



PUBLIC

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

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

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

Mail Processing Section
FEB 27 2014
Washington DC
404

SEC FILE NUMBER
865530

**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 01/01/13 AND ENDING 12/31/13
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SIGNAL HILL CAPITAL GROUP LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

300 E. LOMBARD ST., SUITE 1700

(No. and Street)

BALTIMORE

MD

21202

(City)

(State)

(Zip Code)

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

GREG ANDREWS

(443) 478-2617

(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 RD., 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.

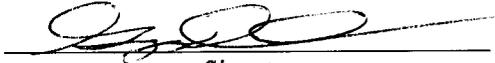
FOR OFFICIAL USE ONLY

*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)

29
3/14/14

OATH OR AFFIRMATION

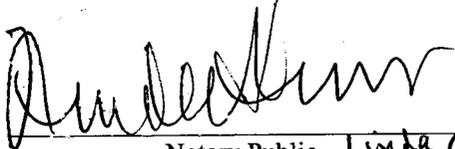
I, GREGORY D. ANDREWS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SIGNAL HILL CAPITAL GROUP LLC, as of DECEMBER 31, 2013, are true and correct. I further swear (or affirm) that neither the company 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

CHIEF FINANCIAL OFFICER

Title


Notary Public *Linda Grinnis*
My commission expires 08/14/14

- 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, 2013

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

SIGNAL HILL CAPITAL GROUP LLC

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENT:	
STATEMENT OF FINANCIAL CONDITION	2
NOTES TO THE STATEMENT OF FINANCIAL CONDITION	3 - 8



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") (a Delaware Limited Liability Company) as of December 31, 2013, that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the statement of financial condition in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement of financial condition that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial condition. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of financial condition, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statement of financial condition in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of financial condition.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 in accordance with accounting principles generally accepted in the United States of America.

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

Timonium, Maryland
February 19, 2014

SIGNAL HILL CAPITAL GROUP LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2013

\$ in thousands

ASSETS

Cash and cash equivalents	\$	10,646
Certificate of deposit		501
Receivables, net		427
Other investments		640
Due from related party		5,806
Prepaid expenses and other assets		253
Property and equipment, net		<u>320</u>
Total assets	\$	<u>18,593</u>

LIABILITIES AND EQUITY

Liabilities

Accounts payable and accrued expenses	\$	7,270
Deferred rent		<u>149</u>
Total liabilities		7,419

Equity

		<u>11,174</u>
Total liabilities and equity	\$	<u>18,593</u>

See independent auditor's report and notes to the financial statement.

SIGNAL HILL CAPITAL GROUP LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2013

\$ in thousands

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 premier investment banking partnership serving the M&A advisory and private capital raising needs of growth companies. SHCG's experienced bankers provide deep domain expertise in the Internet and Digital Media, Internet Infrastructure, Services and Software sectors. SHCG has offices in Baltimore, Boston, New York, Reston, San Francisco and Nashville.

Method of Accounting

The financial statements are 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.

Certificate of Deposit

The Firm maintained a certificate of deposit of \$501 at December 31, 2013. The certificate bears interest at .44% and matures in September 2014, with penalties for early withdrawal.

Receivables

Receivables include amounts due arising from SHCG's investment banking and advisory engagements.

The carrying amount of receivables 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, 2013 38% of receivables were due from two clients.

Other Investments

Other investments include two privately held entities, one of which is a related party, and are recorded under the provisions of the Investment Topic of FASB Accounting Standards Codification at cost as SHCG owns less than 20% or does not have controlling interest. The investments are reviewed annually for impairment. Cost is adjusted for any impairments in the value that are not temporary in nature.

SIGNAL HILL CAPITAL GROUP LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2013

\$ in thousands

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2010 remain open to examination by tax authorities.

SHCG follows the Income Tax Topic of the FASB Accounting Standards Codification. SHCG does not believe it has taken any uncertain tax positions for the year ended December 31, 2013. SHCG records interest and penalties related to underpayment of income taxes as operating expenses. As of December 31, 2013, SHCG had no accrued interest or penalties.

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, 2013 receivables consist of the following:

Investment banking fees receivable	\$	596
Less: allowance for doubtful accounts		(169)
Receivables, net	\$	427

SIGNAL HILL CAPITAL GROUP LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2013

\$ in thousands

NOTE C. OTHER INVESTMENTS

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

The following table reflects the cost, gross unrealized gains and losses and fair value of other investments held at December 31, 2013:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Other investments	\$ 640	n/a	n/a	n/a

It is not practicable to estimate the fair value of SHCG's investment in the privately held entities included above due to the lack of quoted market prices and the inability to estimate fair value. Management is not aware of any events or changes in circumstances that would adversely affect the fair value of these investments; thus, management has determined that there is no impairment of these assets.

NOTE D. PREPAID EXPENSES AND OTHER ASSETS

At December 31, 2013 prepaid expenses and other assets consist of the following:

Prepaid expenses	\$ 80
Security deposits	154
Note receivable	19
Prepaid expenses and other assets	\$ 253

NOTE E. PROPERTY AND EQUIPMENT, net

At December 31, 2013 property and equipment consist of the following:

Computer and office equipment	\$ 466
Furniture and fixtures	255
Leasehold improvements	130
	851
Less: accumulated depreciation	(531)
Property and equipment, net	\$ 320
Depreciation expense	\$ 158

SIGNAL HILL CAPITAL GROUP LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2013

\$ in thousands

NOTE F. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At December 31, 2013 accounts payable and accrued expenses consist of the following:

Accrued compensation	\$	6,802
Accounts payable and accrued expenses		<u>468</u>
Accounts payable and accrued expenses	\$	<u>7,270</u>

NOTE G. EQUITY

SHCG is authorized to issue 1,000 shares. As of December 31, 2013 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.

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 and its Boston, New York, Reston, Nashville and San Francisco offices. The terms of the lease agreements expire between June 2015 and December 2021. SHCG is liable for common area maintenance charges on each lease and monthly payments range between \$3 and \$22. Rental expense related to these agreements for the year ended December 31, 2013 was \$1,015.

Operating Leases and Subscriptions

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 February 2014 and April 2017. Monthly payments range up to \$10. Rental and subscription expense related to these agreements for the year ended December 31, 2013 was \$682.

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

2014	\$	1,552
2015		1,125
2016		780
2017		704
2018		324
Thereafter		<u>769</u>
	\$	<u>5,254</u>

SIGNAL HILL CAPITAL GROUP LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2013

\$ in thousands

NOTE H. COMMITMENTS (continued)

Letter of Credit

As of December 31, 2013 SHCG an outstanding available letter of credit totaling approximately \$624.

Investment Commitment

SHCG invested in SH Capital Investors I, LLC, ("the Fund") an investment fund, and has committed to invest a total of up to \$1,000 in the Fund. The commitment is callable at the request of the manager of the Fund. As of December 31, 2013 the remaining commitment is \$613; however, the managers of the Fund decided in 2012 that no new investments will be made by the Fund, other than in existing portfolio companies via follow-on investments opportunities that may become available to the Fund. See Note I.

Litigation

SHCG in the normal course of business is involved from time to time in litigation. As of December 31, 2013, management and legal counsel are not aware of any litigation that could have a materially negative impact on the statement of financial condition.

NOTE I. RELATED PARTY TRANSACTIONS

During 2013, SHCG made various loans to, and received various repayments from, the related holding company. These monies are due on demand and do not accrue interest. The total amount of the loans at December 31, 2013 was \$5,806.

SHCG held an investment in SH Capital Investors I, LLC (the "Fund") at December 31, 2013, in a total amount of \$405, 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 \$74 for the year ended December 31, 2013.

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.

SIGNAL HILL CAPITAL GROUP LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2013

\$ in thousands

NOTE M. SUBSEQUENT EVENTS

In preparing this statement of financial condition, management of SHCG has evaluated events and transactions subsequent to December 31, 2013 through February 19, 2014, 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.