive compensation and benefits.

Executive Summary and Recap of Significant 2012 Events

At our annual meeting of stockholders in May 2012, 31.55% of our stockholders approved our advisory Say-on-Pay resolution regarding 2011 executive compensation described in our 2012 proxy statement. The Company, the Board and the Compensation Committee of the Board of Directors (the Compensation Committee) pay careful attention to communications received from stockholders regarding executive compensation, including the non-binding advisory vote. The Compensation Committee took into consideration the Say-on-Pay vote as well as feedback received from institutional shareholders and evaluated our policies, processes and approach to executive compensation. In connection with its evaluation of executive compensation following the Say-on-Pay vote, the Committee retained an executive compensation firm, Pay Governance LLC, to provide advice and guidance on executive compensation matters for 2012 and going forward. Although the Company and Committee intended to structure executive compensation awarded in 2012 to better reflect our stockholders' philosophies regarding compensation, certain events described below played a significant role in the compensation decisions made in 2012.

On August 1, 2012, the Company experienced a technology issue at the open of trading at the NYSE, which resulted in a pre-tax loss to the Company of approximately \$458 million (the August 1 Trading Loss) and reduced trading volumes handled by the Company following such event. In connection with the August 1 Trading Loss, the Company's leaders, including the Named Executive Officers, actively pursued strategic and financing alternatives to strengthen the Company's capital base, resulting in the Company, on August 6, 2012, entering into a Securities Purchase Agreement (the Purchase Agreement), with nine investors (the Investors) pursuant to which, among other things, the Company sold 400,000 shares of Series A-1 Cumulative Perpetual Convertible preferred stock, par value \$0.01 per share (the Preferred Stock), in a private placement to the Investors in exchange for immediate aggregate cash consideration of \$400,000,000 (the Investment). As a result of the Investment, the Company experienced a change-in-control for purposes of some of its equity-based executive compensation arrangements. The change-in-control would have accelerated vesting of certain equity awards and/or triggered rights under certain agreements with Messrs. Joyce, Bisgay and Sohos; however, Messrs. Joyce, Bisgay and Sohos executed waivers of such accelerated vesting and/or rights in August 2012, pursuant to which they irrevocably forfeited benefits they would have otherwise received as a result of the Investment.

During and after the August 1 Trading Loss and Investment, the Company faced difficult circumstances. This was further exacerbated in late 2012 when the Company became the subject of public speculation regarding a potential sale. Throughout this period of time, the Company's leaders spent considerable time and effort in addition to their day-to-day functions focusing on (i) stabilizing the employee workforce, (ii) client retention and/or re-engagement, and (iii) ensuring the financial stability of the Company, including maintaining sufficient liquidity and the confidence of counterparties and creditors. Additionally, the August 1 Trading Loss resulted in a pre-tax loss for the Company for 2012. This led to no payout under the Company's 2009 Executive Incentive Plan (EIP) and forfeiture of Mr. Joyce's discretionary January 2012 RSU grant.

The Company and GETCO, among other parties, executed the Merger Agreement on December 19, 2012 setting forth the terms and conditions of the Mergers. As part of these efforts to retain employees in light of the unprecedented difficulties the Company faced in 2012, and in recognition of the efforts of the Named Executive Officers to help the Company recover a substantial portion of its business following the August 1 Trading Loss, limit the amount of turnover in its workforce, and maintain financial stability, the Company, with the knowledge and support of the Compensation Committee, and the consent of GETCO, (i) entered into a letter agreement with Mr. Joyce amending the terms of his employment agreement with the Company, (ii) recognized the efforts of certain Named Executive Officers by providing discretionary bonuses outside of the EIP related to the 2012 performance year, and (iii) acknowledged that employees are entitled to receive accelerated vesting of certain outstanding equity awards upon the consummation of the transactions contemplated by the Merger Agreement. Pay Governance provided advice on certain of the above matters.

Additionally, due to the Investment and the resulting dilution of existing Knight stockholders, outstanding employee equity awards lost most of their retentive value. The Company had originally planned to seek stockholder approval to increase the number of authorized shares available for grant under the Company's 2010 Equity Incentive Plan (the 2010 Plan) at its 2013 Annual Meeting of Stockholders, three years after initial approval of the 2010 Plan, because the Company would have depleted (as forecast) most of the shares available for grant under the existing 2010 Plan after payment of 2012 annual incentive compensation in early 2013. However, as the value of a share of Company Common Stock had been reduced due to the August 1 Trading Loss and the Investment and resulting dilution, the shares available for grant under the 2010 Plan were insufficient to satisfy the Company's anticipated incentive equity compensation needs for 2012 and beyond. In order to obtain additional shares available for grant under the 2010 Plan to provide equity-based awards as a tool to retain employees, in December 2012, the Company obtained stockholder approval to increase the number of shares authorized to be granted under the Company's 2010 Plan and amend certain other provisions, including an amendment to require a qualifying termination of employment in connection with a future change-in-control before vesting provisions in new awards accelerate, also known as "double-trigger" accelerated vesting.

The Company has continued to take significant actions with respect to its business in 2013, including taking certain corporate actions designed to reduce operating expenses. The Company has also entered into an agreement to sell its institutional fixed-income sales and trading business to Stifel Financial Corp. It is anticipated that Mr. Lhota and Mr. Lyons will cease to be employed by the Company upon the closing of the disposition of the institutional fixed-income sales and trading business.

Compensation Approval Process

The Compensation Committee is responsible for approving and evaluating the executive compensation program. The Compensation Committee in the past has retained compensation consultants with respect to executive compensation matters. These consultants have acted at the sole direction of the Compensation Committee. The retention and, where appropriate, termination of compensation consultants are at the Compensation Committee's sole discretion, and such decisions are made without the participation of any officer or other member of the Company's management. Although the Company pays the compensation of these consultants, the Compensation Committee, in its sole discretion, approves the fees and any other terms related to their engagement. In the last five years, these compensation consultants have not performed, and do not currently provide, any services to management or the Company. The Compensation Committee retained Deloitte Consulting LLP for executive compensation matters prior to 2010. As noted above, subsequent to the annual meeting of stockholders in May 2012, the Committee retained Pay Governance LLC to provide advice

and guidance on executive compensation matters for 2012 and going forward. Pay Governance was consulted upon by the Compensation Committee in determining 2012 compensation and other compensation matters.

To determine competitive market compensation for the 2012 performance year for our Named Executive Officers and other members of executive management, the Company's management, in December 2012, considered comparative market data provided by the compensation consultant retained by the Company, Towers Watson. Towers Watson reports to, and acts at the sole direction of, the Company's management. The Company's management approves the fees to Towers Watson and any other terms related to Towers Watson's engagement. Using publicly available information contained in proxy statements related to the 2011 performance year, Towers Watson provided a comparative analysis of the compensation of named executive officers at other peer public financial services companies. In addition, Towers Watson used its proprietary database to compare non-public compensation information related to the 2011 performance year for individuals having similar roles at leading global competitors, or divisions or subsidiaries within such global companies, as applicable. For the public company comparisons, for 2012, the peer group consisted of: Interactive Brokers Group, Inc.; Investment Technology Group, Inc.; Jefferies Group, Inc.; NASDAQ OMX Group, Inc.; and NYSE Euronext. For the non-public information comparisons, for 2012, the comparative group consisted of: Bank of America Corporation; Barclays Capital; Citigroup Inc.; Credit Suisse Group; Deutsche Bank Group; The Goldman Sachs Group, Inc.; HSBC Bank plc; JPMorgan Chase & Co.; Morgan Stanley; and UBS AG. The peer group and the comparative group remained the same as the groups compared in 2011. To determine the appropriate total compensation for its Named Executive Officers, the Company generally averages the total compensation paid to (i) named executive officers at other peer financial services companies and (ii) individuals having similar roles at leading large global competitors, or divisions or subsidiaries within such global companies, as applicable, who are not deemed named executive officers, and strives to be at approximately the 75th percentile of such average. As further described herein, this data is one of the factors used to establish competitive compensation levels for each Named Executive Officer and other members of executive management. This information was subsequently communicated in summary fashion by Mr. Joyce to the Compensation Committee. The Compensation Committee also reviewed comparative data obtained in the marketplace with input from Pay Governance.

Our Compensation Committee generally sets incentive compensation for our Named Executive Officers in accordance with the terms of our EIP, although it retains discretion to pay additional amounts as appropriate. The EIP is our stockholder-approved plan in which each of our Named Executive Officers and other executive officers subject to Section 16 of the Exchange Act participate so that the cash and equity-based awards paid to our Named Executive Officers are intended to not be subject to the \$1 million limit on deductible pay to Named Executive Officers pursuant to Section 162(m) of the Internal Revenue Code (Section 162(m)). During the first quarter of each fiscal year, the Compensation Committee establishes annual performance criteria for each Named Executive Officer, including the Chief Executive Officer, and determines the formula to be used for calculation of each Named Executive Officer's maximum incentive compensation payout pursuant to Section 162(m). Even if the Named Executive Officers achieve the Section 162(m) performance criteria, the Compensation Committee retains negative discretion to reduce the award based upon a variety of factors, including, but not limited to, the assessment of an individual's performance and the attainment of other Company and/or business unit performance objectives. The Compensation Committee may use any objectives and guidelines it deems appropriate in exercising negative discretion and also receives substantial input from the Chief Executive Officer regarding the amount to be paid to the other Named Executive Officers.

At the end of the performance period, the Compensation Committee certifies whether the pre-established Section 162(m) performance criteria were met and determines the maximum payout permitted based on the actual level of achievement versus the performance criteria. Prior to

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

determining incentive compensation for each of the Named Executive Officers other than the Chief Executive Officer, the Chief Executive Officer; P.O. Box 2600
Valley Forge, Pennsylvania 19482-2600

660,730

4.97%

Renaissance Technologies LLC⁽⁶⁾
800 Third Avenue 33rd Floor
New York, New York 10022

740,751

5.57%

Named Executive Officers⁽⁷⁾

William Van Vleet III⁽⁸⁾

75,105

*

James E. Doyle⁽⁹⁾

83,452

*

Dr. John R. Treichler⁽¹⁰⁾

315,291

2.37%

Renato F. Roscher, Jr.⁽¹¹⁾

77,737

*

Dr. Michael J. Ready⁽¹²⁾

39,878

*

Directors

Milton E. Cooper⁽¹³⁾

35,850

*

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

John P. Devine⁽¹⁴⁾

48,530

*

David D. Elliman⁽¹⁵⁾

80,185

*

Marie S. Minton⁽¹⁶⁾

7,288

*

Robert J. Richardson⁽¹⁷⁾

41,850

*

Directors and executive officers as a group
(14 persons)⁽¹⁸⁾

890,600

6.69%

* Less than 1%

(1) Except as otherwise indicated, the persons named in this table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table.

(2) Under the rules of the Securities and Exchange Commission, a person is deemed to be the beneficial owner of shares that can be acquired by such person within 60 days upon the exercise of options.

(3) Calculated on the basis of 13,304,150 shares of common stock outstanding as of December 31, 2009, provided that any additional shares of common stock that a shareholder has the right to acquire within 60 days after December 31, 2009, pursuant to grants of stock options or awards of restricted stock are deemed to be outstanding and beneficially owned by the person holding such options or restricted stock for the purpose of computing the number of shares beneficially owned and the percentage ownership of such person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(4) Based on a Schedule 13G filed with the Securities and Exchange Commission on January 8, 2010, by BlackRock, Inc., BlackRock Inc. has sole investment discretion and voting authority over these shares.

(5) Based on a Schedule 13F filed with the Securities and Exchange Commission on November 13, 2009, by The Vanguard Group, Inc. Of these shares, Vanguard Fiduciary Trust Co. holds 20,270 shares, over which it has defined investment discretion and sole voting authority. Vanguard Group holds 640,460 shares, over which it has sole investment discretion and no voting authority.

(6) Based on a Schedule 13F Restatement filed with the Securities and Exchange Commission on November 13, 2009, by Renaissance Technologies LLC. Renaissance Technologies LLC has sole investment discretion over all such shares, shared voting authority over 664,100 shares and no voting authority over 76,651 shares.

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

⁽⁷⁾ The address of the executive officers and directors is c/o Applied Signal Technology, Inc., 460 West California Avenue, Sunnyvale, California 94086.

⁽⁸⁾ Includes 16,000 shares subject to options exercisable by Mr. Van Vleet within sixty days of December 31, 2009. Also includes 41,125 shares of restricted stock that have not yet vested and are subject to repurchase by Applied Signal Technology should Mr. Van Vleet's employment terminate prior to vesting.

⁽⁹⁾ Includes 46,250 shares subject to options exercisable by Mr. Doyle within sixty days of December 31, 2009. Also includes 12,124 shares of restricted stock that have not yet vested and are subject to repurchase by Applied Signal Technology should Mr. Doyle's employment terminate prior to vesting.

⁽¹⁰⁾ Includes 30,000 shares subject to options exercisable by Dr. Treichler within sixty days of December 31, 2009 and 14,874 shares of restricted stock that have not yet vested and are subject to repurchase by Applied Signal Technology should Dr. Treichler's employment terminate prior to vesting. Also includes 25,000 shares held by Robert K. Treichler Trust and 12,735 shares held in the Anne Eckel Treichler Revokable Trust, over which Dr. Treichler disclaims beneficial ownership.

⁽¹¹⁾ Includes 32,000 shares subject to options exercisable by Mr. Roscher within sixty days of December 31, 2009 and 13,500 shares of restricted stock that have not yet vested and are subject to repurchase by Applied Signal Technology should Mr. Roscher's employment terminate prior to vesting. Also included is 6,557 shares owned by his wife, over which Mr. Roscher disclaims beneficial ownership.

⁽¹²⁾ Includes 19,600 shares subject to options exercisable by Dr. Ready within sixty days of December 31, 2009 and 5,750 shares of restricted stock that have not yet vested and are subject to repurchase by Applied Signal Technology should Dr. Ready's employment terminate prior to vesting. Also included is 199 shares owned by his wife, over which Dr. Ready disclaims beneficial ownership.

⁽¹³⁾ Includes 30,000 shares subject to options exercisable by Mr. Cooper within sixty days of December 31, 2009. Also includes 1,093 shares of restricted stock that have not yet vested and are subject to repurchase by Applied Signal Technology should Mr. Cooper's service to us terminate prior to vesting.

⁽¹⁴⁾ Includes 15,000 shares subject to options exercisable by Mr. Devine within sixty days of December 31, 2008. Also includes 1,093 shares of restricted stock that have not yet vested and are subject to repurchase by Applied Signal Technology should Mr. Devine's service to us terminate prior to vesting.

⁽¹⁵⁾ Includes 41,280 shares subject to options exercisable by Mr. Elliman within sixty days of December 31, 2009, and 1,093 shares of restricted stock that have not yet vested and are subject to repurchase by Applied Signal Technology should Mr. Elliman's service to us terminate prior to vesting. Also includes 6,666 shares held in Trust u/d Avery Rockefeller and 10,604 shares held by the Bawd Foundation, over which Mr. Elliman disclaims beneficial ownership.

⁽¹⁶⁾ Includes 1,875 shares of restricted stock that have not yet vested and are subject to repurchase by Applied Signal Technology should Ms. Minton's service to us terminate prior to vesting.

⁽¹⁷⁾ Includes 35,000 shares subject to options exercisable by Mr. Richardson within sixty days of December 31, 2009. Also includes 1,093 shares of restricted stock that have not yet vested and are subject to repurchase by Applied Signal Technology should Mr. Richardson's service to us terminate prior to vesting.

⁽¹⁸⁾ Includes 284,330 shares subject to options that are currently exercisable or will become exercisable within 60 days after December 31, 2009, beneficially owned by executive officers and directors, and 224,620 shares of restricted stock that have not yet vested and are subject to repurchase by Applied Signal Technology should the employee's or director's service terminate prior to vesting.

Section 16(a) Beneficial Ownership Reporting Compliance

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and certain officers, and persons who own more than ten percent of a registered class our equity securities, to file reports of ownership and changes in ownership on Forms 3, 4, and 5 with the Securities Exchange Commission. The Securities Exchange Commission requires officers, directors, and greater-than-ten-percent beneficial owners to furnish us with copies of all Forms 3, 4, and 5 they file.

We believe that all of our officers, directors, and greater-than-ten-percent beneficial owners complied with all their applicable filing requirements during the fiscal year ended October 31, 2009, except that our officers each filed one late Form 4, associated with their restricted stock awards granted on November 19, 2008. This is based on our review of copies of Forms 3, 4, and 5 we have received and of written representations from certain persons that they were not required to file a Form 5.

Equity Compensation Plan Information

Applied Signal Technology, Inc. has five compensation plans under which common stock has been issued to officers and other employees, directors, and consultants. These consist of the 1991 Stock Option Plan, 1993 Employee Stock Purchase Plan, 2001 Stock Option Plan, and 2004 Stock Incentive Plan, which have been approved by shareholders, and the 2000 Stock Option Plan (the 2000 Plan), which has not been approved by shareholders. The 1991 Stock Option Plan expired in January 2001, and the Board of Directors voted to terminate the 2000 Plan in November 2007. All remaining shares reserved for issuance under each of these plans expired. The following table sets forth information regarding outstanding options and shares reserved for future issuance under the foregoing plans as of October 31, 2009.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c)
Equity compensation plans approved by shareholders	(1)	(2)	(3)
Equity compensation plans not approved by shareholders ⁽⁴⁾	438,325	\$18.80	—
Total			

(1) Includes 37,780 shares that are reserved and issuable upon exercise of options outstanding under the 1991 Plan, 213,042 shares that are reserved and issuable upon exercise of options outstanding under the 2001 Plan, and 258,000 shares that are reserved and issuable upon exercise of options outstanding under the 2004 Stock Incentive Plan.

(2) Includes a weighted-average exercise price for options outstanding under the 1991 Plan of \$7.64, a weighted-average exercise price for options outstanding under the 2001 Plan of \$14.12, and a weighted-average exercise price for options outstanding under the 2004 Stock Incentive Plan of \$27.14.

(3) Includes 53,884 shares that remain available for grant under the 2001 Plan, 557,251 shares that remain available for grant under the 2004 Stock Incentive Plan, and 732,769 shares reserved for future issuance under the 1993 Employee Stock Purchase Plan.

(4) Represents shares issuable upon exercise of outstanding stock options as of October 31, 2009. On November 15, 2007, the plan was terminated and there are no longer any shares remaining available for grant under the 2000 Plan.

Material Features of the 2000 Plan

Although the 2000 Plan was terminated in November 2007, as of October 31, 2009, options to purchase 438,325 shares of our common stock remained outstanding and not yet exercised under the 2000 Plan. The 2000 Plan provided for the granting of non-qualified stock options to employees and consultants with exercise prices equal to the fair market value of common stock on the date of grant. Options granted prior to August 2004 vest over five years at a rate of 20% on the anniversary date of the grant and in equal monthly installments over the remaining 48 months. Options granted under the 2000 Plan after August 2004 vest at a rate of 20% each year on the anniversary of the date of grant, with full vesting at the end of five years from the date of grant. Options granted under the 2000 Plan generally have a ten-year term.

Executive Compensation and Other Information

Information about the Executive Officers

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

As of October 31, 2009, our executive officers, who were elected by and serve at the discretion of the Board of Directors, were as follows.

Name	Age	Position
William B. Van Vleet III	51	President and Chief Executive Officer
Dr. John R. Treichler	62	Chief Technology Officer
Mark M. Andersson	50	Chief Operating Officer
James E. Doyle	54	Vice President, Finance and Chief Financial Officer
Dr. Michael J. Ready*	56	Chief Marketing Officer, Marketing and Business Development
Renato F. Roscher, Jr.	57	Executive Vice President, Broadband Communication Systems
Dr. Joseph Leonelli	54	Vice President, Intelligence and Electronic Warfare Systems
Dr. John F. Pesaturo, Jr.	55	Vice President, Sensor Systems
Roger W. Anderson	51	Vice President, Network Intelligence

**Dr. Ready ceased being an executive officer as of December 3, 2009, and retired from employment with the Company as of February 19, 2010.

William B. Van Vleet III has served as President and CEO of Applied Signal Technology since August 2008. For biographical information concerning Mr. Van Vleet, please see page 9.

Dr. John R. Treichler, a co-founder of the Company, has served as Chief Technology Officer of Applied Signal Technology since its incorporation in January 1984. For biographical information concerning Dr. Treichler, please see page 9.

Mark M. Andersson joined the Company in July 2009 as Chief Operating Officer. He joined the Company from the Harris Corporation, where he served as the Vice President of Propriety Programs in the National Programs business unit of Harris Government Communication Systems Division. Mr. Andersson had over 25 years of experience at Harris developing state-of-the-art technology and turnkey system solutions for ground-and space-based applications for multiple customers within the intelligence and law enforcement communities. Over his career, he assumed roles of increasing responsibility in the areas of business development, systems engineering, and program management. Mr. Andersson held multiple leadership positions overseeing strategic planning and operations of lines of business serving the intelligence community with yearly sales ranging from \$50 million to \$300 million.

James E. Doyle joined the Company in September 1991 as a Senior Contracts Administrator and was promoted to Department Manager in November 1991. In March 2000, he was elected Vice President of Finance and Chief Financial Officer.

Dr. Michael J. Ready joined the Company in May 1986. From 1987 to 1993, Dr. Ready was a manager within the Advanced Techniques Department. In 1995, he was promoted to Corporate Engineer overseeing programs across the corporation, including the Company IR&D programs, and served in that capacity until August 2005, when he was elected Chief Marketing Officer.

Renato F. Roscher, Jr. joined the Company in January 1987 as a Senior Engineer. In June 1995, he was promoted to Corporate Engineer and served in that capacity until January 2001, when he was promoted to Deputy General Manager of the Technical Operations Group. In November 2004, he was elected Executive Vice President of the Communications Systems Group, which was renamed and reorganized during 2008 as the Broadband Communications Systems Division.

Dr. Joseph Leonelli joined the Company in July 2005 as Vice President of the Homeland Defense Division in connection with the Company's acquisition of Dynamics Technology, Inc. He was selected as the Vice President of the Wireless Communication Systems Division in November 2005, which was renamed and reorganized as the Intelligence and Electronic Systems Division during 2008. Prior to his service at Dynamics Technology and Applied Signal Technology, Inc., Dr. Leonelli held multiple leadership positions at General Dynamics, Veridian Corporation, and the Battelle Memorial Institute.

Dr. John F. Pesaturo, Jr. joined the Company in July 2005 as Vice President of the Ocean Systems Division in connection with the Company's acquisition of Dynamics Technology, Inc. During 2008, this division was renamed and reorganized as the Sensor Systems Division. Prior to his service at Dynamics Technology and Applied Signal Technology, Inc., Dr. Pesaturo held multiple leadership positions at Lockheed Federal Systems and Westinghouse's Ocean Division (later Northrop Grumman).

Roger W. Anderson joined Applied Signal Technology on October 27, 2009, as Vice President of Network Intelligence. Mr. Anderson had over 28 years of experience in program and customer relationship management, strategic planning, program development, and systems engineering. Most recently, Mr. Anderson served as Senior Executive Account Manager for the Intelligence Community business area of Harris Government Communications Systems Division, a supplier of enabling technology and custom communications system solutions for intelligence community customers and pursuits. Before joining Harris in 2006, Mr. Anderson was Executive Vice President and General Manager of Mnemonics, Inc., a private defense electronics firm. Mr. Anderson retired as a senior executive from the Central Intelligence Agency in 2002 after 15 years of service.

Compensation Discussion and Analysis

Overview and Compensation Philosophy

The Compensation Committee of the Board of Directors administers our executive compensation programs. The Compensation Committee is composed exclusively of independent directors and oversees all compensation and benefit programs and actions that affect our executive officers.

Our objective is to grow our business as a leading provider of state-of-the-art intelligence, surveillance, and reconnaissance (ISR) products, systems, and services. To do so, we anticipate the needs of the global security marketplace and invest in research and development to introduce new capabilities. In some cases, our solution is to develop equipment or services that apply emerging technologies. In other cases, our solution is to develop equipment that offers smaller size, lower power consumption, and lower cost than our competitors' products. We are engaged in a very competitive industry, and our success depends upon our ability to attract and retain qualified executives. As a supplier to the United States Government, we require individuals able to obtain and maintain appropriate security clearances to fill our key officer positions, further limiting the available personnel. Our compensation programs for our executive officers are designed to promote recruitment and retention of key employees able to develop and enhance our solutions and to motivate performance critical to our long-term success, while at the same time maximizing shareholder value and encouraging strong operational and financial performance.

The Compensation Committee administers the compensation programs for our executive officers considering this competitive environment, but also believes that the compensation paid to our executive officers should be dependent upon our financial performance and the value that we create for our shareholders. As part of this philosophy, the Compensation Committee believes that successfully accomplishing business goals should result in rewarding individual achievement, and that failure to achieve established objectives should negatively affect executives' pay. Accordingly, variable compensation programs comprise a portion of the total compensation to our executive officers. Although the Compensation Committee has, from year to year, continued to increase the percentage of executive officer pay that is dependent on achievement of established business goals, the Compensation Committee weighs the accounting implications of increasing the variable portion of executive compensation, given our position as a supplier to the United States Government. The compensation programs for our executive officers contain a greater degree of pay at risk than the compensation programs of our other employees. The specific objectives of our executive compensation program include the following:

- Attract, retain, and motivate highly qualified, high performing executives to lead our continued growth and success by providing fair and competitive pay relative to comparably sized organizations in order to be competitive in our industry
- Reward performance by emphasizing variable compensation that is dependent upon the executive's achievements and our performance
- Align the interests of executives and shareholders through equity-based compensation awards

Compensation Process, Peer Group Selection, and Benchmarking

Compensation Process. As described above under "Corporate Governance, Committees of the Board of Directors, the Compensation Committee, pursuant to its charter, has responsibility for, among other functions: (i) reviewing and approving corporate goals and objectives applicable to the compensation of our Chief Executive Officer and evaluating the performance of our Chief Executive Officer in light of these corporate goals and objectives; (ii) reviewing and approving the compensation of other executive officers; (iii) reviewing and approving our equity incentive plans and awards made under these plans; (iv) reviewing and approving other incentive compensation awarded to our executive officers; and (v) determining and approving the total compensation for each of our executive officers based on an evaluation of his performance.

The Chairman of our Compensation Committee, together with our Chief Executive Officer, sets the agenda for meetings of the Compensation Committee. Our Vice President of Human Resources assists the Compensation Committee by compiling information as requested, and attends some of the meetings. The Committee also has the sole authority to select and/or retain outside counsel, compensation and benefits consultants, or any other consultants to provide it with advice and assistance in connection with the execution of its responsibilities, and outside counsel usually attends most meetings. During fiscal year 2009, the Committee retained Compensia, Inc. to assist it in the evaluation of our executive compensation programs.

Role of Management. Following the end of each fiscal year, our Chief Executive Officer evaluates executive officer performance for the prior fiscal year, other than his own performance, and discusses the results of such evaluations with the Compensation Committee. The Chief

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

Executive Officer assesses each executive officer's performance for the fiscal year based upon subjective factors concerning such officer's individual business goals and objectives, and the contributions made by the executive officer to our overall results. These evaluations include an assessment of the level of responsibility of each executive officer and contribution by each executive officer to the success of the Company during the fiscal year. The Chief Executive Officer then makes specific recommendations to the Compensation Committee for adjustments of base salary, target bonus, and equity awards, if appropriate, as part of the compensation packages for each executive officer, other than himself, for the next fiscal year.

The Compensation Committee reviews and assesses the performance of the Chief Executive Officer and determines all compensation for all executive officers, considering the recommendations from the Chief Executive Officer. The Compensation Committee discusses the recommendations of the Chief Executive Officer in executive session without any other members of management present, and may modify the recommendations when approving final compensation packages.

Management also periodically provides recommendations to the Compensation Committee regarding benefit plan design and strategies, including recommendations on the design and implementation of our bonus plans and our equity incentive plans. The financial goals and criteria underlying our Annual Incentive Plan are determined by reference to our annual operating plan, which is proposed by management and approved by the Board of Directors.

Independent Compensation Consultants. Management has historically obtained certain survey information from Radford Consulting, a division of Aon Corporation, an independent consulting firm ("Radford") or from Buck Consulting, another independent compensation consulting firm, concerning executive compensation at peer group companies and has annually presented this information to the Compensation Committee. The Compensation Committee has not historically retained independent compensation consultants, nor relied substantially on information provided by independent compensation consultants when determining executive officer compensation other than this survey data purchased from Radford, or previously from Buck Consulting.

The Committee met in November 2008 to discuss executive compensation matters for fiscal 2009. The Compensation Committee reviewed survey data received from Radford Consulting, a division of Aon Corporation ("Radford Consulting") concerning compensation payable to executive officers at comparable levels at companies with comparable annual revenue. The Compensation Committee was provided with data from the Radford Executive Survey, a survey compiled by Radford Consulting from information provided by more than 700 participating companies representing a wide range of technologies. Survey results for 80 positions are published quarterly, sorted by revenue size of the company. Data is provided concerning base salary, bonus/incentives, total cash compensation, stock options and restricted stock, and total direct compensation, by position, and by each position for the average compensation paid, and compensation paid at the 90th, 75th, 60th, 50th, 25th, and 10th percentiles within the survey. Data presentation for all six default percentiles requires a sample of ten or more incumbents. Percentiles reflect the value for the calculated result found at a specific point in the sorted array of responses from high to low. Total direct compensation is the value received in cash plus ongoing stock options granted in the previous twelve months, using the net present value or Black-Scholes method, and where it includes the value of restricted stock, the fair market value of ongoing restricted stock awards.

The Radford Executive Survey is a rolling database, refreshed quarterly. Throughout this compensation process, neither management nor any member of the Compensation committee communicated directly with Radford, and we purchased the survey directly from Radford without modification or tailoring for specific circumstances of the Company.

Peer Group Selection and Benchmarking. Although the Compensation Committee has always sought to set the base salary and total compensation of our executive officers in line with compensation payable to executive officers at companies with which we are competitive for personnel, for fiscal year 2009 the Compensation Committee relied exclusively on the 2008 Radford Executive Survey for high technology companies as a comparative framework to define specific peer companies and data sources to be used in the assessment of executive compensation. For our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Technology Officer, and Chief Marketing Officer, the Compensation Committee reviewed the Radford Executive Survey data for companies with revenue of \$50 million to \$199.9 million being the range of total revenues. For the Executive Vice President of our largest revenue generating division, the Compensation Committee reviewed Radford Executive Survey data for companies with revenue of up to \$100 million, which is a closer approximation of the total revenues for which he has responsibility. For the other Vice Presidents, the Compensation Committee reviewed Radford Executive Survey data for companies with revenue of up to \$50 million to appropriately match their division revenue.

The Compensation Committee sought to set the base salary of our executive officers close to the 75th percentile as indicated in the Radford Executive Survey, with deviations from such percentages being made to reflect differences in experience or level of responsibility of each executive officer. Compensation positioning is reviewed in order to assess the pay levels and pay mix of the executive compensation program, while actual executive compensation may be above or below the stated philosophy based upon experience, scope of position, and individual performance. The Committee also set total cash compensation as close to the 75th percentile as possible, noting that typically, equity compensation awarded by us to our executive officers is lower than many peer companies.

Elements of Compensation and How Each Element is Chosen

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

In order to achieve our compensation objectives, our executive compensation is based upon the following principles:

- Promote the recruitment and retention of key employees and reward individual achievement
- Create value for our shareholders by designating a portion of compensation as dependent on our financial performance, while concurrently fostering cooperation among divisions, and cross-selling of multiple capabilities
- Place an emphasis on performance-based variable pay and foster a culture of pay-for-performance within the company

For fiscal year 2009, each executive officer's compensation consisted of three elements: (i) base salary, (ii) cash bonus based upon participation in our Annual Incentive Plan, tied to our attainment of pre-established objectives, and (iii) long-term stock-based incentive awards in the form of restricted stock designed to align the interests between our executive officers and our shareholders. In setting compensation, the Compensation Committee considers:

- Cash versus non-cash compensation, and the appropriate balance between each
- Amount of compensation paid for the prior year, and the general level of increases or decreases to be made thereto
- Performance and competitive practices

The Compensation Committee will review our prior year operating and financial performance as well as peer group pay practices and any emerging compensation trends when determining executive compensation programs.

In determining the size of total cash compensation and equity awards made to our Chief Executive Officer and our other executive officers, the Committee is mindful of internal pay equity considerations, but also considers the ability of each executive officer to impact Company performance. The Compensation Committee is also aware of the benefits of fostering cooperation among our divisions, and considers the relative size of each executive officer compensation package with that in mind.

The Committee reviewed detailed historical information concerning the compensation and benefits previously paid to executive officers, and confirmed its philosophy of continuing to provide that a greater portion of executive compensation be comprised of incentive compensation than in previous fiscal years. The Committee considered the impact of Company Fiscal Year 2008 financial and operating performance, the Company performance objectives to be established for Fiscal Year 2009, and how each element of officer compensation could incentivize officers to achieve such Company performance during Fiscal Year 2009. The Committee noted that Fiscal Year 2008 was a year of substantial change for the Company, including significant management changes and noted the performance of the executive officers in light of all of such changes, including the streamlining of the organization and the reduction of operating expenses.

Base Salaries. Our base salaries are set at levels that are designed to aid in the recruitment and retention of key employees with needed skills. Base salary is not dependant on Company performance, and is based upon the individual's level of responsibility, experience, individual performance, and contribution to our overall success.

Base salaries of the executive officers are reviewed annually at the conclusion of the prior fiscal year, and are generally effective from the beginning of the fiscal year. For fiscal Year 2009, the Compensation Committee targeted base salaries of executive officers at the 75th percentile of the Radford Executive Survey, on a job-by-job basis with individual variations explained by differences in experience, skills, and sustained performance, as the Compensation Committee has determined that this is the level at which it believes that salaries should be set in order to attract and retain qualified individuals able to fill our needs, particularly given the need to retain experienced executives able to obtain and hold the requisite security clearances needed. The Compensation Committee also reviews individual factors, including the role, scope of responsibility, leadership, and performance, including the individual's contribution to company performance in the prior fiscal year.

Annual Incentive Compensation. Our annual incentive pay, in the form of awards under our Annual Incentive Plan, is designed to motivate the executive officers to attain vital short-term Company goals. Our annual incentive compensation is designed to reward individual achievement, while at the same time creating value for our shareholders by designating a portion of compensation as dependent on our financial performance. Executive officers are eligible for incentive compensation annually under our non-shareholder-approved Annual Incentive Plan. Awards under the Annual Incentive Plan are determined based upon Company performance against pre-established financial targets.

The amount of the total target bonus payable to each executive officer varies based upon the position and responsibilities of the employee and ability to impact overall Company performance, and is set at the beginning of the year as a percentage of such employee's base annual salary. The intent of the new targets is to provide a competitive level of compensation when the individual and the Company achieve performance objectives approved by the Compensation Committee. For fiscal year 2009, the Compensation Committee again placed a higher percentage of total cash compensation payable to each executive officer at risk and payable only upon achievement of Company performance. The Compensation Committee had previously determined that the more senior the officer, the greater responsibility for overall Company performance, and the greater the ability to impact Company performance. Accordingly, the percentage of base salary representing target bonus awards is higher for our Chief Executive Officer than for our other executive officers.

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

The target bonuses were established as a percentage of base salary, and for each of our named executive officers for fiscal year 2009 were as follows.

Employee	Target Award
William B. Van Vleet III	35% of base salary
James E. Doyle	30% of base salary
Dr. John R. Treichler	30% of base salary
Dr. Michael J. Ready	25% of base salary
Renato F. Roscher, Jr.	30% of base salary

These target bonuses represented an increase in the size of the targeted bonuses payable to executive officers from those set for fiscal year 2008 under the Annual Incentive Plan, in order to increase the percentage of total compensation that is dependent on achievement of established business goals, as well as to reward management for its performance and to continue to incent high performance.

For fiscal year 2009, performance metrics under the Annual Incentive Plan applicable to our Chief Executive Officer and Chief Financial Officer were tied to Company performance only, without individual performance requirements, given the need for these executive officers to work together and across groups and divisions in order to achieve the performance growth expected. The performance objectives applicable to our Chief Technology Officer included individual performance objectives, given his importance to our continued success with specific customers. Performance targets applicable to our division leaders, by contrast, included division financial metrics in addition to corporate financial metrics, in order to incentivize such officers to meet operating income targets set by the Board of Directors. The Compensation Committee believed that by keeping a portion of the annual performance compensation dependent upon achievement of Company targets, the Annual Incentive Plan aids in fostering cooperation among divisions, and cross-selling of multiple capabilities, while at the same time, individual division financial metrics focused the attention of officers with division responsibilities on achievement of the division goals necessary to meet total Company goals and objectives.

The Company financial goals under the Annual Incentive Plan for fiscal year 2009 were revenue and profitability targets. The minimum threshold for meeting a Company financial target was 90% attainment of the applicable financial target. At the minimum threshold, no bonus was payable for achievement of that metric. The bonus payable increased linearly from 0% at 90% achievement of the financial targets to 100% at 100% achievement of the financial targets. Maximum performance was lowered to 110% achievement of the financial targets, at which point the bonus payable was 150% of the target bonus. For those executive officers with individual targets, the targets included division revenue and division profit, and in one case, Company bookings.

For our Chief Executive Officer, Chief Financial Officer, and our Chief Operating Officer, who joined us mid-year, performance goals were weighted 50% for achievement of revenue targets and 50% for achieved of Company-adjusted earnings before interest and taxes. For our Chief Technology Officer, achievement was weighted 75% for achievement of Company financial targets and 25% for achievement of personal objectives. For three of our divisional officers, the targets were weighted 50% for achievement of Company financial targets and 50% for achievement of division financial targets; and for one officer, the weighting was 100% achievement of Company bookings.

For purposes of calculating payments under the Annual Incentive Plan, in fiscal year 2009, we achieved 97.74% of the target Company revenue, and exceeded the maximum threshold of 110% of target Company adjusted earnings before interest and taxes. Achievement of division revenue ranged from 72.88% to 102.78%, and of division profit from 61.87% to 102.35%; accordingly, total bonuses paid to executive officers under the Annual Incentive Plan for fiscal year 2009 ranged from approximately 57% to 118%. The variability in bonus awards represented the variability in achievement of division financial targets; those officers, including our Chief Executive Officer, who were evaluated solely on achievement of Company financial targets received bonuses representing approximately 114% of the target bonus award.

Equity Compensation Awards

Equity compensation has traditionally been an important element of our compensation programs company-wide. Because the value of the equity awards will increase only when shareholder value increases, the grant of such equity awards provides long-term incentives to our executive officers. These awards not only serve to align the executives' interests with those of the shareholders over an extended period of time, but because they also generally are subject to vesting in connection with continued service to us over a specified period of time, these awards serve as an additional retention mechanism. The Compensation Committee believes that both of these elements are important factors in executive compensation. All equity awards to our executive officers, currently and for the past several fiscal years, are made at regularly scheduled meetings of the Compensation Committee, and not by written consent.

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

The Compensation Committee believes that we must offer a competitive equity incentive program if we are to continue to successfully attract and retain the best possible candidates for positions of responsibility within the Company. Employees with a stake in our future become highly motivated to achieve long-term growth and increase shareholder value. For fiscal year 2009, the Compensation Committee continued to make an annual retention grant comprised of an award of restricted stock rather than a stock option grant. Restricted stock awards were introduced as the equity component of our executive compensation program during fiscal year 2006, and continue to be the only form of equity compensation awarded to our executive officers and non-officer employees. The Compensation Committee believes that the award of restricted stock provides greater retentive value than stock options, as there is value in the restricted stock grant even if the price of our common stock does not increase. None of our equity awards have been subject to performance-based vesting. Our executives generally receive such annual equity awards in connection with their performance review, and awards were granted in December 2009, following a review of fiscal year 2009 performance. Each award vests in equal annual installments over four years from the date of grant. Dividends are payable on the awards during the vesting period.

In approving equity awards to executive officers for fiscal year 2009, the Compensation Committee considered each individual's experience, the scope of such individual's responsibilities, his performance in the applicable role, and his expected future contribution to our goals and shareholder value. When making awards, the Compensation Committee also notes the percentage of total equity awards made to Company employees represented by awards to executive officers. For fiscal year 2009, we granted equity awards of restricted stock representing an aggregate of 71,300 shares of which 38,500 shares, or 54%, represented awards to executive officers. The Compensation Committee believes that executive officers have a greater ability to impact total Company performance, and accordingly expects to continue to award a greater proportion of our total equity awards each year to our executive officers.

Market Timing of Equity Awards and Trading Windows

The Compensation Committee does not engage in any "market timing" of equity awards made to the executive officers or other award recipients. As discussed earlier, annual equity awards granted to existing executive officers are made in connection with an annual review process that occurs at a regularly scheduled meeting of the Compensation Committee, the date of which is set at the beginning of the fiscal year. Accordingly, there is no established practice of timing our awards in advance of the release of favorable financial results or adjusting the award date in connection with the release of unfavorable financial developments affecting our business. Equity awards for newly hired employees, including newly hired executive officers, are normally made on the first day of the first fiscal quarter subsequent to the employee's actual commencement of employment. Under our current practice, equity awards for all officers and directors are made by the Compensation Committee and equity awards for other eligible individuals are made by the Chief Executive Officer. It is our intent that all stock option grants, whether made by the Compensation Committee or the Chief Executive Officer, have an exercise price per share equal to the closing selling price per share on the grant date.

It is our policy that officers and directors may neither purchase or sell options of our common stock nor engage in short sales or margin trading with respect to our common stock. Additionally, they must trade within certain periods that are approved by us. Specifically, officers and certain other designated employees must comply with the following requirements:

- Refrain entirely from trading in "puts" and "calls" (publicly traded options to sell or buy stock) straddles, equity swaps, or other derivative securities that are directly linked to our stock
- Do not engage in trading our securities outside of "window periods" (such period generally begins on the second day following the date of release of the quarterly or annual statements of sales and earnings and ends on the first day of the last month of our quarter)

Stock Ownership Guidelines

At present, we do not have any equity or security ownership requirements for our executive officers.

Change in Control and Severance Agreements

We have no separate change in control or severance arrangements with any of our executive officers. However, we have entered into an Executive Retention and Severance Agreement with each of our executive officers as described under "Executive Employment Agreements" below. The potential payments that each of the named executive officers would have received if a change in control or termination of employment would have occurred on November 1, 2009, are set forth under the section titled "Potential Payments upon Termination or Change in Control" below. These agreements provide that our executive officers will receive compensation and benefits if they lose their jobs under certain circumstances, including in connection with a change in our control. The Compensation Committee initially adopted, and has maintained, these agreements because the Compensation Committee believes that such arrangements protect the interests of our employees, particularly our senior employees, when a potential change of control could affect his or her job security. In addition, since the agreements mitigate any concern our executive officers may have in connection with a termination of their employment by us, or the loss of employment as a result of a change in our control, they promote the interests of shareholders by assuring that management focuses on evaluating opportunities that are in our best interests, without concentrating on individual personal interests. These agreements also help ensure that our management stays committed to furthering our interests, even if we were to consider a transaction that resulted in a change of our control. This allows our executive officers to focus on

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

corporate transactions that are in the best interests of our shareholders without undue concern over whether a transaction may jeopardize the executive's own employment. The Compensation Committee believes that this plan provides benefits that are typical among comparable companies.

The plan provides for continuation of monthly payments and benefits as a result of a termination of employment by us without cause or by the employee for good reason during the one year following a change in control. The plan also provides for continuation of monthly payments and benefits as a result of termination of employment by us without cause or by the employee for good reason in the absence of a change in our control. The payments consist of a multiple of base salary and annual bonus; in addition, under the Annual Incentive Plan, any bonus earned through the date of termination is payable at the time that bonuses are paid to all other executive officers for such fiscal year. Under the Executive Retention and Severance Plan, the multiple for our Chief Executive Officer is two times annual base salary and bonus, and for all other executive officers is one times annual base salary and bonus.

Other Benefits and Perquisites

We provide other customary benefits that are comprehensive and apply uniformly to all of our employees, including our executive officers, including comprehensive medical, dental, life, and disability coverage. The purpose of this element of compensation is to provide assurance of financial support in the event of illness or injury, encourage retirement savings, and encourage additional equity ownership by our employees. Our executive officers are able to participate in the Applied Signal Technology, Inc. 401(k) Plan that featured a matching contribution up to a maximum of six percent of \$235,000 per employee, per annum at the rate of \$0.75 per \$1.00 contributed by the employee.

It is not our practice to provide our executive officers with any meaningful perquisites, other than the benefits described above.

Deferred Compensation Programs

We do not maintain any non-qualified deferred compensation programs for our executive officers or any supplemental executive retirement plans. We believe that the equity award component of each executive officer's total direct compensation should serve as a major source of wealth creation, including the accumulation of substantial resources to fund the executive officer's retirement years.

Tax and Regulatory Considerations

When approving the executive compensation programs, the Compensation Committee considers compliance with the rules enacted by federal, state, and local authorities applicable to compensation decisions. The specific areas of regulation that impact our compensation programs include:

- Section 162(m) of the Internal Revenue Code and related Treasury Department regulations, which restrict deductibility of executive compensation paid to our Chief Executive Officer and each of our other most highly compensated executive officers holding office at the end of any year to the extent such compensation exceeds \$1,000,000 for any of such officers in any year and does not qualify for an exception under the statute or regulations. Income from options granted under our shareholder-approved stock option plan would generally qualify for an exemption from these restrictions so long as the options are granted by a committee whose members are "outside directors" (as defined by Section 162(m)) and have an exercise price no less than the fair market value of the shares on the date of grant. We expect that the Compensation Committee will continue to be comprised solely of outside directors, and that any equity awards granted to our executive officers will be approved by the Compensation Committee. The Compensation Committee does not believe that in general other components of our compensation will be likely to exceed \$1,000,000 for any executive officer in the foreseeable future, and therefore concluded that no further action with respect to qualifying such compensation for deductibility was necessary at this time. In the future, the Compensation Committee will continue to evaluate the advisability of qualifying its executive compensation for deductibility of such compensation. The Committee's policy is to qualify its executive compensation for deductibility under applicable tax laws as practicable.

However, compensation that is deemed to be "performance based" under Section 162(m) is generally excluded from this limit. To enable compensation in connection with stock options, stock appreciation rights, certain restricted stock and restricted stock unit awards, performance share and performance unit awards, and certain other stock-based or cash-based awards granted under the 2004 Plan to qualify as "performance based" within the meaning of Section 162(m), the shareholders approved certain material terms of the 2004 Plan. While we believe that compensation in connection with such awards under the 2004 Plan generally will be deductible by us for federal income tax purposes, under certain circumstances, such as a change in our control, compensation paid in settlement of certain awards may not qualify as "performance based."

Section 409A of the Internal Revenue Code, which covers deferred compensation. We are committed to ensuring our programs are designed to comply with Section 409A, and the Compensation Committee reviewed and approved amendments to our Executive Retention and Severance Plan, as well as our 2004 Stock Incentive Plan, during fiscal year 2008 to ensure compliance with these regulations.

Report of the Compensation Committee

We, the Compensation Committee of the Board of Directors of Applied Signal Technology, Inc., have reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management. Based on such review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in Applied Signal Technology's Annual Report on Form 10-K for the fiscal year ended October 31, 2009.

Compensation Committee

Milton E. Cooper, Chairman
John P. Devine
David D. Elliman

Summary Compensation Table

The following table sets forth information concerning the compensation earned during the fiscal years ended October 31, 2009, 2008, and 2007, by our Chief Executive Officer, our Chief Financial Officer, and other three most highly-compensated executive officers.

Name and Principal Position	Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Stock Awards (\$) ⁽³⁾	Option Awards (\$) ⁽⁴⁾	Non-Equity Incentive Plan Compensation (\$) ⁽⁵⁾	All Other Compensation (\$) ⁽⁶⁾	Total (\$)
William B. Van Vleet III President and Chief Executive Officer	2009	\$413,848	\$	\$172,072	\$38,155	\$165,157	\$42,866	\$832,098
	2008	\$352,011	\$50,000	\$80,790	\$38,259	\$30,120	\$35,333	\$586,513
	2007	\$296,770	—	\$43,467	\$38,155	\$57,331	\$21,138	\$456,862
James E. Doyle Vice President, Finance and Chief Financial Officer	2009	\$316,778	—	\$57,846	\$36,630	\$108,176	\$292,321	\$811,751
	2008	\$314,068	—	\$46,988	\$92,890	\$25,162	\$32,173	\$511,281
	2007	\$300,686	—	\$32,601	\$126,338	\$58,089	\$20,901	\$538,614
Dr. John R. Treichler Chief Technology Officer	2009	\$327,758	—	\$61,327	\$41,811	\$108,678	\$255,375	\$794,949
	2008	\$320,577	—	\$46,988	\$91,175	\$25,684	\$34,118	\$518,542
	2007	\$307,016	—	\$32,601	\$92,591	\$59,311	\$23,111	\$514,630
Renato F. Roscher, Jr. Vice President, Broadband Communications Division	2009	\$300,363	—	\$72,398	\$67,633	\$106,675	\$31,343	\$578,411
	2008	\$294,042	—	\$58,088	\$73,803	\$34,158	\$26,053	\$486,144
	2007	\$285,463	\$7,541	\$43,467	\$85,685	\$55,148	\$22,076	\$499,379
Dr. Michael J. Ready Chief Marketing Officer	2009	\$290,099	—	\$51,204	\$27,102	\$59,588	\$124,067	\$552,059
	2008	\$287,435	—	\$40,327	\$46,505	\$23,043	\$25,535	\$422,845
	2007	\$272,823	—	\$26,080	\$46,378	\$52,708	\$17,887	\$415,876

⁽¹⁾ Includes amounts (if any) deferred at the named executive officer's option under Applied Signal Technology's 401(k) plan.

⁽²⁾ The amount shown for Mr. Van Vleet in fiscal 2008 represents a retention bonus paid to him in consideration of his service as Chief Executive Officer following the resignation of our former Chief Executive Officer.

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

The amount shown for Mr. Roscher in fiscal 2007 represents a cash award paid for achieving twenty years of service; similar awards are given to all employees that achieve this service goal.

(3) The amounts shown are the compensation costs recognized in our financial statements for fiscal years 2009, 2008, and 2007 related to shares of restricted stock awarded to the executive officer, to the extent we recognized compensation cost in fiscal year 2009, 2008, and 2007 for such awards, excluding the impact of estimated forfeitures related to service-based vesting conditions. The fair values of the shares of restricted stock awarded were calculated based on the fair market value of our common stock on the respective grant dates.

(4) The amounts shown are the compensation costs recognized in our financial statements for fiscal years 2009, 2008 and fiscal year 2007 related to grants of stock options to each named executive officer in fiscal years 2009, 2008, 2007, and prior years, to the extent we recognized compensation cost in fiscal years 2009 or fiscal year 2008, or fiscal year 2007 for such awards, excluding the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of valuation assumptions used in calculation of stock-based compensation, see Note 1 of Notes to Consolidated Financial Statements, "Organization and Summary of Significant Accounting Policies—Stock-Based Compensation" included in Part IV, Item 15 of our Annual Report on Form 10-K for the year ended October 31, 2009.

(5) We award bonuses pursuant to an Annual Incentive Plan, which provides for the award of annual cash bonuses based upon threshold, target, and maximum payout amounts set by the Compensation Committee at the beginning of each fiscal year. See "Compensation Discussion and Analysis, Elements of Compensation and How Each Element is Chosen, Annual Incentive Compensation." The actual amount paid to each named executive officer for the fiscal year ended October 31, 2009, is set forth in the Summary Compensation Table under the heading, "Non-Equity Incentive Plan Compensation." A description of the terms of the Annual Incentive Plan is set forth in the Compensation Discussion and Analysis, above.

(6) The compensation represented by the amounts for fiscal year 2009, 2008 and fiscal year 2007 set forth in the All Other Compensation column for the named executive officers are detailed in the following table.

Name	Year	Retirement Bonus ^(a)	401(k) Employer ^(b)	Excess Life ^(c)	Dividends Received on Stock Awards ^(d)	Payments for Unused Vacation ^(e)	Total
William B. Van Vleet III	2009	\$—	\$9,519	\$1,120	\$20,256	\$11,971	\$42,866
	2008	\$15,107	\$9,200	\$1,055	\$9,971	—	\$35,333
	2007	\$6,611	\$8,967	\$729	\$4,832	—	\$21,138
James E. Doyle	2009	\$—	\$9,519	\$1,120	\$7,250	\$274,432	\$292,321
	2008	\$16,103	\$9,200	\$1,120	\$5,750	—	\$32,173
	2007	\$7,067	\$8,967	\$1,117	\$3,750	—	\$20,901
Dr. John R. Treichler	2009	\$—	\$9,519	\$3,215	\$7,750	\$234,891	\$255,375
	2008	\$15,955	\$9,200	\$3,213	\$5,750	—	\$34,118
	2007	\$7,188	\$8,967	\$3,206	\$3,750	—	\$23,111
Renato F. Roscher, Jr.	2009	\$—	\$9,519	\$2,094	\$7,743	\$11,987	\$31,343
	2008	\$8,373	\$9,200	\$2,093	\$6,387	—	\$26,053
	2007	\$6,188	\$8,967	\$2,089	\$4,832	—	\$22,076
	2009	\$—	\$9,519	\$2,094	\$5,666	\$106,788	\$124,067

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

Dr. Michael J. Ready	2008	\$4,904	\$8,967	\$1,117	\$2,899	—	\$17,887
	2007	\$4,904	\$8,967	\$1,117	\$2,899	—	\$17,887

(a) Represents four percent of the salary over the maximum annual federal limit of the Company-funded Applied Signal Technology 401(k) Retirement Plan contributions. These amounts were accrued at the end of each fiscal year and paid during the following fiscal year. For fiscal year 2009, this plan was amended such that the we no longer contributed four percent of the salary.

(b) Represents the company-funded Applied Signal Technology 401(k) Retirement Plan contributions.

(c) Represents the payment of excess life insurance benefits.

(d) The amounts shown represent the dividend payments received during fiscal year 2009, associated with restricted stock awards.

(e) Represents accrued, but unused, vacation that was paid as a result of a change to our vacation policy.

Grants of Plan-based Awards

The following table sets forth certain information with respect to stock and option awards granted during the fiscal year ended October 31, 2009, to our named executive officers.

Name	Grant Date	Estimated Future Payouts Under Non-equity Incentive Plan Awards ⁽¹⁾⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽³⁾	Grant Date Fair Value of Stock and Option Awards (\$) ⁽⁴⁾
		Threshold (\$)	Target (\$)	Maximum (\$)		
William B. Van Vleet III	11/19/08	\$—	\$145,250	\$217,875	7,500	\$110,250
James E. Doyle	11/19/08	\$—	\$95,138	\$142,706	3,000	\$44,100
Dr. John R. Treichler	11/19/08	\$—	\$98,548	\$147,822	4,000	\$58,800
Renato F. Roscher, Jr.	11/19/08	\$—	\$90,309	\$135,463	4,000	\$58,800
Dr. Michael J. Ready	11/19/08	\$—	\$72,604	\$108,906	3,000	\$44,100

(1) We award bonuses pursuant to an Annual Incentive Plan, which provides for the award of annual cash bonuses based upon threshold, target, and maximum payout amounts set by the Compensation Committee at the beginning of each fiscal year. See "Compensation Discussion and Analysis, Elements of Compensation and How Each Element is Chosen, Annual Incentive Compensation." The actual amount paid to each named executive officer for the fiscal year ended October 31, 2009 is set forth in the Summary Compensation Table under the heading "Non-Equity Incentive Plan Compensation." See the disclosure under "Compensation Discussion and Analysis—Elements of Compensation and How Each Element is Chosen—Annual Incentive Compensation" for a discussion of the terms under which awards are payable under the Annual Incentive Plan.

(2) The threshold amounts included in the table above reflect the minimum payment level under the Annual Incentive Plan, as the 2009 Annual Incentive Plan has a minimum threshold that had to be reached before payments were triggered. The minimum, target and maximum amounts are reflected on an annualized basis.

(3) These amounts represent shares of restricted stock granted in fiscal year 2009, pursuant to our 2004 Stock Incentive Plan. The shares of restricted stock vest at the rate of 25% on each anniversary of the date of grant, and are fully vested at the end of four years, so long as the employee remains an employee of Applied Signal Technology at each vesting date.

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

(4) The dollar value of restricted stock shown represents the grant date fair value calculated based on the fair market value of our common stock on the respective grant dates. The actual value that an executive will realize on each share of restricted stock award will depend on the price per share of our common stock at the time the shares of restricted stock are sold. There can be no assurance that the actual value realized by an executive will be at or near the grant date fair value of the restricted stock awarded.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information with respect to the value of all unexercised options previously awarded to our named executive officers as of October 31, 2009.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable ⁽¹⁾	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Awards		Stock Awards				
			Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) ⁽²⁾	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽³⁾			
William B. Van Vleet III	16,000	4,000	\$18.85	7/1/2015	1,250	\$25,613			
					2,500	\$51,225			
					4,500	\$92,205			
					15,000	\$307,350			
					7,500	\$153,675			
James E. Doyle	2,965	3,000	\$32.19	1/10/2013		\$19,199			
					15,246	\$12.30	2/24/2013	937	
					1,004	\$12.30	2/24/2013	1,874	\$38,398
					5,899	\$26.10	3/11/2014	3,000	\$61,470
					9,101	\$26.10	3/11/2014		
					9,035	\$32.19	1/10/2013	3,000	\$61,470
					2,965	\$32.19	1/10/2013		
Dr. John R. Treichler	3,846	3,000	\$32.19	1/10/2013		\$19,199			
							937		
							1,874	\$38,398	
					12,049	\$26.10	3/11/2014	3,000	\$61,470
					2,951	\$26.10	3/11/2014		
Renato F. Roscher, Jr.	6,760	894	\$32.19	1/10/2013	4,000	\$81,960			
					12,000	\$13.39	2/28/2013	1,250	\$25,613
					9,240	\$32.19	1/10/2013	2,500	\$51,225
					3,000	\$61,470			
					4,000	\$81,960			

					750	\$15,368
					1,500	\$30,735
					3,000	\$61,470
Michael	9,600		\$20.46	12/15/2013	3,000	\$61,470
Ready	10,000	2,400	\$20.85	8/18/2013		

(1) Each option vests and becomes exercisable at the rate of 20% per year in five successive annual installments upon the executive's completion of each year of service over a four-year service period, measured from the grant date.

(2) Each restricted stock award vests and becomes exercisable at the rate of 25% per year in four successive annual installments upon the executive's completion of each year of service over a four-year service period, measured from the award date, and shall be subject to automatic forfeiture if the recipient's performance of services with us terminates prior to the date on which the shares vest.

(3) Represents the fair market value per share of our common stock, being the closing sales price on the NASDAQ Global Market on October 30, 2009 (\$20.49), multiplied by the number of shares that had not vested as of October 31, 2009.

Option Exercises and Stock Vested During Last Fiscal Year

The following table sets forth certain information concerning option exercises by our named executive officers during the fiscal year ended October 31, 2009.

2009 Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽²⁾
William B. Van Vleet III	—	—	9,000	\$194,815
James E. Doyle	15,000	\$293,550	2,875	\$51,664
Dr. John R. Treichler	15,000	\$169,050	2,875	\$51,664
Renato F. Roscher, Jr.	8,000	\$108,480	3,500	\$63,335
Dr. Michael Ready	—	—	2,500	\$44,665

(1) The value realized on exercise is the difference between the fair market value on the date of exercise, being the market price of our common stock on the date of exercise, and the exercise price.

(2) The value realized on vesting is determined by multiplying the number of shares of stock by the market value of the underlying shares on the vesting date, based upon the market price of our common stock on the vesting date.

Executive Employment Agreements

Executive Retention and Severance Plan

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

On August 18, 2004, the Compensation Committee adopted the Executive Retention and Severance Plan (the “Executive Severance Plan”), which provides certain benefits to the Company’s executive officers and key employees upon involuntary termination of employment and in connection with a change in our control.

A participant who is terminated without cause or resigns following certain adverse changes in employment circumstances, including any such termination or resignation that occurs during a period from the first public announcement of a change in control and ending 12 months after a change in control will be entitled to specified severance benefits. In addition to accrued compensation, including any earned but unpaid prior year bonus, and benefits earned under our employee benefit and equity compensation plans, the terminated participant will receive cash severance payments equal to the aggregate of the participant’s base salary for a period of 24 months in the case of the chief executive officer, and 12 months in the case of other executive officers, plus an amount equal to the participant’s annual bonus for one year. In addition, participants will be entitled to receive for the same respective periods employer-paid health benefits substantially similar to those provided immediately prior to the termination. Provision of all such benefits is conditioned upon the participant’s execution of a release of claims against us and entry into a covenant not to compete with us set forth in a restrictive covenants agreement. The participant may elect to terminate the restrictive covenants agreement, including the termination of the non-competition agreement, in exchange for forfeiting any additional severance payments payable after such termination.

The Executive Severance Plan provides that if, in the event of a change in our control, the company acquiring Applied Signal Technology does not assume the outstanding stock options of the participants in the Executive Severance Plan or substitute equivalent options for the acquiring company’s stock, then the vesting and exercisability of the participants’ options will be accelerated in full ten days prior to, but conditioned upon, the consummation of the change in control transaction. Furthermore, upon a change in control, any restricted stock or restricted stock unit awards held by participants in the Executive Severance Plan will vest in full. The treatment of any other stock options or other stock-based awards held by Executive Severance Plan participants upon a change-in-control will be determined under the plans or agreements providing for such options or awards.

Following a participant’s termination of employment, the participant will be indemnified by us to the fullest extent permitted under applicable law and will be provided with directors’ and officers’ liability insurance (if applicable) for a period of six years, each as set forth in the Executive Severance Plan. If any payment or benefit received or to be received by the executive officer pursuant to the Executive Severance Plan or otherwise would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, then we will pay the executive officer only such amounts as will not exceed the amount that produces the greatest after-tax benefit to the participant.

For purposes of this Executive Severance Plan, a change in control means the occurrence of any of the following:

- Any person or entity becomes the beneficial owner, directly or indirectly, of more than fifty percent (50%) of our outstanding shares of common stock
- We are a party to a merger, consolidation, or similar corporate transaction, or series of related transactions, which results in the holders of our voting securities outstanding immediately prior to such transaction(s) failing to retain immediately after such transaction(s) direct or indirect beneficial ownership of more than fifty percent (50%) of our outstanding shares of stock
- The sale or disposition of all or substantially all of our assets or consummation of any transaction, or series of related transactions, having similar effect
- A change in the composition of the Board within any consecutive two-year period as a result of which fewer than a majority of the directors are incumbent directors

“Cause” means the occurrence of any of the following, as determined in good faith by a vote of not less than two-thirds of the entire membership of the Board at a meeting of the Board called and held in whole or in part for such purpose:

- The executive’s commission of any material act of fraud, embezzlement, dishonesty, intentional falsification of any employment or other Company records, or any criminal act which impairs his or her ability to perform his or her duties
- The executive’s willful misconduct, breach of fiduciary duty for personal profit or material failure to abide by our code of conduct or other policies
- The executive’s unauthorized use or disclosure of confidential information or trade secrets of ours
- The executive’s conviction for a felony causing material harm to our reputation and standing

“Good Reason” means the occurrence during the two-year period following a change in our control of any of the following conditions without the executive’s consent:

- A material, adverse change in the executive’s position, duties, substantive functional responsibilities, or reporting responsibilities, causing the executive’s position to be of materially lesser rank or responsibility
- A decrease in the executive’s base salary rate or target bonus amount
- Any failure to continue to provide the executive with the opportunity to participate in any benefit or compensation plans and programs in which the executive was participating immediately prior to such failure, or to provide the executive with all other fringe benefits

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

from time to time in effect for the benefit of any employee group that customarily includes a person holding the employment position or a comparable position then held by the executive

- The relocation of the executive's work place to a location that increases the regular commute distance by more than thirty (30) miles, or, following the consummation of a change in our control, the imposition of business travel requirements substantially more demanding than such travel requirements existing immediately prior to the change in control
- Following the consummation of a change in control, any material breach of the Executive Severance Plan

Acceleration of Director Options upon a Change in Control

Options to purchase our common stock and restricted stock granted to our non-employee directors provide that in the event of a change in our control, each outstanding option, and each share of restricted stock, held by a non-employee director whose service as a director has not terminated prior to such date shall be vested in full, and in the case of stock options, immediately exercisable and vested in full as of the date ten days prior to the change in control.

Calculation of Potential Payments upon Termination or Change of Control

The following table presents our estimate of the dollar value of the benefits payable to our named executive officers upon a termination of employment with or without cause, or a change in our control, assuming such terminating event occurred on October 31, 2009. These benefits are in addition to accrued compensation and accrued paid time off, otherwise required by law to be paid through the date of termination of employment.

This table assumes that the termination occurred as of October 31, 2009, and, in connection with a termination that occurred as a result of a change of control, that outstanding unvested equity awards were neither assumed by the successor corporation nor replaced with a cash retention program. While we believe that the amounts shown above and the assumptions upon which they are based provide reasonable estimates of the amounts that would have been due to the named executive officers in the event that any of the circumstances described above had occurred on October 31, 2009, the actual amounts due to the named executive officers upon a triggering event will depend upon the actual circumstances.

Name	Trigger Event	Non-equity Incentive Plan Compensation	Severance	Continuation of Benefits ⁽¹⁾	Value of Option Acceleration ⁽²⁾	Value of Restricted Stock Acceleration ⁽²⁾	Total Value ⁽³⁾
William B. Van Vleet III	Involuntary Termination	\$165,157	\$975,253	\$34,539	\$—	\$—	\$1,174,949
	Change in Control	\$165,157	\$975,253	\$34,539	\$26,240	\$842,651	\$2,043,840
	Death, Disability, Retirement	\$165,157	\$—	\$—	\$—	\$—	\$165,157
James E. Doyle	Involuntary Termination	\$108,176	\$412,275	\$21,135	\$—	\$—	\$541,586
	Change in Control	\$108,176	\$412,275	\$21,135	\$133,088	\$248,421	\$923,094
	Death, Disability, Retirement	\$108,176	\$—	\$—	\$—	\$—	\$108,176
Dr. John R. Treichler	Involuntary Termination	\$108,678	\$427,043	\$13,406	\$—	\$—	\$549,127
	Change in Control	\$108,678	\$427,043	\$13,406	\$—	\$304,768	\$853,895
	Death, Disability, Retirement	\$108,678	\$—	\$—	\$—	\$—	\$108,678

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

Renato F. Roscher, Jr.	Involuntary Termination	\$106,675	\$391,347	\$16,968	\$—	\$—	\$514,990
	Change in Control	\$106,675	\$391,347	\$16,968	\$85,200	\$276,615	\$876,805
	Death, Disability, Retirement	\$106,675	\$—	\$—	\$—	\$—	\$106,675
Dr. Michael Ready	Involuntary Termination	\$59,588	\$363,035	\$12,910	\$—	\$—	\$435,533
	Change in Control	\$59,588	\$363,035	\$12,910	\$288	\$117,818	\$553,638
	Death, Disability, Retirement	\$59,588	\$—	\$—	\$—	\$—	\$59,588

(1) Represents the aggregate value of reimbursement of COBRA benefits after the date of termination. For the purposes of this calculation, expected costs have not been adjusted for any actuarial assumptions related to mortality, likelihood that the executives will find other employment, or discount rates for determining present value.

(2) Represents the aggregate value of the accelerated vesting of the executive officer's unvested stock options and shares of restricted stock.

The amounts shown as the value of the accelerated stock options are based solely on the intrinsic value of the options as of October 31, 2009. For options, this was calculated by multiplying (i) the difference between the fair market value of our common stock on October 30, 2009, \$20.49, and the applicable exercise price by (ii) the assumed number of option shares vesting on an accelerated basis on October 31, 2009.

The amount shown as the value of the accelerated shares of restricted stock represents the fair value calculated based on the fair market value of our common stock on October 30, 2009, \$20.49, multiplied by the assumed number of shares of restricted stock vesting on an accelerated basis on October 31, 2009.

(3) Excludes the value to the executive of the continuing right to indemnification and continuing coverage under our directors' and officers' liability insurance (if applicable).

In addition, upon death or disability, each of our executive officers is entitled to coverage under our applicable insurance policies. We also provide death benefits of an insured sum equal to two times their annual salary up to a maximum of \$500,000, plus an additional amount equal to two times their annual salary up to a maximum of \$500,000 if such death occurs as a result of an accident. Executive officers are fully vested in 100% of their account balance under the Retirement Savings Plan (401(k) Plan). All of our employees are eligible for continuing health coverage under COBRA.

Related Person Transactions

Although we have not historically entered into any transactions with related persons, if any were to be contemplated, our Audit Committee would be responsible for reviewing and approving any related-party transactions, after reviewing each such transaction for potential conflicts of interests and other improprieties. In addition, the Audit Committee is responsible for reviewing and investigating conduct alleged by the Board of Directors to be in violation of our Code of Business Conduct and Ethics, and adopting as necessary or appropriate, remedial, disciplinary, or other measures with respect to such conduct. Pursuant to our Code of Business Conduct and Ethics, our employees, including our executive officers, are prohibited from entering into transactions in which personal, family, or financial interests conflict or even appear to conflict with our interests or compromise such interests. Under the Code of Business Conduct and Ethics, a "conflict of interest" exists when a person's private interest interferes in any way with our interests. A conflict situation can arise when an employee, officer, or director takes action or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest may also arise when an employee, officer, or director, or a member of his or her family, receives improper personal benefits as a result of his or her position with us. Loans to, or guarantees of obligations of, employees and their family members may create conflicts of interest.

Transaction of Other Business

Edgar Filing: KNIGHT CAPITAL GROUP, INC. - Form 10-K/A

At the date of this Proxy Statement, the Board of Directors knows of no other business that will be conducted at the 2010 Annual Meeting other than as described in this Proxy Statement. If any other matter or matters are properly brought before the meeting, or any adjournment or postponement of the meeting, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their best judgment.

By order of the Board of Directors,

William B. Van Vleet III
Chief Executive Officer

February 5, 2010