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THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

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THE WALL STREET TRANSCRIPT**

COMPANY INTERVIEW

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Legent Clearing LLC

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Legent Clearing LLC

RAY MARATEA, Co-President of Legent Clearing LLC, has more than 30 years' experience in executive management within the brokerage clearing services industry. He served as Senior Vice President and Director of Operations for BNY Clearing Service LLC, a Bank of New York Company; Senior Vice President and Director of Operations, EVEREN Clearing; Senior Vice President, Branch Administration, Security Pacific/Bank of America. His background encompasses all aspects of operations, sales and administration. Mr. Maratea is on the Board of Directors of OnLine Investments and serves as a member of the Board of Regents for Lewis University .

SECTOR – FINANCIAL SERVICES

(AMT614) TWST: Would you tell us what Legent Clearing does?

Mr. Maratea: Legent Clearing operates in the space known as correspondent clearing. We provide both fully- disclosed and omnibus clearing services to broker/dealers, banks and other financial institutions. Since our founding in 2002, Legent has grown rapidly as a result of the firm's unique combination of independence, alliances with providers of best-of-breed technology and investment vehicles and from our ability to offer customized solutions for each correspondent client. Legent provides access to investment products and services including equities, mutual funds, foreign securities, fixed income investments, prime brokerage, options, annuities, DVP/RVP and WRAP accounts through a variety of online tools and platforms. We offer competitive execution and clearing fees and are often able to pass savings on technology and other products and services that we negotiate with our vendors to our correspondent clients. We compete in the same arena as National Financial, First Clearing and Pershing. I am not

going to say that they are direct competitors, but they are in the same space, which is fully-disclosed correspondent clearing.

TWST: What does clearing entail and what functions are involved in clearing?

Mr. Maratea: Let's just refer to some of the basics. A brokerage firm will typically consider several things in deciding which clearing firm is the most appropriate fit. For example, the ability to have a facility that meets that firm's requirements for executing trades reliably and makes certain that those trades are properly compared through the utilities. Another important consideration is the clearing firm's operational efficiencies, such as ensuring that corporate reorganizations are processed efficiently, and proxies, prospectuses, confirms and statements are delivered on time. Technology is another major consideration. A clearing firm must enable you to choose the options that are appropriate for your unique business, which can range from a basic broker workstation with market data and order entry functionality to fully-integrated financial planning and wealth management features, complex trading tools, compliance

and risk management reporting and so on. Those are the key pieces. Also, you must have the ability to make certain that the lending capabilities are there, because you have your cash business and you have your margin lending business. So a clearing firm becomes a conduit for lending as well. The clearing firm will have to be able to provide products and services similar to those available to competitors of that broker/dealer. All reps and financial advisers are looking to be part of an organization that is able to provide what they need to compete favorably in the marketplace and satisfy their customers. Everyone might be competing for that same end customer but strategically reps are trying to find a firm that will give them a little bit of an edge.

“We provide both fully-disclosed and omnibus clearing services to broker/dealers, banks and other financial institutions. Since our founding in 2002, Legent has grown rapidly as a result of the firm’s unique combination of independence, alliances with providers of best-of-breed technology and investment vehicles and from our ability to offer customized solutions for each correspondent client.”

TWST: Which regulatory body controls your business?

Mr. Maratea: We are regulated primarily by the SEC and FINRA as well as the various state agencies.

TWST: Who are your primary customers?

Mr. Maratea: Our primary customers run the gamut from startup companies to firms that have 500 to 600 representatives. That sounds like a very broad spectrum, but when you look at the landscape as to what types of firms are out there, we carve up a niche of potential prospects that

probably represents in the vicinity of 85% of the marketplace. So we have a good cross section that our sales force tries to penetrate.

TWST: Whom do you consider to be your competitors and what are your strengths and advantages when compared to those competitors?

Mr. Maratea: There is a very top tier that we recognize in the marketplace because of their sheer size in terms of correspondent relationships: Pershing (which is owned by Bank of New York), National Financial and First Clearing are firms that have a more recognizable name in the industry and have been around a long time but I am happy to say that we have been able to attract some business away from them. From a direct competitor point of view, I would pit us against RBC Dain, Penson, Southwest Securities, and Ridge Clearing. Those I would say are truly our competitors.

TWST: Has the recent turmoil in the financial market impacted your company’s business?

Mr. Maratea: Yes, it has. It’s impacted us in a number of ways. First, as you know, the business of every Correspondent Clearing firm is capital sensitive and with capital being tied up as it has been, it essentially begins to put a strain on everyone. We have seen a pullback from some of our introducing firms over the last several months owing to customers’ insecurity in the marketplace. This means there is less trading and less money in the accounts. This impacts those firms’ ability to transact business, which subsequently affects their bottom line. So it really is a domino effect. From a stability point of view, we are extremely stable in the marketplace. In fact, we are excited about the marketplace and the current environment. We have our sights on a number of opportunities and we are

aggressively pursuing them. That said, we are hoping that things turn around and our introducing firms' businesses can start to grow again.

TWST: What's the best solution for the financial sector to regain its footing and the stature that it once had before this meltdown occurred?

Mr. Maratea: The financial sector has been deeply bruised and it's been deeply bruised for several reasons. There is the trust factor and many people wonder, "Do I have faith in the marketplace?" The sad thing about that is one or two negative situations should not tarnish everyone. Only time is going to be the test for that and those firms that can weather this period will be better off but I do not have a time frame for that. The key would be to get capital flowing once again in the marketplace and in turn to the businesses. I do see a little bit of this starting to take place and hope that it is not short term.

TWST: Does Legent Clearing take on any risk in financial obligations when it signs on a customer and maintains an account for them?

Mr. Maratea: There is inherent risk in this business and it will always be that way. When a client executes trades and a customer walks away from the trade, truly that risk falls upon the introducing broker/dealer. If the broker/dealer can't maintain or absorb that risk, that's where the risk then falls on the clearing corporation. Those risks are the same whether it's the top tier correspondent clearing firms or the lower tier clearing firms. We all are realizing the same kind of risks. Some will take on a little bit broader risk, whereby they are willing to clear certain products as opposed to others but that's where the internal risk management comes in. This is a short response to your question. There is risk in this business.

TWST: Do you offer protection to your clients? Do you own insurance?

Mr. Maratea: We do have protection for clients and we take that very seriously. Legent Clearing is a member of the Securities Investor Protection Corporation (SIPC), which provides coverage for accounts up to \$500,000 (including up to \$100,000 in cash) per client as defined by SIPC rules.

Legent Clearing's policy through Lloyd's of London provides additional account coverage up to \$24.5 million (including up to \$900,000 in cash) per client as defined by SIPC rules. With both SIPC and Lloyd's of London coverage, accounts are protected up to a total of \$25 million per client (as defined by SIPC rules) including up to \$1 million for cash balances.

In addition, accounts with investments in our Legent Insured Deposits Account are covered by up to \$3 million of FDIC insurance.

Should firms look to join us and have clients that are interested in bringing business on that may extend beyond our current insurance benefits, we are prepared to work to bring in additional benefits to cover such relationships.

TWST: How is Legent Clearing capitalized at this junction?

Mr. Maratea: As you know, we are private and although we are well capitalized, we are always looking to expand that capital base. I think that is a by-product of what we spoke about a little bit earlier. As capital unfreezes a little bit, we get more transaction activity, balances start to come back into the industry, revenues begin to expand a little bit more so that profitability becomes a part of everyone's business model. We will always welcome additional capital sources since capital enables Legent Clearing to continue growing and allows us to take our business to the next level.

Currently, we are 70 plus introducing firms. Ideally, in the next 12 months, I'd like to be in the vicinity of 100 plus firms.

TWST: Are there any significant changes that you expect will emerge from this financial meltdown and from which you might benefit?

Mr. Maratea: I don't know if we are getting a benefit from anything right now. For every negative you have got to be able to position your organization, as well as yourself personally, to learn lessons so that you don't fall into some of those traps. At the same time you must be ready to grab opportunities that are out there. And we firmly believe that there are opportunities in the marketplace and we are very excited.

TWST: Besides your logistical arrangements, which infrastructure partners are currently important to you?

Mr. Maratea: One of our most important is Thomson Reuters. Thomson Reuters' back office, which is really the Beta System, represents our backbone books and records platform. It is a very powerful relationship for us because it adds a lot of creditability to Legent to be affiliated with an organization so widely known throughout the industry. I have known this organization for many, many years and they bring not only comfort but a great reputation. Next would be Mediant Communications, with which we also have a great relationship. They are innovators in shareholder communications and have effectively modernized what was heretofore a rather generic process by delivering proxy materials online and enabling the shareholder to vote online as well. Mediant has enabled Legent and our correspondents to private label this platform, which enhances our/their ability to offer a wider range of products and services. We also have important relationships with Deutsche Asset Management,

Federated Investors and Reich & Tang Funds, which are providers of money market and insured deposit products.

TWST: Tell us about the funding history of Legent Clearing.

Mr. Maratea: We have just received additional capital from our majority owners and these individuals have a very strong commitment to Legent, its customer base and future growth. We have a very clear understanding of what our objectives are and we are hoping that this capital will be able to take us to the next level, and bring us the kind of revenues as well as additional business that we have projected over the next several months.

TWST: Does anything worry you about the future of your business?

Mr. Maratea: Yes, there is always some worry. You have a marketplace that hasn't really stabilized itself and has had an impact on every one of our customers, who are extremely sensitive too. There are issues of compliance, risk and oversight. We all know what's happened in this marketplace and we know that it has basically brought a lot of our industry to somewhat of a screeching halt. How we look at this is simple. We recognize that changes are required, but there is also the concern that change may overextend itself and put too much burden on industry staffs and create more inefficiencies than efficiencies, which inhibit industry firms' ability to grow. This is a concern. But I think that the concerns I share are concerns across the entire marketplace and are those that a lot of our customers have emphasized. So we hope that capital is freed up and we continue to look for ways to maximize that capital to the firm's and our client's benefit. We are a firm that recognizes we are operating in very challenging times and we work with our client base to try to get them through this period, so that they can start to grow again.

TWST: How many employees does the company have today?

Mr. Maratea: Approximately 86. They are based primarily in Omaha, Nebraska. We also have an operation in Chicago and we have a couple of sales and marketing people in other locations.

TWST: Would you describe the corporate culture that you have in your company?

Mr. Maratea: We are in a highly competitive marketplace that is focused on selling the overall benefits of our firm to potential brokerage firm clients and we make sure that our employees understand and represent that to clients and prospects. We tell prospective clients that you will have access to the line managers in all departments, to the knowledge base within the structure, to the managers who manage those structures, and then to the executive team in the organization, which would be David Brant and myself, the Co-Presidents of the firm. We are a very flexible organization. We sell uncompromised service and to get there you have to be prepared, at all times, to be able to reach out to touch, communicate and share not only ideas, but to resolve problems for your client base. So it's an organization that is managed by David and myself, an executive team, and then we have our line managers and their respective staffs.

TWST: Are there any plans to take the company public? Is there an IPO in the future somewhere down the road?

Mr. Maratea: Ideally, I think we would all one day like to be there. Like anything else, we need to ramp ourselves up to get to that level. We are definitely moving on that path. We are strategically forming partnerships and also looking at acquisitions. These are things that the firm will always entertain in addition to an IPO.

TWST: What are the two or three reasons you'd give an investment banker to take Legent Clearing public?

Mr. Maratea: The interesting thing about Legent Clearing is that I am not certain if there are any firms just like us in the marketplace. Legent Clearing is not owned by a financial institution or parent company that oversees our business and controls how our resources are deployed, so we're not faced with some of the bureaucracy and potential conflicts of interest that some of our competitors encounter quite often. All we sell is correspondent clearing. So in our marketplace, Legent Clearing doesn't compete with its customers. All we do is provide capabilities for our customers to expand and grow their business. We are nothing more than a true partner, which we define as we bring these relationships on, understand their needs and then adapt accordingly. The ability to integrate products and technology, rather than bear the burden of the cost of mainframes and hardware, is very important, which is why we also place an emphasis on evaluating and contracting with the most reliable and innovative vendors. I think our overall service offering, coupled with the fact that we don't compete with our customers are key highlights. We offer competitive pricing, reliable service, sound technology, and a good mix of products. I think those are some of the key components that we would present to an investment banker.

TWST: Thank you. (KL)

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