

LEGENT CLEARING LLC

STATEMENT OF
FINANCIAL CONDITION

December 31, 2007
(Unaudited)



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STATEMENT OF FINANCIAL CONDITION December 31, 2007 (Unaudited)

ASSETS

Cash	\$ 874,219
Receivable from brokers, dealers, and clearing organizations	40,236,355
Receivable from customers – net of allowance of \$23,547	175,642,214
Securities owned, at fair value (includes \$2,145,235 of securities pledged)	2,552,573
Property and equipment, net of accumulated depreciation of \$1,214,859	729,356
Goodwill	1,937,000
Intangible assets, net of accumulated amortization of \$1,456,292	3,536,708
Deposits with clearing organizations and others	8,401,419
Promissory notes receivable, net of allowance of \$195,000	5,208,845
Related party receivable	632,958
Other assets	1,921,663
TOTAL ASSETS	\$ 241,673,310

LIABILITIES AND MEMBER'S EQUITY

Payable to customers	\$ 132,363,653
Notes payable to banks	48,700,000
Payable to brokers, dealers, and clearing organizations	12,351,647
Accounts payable and accrued liabilities	8,263,839
	201,679,139
Subordinated borrowings	13,000,000
MEMBER'S EQUITY	26,994,171
TOTAL LIABILITIES & MEMBER'S EQUITY	\$ 241,673,310

See notes to statement of financial condition.

NOTES TO STATEMENT OF FINANCIAL CONDITION as of December 31, 2007

1. Summary Of Significant Accounting Policies

Legent Clearing LLC (the "Company") is a wholly-owned subsidiary of Legent Group LLC (the "Parent"). The Company is a clearing broker-dealer registered with the Securities and Exchange Commission ("SEC") with operations headquartered in Omaha, Nebraska. The Company's business is to provide clearing services to other broker-dealers on a fully disclosed basis.

Securities transactions (and related revenue and expense) are recorded on a trade date basis.

Securities owned that are readily marketable are valued at quoted market prices or fair value. The difference between cost and market or fair value is included in income for the year. As of December 31, 2007, the Company had securities owned with a market value of \$2,145,235 on deposit for option contracts written or purchased in customer accounts.

Securities borrowed and loaned transactions are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to provide the counterparty with collateral in the form of cash or other securities. The Company receives collateral in the form of cash or other securities for securities loaned transactions.

Property and equipment is recorded at cost less allowances for depreciation and amortization. Depreciation is computed using the straight-line method over the remaining useful lives of the assets, ranging from 3 to 7 years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the life of the lease.

The Company and its Parent have elected, under the provision of the Internal Revenue Code, to be treated as a Limited Liability Company. The income and losses of the Company and its Parent are passed through to the member who incurs the tax obligation or receives the tax benefit.

The Company has recorded goodwill from the purchase business combination of its Parent to the extent the purchase price of the acquisition exceeded the fair value of the net identifiable assets of the Company. The Company tests goodwill for impairment on at least an annual basis. The Company's acquired intangible assets consist of client relationship intangible assets.

Promissory notes are recorded at unpaid principal balance net of bad debt allowance. The Company evaluates the collectibility of the notes and establishes an allowance if one is deemed necessary.

Software development costs are capitalized and included in property and equipment at the point technological feasibility has been established until testing is complete. Once the product is fully functional, such costs are amortized in accordance with the Company's normal accounting policies. Software development costs that do not meet capitalization criteria are expensed as incurred.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

Certain directors and employees of the Company and members of the Company's Parent maintain margin accounts. The Company had margin loans to directors, employees, and certain members of the Company's Parent of approximately \$75 at December 31, 2007. These loans are made in the ordinary course of the Company's business on terms no more favorable than those available on comparable transactions with other parties.

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NOTES TO FINANCIAL STATEMENTS

New Accounting Pronouncements – In February 2007, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115” (“SFAS No. 159”). SFAS No. 159 permits entities to elect to measure many financial instruments and certain other items as fair value. Upon adoption of SFAS No. 159, an entity may elect the fair value option for eligible items that exist at the adoption date. Subsequent to the initial adoption, the election of the fair value option should only be made at initial recognition of the asset or liability or upon a remeasurement event that gives rise to new-basis accounting. The decision about whether to elect the fair value option is applied on an instrument-by-instrument basis, is irrevocable, and is applied only to an entire instrument and not only to specific risks, cash flows, or portions of that instrument. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value nor does it eliminate disclosure requirements included in other accounting standards. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS No. 159 on its financial statements.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurement” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 does not impose fair value measurements on items not already accounted for at fair value; rather it applies, with certain exceptions, to other accounting pronouncements that either require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting SFAS No. 157 on its financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, “Accounting for Income Taxes,” and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a return. Guidance is also provided on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective as of the beginning of the first fiscal year beginning after December 15, 2006. The Company is currently evaluating the impact of adopting FIN 48 on its financial statements.

2. Cash And Securities Segregated Under Federal And Other Regulations

As of December 31, 2007, there were no cash or securities segregated in the special reserve bank accounts for the benefit of customers and introducing brokers under the Securities and Exchange Commission rules.

3. Receivable From Customers

Receivable from customers includes amounts due on uncompleted transactions and margin account balances. Securities owned by customers and held as collateral for these receivables are not reflected in the accompanying statement of financial condition.

4. Receivable From And Payable To Brokers, Dealers, And Clearing Organizations

Receivable from and payable to brokers, dealers, and clearing organizations are comprised of the following as of December 31, 2007:

Receivable:

Brokers and dealers	\$ 3,529,111
Securities borrowed	22,676,608
Securities failed to deliver	14,030,636
	<u>\$ 40,236,355</u>

Payable:

Clearing organizations	\$ (0)
Securities loaned	6,399,056
Securities failed to receive	5,952,591
	<u>\$ 12,351,647</u>

The Company clears certain of its proprietary and customer transactions through other broker-dealers on a fully disclosed basis. The amount receivable/payable to the clearing brokers relates to the aforementioned transactions and is collateralized by securities owned by the Company.

5. Securities Owned

Securities owned at December 31, 2007 were as follows:

Marketable, at fair value:

Obligations of U.S. Government and Agencies	\$ 2,151,224
Mutual funds	284,245

Nonmarketable, at estimated fair value:

Corporate stock	117,104
	<u>\$ 2,552,573</u>

6. Goodwill And Acquired Intangible Assets

Goodwill	\$ 1,937,000
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Acquired Intangible Assets:

Customer Relationships	4,993,000
Less: Accumulated amortization	(1,456,292)
Unamortized intangible asset	<u>\$ 3,536,708</u>

The Company tests goodwill for impairment on at least an annual basis. There was no impairment of goodwill during the period ended December 31, 2007. Customer relationships are being amortized over a period of 10 years.

7. Property And Equipment

Property and equipment consisted of the following at December 31, 2007:

Furniture and equipment	\$ 1,439,864
Leasehold improvements	188,806
Software	212,720
Internally developed software	102,825
	<u>\$ 1,944,215</u>
Less: Accumulated depreciation and amortization	(1,214,859)
	<u>\$ 729,356</u>

8. Net Capital

The Company is subject to the Uniform Net Capital Rule (15c3-1) of the Securities and Exchange Commission (SEC) and is required to maintain a minimum amount of net capital. The Company computes its net capital under the alternate method, as defined in the Rule. On December 31, 2007, the Company had net capital and a net capital requirement of \$25,965,031 and \$3,818,503 respectively.

Various correspondent broker-dealers maintain accounts with the Company. To allow these broker-dealers to classify their assets held by the Company as allowable assets in their computation of net capital, the Company has agreed to compute a separate reserve requirement for Proprietary Accounts of Introducing Brokers (PAIB). No cash had been segregated for the Company's PAIB reserve at December 31, 2007.

9. Benefit Plans

The Company has a 401(k) plan which is made available to all employees. Contributions are determined by the Board of Members and Managers. The 401(k) plan also includes a profit sharing feature.

10. Notes Payable To Banks

The Company has secured lines of credit of \$395,000,000. As of December 31, 2007, there was a balance of \$48,700,000 under these lines secured by customer securities with a fair market value of \$101,785,996. These credit facilities bear interest at rates based on the Federal Funds rate.

The Company also has unsecured lines of credit in the amount of \$10,000,000. As of December 31, 2007, there was a balance of \$0 under these lines. These credit facilities bear interest at a rate based on the Federal Funds rate.

11. Subordinated Borrowings

The Company has subordinated borrowings of \$10,000,000 from the Parent as of December 31, 2007. The subordinated borrowings bear

NOTES TO FINANCIAL STATEMENTS

interest at a rate based on the prime rate, and are scheduled to be repaid on October 31, 2008, and April 30, 2008. The borrowings have been approved by FINRA as subordinated borrowings available in computing net capital under the SEC uniform net capital rule.

The Company has subordinated borrowings of \$3,000,000 from a commercial bank as of December 31, 2007. The subordinated borrowings bear interest at a rate based on the prime rate, and are scheduled to be repaid on November 13, 2008. The borrowings have been approved by FINRA as subordinated borrowings available in computing net capital under the SEC uniform net capital rule.

12. Lease Commitments

The Corporation leases office space under operating leases, which expire at varying dates from April 2008 to April 2010.

Following is a schedule of the remaining lease payments:

Period Ending December 31, 2007:	Operating Leases
2008	\$ 158,026
2009	83,780
2010	23,742
Total minimum obligations	<u>\$ 265,547</u>

13. Financial Instruments With Off-Balance-Sheet Risk

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss. The Company's clearing agreements with broker-dealers for which it provides clearing services indemnify the Company if customers fail to satisfy their contractual obligation.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily, and pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary.

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the policy to review, as necessary, the credit standing of each counterparty.

The Company loans securities temporarily to other broker-dealers in connection with its business. The Company receives cash as collateral for the securities loaned. Increases in securities prices may cause the market value of the securities loaned to exceed the amount of cash received as collateral. In the event the counterparty to these transactions does not return the loaned securities, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls this risk by requiring credit

approvals for counterparties, by monitoring the market value of securities loaned on a daily basis, and by requiring additional cash as collateral when necessary.

The Company borrows securities temporarily from other broker-dealers in connection with its business. The Company deposits cash as collateral for the securities borrowed. Decreases in securities prices may cause the market value of the securities borrowed to fall below the amount of cash deposited as collateral. In the event the counterparty to these transactions does not return the cash deposited, the Company may be exposed to the risk of selling the securities at prevailing market prices. The Company controls this risk by requiring credit approvals for counterparties, by monitoring the collateral values on a daily basis, and by requiring collateral to be returned by the counterparties when necessary.

As of December 31, 2007, customer margin securities of approximately \$221,509,694 and stock borrowings of approximately \$24,145,250 were available to the Company to utilize as collateral on various borrowings or for other purposes. The Company had loaned or repledged approximately \$157,936,857 of that collateral as of December 31, 2007.

The Company provides guarantees to securities clearinghouses and exchanges. Under related agreements, the Company is generally required to guarantee the performance of other members. Under the agreements, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential for the Company to be required to make payments under these agreements is remote. Accordingly, no contingent liability is carried on the statement of financial condition for these transactions.

14. Fair Value Of Financial Instruments

The Company believes that the carrying amount of its financial instruments is a reasonable estimate of fair value. Cash in banks are carried at fair value. Promissory notes are carried at contracted amounts net of the allowance, which approximate fair value. Receivables from brokers, dealers, clearing organizations and customers are carried at amounts approximating fair value. Securities owned are carried at fair value. Fair value for these instruments is estimated using available market quotations for traded instruments. Market quotations for traded instruments are obtained from various sources, including the major securities exchanges and dealers. Liabilities including notes and other payable to banks and certain payables to brokers, dealers, clearing organizations and customers are carried at amounts approximating fair value.

15. Related Party Transactions

As of December 31, 2007, the Company has receivables from the Parent of \$632,958. The Company pays for certain operating expenses of the Parent and is reimbursed for such payments. The Company also has subordinated borrowings of \$10,000,000 with the Parent as of December 31, 2007.

16. Contingencies

The Company is subject to the rules and regulation of the SEC, FINRA, and other regulatory organizations. The Company has several unresolved matters from the most recent routine examinations and other inquiries by the SEC and FINRA. These matters may result in censures, fines, or other sanctions. Management believes the outcome of any actions will not be material to the financial position of the Company. However, the Company is unable to predict the ultimate outcome of these matters.

STATEMENT OF FINANCIAL CONDITION
(Unaudited)

Legent Clearing LLC ("Legent") is subject to the Uniform Net Capital Rule (15c3-1) of the Securities and Exchange Commission and is required to maintain a minimum amount of net capital. We compute our net capital under the alternate method, as defined in the Rule. As of January 31, 2008 Legent Clearing had net capital and net capital requirement of \$26,004,349 and \$3,312,800 respectively.