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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  
Mail Processing  
Section  
FEB 29 2012  
Washington, DC

**SEC FILE NUMBER**  
8-65857

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: **NORTHERN LIGHTS DISTRIBUTORS, LLC**

**OFFICIAL USE ONLY**  
  
**FIRM I.D. NO.**

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

**4005 South 148th Street**

(No. and Street)

**Omaha**

(City)

**NE**

(State)

**68137**

(Zip Code)

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

**Daniel Applegarth**

**402-492-1731 x7043**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**Deloitte & Touche LLP**

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

**111 South Wacker Drive**

(Address)

**Chicago**

(City)

**IL**

(State)

**60606**

(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)

SEC 1410 (06-02)

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.

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## OATH OR AFFIRMATION

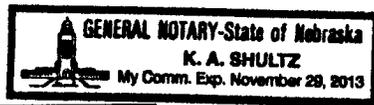
I, **DANIEL APPEGARTH**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of **NORTHERN LIGHTS DISTRIBUTORS, LLC** (the "Company"), for the year ended December 31, 2011, are true and correct. I further 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:

NONE

M. Daniel Applegarth  
Signature

\_\_\_\_\_  
FinOp/CFO  
Title

[Signature]  
Notary Public



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

- (a) Facing Page.
- (b) Consolidated Statements of Financial Condition.
- (c) Consolidated Statements of Operations.
- (d) Consolidated Statements of Cash Flows.
- (e) Consolidated Statements of Shareholder's Equity.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors (not applicable).
- (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. (filed separately)
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (internal control letter).

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

# Deloitte

## Northern Lights Distributors, LLC

(A Wholly Owned Subsidiary of  
NorthStar Financial Services Group, LLC)

(SEC I.D. No. 8-65857)

Statement of Financial Condition  
as of Year Ended December 31, 2011,  
Independent Auditors' Report, and  
Supplemental Report on Internal Control

# Northern Lights Distributors, LLC

(A Wholly Owned Subsidiary of  
NorthStar Financial Services Group, LLC)

(SEC I.D. No. 8-65857)

Statement of Financial Condition  
as of Year Ended December 31, 2011,  
Independent Auditors' Report, and  
Supplemental Report on Internal Control

Filed pursuant to Rule 17a-5(e)(3) as a **PUBLIC DOCUMENT**.

## INDEPENDENT AUDITORS' REPORT

To the Board of Members and Managers of  
Northern Lights Distributors, LLC  
Omaha, Nebraska

We have audited the accompanying statement of financial condition of Northern Lights Distributors, LLC (the "Company"), a wholly owned subsidiary of Northstar Financial Services Group, LLC, as of December 31, 2011, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company'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 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 statement, 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 Northern Lights Distributors, LLC at December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.



February 27, 2012

**NORTHERN LIGHTS DISTRIBUTORS, LLC**  
**(A Wholly Owned Subsidiary of NorthStar Financial Services Group, LLC)**

**STATEMENT OF FINANCIAL CONDITION**  
**AS OF DECEMBER 31, 2011**

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**ASSETS**

CASH	\$ 561,546
ACCOUNTS RECEIVABLE — Net of allowance for doubtful accounts of \$14,638	1,700,832
RECEIVABLES FROM AFFILIATES	14,919
PROPERTY AND EQUIPMENT AT COST — Net of accumulated depreciation and amortization of \$11,518	5,658
OTHER ASSETS	<u>30,498</u>
TOTAL	<u>\$2,313,453</u>

**LIABILITIES AND MEMBER'S EQUITY**

LIABILITIES:	
Accounts payable and accrued liabilities	\$ 18,007
Commissions payable	1,526,206
Due to affiliate	<u>82,373</u>
Total liabilities	1,626,586
MEMBER'S EQUITY	<u>686,867</u>
TOTAL	<u>\$2,313,453</u>

See notes to statement of financial condition

**NORTHERN LIGHTS DISTRIBUTORS, LLC**  
(A Wholly Owned Subsidiary of NorthStar Financial Services Group, LLC)

**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**AS OF DECEMBER 31, 2011**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Northern Lights Distributors, LLC (NLD or the “Company”) is a Nebraska limited liability company providing mutual fund distribution services to investment companies and mutual funds and annuity products to the general public. NLD’s primary source of revenue is commission revenue on mutual funds and annuity contracts sold to individual investors. NLD is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA).

The Company is exempt (under paragraph (k)(2)(i)) from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934.

**Basis of Accounting** — NLD prepares its statement of financial condition on the accrual basis using accounting principles generally accepted in the United States of America.

**Use of Estimates** — The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statement of financial condition. Accordingly, actual results could differ from those estimates.

**Cash** — Cash consists of amounts on deposit with banks.

**Accounts Receivable** — The Company evaluates the collectability of receivables throughout the year and establishes an allowance for bad debts for accounts or portions thereof that become past due greater than 90 days. The balances aged greater than 90 days are fully reserved as bad debt and charged to operations.

**Revenue Recognition** — Service fees (12b-1) revenues are recorded in the period services are provided and reflected in revenue from sale of investment company shares. Service fees owed to the investment advisers are recorded as expense is incurred. Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

**Depreciation and Amortization** — Depreciation and amortization are provided on a straight-line basis using estimated useful lives of three years for computer software, five years for computer equipment, and seven years for furniture and fixtures.

**Income Taxes** — The Company, as a wholly owned subsidiary of NorthStar Financial Services Group, LLC (“NorthStar” or “Parent” or “Member”), is a disregarded entity for income tax purposes under the provisions of the Internal Revenue Code. Accordingly, income from the Company is reported and respective income taxes are paid by the members of the Parent and, as a result, no provision for federal income taxes is provided as it relates to the Company’s taxable income.

Also, no provision has been made for any amounts which may be advanced or paid as draws to the members of the Parent to assist them in paying their income taxes on income of the Company.

## **2. NET CAPITAL REQUIREMENTS**

NLD is subject to the SEC Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 in subsequent years. At December 31, 2011, the Company had net capital of \$597,691, which was \$489,252 in excess of its required net capital of \$108,439. The Company's net capital to required net capital ratio was 5.51 to 1, and the Company's aggregate indebtedness to net capital was 2.72 to 1. The Company intends to pay distributions to its parent during 2012, subject to applicable regulatory requirements and approvals.

## **3. RELATED PARTIES**

NorthStar provides management services for a number of subsidiaries. NorthStar allocates direct expenses to the subsidiaries, and then based on a formal agreement allocates any remaining expenses to each subsidiary based primarily on the number of employees of each.

In the ordinary course of business, NLD may advance funds for the payment of expenses or carry balances for services rendered to NorthStar and NorthStar's wholly owned subsidiaries, CLS Investments, LLC (CLS), Gemini Fund Services, LLC (GFS), Northern Lights Compliance Services, LLC (NLC), and Orion Advisor Services, LLC (OAS). At December 31, 2011, the amount receivable from CLS, GFS, OAS and NLC was \$14,919, which is included in receivable from affiliates on the statement of financial condition. The amount payable to NorthStar was \$82,373 which is included in due to affiliate on the statement of financial condition.

Transactions with related parties are not necessarily indicative of revenues and expenses which would have occurred had the parties not been related.

## **4. SUBSEQUENT EVENTS**

The subsequent events for NLD have been evaluated through the issuance of the statement of financial condition. It was determined that there were no subsequent events to recognize or disclose in the statement of financial condition.

\* \* \* \* \*

February 27, 2012

To the Board of Members and Managers  
Northern Lights Distributors, LLC  
Omaha, Nebraska

In planning and performing our audit of the financial statements of Northern Lights Distributors, LLC (the “Company”), a wholly owned subsidiary of NorthStar Financial Services Group, LLC, as of and for the year ended December 31, 2011 (on which we issued our report dated February 27, 2012, and such report expressed an unqualified opinion on those financial statements), in accordance with auditing standards generally accepted in the United States of America, we considered the Company’s internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures for the purpose of expressing an 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 (the “SEC”), we have 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 compliance with 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)(11) and 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 making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in 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 expected benefits and related costs of controls 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 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 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 *deficiency* in internal control 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs 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 above.

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 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 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 Members and Managers, management, the SEC, Financial Industry Regulatory Authority, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

