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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III



SEC FILE NUMBER  
8- 53595

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 07/01/03 AND ENDING 06/30/04  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

OFFICIAL USE ONLY

Legent Clearing LLC Corp.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

9300 Underwood Avenue; Suite 400

(No. and Street)

Omaha

(City)

Nebraska

(State)

68114

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

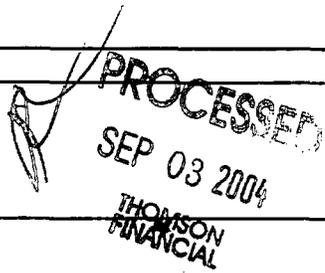
Jeffrey N. Sime

(402) 384-6122

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*



Deloitte & Touche LLP

(Name - if individual, state last, first, middle name)

1601 Dodge Street, Suite 3100

(Address)

Omaha

(City)

Nebraska

(State)

68102

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

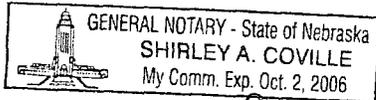
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Jeffrey N. Sime swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Legent Clearing LLC, as of June 30, 2004, are true and correct, I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Jeffrey N. Sime  
Name  
President  
Title



Shirley A. Coville

Notary Public

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) Supplemental Report on Internal Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

***Legent Clearing LLC***  
***(Formerly Legent Clearing Corp.)***  
***(A Wholly-Owned Subsidiary***  
***of Legent Holding LLC)***  
***(SEC I.D. No. 8-53595)***

*Statement of Financial Condition as of June 30, 2004*  
*Independent Auditors' Report and Independent*  
*Auditors' Supplemental Report on Internal Control*

*Filed Pursuant to Rule 17a-5(e)(3) Under the*  
*Securities Exchange Act of 1934 as a **PUBLIC***  
**DOCUMENT**



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USA

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## INDEPENDENT AUDITORS' REPORT

To the Board of Members  
Legent Clearing LLC  
Omaha, Nebraska

We have audited the accompanying statement of financial condition of Legent Clearing LLC (formerly Legent Clearing Corp.) (the Corporation), a wholly-owned subsidiary of Legent Holding LLC, as of June 30, 2004, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. Our procedures included a review of the Corporation's control activities for safeguarding securities. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such statement of financial condition presents fairly, in all material respects, the financial position of Legent Clearing LLC at June 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

Omaha, Nebraska  
August 25, 2004

**LEGENT CLEARING LLC**  
**(Formerly Legent Clearing Corp.)**  
**(A Wholly-Owned Subsidiary of Legent Holding LLC)**

**STATEMENT OF FINANCIAL CONDITION**  
**JUNE 30, 2004**

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**ASSETS**

Cash in banks	\$ 5,744,585
Cash and securities segregated in accordance with federal and other regulations	133,497,903
Receivable from brokers, dealers and clearing organizations	437,324,290
Receivable from customers - net of allowance of \$533,208	117,076,478
Other receivables	1,304,956
Securities owned, at fair value	65,954,452
Secured demand note	10,000,000
Property and equipment, net of accumulated depreciation of \$335,270	1,482,037
Deposits with clearing organizations and others	2,711,667
Other assets	<u>1,081,849</u>
Total assets	<u>\$776,178,217</u>

**LIABILITIES AND MEMBER'S EQUITY**

Payable to brokers, dealers and clearing organizations	\$ 429,774,691
Payable to banks	72,200,000
Payable to customers	233,286,950
Subordinated note payable	10,000,000
Mortgage payable	559,529
Obligation under capital leases	196,255
Accounts payable and accrued liabilities	<u>10,315,644</u>
	756,333,069
Member's equity	<u>19,845,148</u>
Total liabilities and member's equity	<u>\$776,178,217</u>

See notes to statement of financial condition.

**LEGENT CLEARING LLC**  
(Formerly Legent Clearing Corp.)  
(A Wholly-Owned Subsidiary of Legent Holding LLC)

**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**AS OF JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Legent Clearing LLC (the "Corporation") is a wholly-owned subsidiary of Legent Holding LLC (the "Parent"). The Corporation is a clearing broker-dealer registered with the Securities and Exchange Commission with operations in Nebraska and Colorado. The Corporation's business is to provide clearing services to other broker-dealers on a fully disclosed basis. A significant portion of the Corporation's business is with a limited number of correspondent broker-dealers.

During the year ended June 30, 2004, the Corporation was converted from an S corporation to a Limited Liability Company ("LLC"), and accordingly, its name was changed.

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 resultant difference between cost and market or fair value is included in income for the year. As of June 30, 2004, the Corporation had securities with a market value of \$10,186,760 on deposit for option contracts written or purchased in customer accounts.

The Corporation's Board of Members reviews and adjusts to estimated fair value the carrying value of all nonmarketable corporate stock held by the Corporation as of the end of each calendar quarter. The Corporation's Board of Members considers all material, known facts and circumstances pertaining to the value of such private equity securities.

Securities borrowed and loaned transactions are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Corporation to provide the counterparty with collateral in the form of cash or other securities. The Corporation 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 5 years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the life of the lease, including renewal options, ranging from 3 to 7 years.

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

The Corporation considers temporary, highly liquid investments with an original maturity of three months or less to be cash equivalents.

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. The most significant estimates relate to valuation of nonmarketable securities. Actual results could differ from those estimates.

Certain directors and employees of the Corporation and members of the Corporation's Parent maintain margin accounts. The Corporation had margin loans to directors, employees, and certain members of the Corporation's Parent of approximately \$4,326,243 at June 30, 2004. These loans are made in the ordinary course of the Corporation's business on terms no more favorable than those available on comparable transactions with other parties.

**2. CASH AND SECURITIES SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS**

Cash and securities of \$133,497,903 has been segregated in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission.

**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 is comprised of the following as of June 30, 2004:

<b>Receivable:</b>	
Deposits paid for securities borrowed	\$ 3,668,975
Clearing organizations	408,680,505
Securities failed to deliver	<u>24,974,810</u>
	<u>\$437,324,290</u>
<b>Payable:</b>	
Deposits received for securities loaned	\$ 3,614,334
Clearing organizations	415,605,560
Securities failed to receive	<u>10,554,797</u>
	<u>\$429,774,691</u>

**5. SECURITIES OWNED**

Securities owned at June 30, 2004 were as follows:

<b>Marketable, at fair value :</b>	
Obligations of U.S. Government and Agencies	\$ 63,684,216
<b>Nonmarketable, at estimated fair value:</b>	
Corporate stock	<u>2,270,236</u>
	<u>\$65,954,452</u>

**6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2004:

Furniture and equipment	\$ 441,134
Furniture and equipment under capital leases	342,928
Property	809,597
Leasehold improvements	130,092
Software	<u>93,556</u>
	1,817,307
Less: Accumulated depreciation and amortization	<u>(335,270)</u>
	<u>\$ 1,482,037</u>

**7. NET CAPITAL**

The Corporation 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 Corporation computes its net capital under the alternate method, as defined in the Rule. At June 30, 2004 the Corporation had net capital and a net capital requirement of \$24,215,598 and \$2,697,302, respectively.

Various correspondent broker-dealers maintain accounts with the Corporation. To allow these broker-dealers to classify their assets held by the Corporation as allowable assets in their computation of net capital, the Corporation has agreed to compute a separate reserve requirement for Proprietary Accounts of Introducing Brokers (PAIB). Cash of \$72 had been segregated for the Corporation's PAIB reserve at June 30, 2004.

**8. BENEFIT PLANS**

The Corporation has a profit sharing plan which covers substantially all employees. Contributions are determined by the Board of Directors. The profit sharing plan also includes a 401(k) feature.

The Corporation's employees participate in the stock option plan of Legent Corp., a Company having controlling interest in the Corporation's Parent. The Corporation generally recognizes no compensation expense relative to the Parent Company's plan in accordance with APB No. 25, *Accounting for Stock Issued to Employees*.

**9. NOTES PAYABLE TO BANKS**

The Corporation has a line of credit up to \$60,000,000 with a commercial bank, secured by securities owned with a market value of \$52,341,000 and securities pledged on the secured demand note with a market value of \$10,026,000 at June 30, 2004. This credit facility bears interest at a rate based on the Federal Funds rate. As of June 30, 2004, there was a balance of \$54,700,000 under this line.

The Corporation also has a line of credit up to \$40,000,000 with another commercial bank, secured by customer securities with a market value of \$50,192,000 at June 30, 2004. This credit facility bears interest at a rate based on the Federal Funds rate. As of June 30, 2004, there was a balance of \$17,500,000 under this line.

The Corporation has a mortgage payable with an outstanding balance of \$559,529 at June 2004. The mortgage has an interest rate of 7.5% and requires monthly payments of \$4,648. The mortgage matures in January of 2023, with a call provision which can be exercised by the lender starting in January 2006 upon 90 days notice to the Corporation. The mortgage is collateralized by certain property owned by the Corporation.

**10. SECURED DEMAND NOTE COLLATERAL AGREEMENT**

The Corporation has entered into a secured demand note collateral agreement for equity capital in the amount of \$10,000,000 as of June 30, 2004. Repayment of the advances is scheduled for April 30, 2005. Repayments could be accelerated subject to the rules and regulations of the Securities and Exchange Commission and National Association of Securities Dealers ("NASD"). This loan has been approved by the NASD as subordinated borrowings available in computing net capital under the SEC Uniform Net Capital Rule. Under this arrangement, the Corporation also has a secured demand note for \$10,000,000.

**11. LEASE COMMITMENTS**

The Corporation leases office space, furniture, fixtures, and office equipment under operating and capital leases which expire at varying dates from December 2005 to April 2008. Assets under capital leases consist of furniture, fixtures, and office equipment with a net book value of \$190,518 at June 30, 2004.

Following is a schedule of the remaining lease payments:

Year Ending June 30:	Operating Leases	Capital Leases
2005	\$ 203,656	\$ 120,280
2006	203,656	64,628
2007	203,656	29,989
2008	<u>169,713</u>	<u>12,314</u>
Total minimum obligations	<u>\$ 780,681</u>	227,211
Less interest at 12% to 14%		<u>(30,956)</u>
		<u>\$ 196,255</u>

## 12. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

The Corporation's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Corporation 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 Corporation 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 Corporation 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 Corporation may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Corporation 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 Corporation monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary.

The Corporation 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 Corporation 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 Corporation loans securities temporarily to other broker-dealers in connection with its business. The Corporation 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 Corporation may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Corporation 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 Corporation borrows securities temporarily from other broker-dealers in connection with its business. The Corporation 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 Corporation may be exposed to the risk of selling the securities at prevailing market prices. The Corporation 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 June 30, 2004, customer margin securities of approximately \$131,819,000 and stock borrowings of approximately \$3,669,000 were available to the Corporation to utilize as collateral on various borrowings or for other purposes. The Company had loaned or repledged approximately \$53,806,000 of that collateral as of June 30, 2004.

The Corporation provides guarantees to securities clearinghouses and exchanges. Under related agreements, the Corporation 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 Corporation'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 Corporation 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.

### **13. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Corporation believes that the carrying amount of its financial instruments is a reasonable estimate of fair value. Assets, including cash in banks and certain receivables are carried at fair value or contracted amounts which approximate fair value. Similarly, liabilities including notes and other payables to banks and certain payables to 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.

### **14. RELATED PARTY TRANSACTIONS**

As of June 30, 2004, the Corporation has receivables from the Parent of \$439,967 which is included in other receivables in the statement of financial condition. The Corporation pays for certain operating expenses of the Parent and is reimbursed for such payments.

### **15. CONTINGENCIES**

The Corporation is subject to the rules and regulation of the Securities and Exchange Commission and other regulatory organizations. The Corporation has several unresolved matters from the most recent routine examination by the NASD. 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 Corporation. However, the Corporation is unable to predict the ultimate outcome of this matter.

**16. SUBSEQUENT EVENT**

Subsequent to June 30, 2004, a correspondent representing approximately 76% of the Corporation's revenues, excluding securities gains, for the year ended June 30, 2004 has notified the Corporation that they intend to terminate their correspondent clearing relationship with the Corporation in September, 2004. Management believes the Corporation has adequate excess net capital to sustain operations and intends to aggressively pursue the addition of additional correspondent clearing relationships.

## INDEPENDENT AUDITORS' SUPPLEMENTAL REPORT ON INTERNAL CONTROL

Legent Clearing LLC  
Omaha, Nebraska

In planning and performing our audit of the financial statements of Legent Clearing LLC (formerly Legent Clearing Corp.) (the "Corporation") for the year ended June 30, 2004 (on which we have issued our report dated August 25, 2004), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Corporation's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Act of 1934, we have made a study of the practices and procedures followed by the Corporation, (including tests of compliance with such practices and procedures), that we considered relevant to the objectives stated in Rule 17a-5(g): (1) in making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e) (including the practices and procedures followed by the Corporation in making periodic computations for proprietary accounts of introducing brokers ("PAIB")); (2) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; (3) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Corporation is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Corporation has responsibility are safeguarded against loss from unauthorized acquisition, use, or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Corporation's internal control would not necessarily disclose all matters in the Corporation's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Corporation's internal control and its operation, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Corporation's practices and procedures were adequate at June 30, 2004, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Members, management, the Securities and Exchange Commission, the NASD, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte Touche LLP*

Omaha, Nebraska  
August 25, 2004