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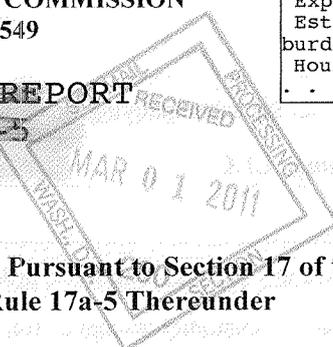
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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



SEC FILE NUMBER
8- 8-67180

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 01/01/2010 AND ENDING 12/31/2010  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

The Gaussian Group, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2 Rector Street, Suite 306

(No. and Street)

New York  
(City)

NY  
(State)

10006  
(Zip Code)

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

Ira Lee

(212) 964-5543

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

MaloneBailey LLP, Certified Public Accounting Firm

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

15 Maiden Lane, Suite 1002  
(Address)

New York  
(City)

New York  
(State)

10038  
(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.

SEC 1410 (06-02)

JD  
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## OATH OR AFFIRMATION

I, Ira Lee, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Gaussian Group, LLC., as of December 31, 20 10, 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:

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Patricia Thompson  
Notary Public, State Of New York  
No. 01TH 6151513  
Qualified In Kings County  
My Commission Expires August 21, 2014



Signature

Managing Member

Title

Patricia Thompson 2-24-11  
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 Changes in Financial Condition.
- (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) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

**GAUSSIAN GROUP, LLC**

**STATEMENT OF FINANCIAL CONDITION**

**December 31, 2010**

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
The Gaussian Group, LLC  
New York, New York

We have audited the accompanying statement of assets, liabilities and members' equity of The Gaussian Group, LLC (the "Company") as of December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, the financial statements referred to above present fairly, in all material respects, the financial position of The Gaussian Group, LLC at December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

February 28, 2011

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Coastal City (West Tower), Hai De San Dao #1502 · Nanshan District, Shenzhen P.R. China 518054 · 86.755.8627.8690  
[www.malonebailey.com](http://www.malonebailey.com)



**THE GAUSSIAN GROUP, LLC**

**STATEMENT OF ASSETS, LIABILITIES AND MEMBERS' EQUITY**

**December 31, 2010**

**ASSETS**

Cash and cash equivalents	\$	14,602
Due from clearing broker		1,280,111
Securities owned, at market		358,050
Other receivable		35,000
JBO investment		50,000
Due from related party		40,000
Fixed assets, net of accumulated depreciation of \$43,133		28,447
Prepaid expenses		<u>7,968</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>1,814,178</u></b>

**LIABILITIES AND MEMBERS' EQUITY**

Securities sold, not yet purchased, at market	\$	403,590
Accounts payable and accrued expenses		<u>181,264</u>
<b>TOTAL LIABILITIES</b>		<b>584,854</b>
Commitments and contingent liabilities		-
Members' equity		<u>1,229,324</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$</b>	<b><u>1,814,178</u></b>

**The accompanying notes are an integral part of these financial statements.**

THE GAUSSIAN GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Organization

The Gaussian group, LLC, a New York limited liability company (the "Company") formed in 2005, is registered as a broker-dealer with the Securities and Exchange Commission and is a member of the combined New York Stock Exchange and American Stock Exchange ("NYSE-AMEX") and the NYSE-Arca Exchange.

Nature of Business

The Company is engaged in securities trading.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

All short-term investments with an original maturity of three months or less are considered to be cash equivalents.

Concentration of Credit Risk

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 Company's policy to review, as necessary, the credit standing of each counterparty.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Securities transactions and related income and expenses are recorded daily on a mark to market basis.

THE GAUSSIAN GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Recent Accounting Pronouncements

The Company does not expect any recent accounting pronouncements to have any material impact on its financial condition or results of operations.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction cost. Fair value measurement under generally accepted accounting principles provides for use of a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Company.

Level 3: Unobservable inputs. Unobservable inputs reflect the assumptions that the Company develops based on available information about what market participants would use in valuing the asset or liability.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. The Company uses judgment in determining fair value of assets and liabilities and Level 3 assets and liabilities involve greater judgment than Level 1 and Level 2 assets or liabilities.

THE GAUSSIAN GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

<u>Assets</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>
Securities owned	\$ <u>149,743,824</u>	Level 1
<u>Liabilities</u>		
Securities sold, not yet purchased	\$ <u>137,147,229</u>	Level 1

NOTE 4 – INCOME TAXES

No provisions for federal and state income taxes are made in the financial statements as these taxes are the responsibility of the Company's members under a limited liability corporation.

NOTE 5 - NET CAPITAL REQUIREMENTS

The Company is a member of the NYSE-AMEX and is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This Rule requires that the ratio of aggregate indebtedness to net capital may not exceed 15 to 1. Net Capital is defined as at least, the greater of \$100,000 or 6 2/3% of aggregate indebtedness, as defined. Net Capital and aggregate indebtedness change daily. At December 31, 2010, the Company's net capital was \$994,317 which was \$894,317 in excess of its required net capital of \$100,000. The Company's aggregate indebtedness to net capital ratio was 0.1823 to 1.

THE GAUSSIAN GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**NOTE 6 – OFF BALANCE SHEET RISK**

Pursuant to a Joint Back Office (“JBO”) Participant's Account Agreement, the Company will give up its clearing member to the clearing corporation for all of its securities transactions. Therefore, all of the customers' money balances and long and short security positions will be maintained on the books of the clearing member in a JBO participant's account. Under certain conditions as defined in the agreement, the Company has agreed to indemnify the clearing member for losses, if any, which the clearing member may sustain from maintaining securities transactions effected by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing member monitor collateral on the securities transactions introduced by the Company.

**NOTE 7 – DUE FROM RELATED PARTY**

As of December 31, 2010, an owner owed the Company \$40,000. The loan has no repayment terms and does not bear interest. During 2010, the owner repaid \$15,000 of the loan balance.

**NOTE 8 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through February 28, 2011, the date that these financial statements were issued. The Company believes that there are no subsequent events requiring further disclosure.