

Old
2/25

SECURIT



12011151

MISSION

OMB APPROVAL
OMB Number: 3235-0123
Expires: April 30, 2013
Estimated average burden hours per response.... 12.00

SEC FILE NUMBER
8-68217

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

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 January 1, 2011 AND ENDING December 31, 2011
Date Date

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: The Valence Group, LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

52 Vanderbilt Avenue, Suite 1410
(No. and Street)

New York NY 10017
(City) (State) (Zip Code)

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

Aristotelis Zachariades (212) 847-7340
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

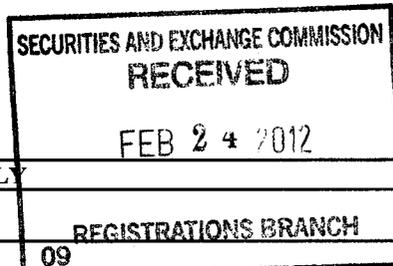
INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

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

100 Eagle Rock Avenue East Hanover NJ 07936
(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)

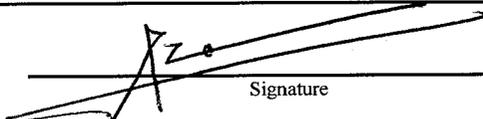
SEC 1410 (06-02)

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.

Old
2/25

OATH OR AFFIRMATION

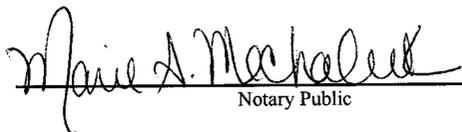
I, Aristotelis Zachariades, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Valence Group, LLC as of December 31, 2011, are true and correct. I further swear (or affirm) that neither the company 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:



Signature

Manager

Title



Notary Public

MARIE A. MECHALUK
Notary Public, State of New York
No. 01ME6006833
Qualified in Nassau County
Certificate Filed in New York County
Commission Expires May 11, 2017

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.
- (o) Independent Auditors' Report on Internal Accounting Control.

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

THE VALENCE GROUP, LLC

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Condition	2
Statement of Operations	3
Statement of Changes in Member's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information	
Schedule I - Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission	11
Schedule II - Statement Regarding SEC Rule 15c3-3	12
Independent Auditors' Report on Internal Control Structure Required by Rule 17a-5 of the Securities and Exchange Commission	13



FRIEDMAN LLP

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Member
The Valence Group, LLC

We have audited the accompanying statement of financial condition of The Valence Group, LLC (the "Company") as of December 31, 2011, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended that are filed 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 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 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 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 Valence Group, LLC as of December 31, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedules I and II required by Rule 17a-5 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Friedman LLP

February 15, 2012

THE VALENCE GROUP, LLC
STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

ASSETS	
Cash and cash equivalents	\$ 3,838,349
Accounts receivable	111,713
Property and equipment, net	34,939
Other assets	225,978
	<hr/>
	\$ 4,210,979
<hr/>	
LIABILITIES AND MEMBER'S EQUITY	
Liabilities	
Accounts payable and accrued expenses	\$ 1,160,059
Income taxes payable	670,745
Due to affiliate	707,526
Deferred rent	17,517
	<hr/>
	2,555,847
Commitments and contingencies	
Member's equity	1,655,132
	<hr/>
	\$ 4,210,979
<hr/>	

See notes to financial statements.

THE VALENCE GROUP, LLC
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2011

Revenues	
Fee income	\$ 8,074,638
Interest income	2,871
	<hr/> 8,077,509
Expenses	
Compensation and benefits	2,627,365
Management fees	2,545,444
Occupancy and equipment	205,571
Professional fees	195,440
Depreciation	13,368
Other operating expenses	530,860
	<hr/> 6,118,048
Income before taxes	1,959,461
Income taxes	908,932
Net income	<hr/> \$ 1,050,529 <hr/>

See notes to financial statements.

THE VALENCE GROUP, LLC
STATEMENT OF CHANGES IN MEMBER'S EQUITY
YEAR ENDED DECEMBER 31, 2011

Balance, January 1, 2011	\$ 604,603
Net income	1,050,529
Balance, December 31, 2011	\$ 1,655,132

See notes to financial statements.

THE VALENCE GROUP, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

Cash flows from operating activities	
Net income	\$ 1,050,529
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	13,368
Changes in assets and liabilities	
Accounts receivable	(13,989)
Other assets	(169,406)
Accounts payable and accrued expenses	859,359
Income taxes payable	439,745
Due to affiliate	645,444
Deferred rent	(6,683)
Deferred revenue	(8,000)
Net cash provided by operating activities	2,810,367
Cash flows used in investing activities	
Acquisition of property and equipment	(13,009)
Net increase in cash and cash equivalents	2,797,358
Cash and cash equivalents, beginning of year	1,040,991
Cash and cash equivalents, end of year	\$ 3,838,349
Supplemental cash flow disclosures	
Income taxes paid	\$ 469,187

See notes to financial statements.

THE VALENCE GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Valence Group, LLC (the "Company") is organized as a limited liability company under the laws of the State of Delaware and is a wholly owned subsidiary of HLMZ Holdings Limited (the "Parent company"), a holding company formed in England.

The Company provides mergers and acquisitions ("M&A") advisory services exclusively to clients in the chemicals, plastics and related materials industries. Clients may be corporations, private equity firms or individuals and may be based anywhere in the world, although the vast majority of business is conducted with clients in the United States, Western Europe and China. The Company is exclusively focused on M&A, which includes sell-side advisory, buy-side advisory, joint ventures, valuations, defense assignments and fairness opinions.

The Company became a registered securities broker-dealer on November 24, 2009 with the Securities and Exchange Commission (the "SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA").

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Concentrations of Credit Risk for Cash

The Company maintains its cash balances at one financial institution. These balances are insured by the Federal Deposit Insurance Corporation subject to certain limitations.

Cash and Cash Equivalents

The Company defines cash and cash equivalents as cash, money market accounts and short-term highly liquid investments having maturities of 90 days or less from their acquisition date.

Accounts Receivable

Accounts receivable are stated at the amounts management expects to collect. An allowance for doubtful accounts is recorded based on a combination of historical experience, aging analysis and information on specific accounts. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that no allowance is required at December 31, 2011.

THE VALENCE GROUP, LLC
NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company's source of revenue is derived from monthly retainer and success fees. Retainer fees are contractually stipulated, and are payable on demand for services rendered and are non-refundable. Success fees are recorded when a transaction has been consummated.

Success fees are contingent on the closing of a transaction such as a merger, consolidation, reorganization, spin-off, recapitalization, restructuring, leveraged buyout, tender or exchange offer, purchase or sale of stock or assets, or other similar events. Upon the closing of a transaction, the Company will record revenue based upon the agreed-upon terms specific to the customer. Upon the successful completion of the transaction, retainer fees previously remitted can be offset against final payment, if contractually stipulated.

Depreciation

Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets, which ranges from 3 to 7 years.

Income Taxes

The Company is a single member limited liability company, which is generally disregarded for Federal, New York State and New York City income tax purposes. However, the Company elected to be treated as a domestic corporation for income tax purposes as of January 1, 2010.

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in the tax laws or rates.

Subsequent Events

These financial statements were approved by management and available for issuance on February 15, 2012. Management has evaluated subsequent events through this date.

THE VALENCE GROUP, LLC
NOTES TO FINANCIAL STATEMENTS

2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Office equipment	\$ 46,930
Furniture and fixtures	29,238
	<hr/> 76,168
Less - Accumulated depreciation	41,229
	<hr/> \$ 34,939

3 - INCOME TAXES

The Company provides for Federal, state, and city income taxes in accordance with current rates applied to net income before income taxes. Federal, state and local income tax returns for years prior to 2008 are no longer subject to examination by tax authorities. The provision for income taxes is as follows:

Current - Federal	\$ 561,193
Current - State and city	347,739
	<hr/> \$ 908,932

The provision for income taxes was based upon pretax earnings of approximately \$1,988,000 for the year ended December 31, 2011. Federal, state, and city income taxes differ from statutory rates due to nondeductible expenses consisting primarily of entertainment and life insurance premiums.

4 - RELATED PARTY TRANSACTIONS

The Company and an affiliate of the Parent company share profits based upon an agreed upon allocation percentage of combined earnings before interest and taxes, as defined.

Management fees totaling \$2,545,444 were paid to the affiliate of the Parent company for the year ended December 31, 2011.

Due to affiliate consists of the portion of the management fees unpaid at December 31, 2011 totaling \$707,526.

THE VALENCE GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

5 - RETIREMENT PLAN

The Company has a 401(k) plan, which covers substantially all of its full-time employees. The plan includes employee contributions, matching contributions, and profit sharing contributions by the Company subject to certain limitations. There were no matching contributions to the plan for the year ended December 31, 2011.

6 - COMMITMENTS AND CONTINGENCIES

On June 25, 2009, the Company received a letter from the Division of Enforcement of the Securities and Exchange Commission ("SEC") regarding an informal inquiry into a matter captioned "In the Matter of The Valence Group, LLC (MHO-11182)" and requesting the voluntary disclosure of certain documents. The SEC inquiry concerned whether the Company was obligated and failed to register as a broker-dealer following its formation in December 2007, and whether any of its business activities in the intervening period were improper as a result. The Company engaged counsel to respond to the inquiry and cooperated fully with the SEC. Since the date of the SEC's letter, the Company has registered with FINRA as a broker-dealer. The SEC's last communication with the Company's counsel was in July 2010.

The Company leases office space in New York, which commenced on June 19, 2008 and ends on June 30, 2013 with a 3.4% escalator. As of December 31, 2011, the lessor holds a security deposit of approximately \$46,000, which is included in other assets on the statement of financial condition.

On December 5, 2011, the Company entered into a non-cancelable sublease agreement for office space in New York, which ends on July 4, 2016 with a 3.0% escalator requiring monthly rental payments of \$24,940 plus additional charges for electricity. The Company has the right to cancel the sublease if possession of the space is not delivered to the Company by March 12, 2012. On December 31, 2011 the Company entered into a letter of credit agreement in the amount of \$99,750 for the security deposit associated with the new lease. The letter of credit will be extended for one year increments on December 31, 2012, and is collateralized by a cash account totaling \$99,778 at December 31, 2011, and is included in other assets. The payment of the rent obligations has been personally guaranteed by one of the members of the Parent company.

THE VALENCE GROUP, LLC
NOTES TO FINANCIAL STATEMENTS

6 - COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum rental payments excluding new office space is as follows:

Year Ending December 31,	
2012	\$ 154,000
2013	65,000
	\$ 219,000

Rent expense was approximately \$143,000 for the year ended December 31, 2011.

7 - LINE OF CREDIT

The Company has a line-of-credit of \$250,000 requiring an annual review by the bank. The borrowings under the line are guaranteed by one of the members of the Parent company. The line of credit bears interest at prime plus 1.75%. The Company had no outstanding balance at December 31, 2011.

8 - MAJOR CUSTOMERS

Sales to major customers for the year ended December 31, 2011 were as follows:

Customer	Percent of Total Sales
A	40%
B	23
C	21

9 - REGULATORY REQUIREMENTS

As a register broker-dealer, the Company is subject to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, which requires that the Company's aggregate indebtedness shall not exceed fifteen times net capital, as defined, under such provision. At December 31, 2011, the Company had net capital of \$1,282,502, which exceeded requirements by \$1,112,112. The Company's ratio of aggregate indebtedness to net capital was 1.99 to 1 at December 31, 2011.

SUPPLEMENTARY INFORMATION

Pursuant to Rule 17a-5 of the Securities Exchange Act of 1934

As of December 31, 2011

THE VALENCE GROUP, LLC

SCHEDULE I

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

DECEMBER 31, 2011

Computation of net capital	
Total member's equity	\$ 1,655,132
Deductions and/or charges	
Non-allowable assets	
Accounts receivable	(111,713)
Property and equipment	(34,939)
Other assets	(225,978)
Net capital	\$ 1,282,502
Computation of aggregate indebtedness	
Accounts payable and accrued expenses	\$ 1,160,059
Income taxes payable	670,745
Due to affiliate	707,526
Deferred rent	17,517
Aggregate indebtedness	\$ 2,555,847
Computation of basic net capital requirement	
Minimum net capital required (6 2/3% of aggregate indebtedness)	\$ 170,390
Minimum dollar requirement	5,000
Net capital requirement (greater of minimum net capital or dollar requirement)	\$ 170,390
Excess net capital	\$ 1,112,112
Excess net capital at 1000 percent	\$ 1,026,917
Ratio: aggregate indebtedness to net capital	1.99 to 1
Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of December 31, 2011)	
Net capital, as reported in Company's Part II (unaudited) Focus Report	\$ 1,515,147
Increases (decreases) resulting from December 31, 2011 audit adjustments	
Income tax accrual	(112,047)
Security deposit reclass from cash	(99,778)
Additional accrual	(20,820)
Net capital, as included in this report	\$ 1,282,502

THE VALENCE GROUP, LLC

SCHEDULE II

STATEMENT REGARDING SEC RULE 15c3-3

DECEMBER 31, 2011

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(i) of that Rule.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

To the Member's
The Valence Group, LLC

In planning and performing our audit of the financial statements of The Valence Group, LLC (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, 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 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 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 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 (or aggregate debits) 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 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 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 previously 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 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 and correct, 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 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 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 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 Directors, management, the SEC, the 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 brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

East Hanover, New Jersey
February 15, 2012

THE VALENCE GROUP, LLC
SECURITIES INVESTOR PROTECTION
CORPORATION FORM SIPC-7

SEC FILE NO. 8-68217

YEAR ENDED DECEMBER 31, 2011



FRIEDMAN LLP

ACCOUNTANTS AND ADVISORS

SEC
Mail Processing
Section
FEB 24 2012
Washington, DC
125

THE VALENCE GROUP, LLC
SECURITIES INVESTOR PROTECTION
CORPORATION FORM SIPC-7
SEC FILE NO. 8-68217
YEAR ENDED DECEMBER 31, 201



FRIEDMAN LLP

ACCOUNTANTS AND ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION

To the Member
The Valence Group, LLC

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments to the Securities Investor Protection Corporation ("SIPC") for the year ended December 31, 2011, which were agreed to by The Valence Group, LLC and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating The Valence Group, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Valence Group, LLC's management is responsible for The Valence Group, LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Friedman LLP

February 15, 2012

THE VALENCE GROUP, LLC

**SECURITIES INVESTOR PROTECTION CORPORATION
SCHEDULE OF ASSESSMENT AND PAYMENTS**

YEAR ENDED DECEMBER 31, 2011

<u>Period Covered</u>	<u>Date Paid</u>	<u>Amount</u>
General assessment reconciliation for the year ended December 31, 2011		\$ 20,191
<u>Payment schedule:</u>		
SIPC-6	7/27/2011	9,866
SIPC-7	2/15/2012	10,325
Balance due		\$ -