

**NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E0420040084-02**

**To: Department of Enforcement
NASD**

**Re: Legent Clearing LLC
Member (CRD No. 117176)**

Pursuant to NASD Procedural Rule 9216, Legent Clearing LLC (Legent) submits this Letter of Acceptance, Waiver and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against Legent alleging violations based on the same factual findings.

Legent understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and the National Adjudicatory Council (NAC) Review Subcommittee or the Office of Disciplinary Affairs (ODA), pursuant to NASD Procedural Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Legent; and
3. If accepted:
 - a. This AWC will become part of Legent's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Legent;
 - b. This AWC will be made available through NASD's public disclosure program in response to public inquiries about Legent's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Procedural Rule 8310 and IM-8310-2; and
 - d. Legent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects Legent's testimonial obligations or rights to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Letter of Acceptance, Waiver and Consent No. E0420040084-02
Department of Enforcement v. Legent Clearing LLC
Page 2

Legent also understands that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Legent has been a member of NASD since June 4, 2002. Legent acts as a clearing broker offering its services to introducing broker/dealers on a fully disclosed basis from its main office located in Omaha, Nebraska. Legent has not been the subject of prior formal disciplinary action by NASD.

I. WAIVER OF PROCEDURAL RIGHTS

Legent specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against it;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Furthermore, Legent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

In addition, Legent specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of NASD Procedural Rule 9143 or the separation of functions prohibitions of NASD Procedural Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Letter of Acceptance, Waiver and Consent No. E0420040084-02
Department of Enforcement v. Legent Clearing LLC
Page 3

II. ACCEPTANCE AND CONSENT

- A. Legent hereby accepts and consents, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:

Customer Protection – Reserves and Custody of Securities
SEC Rule 15c3-3 and NASD Conduct Rule 2110

1. On the mornings of November 25, 2003, January 21, 2004 and February 3, 2004, Legent made net deposits in the amount of \$6,000,000, \$14,000,000 and \$5,600,000, respectively, into its Reserve bank account.
2. These deposits, however, were comprised in part of funds drawn on Legent's revolver loan agreement with the same bank that maintained Legent's operating account (from which the deposits to the Reserve bank account were made).
3. The draws on the revolver loan were not recorded on Legent's books until the end of the business day on November 25, 2003, January 21, 2004 and February 3, 2004. Accordingly, Legent's operating account was in a net deficit position at the time of the deposits to the Reserve Bank account.
4. Such acts, practices and conduct constitute separate and distinct violations of SEC Rule 15c3-3 and NASD Conduct Rule 2110 by Legent.

Transaction Reporting
NASD Systems and Programs Rules 6130 and 6620
and NASD Conduct Rule 2110

5. For the time period of November 1, 2002, through January 31, 2004, for 43 transactions that were reviewed for proper trade reporting and order ticket information, the NASD staff found the following violations:
 - (a) 25 transactions did not have documentation evidencing the actual execution time;
 - (b) 38 transactions were performed on an agency basis but reported as principal transactions;
 - (c) four transactions were reported 90 seconds after execution and did not include the execution time; and
 - (d) three transactions involving OTC securities were improperly "bunched."

Letter of Acceptance, Waiver and Consent No. E0420040084-02
Department of Enforcement v. Legent Clearing LLC
Page 4

6. Such acts, practices and conduct constitute separate and distinct violations of NASD Systems and Programs Rules 6130 and 6620, and NASD Conduct Rule 2110 by Legent.

Transaction Reporting
NASD Systems and Programs Rule 6230
and NASD Conduct Rule 2110

7. For the time period of November 1, 2002 through January 31, 2004, for 47 corporate bond transactions that were reviewed for proper TRACE reporting and order ticket information, the following violations were detected:
- (a) 47 transactions were reported using Legent's MPID instead of the introducing broker/dealer's MPID;
 - (b) 20 transactions were not reported within 45 minutes of the time of execution (or one hour and 15 minutes prior to October 1, 2003);
 - (c) five transactions were reported by the contra party, but not reported by Legent; and
 - (d) two transactions were reported inaccurately due to data entry errors.
8. A review of an additional 20 corporate bond order tickets revealed that seven transactions were not reported to TRACE.
9. Such acts, practices and conduct constitute separate and distinct violations of NASD Systems and Programs Rule 6230 and NASD Conduct Rule 2110 by Legent.

Reports of Sales or Purchases
MSRB Rule G-14

10. For the time period of November 1, 2002, through January 31, 2004, for 46 municipal transactions that were reviewed for proper trade reporting and order ticket information, the following violations were detected:
- (a) 46 municipal transactions were reported using the wrong broker symbol; and
 - (b) nine municipal transactions were reported late.
11. Such acts, practices and conduct constitute separate and distinct violations of MSRB Rule G-14 by Legent.
- B. Legent also consents to the imposition, at a maximum, of the following sanctions:
- 1. a censure; and

Letter of Acceptance, Waiver and Consent No. E0420040084-02
Department of Enforcement v. Legent Clearing LLC
Page 5

2. a fine of \$40,000.

The sanctions imposed herein shall be effective on a date set by NASD staff.

III. OTHER MATTERS

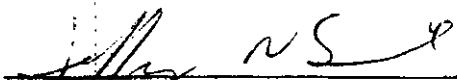
- A. Legent understands that it may attach a Statement of Corrective Action to this AWC, which is a statement of demonstrable corrective steps taken to prevent future misconduct. Legent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.
- B. Legent agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable. Legent has attached an Election of Payment form showing the method by which it proposes to pay any fine imposed.
- C. Legent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Legent certifies that this AWC has been read and that all provisions of this AWC are understood, and that Legent has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce Legent to submit it.

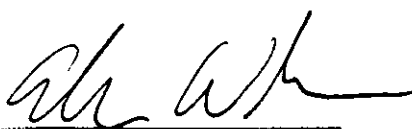
LEGENT CLEARING LLC

12/1/05
Date

By:


Jeffrey N. Sime, President

Reviewed by:

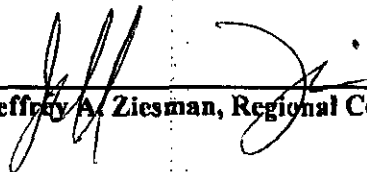

Counsel for Legent

Letter of Acceptance, Waiver and Consent No. E0420040084-02
Department of Enforcement v. Legent Clearing LLC
Page 6

Accepted by NASD:

12-15-05
Date

**Signed on behalf of the Director of ODA,
by delegated authority**


Jeffrey A. Ziesman, Regional Counsel

NASD District Director

**Thomas D. Clough
120 West 12th Street, Suite 900
Kansas City, MO 64105
(816) 802-4700**