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SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-47639

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 01/01/2011 AND ENDING 12/31/2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: The Leaders Group, Inc.

OFFICIAL USE ONLY
8-47639
FIRM I.D. NO.

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

26 West Dry Creek Circle, Suite 575

(No. and Street)

Littleton

CO

80120

(City)

(State)

(Zip Code)

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

David Wickersham

(303) 797-9080

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Marc, James and Associates, P.C. - Gregory Viergutz, CPA, CCM

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

1745 Shea Center Drive, Suite 400 Highlands Ranch

CO

80129

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

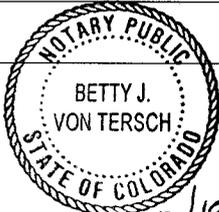
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

19
3/11

Clay
3/15

OATH OR AFFIRMATION

I, Z. Jane Riley, 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 Leaders Group, Inc., as of December 31, 2011, 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:



My Comm. Expires

7/19/15

Betty J. Von Tersch
Notary Public

[Signature]
Signature
Chief Compliance Officer
Title

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 Proprietors' 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).

The Leaders Group, Inc.

**FINANCIAL STATEMENTS
AND REPORTS OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTANTS**

December 31, 2011 and 2010

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Marc, James & Associates, PC
Certified Public Accountants

**REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTANTS**

To the Board of Directors
The Leaders Group, Inc.

We have audited the accompanying statements of financial condition of The Leaders Group, Inc. (the "Company") as of December 31, 2011 and 2010 and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based upon our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Leaders Group, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. The supplemental information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marc James & Associates PC

Highlands Ranch, CO
February 27, 2012

FINANCIAL STATEMENTS

The Leaders Group, Inc.

STATEMENTS OF FINANCIAL CONDITION

December 31,

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 573,967	\$ 404,143
Commission and representative receivables	167,551	306,805
Accounts receivable - related party	-	72,000
Clearing deposit receivable	50,000	50,000
Prepaid expenses	<u>47,040</u>	<u>113,377</u>
Total current assets	838,558	946,325
OTHER ASSETS		
Deposits	<u>16,061</u>	<u>13,450</u>
Total assets	<u>\$ 854,619</u>	<u>\$ 959,775</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 242,669
Accounts payable - related party	27,030	78,816
Commissions payable	140,142	63,679
Other accrued liabilities	<u>100,000</u>	<u>27,242</u>
Total current liabilities	267,172	412,406
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock, \$.10 par value, 20,000 shares issued and outstanding	2,000	2,000
Additional paid-in capital	12,000	12,000
Retained earnings	<u>573,447</u>	<u>533,369</u>
Total stockholders' equity	<u>587,447</u>	<u>547,369</u>
Total liabilities and stockholders' equity	<u>\$ 854,619</u>	<u>\$ 959,775</u>

The accompanying notes are an integral part of these financial statements

The Leaders Group, Inc.

STATEMENTS OF OPERATIONS

Years ended December 31,

	<u>2011</u>	<u>2010</u>
Revenue		
Commissions	\$ 24,632,595	\$ 21,297,718
Support fees	1,618,947	826,321
Consulting	<u>42,000</u>	<u>72,000</u>
Total revenue	26,293,542	22,196,039
Expenses		
Commissions	22,609,470	18,904,580
Employee compensation and benefits	1,686,625	1,421,792
Operating	<u>1,958,038</u>	<u>1,767,502</u>
Total expenses	<u>26,254,133</u>	<u>22,093,874</u>
Net income from operations	39,409	102,165
Other income (expense)		
Interest	1,303	47,408
Other expense	<u>-</u>	<u>(4,511)</u>
Total other income	1,303	42,897
Net income before income tax expense	40,712	145,062
Income tax expense	<u>634</u>	<u>914</u>
Net income	<u>\$ 40,078</u>	<u>\$ 144,148</u>

The accompanying notes are an integral part of these financial statements

The Leaders Group, Inc.

STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2011 and 2010

	Common stock		Additional paid-in capital	Retained earnings	Total
	Shares	Amount			
Balance - December 31, 2009	20,000	\$ 2,000	\$ 12,000	\$ 389,221	\$ 403,221
Net income	-	-	-	144,148	144,148
Balance - December 31, 2010	20,000	2,000	12,000	533,369	547,369
Net income	-	-	-	40,078	40,078
Balance - December 31, 2011	20,000	\$ 2,000	\$ 12,000	\$ 573,447	\$ 587,447

The accompanying notes are an integral part of these financial statements

The Leaders Group, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 40,078	\$ 144,148
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Change in assets and liabilities		
Change in commissions receivable	139,254	(264,891)
Change in accounts receivable - related party	72,000	(12,000)
Change in prepaid expenses	66,336	(18,655)
Change in deposits	(2,611)	817
Change in accounts payable	(242,668)	147,946
Change in accounts payable - related party	(51,786)	(131,184)
Change in commissions payable	76,463	7,863
Change in accrued liabilities	<u>72,758</u>	<u>(32,758)</u>
Net cash provided (used) by operating activities	<u>169,824</u>	<u>(158,714)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	169,824	(158,714)
Cash and cash equivalents - beginning of the year	<u>404,143</u>	<u>562,857</u>
Cash and cash equivalents - end of the year	<u><u>\$ 573,967</u></u>	<u><u>\$ 404,143</u></u>
 Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Income taxes	\$ 634	\$ 914

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Leaders Group, Inc. ("TLG" or the "Company") was incorporated under the laws of the State of Delaware in 1994. The Company is primarily owned by Wickersham Family Investment, LLLP (97.5%). TLG was formed to provide turn-key broker-dealer and back office support for financial service professionals.

In accordance with regulations under the Securities Exchange Act of 1934 (the "Act"), TLG is a broker-dealer registered with the Securities and Exchange Commission and is a member of various exchanges and the Financial Industry Regulatory Authority. This is a self-regulating body formed by the industry to protect its members and the investing public.

The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal transactions, agency transactions, investment banking, investment advisory, and venture capital businesses. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. *Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Company considers all cash and demand deposits to be cash and cash equivalents.

On occasion throughout the year and at December 31, 2011, the Company's cash on deposit with its financial services provider exceeded the \$250,000 per bank Federal Deposit Insurance Corporation insurance limit. The Company has not experienced any losses and believes it is not exposed to any significant credit risk on its cash on deposit.

2. *Property and Equipment*

Property and equipment are stated at cost and acquisitions are capitalized if the purchase price exceeds the Company's capitalization threshold of \$500. Depreciation and amortization are provided in amounts sufficient to relate the cost of depreciable assets to operations over the estimated useful service lives. As of December 31, 2011 and 2010, all of the Company's property and equipment is fully depreciated. During 2011 and 2010, equipment under the capitalization threshold totaling \$10,259 and \$10,677, respectively, was charged directly to expense.

Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for routine maintenance and repairs are charged to expense as incurred.

3. *Security Transactions and Revenue Recognition*

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if the trades had settled. Profit and loss arising from all securities and commodities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customer's securities and commodities transactions are reported on a settlement date basis with regulated commission income and expenses reported on a trade date basis.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

4. *Commissions, Commissions Receivable and Commission Expense*

Commissions and related clearing expenses are recorded on a trade-date basis. As such, the Company records commission revenue and expense on an accrual basis. Commissions receivable in excess of 60 days are written off and any subsequent collections are recognized at the time of receipt. As of December 31, 2011 and 2010, management considered all commission and representative receivables to be fully collectible.

5. *Advertising*

The Company expenses the cost of advertising and marketing when the advertising takes place or the materials are produced. Advertising and marketing expense for the year ended December 31, 2011 and 2010 was \$55,148 and \$1,458, respectively.

6. *Income Taxes*

Income taxes are accounted for using the asset and liabilities method. Deferred tax assets and liabilities, if material, are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis, and any operating loss and tax carry forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company adopted the accounting standard related to the recognition and measurement of uncertain tax positions. The adoption of this standard had no financial statement effect for the Company.

The Company is no longer subject to tax examinations by federal and various state agencies for the years prior to 2009.

7. *Fair Value of Financial Instruments*

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, commission receivables, clearing deposits receivable, accounts payable, and accrued liabilities, approximate fair value due to the short-term nature of these instruments.

8. *Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America involves the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. These estimates are based upon management's best judgment, after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE B – RELATED PARTY TRANSACTIONS

Management and Support Agreements

The Company has an agreement with Wickersham Management Corporation (“WMC”), a corporation solely owned by the President/Chief Executive Officer of the Company under which WMC provides management services to the Company. Under the agreement, WMC is to receive a monthly management fee of \$30,000. In 2010, the agreement was amended and with mutual consent between the Company and WMC, the monthly management fee may be suspended. During 2011 and 2010, the monthly management fee was suspended for a portion of the year and the Company recognized management fees in the amount of \$90,000 and 60,000, respectively. Under the agreement, the suspended monthly management fee payments are waived and are not an obligation of the Company.

The Company also has an agreement with TLG Advisors, Inc. (“Advisors”), a corporation owned 100% by the Wickersham Family Partnership, LLLP, under which the Company provides support services to Advisors. During 2011 and 2010, the Company recognized revenue in the amount \$42,000 and \$72,000, respectively of which the entire 2010 amount was due to the Company as of December 31, 2010 and was paid subsequent to year-end.

Capitas, LLC

The Company has a 1/40 ownership interest in Capitas, LLC. During 2011 and 2010, the Company recognized commission revenue of \$3,534,727 and \$4,549,881 and commission expense of \$3,373,754 and \$4,058,925, respectively, related to activity with Capitas, LLC. The commission revenue and commission expense accounted for approximately 14% and 21% of the Company's commission revenue and 16% and 21% of the Company's commission expense in 2011 and 2010. Management has assigned no value to the ownership interest.

Jannold, Inc.

The Company has a wholly-owned subsidiary, Jannold, Inc. (“Jannold”), which was formed to serve as a registered agent on behalf of the Company in the State of Texas. For 2011 and 2010 Jannold was inactive; however, Jannold remains the name of record on various accounts. During 2011 and 2010, Jannold received commissions in the amount of \$31,110 and \$39,212, respectively, which were transferred to and recognized by the Company.

As of December 31, 2011 and 2010, Jannold had no assets or liabilities. Management anticipates that Jannold will remain inactive in future years.

Accounts Payable

As of December 31, 2011 and 2010, the Company had a payable to the President/Chief Executive Officer of the Company in the amount of \$27,030 and \$78,816, respectively, for expenses paid in behalf of the Company. The year-end balances were paid in full in January 2012 and 2011, respectively.

The Leaders Group, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE C – COMMITMENTS AND CONTINGENCIES

Operating Lease

The Company leases its office facilities under an operating lease through December 31, 2013. The future minimum lease payments under the operating lease are as follows:

<u>Year ended December 31,</u>		
2012	\$	95,414
2013		<u>97,583</u>
Total	\$	<u>192,997</u>

Lease expense for the Company's office facilities, including common area maintenance assessments, and other leases for 2011 and 2010 was \$100,100 and \$82,296, respectively.

Profit Sharing Plan – 401(k) Plan

The Company has adopted and maintains a 401(k) Profit Sharing Plan (the "Plan"). Employees are eligible to participate in the Plan upon reaching age 21 and having 90 days of employment with the Company. Under the Plan, the Company will make a safe harbor matching contribution in the amount of 3% of eligible compensation and then a 50% contribution up to 1% of additional salary deferrals. Vesting is determined by length of employment and participants become fully vested after six years of employment.

The Company's profit sharing contribution is discretionary and subject to approval by the Board of Directors. The Company's matching contribution to the Plan was \$74,092 and \$50,280 for 2011 and 2010, respectively.

Errors and Omissions Insurance

The Company finances its Errors and Omissions insurance through its insurance provider. The terms of the financing agreement for the 2012 policy required a down payment in the amount of \$47,040 and nine payments, including interest at 2.2%, in the amount \$47,040. As of December 31, 2011, the down payment is reflected as prepaid expense as the coverage period of the policy is December 31, 2011 through December 31, 2012. As of December 31, 2011, the amount due under the financing agreement to be paid in 2012 was \$423,360.

Litigation

TLG is party to various negotiations and legal proceedings arising in the normal course of its business. TLG maintains an errors and omissions insurance policy with a \$50,000 per occurrence deductible.

In management's opinion, the ultimate disposition of matters as of December 31, 2011 will not have a material adverse effect on TLG's financial position, results of operations or liquidity.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE D – INCOME TAXES

Income tax expense for the years ended December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Various state taxes	\$ 635	\$ 914
Income tax expense	<u>\$ 635</u>	<u>\$ 914</u>

Total income tax expense differed from the amount computed by applying the United States federal statutory income tax rates to income before income taxes (benefit) for the years ended December 31, 2011 and 2010 as a result of the following:

	<u>2011</u>	<u>2010</u>
Computed “expected tax” expense	\$ 6,012	\$ 39,468
Change in income tax expense resulting from:		
Permanent differences between income and deductions for income tax purposes and financial statement purposes	1,834	2,737
Reduction in taxable income for carryover items	(7,846)	(42,204)
Various state taxes	<u>635</u>	<u>914</u>
Net income tax expense	<u>\$ 635</u>	<u>\$ 914</u>

For the year ended December 31, 2008, the Company incurred a Net Operating Loss (“NOL”) for income tax purposes in the amount of \$365,081. The Company carried back \$92,946 of the NOL to the tax years ended December 31, 2007 and 2006. For the tax years ended December 31, 2011 and 2010, the Company applied \$51,383 and \$133,032, respectively of the NOL to its 2011 and 2010 taxable income. As of December 31, 2011 the Company has a remaining income tax NOL carryover in the amount of \$87,726 which expires in 2028.

NOTE E – COMMISSION EXPENSE

For the year ended December 31, 2010, commission expense includes payments to one representative that exceeded 10% of the Company’s total commission expense.

NOTE F – NET CAPITAL REQUIREMENTS

Under SEC Rule 15c-3-1(a)(2)(vi), the Company is required to maintain a minimum net capital equal to the greater of \$50,000 or 6.67% of aggregate indebtedness, as defined, and shall not permit the ratio of aggregated indebtedness to net capital exceed 15 to 1. As of December 31, 2011 the Company had net capital of \$570,396, which was \$520,396 in excess of the required net capital requirement of \$50,000. The Company’s net capital ratio was .47 to 1 as of December 31, 2011.

The Leaders Group, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE G – SUBSEQUENT EVENTS

The preparation of the Company's financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the Company to evaluate transactions and events subsequent to December 31, 2011 involving the Company. The management of the Company has evaluated the subsequent transactions and events of the Company through February 27, 2012, which is the date the financial statement and accompanying footnotes were available for issuance.

SUPPLEMENTAL INFORMATION

The Leaders Group, Inc.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION

As of December 31, 2011

Stockholders' equity	\$ 587,447
Less: Non-allowable assets	<u>17,051</u>
Net capital	<u>\$ 570,396</u>
Aggregated indebtedness	
Items included in the statement of financial condition	
Accounts payable	\$ -
Accounts payable - related party	27,030
Accrued liabilities	<u>240,142</u>
Total aggregated debt	<u>\$ 267,172</u>
Computation of basic net capital requirements	
Minimum net capital required (6.67% of aggregate indebtedness or \$50,000, whichever is greater)	<u>\$ 50,000</u>
Net capital in excess at 1,500 percent	<u>\$ 520,396</u>
Net capital in excess at 1,000 percent	<u>\$ 486,957</u>
Ratio: Aggregated indebtedness to net capital	<u>0.47</u>
Reconciliation with the Company's computation (included in part II of Form X-17A-5 as of December 31, 2011)	
Net capital, as reported in the Company's part II (unaudited) FOCUS report	\$ 524,346
Adjustments to "non-allowable" assets	<u>46,050</u>
Net Capital, as adjusted	<u>\$ 570,396</u>
Aggregated indebtedness, as reported in the Company's part II (unaudited) FOCUS report	\$ 267,172
Adjustments	<u>-</u>
Aggregate indebtedness, as adjusted	<u>\$ 267,172</u>

The Leaders Group, Inc.

COMPUTATION OF RESERVE REQUIREMENTS PURSUANT TO
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2011

The Company operates as a fully disclosed broker-dealer pursuant to the exemption provisions of the Securities and Exchange Commission ("SEC") Rule 15c3-3 subparagraph (k)(2)(ii). To maintain this exemption, all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

The Leaders Group, Inc.

INFORMATION RELATING TO POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3 OF THE
SECURITIES AND EXCHANGE COMMISSION

December 31, 2011

The Company does not hold customer funds or customer securities and therefore qualifies for exemption under the provisions of Rule 15c3-3.



Marc, James & Associates, PC
Certified Public Accountants

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A
BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Board of Directors
The Leaders Group, Inc.

In planning and performing our audit of The Leaders Group, Inc. (the "Company") as of and for the year ended December 31, 2011 in accordance with auditing standards generally accepted in the United States of America, as established by the American Institute of Certified Public Accountants, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(II) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal reserve System

The management of the Company 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 benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraphs and to assess whether those practices and procedures can be expected to achieve the SEC's 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 Company has responsibility are safeguarded against loss from unauthorized 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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was the limited purpose described in the first and second paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purpose 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 a material inadequacy for such purposes. Based upon this understanding and our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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.

Marc James & Associates PC

Highlands Ranch, CO
February 27, 2012