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SEC
ANNUAL AUDITED REPORT
FORM X-17a-5
PART III

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Section

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FACING PAGE

Washington DC

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, 2016 AND ENDING December 31, 2016
Date Date

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: The Valence Group LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

90 Park Ave. - 27th Floor
(No. and Street)

New York NY 10016
(City) (State) (Zip Code)

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

Paul Lakind 212-847-7339
(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 Ave. 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)

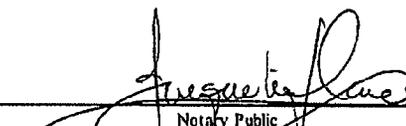
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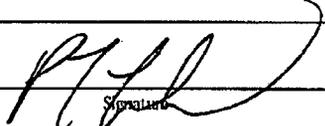
OATH OR AFFIRMATION

I, Paul Lakind, 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, 2016, 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:



Notary Public

JACQUELINE PLANAS
Notary Public, State of New York
No. 01PL6240430
Qualified in New York County
Commission Expires April 28, 2019



Chief Operating 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 Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (e) Statement of Cash Flows
- (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) Statement of Exemption from Rule 15c3-3.
- (k) A Reconciliation, or statement, 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.
- (l) An Oath or Affirmation.
- (m) SIPC Supplemental Report and Independent Accountant's Report
- (n) Report of Independent Registered Public Accounting Firm on Statement of Exemption or Compliance
- (o) 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 VALENCE GROUP, LLC

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FRIEDMAN LLP

ACCOUNTANTS AND ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member
of The Valence Group, LLC

We have audited the accompanying statement of financial condition of The Valence Group, LLC as of December 31, 2016, and the related notes to the financial statements. This financial statement is the responsibility of The Valence Group, LLC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of The Valence Group, LLC as of December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.



FRIEDMAN LLP
East Hanover, New Jersey
February 22, 2017

THE VALENCE GROUP, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2016

ASSETS

Cash and cash equivalents	\$ 1,965,537
Accounts receivable	139,339
Due from affiliate	2,355,425
Property and equipment, net	350,064
Security deposits	404,565
Other assets	115,469
	<u>\$ 5,330,399</u>

LIABILITIES AND MEMBER'S EQUITY

Liabilities

Accounts payable and accrued expenses	\$ 835,000
Income taxes payable	506,620
Deferred rent	235,096
	<u>1,576,716</u>

Commitments and contingencies

Member's equity

3,753,683
<u>\$ 5,330,399</u>

See notes to Statement of Financial Condition

THE VALENCE GROUP, LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2016

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"), 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 North America or Western Europe. 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 the Statement of Financial Condition. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. 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 considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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, 2016.

THE VALENCE GROUP, LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION (CONTINUED)
DECEMBER 31, 2016

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 and Amortization

Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets, which ranges from 3 to 7 years. Leasehold improvements are amortized using the straight-line method over estimated useful lives or the term of the lease, whichever is shorter.

Share-Based Payments

The Company recognizes share-based compensation as compensation expense, which requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The Company uses the accelerated recognition method to recognize the cost over the vesting period, three years. No compensation cost is recognized for equity instruments for which employees do not render the requisite service, unless the employee is terminated without cause, at which point the award becomes fully vested.

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 the liability method, which requires an asset and liability approach that recognizes 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.

THE VALENCE GROUP, LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION (CONTINUED)
DECEMBER 31, 2016

2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and fixtures	\$ 274,681
Office equipment	130,660
Leasehold improvements	<u>39,757</u>
	445,098
Less: Accumulated depreciation and amortization	<u>(95,034)</u>
	<u><u>\$ 350,064</u></u>

3 - SHARE-BASED COMPENSATION

During fiscal years 2012 through 2014, the Parent issued 32,834 compensatory Series B share option awards to certain employees of the Company. The total number of options outstanding as of December 31, 2016 was 20,959 with a weighted average exercise price of \$6.04 and a weighted average remaining contractual term of 7.50 years. Unrecognized compensation expense related to the Parent Series B share options at December 31, 2016 was approximately \$23,042, which will be recognized through 2019.

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. Due from affiliate consists of the profit allocation not yet paid at December 31, 2016 totaling \$2,355,425.

5 - RETIREMENT PLAN

The Company has a 401(k) plan, which covers substantially all of its full-time employees. The plan includes employee contributions, discretionary matching contributions, and profit sharing contributions by the Company subject to certain limitations.

THE VALENCE GROUP, LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION (CONTINUED)
DECEMBER 31, 2016

6 - COMMITMENTS AND CONTINGENCIES

The Company currently rents office space in New York pursuant to a non-cancelable sublease agreement which ends on October 27, 2026. Total future minimum rental payments, inclusive of rent escalations, exclusive of real estate taxes and related costs, under this agreement is as follows:

<u>FUTURE RENT PAYMENTS</u>	
2017	\$ 720,511
2018	720,511
2019	720,511
2020	720,511
Thereafter	<u>4,353,248</u>
	<u>\$ 7,235,292</u>

This lease requires additional rental payments for expenses as defined. In connection with the aforementioned lease, the Company maintains a letter of credit agreement for the security deposit totaling \$404,565 and is included in security deposits on the Statement of Financial Condition at December 31, 2016.

Pursuant to this lease, as of December 31, 2016 the deferred rent payable was \$235,096.

7 - LINE OF CREDIT

The Company has a line-of-credit of \$600,000 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 is required to fully repay to the bank all amounts outstanding for a period of thirty consecutive days in each year. The Company had no outstanding balance at December 31, 2016.

The line of credit contains a covenant that requires the Company's net worth to be a minimum of \$1,655,000.

THE VALENCE GROUP, LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION (CONTINUED)
DECEMBER 31, 2016

8 - MAJOR CUSTOMERS

At December 31, 2016 one customer comprised 64% of the total accounts receivable balance of \$139,339.

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, 2016, the Company had net capital of \$388,821 which exceeded requirements by \$283,707. The Company's ratio of aggregate indebtedness to net capital was 4.06 to 1 at December 31, 2016.

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