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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  
8-65530

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 01/01/11 AND ENDING 12/31/11  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Signal Hill Capital Group LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

300 E. Lombard Street, 17th Floor

(No. and Street)

Baltimore

MD

21202-3243

(City)

(State)

(Zip Code)

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

Gregory D. Andrews, Chief Financial Officer

(443) 796-4003

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Weil, Akman, Baylin & Coleman, P.A.

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

201 W. Padonia Road, Ste 600 Timonium

MD

21093

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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



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\*  
3/31  
KW

**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)

OATH OR AFFIRMATION

I, Gregory D. Andrews, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Signal Hill Capital 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:

[Handwritten Signature]
Signature

My Commission Expires 12-04-2014 Chief Financial Officer
Title

Joyce G. Miller
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 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).

# Signal Hill Capital Group LLC

(SEC I.D. No. 8-65530)

STATEMENT OF FINANCIAL CONDITION

*December 31, 2011*

Filed pursuant to Rule 17a-5(e)(3) as a PUBLIC Document



# **SIGNAL HILL CAPITAL GROUP LLC**

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**Weil, Akman, Baylin & Coleman, P.A.** Certified Public Accountants

201 West Padonia Road • Suite 600 • Timonium, MD 21093-2186  
410-561-4411 • Fax 410-561-4586 • <http://www.wabccpas.com>

## INDEPENDENT AUDITOR'S REPORT

Board of Directors of  
Signal Hill Capital Group LLC  
Baltimore, Maryland

We have audited the accompanying statement of financial condition of Signal Hill Capital Group LLC ("SHCG"), 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 SHCG's management. Our responsibility is to express an opinion on the statement of financial condition 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Signal Hill Capital Group LLC as of December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

*Weil, Akman, Baylin & Coleman, P.A.*

Timonium, Maryland  
February 15, 2012

# SIGNAL HILL CAPITAL GROUP LLC

## STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

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### ASSETS

Cash and cash equivalents	\$ 5,718,515
Restricted cash and deposits	549,311
Receivables, net	166,594
Other investments	498,379
Due from related parties	2,862,418
Prepaid expenses and other assets	99,157
Property and equipment, net	<u>287,080</u>
<b>Total assets</b>	<b>\$ <u>10,181,454</u></b>

### LIABILITIES AND EQUITY

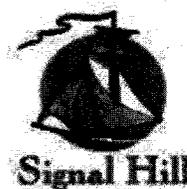
#### Liabilities

Accounts payable and accrued expenses	\$ 1,563,675
Deferred rent	<u>249,044</u>
<b>Total liabilities</b>	<b>1,812,719</b>

#### Equity

<b>Total liabilities and equity</b>	<b>\$ <u>10,181,454</u></b>
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See independent auditor's report and notes to the Statement of Financial Condition.



# SIGNAL HILL CAPITAL GROUP LLC

## NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

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### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Description of Business

Signal Hill Capital Group LLC ("SHCG") was organized on May 10, 2002 under the laws of the State of Delaware as a Limited Liability Company. SHCG is a privately-held investment banking firm with a sole focus on growth companies, with deep expertise in Information Technology, Media and Internet, Telecom Services and Internet Infrastructure, Communications, Education and Business Services, and Healthcare Services. SHCG has offices in Baltimore, Nashville and San Francisco.

SHCG exited the Capital Markets business effective July 31, 2011.

#### Method of Accounting

The statement of financial condition is prepared on the accrual basis of accounting.

#### Cash and Cash Equivalents

SHCG considers all highly liquid financial instruments with maturities of three months or less at the time of purchase to be cash equivalents. SHCG maintains cash in bank deposit accounts, certificate of deposit accounts and other overnight accounts which generally exceed federally insured limits. SHCG has not experienced any losses in such accounts. SHCG's management believes that SHCG is not exposed to any significant credit risk on their balances.

#### Restricted Cash and Deposits

SHCG maintains a certificate of deposit as security for the lease of its headquarters, and has cash on deposit with its clearing broker. The certificate of deposit bears interest at 0.65% and matures in March 2013. Penalties are imposed for early withdrawal.

#### Investment Banking Fees Receivable

Investment banking fees receivable include amounts due arising from SHCG's investment banking and advisory engagements.

The carrying amount of investment banking fees receivable is reduced by a reserve allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Management writes off all accounts upon determination that further collection efforts will be unsuccessful.

At December 31, 2011, 55% of investment banking fees receivable were due from three clients.



# SIGNAL HILL CAPITAL GROUP LLC

## NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

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### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Receivable From Clearing Broker

SHCG clears customer transactions through another broker-dealer on a fully-disclosed basis. The amount receivable from the clearing broker relates to the amount on deposit and the commissions related to customer transactions. SHCG has indemnified the clearing broker for any losses as a result of customer nonperformance. SHCG exited the Capital Markets business on July 31, 2011 and had not received the full amount of its deposit back from the clearing broker as of December 31, 2011, which is recorded as part of restricted cash.

#### Other Investments

The other investments, one of which is a related party, are recorded under the provisions of the Investment Topic of the FASB Accounting Standards Codification at cost less any impairments in the value that are not temporary in nature. As of December 31, 2011, there were no such impairments.

#### Depreciation

Property and equipment are stated at historical costs, less accumulated depreciation. Depreciation is computed over the estimated useful lives of the depreciable assets using the straight-line method. The estimated useful lives of the assets are as follows:

Computer and office equipment	3 - 7 years
Furniture and fixtures	5 - 7 years
Leasehold improvements	Life of Lease

#### Income Taxes

SHCG is treated as a partnership which is not a taxpaying entity. The income from SHCG will be taxed directly to its members. Therefore, no provision for federal income taxes has been provided.

SHCG files U.S. federal and applicable state income tax returns. SHCG's income tax returns beginning with 2008 remain open to examination by taxing authorities.

SHCG follows the Income Tax Topic of the FASB Accounting Standards Codification. SHCG does not believe it has taken uncertain tax positions for the year ended December 31, 2011. SHCG records interest and penalties related to underpayment of income taxes as operating expenses. As of December 31, 2011, SHCG had no accrued interest or penalties.



# SIGNAL HILL CAPITAL GROUP LLC

## NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

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### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Use of Estimates

The preparation of the statement of financial condition in accordance with accounting principles generally accepted in the United States of America requires 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 statement of financial condition, and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

### NOTE B. RECEIVABLES, net

At December 31, 2011 receivables consist of the following:

Investment banking fees receivable	\$ 263,146
Receivable from clearing broker	-
Brokerage receivables	1,000
Less: allowance for doubtful accounts	<u>(97,552)</u>
<b>Receivables, net</b>	<b><u>\$ 166,594</u></b>

### NOTE C. OTHER INVESTMENTS

Other investments are recorded at cost, which are evaluated annually for other-than-temporary impairments.

The following table reflects the costs, gross unrealized gains and losses and fair values of other investments held at December 31, 2011:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Other investments	<u>\$ 498,379</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>



# SIGNAL HILL CAPITAL GROUP LLC

## NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

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### NOTE D. PREPAID EXPENSES AND OTHER ASSETS

At December 31, 2011 prepaid expenses and other assets consist of the following:

Prepaid expenses	\$ 25,244
Security deposits	55,089
Note receivable	<u>18,824</u>
<b>Prepaid expenses and other assets</b>	<b>\$ <u>99,157</u></b>

### NOTE E. PROPERTY AND EQUIPMENT, net

At December 31, 2011 property and equipment consist of the following:

Computer and office equipment	\$ 473,443
Furniture and fixtures	104,751
Leasehold improvements	<u>76,283</u>
	654,477
Less: accumulated depreciation	<u>(367,397)</u>
<b>Property and equipment, net</b>	<b>\$ <u>287,080</u></b>
Depreciation expense	<b>\$ <u>150,371</u></b>

### NOTE F. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At December 31, 2011 accounts payable and accrued expenses consist of the following:

Accrued compensation	\$ 481,125
Accounts payable and accrued expenses	<u>1,082,550</u>
<b>Accounts payable and accrued expenses</b>	<b>\$ <u>1,563,675</u></b>



# SIGNAL HILL CAPITAL GROUP LLC

## NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

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### NOTE G. EQUITY

SHCG is authorized to issue 1,000 shares. As of December 31, 2011, all 1,000 shares were issued and outstanding.

The Limited Liability Company (LLC) Agreement, as amended, dated April 1, 2008, sets forth the respective rights and obligations of members of SHCG and provides for terms of its management and conduct of its affairs. SHCG's Operating Committee is responsible for managing the affairs of SHCG. Each member's liability is limited to the amount of capital invested in SHCG.

SHCG is not obligated to make any periodic distributions to members, except for tax distributions. The amount and timing of any distributions are at the discretion of the Board of Directors.

### NOTE H. COMMITMENTS

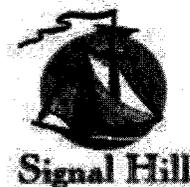
#### Operating Leases and Subscriptions

SHCG leases its headquarters in Baltimore as well as its San Francisco and Nashville offices. The terms of the lease agreements expire between September 2012 and December 2014. SHCG subleases the San Francisco office to a third party through a lease agreement which expires in September 2012. Monthly payments range between \$3,464 and \$28,976. SHCG is liable for common area maintenance charges on each lease. Rental expense related to these agreements for the year ended December 31, 2011 was \$370,152. Total minimum rents to be received in the future under the sublease is \$79,117 as of December 31, 2011.

SHCG has entered into various lease agreements for office equipment and commitments for financial data and other services. The terms of the leases and subscriptions expire between August 2012 and November 2015. Monthly payments range between \$80 and \$6,580. Rental and subscription expense related to these agreements for the year ended December 31, 2011 was \$386,559.

Future minimum rental commitments for the years ending December 31, are as follows:

2012	\$	808,405
2013		521,973
2014		430,689
2015		5,157
	\$	<u>1,766,224</u>



# SIGNAL HILL CAPITAL GROUP LLC

## NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

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### NOTE H. COMMITMENTS (Continued)

#### Investment Commitment

SHCG invested in SH Capital Investors I, LLC and has committed to invest a total of up to \$1,000,000 in the partnership. The commitment is callable at the request of the manager of the LLC. As of December 31, 2011, the remaining commitment is \$755,000. See Note I.

#### Litigation

SHCG in the normal course of business is involved from time to time in litigation. As of December 31, 2011, management and legal counsel are not aware of any litigation that could have a materially negative impact on the financial statements.

### NOTE I. RELATED PARTY TRANSACTIONS

During 2011, SHCG made various loans to, and received various repayments from, the related holding company and a related sister company. These monies are due on demand and do not accrue interest. The total amount of the loans at December 31, 2011 was \$2,862,418.

SHCG held an investment in SH Capital Investors I, LLC (the "Fund") at December 31, 2011, a total amount of \$263,179 which is included in other investments. The Fund is deemed to be a related party to SHCG. See Note H.

### NOTE J. RETIREMENT PLAN

SHCG maintains a 401(k) Plan and Profit Sharing Plan for substantially all full-time employees meeting the general eligibility requirements of the plan. The plan allows for Elective Deferrals and Safe Harbor Contributions. SHCG, at its discretion, can also make Profit Sharing Contributions. SHCG recorded total 401(k) Safe Harbor contributions of \$313,380 for the year ended December 31, 2011.

With the closing of the Capital Markets business, SHCG terminated over twenty percent of its workforce. As a result, those terminated employees became fully vested in the employer contributions to the plan made on their behalf.



# SIGNAL HILL CAPITAL GROUP LLC

## NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

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### NOTE K. NET CAPITAL REQUIREMENT

SHCG is subject to the SEC Uniform Net Capital Rule 15c3-1 which requires the maintenance of minimum net capital. At December 31, 2011, SHCG had net capital of \$3,751,940 or \$3,631,092 in excess of its required net capital of \$120,848 and the percentage of aggregate indebtedness to net capital was 48%.

### NOTE L. RESERVE REQUIREMENTS AND INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS FOR BROKERS OR DEALERS

SHCG is exempt from the provisions of Rule 15c3-3 (pursuant to paragraph (k)(2)(ii) of such rule) of the Securities Exchange Act of 1934 as an introducing broker or dealer that carries no customers' accounts, promptly transmits all customer funds and delivers all customer securities received to the clearing broker, and does not otherwise hold funds or securities of customers or dealers. Because of such exemption, SHCG is not required to prepare a determination of reserve requirement and SHCG is not subject to the provisions of Rule 15c3-3 pertaining to the possession or control requirements for brokers or dealers.

### NOTE M. SUBSEQUENT EVENTS

In preparing this statement of financial condition, management of SHCG has evaluated events and transactions subsequent to December 31, 2011 through February 15, 2012, the date this statement of financial condition was available to be issued. Based on the definitions and requirements of the Subsequent Events Topics of the FASB Accounting Standards Codification, management of SHCG is not aware of any subsequent events that would require recognition or disclosure in the statement of financial condition.

