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

SEC FILE NUMBER
8-68861

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 04/02/12 AND ENDING 03/31/13  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **TSG Spectrum Capital Advisors, LLC**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**11 Canal Center Plaza, Suite 300**

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street) **Alexandria** **VA** **22314**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**Steven C Bender** **(646) 290-7248**  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**McGladrey LLP**

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

**7200 Glen Forest Drive, Suite 200** **Richmond** **VA** **23226**  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

<b>FOR OFFICIAL USE ONLY</b>

\*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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6/11/13



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## **Independent Auditor's Report**

To the Member  
TSG Spectrum Capital Advisors, LLC  
Alexandria, Virginia

### **Report on the Financial Statements**

We have audited the accompanying statement of financial condition of TSG Spectrum Capital Advisors, LLC (the Company) as of March 31, 2013, and the related statements of operations, changes in member's equity and cash flows for the period from April 2, 2012 through March 31, 2013 that are 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 these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company'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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of TSG Spectrum Capital Advisors, LLC as of March 31, 2013, and the results of its operations and its cash flows for the period from April 2, 2012 through March 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. 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 in Schedule I 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 in Schedule I is fairly stated in all material respects in relation to the financial statements as a whole.

*McGladrey LLP*

Richmond, Virginia  
May 23, 2013

**TSG Spectrum Capital Advisors, LLC**

**Statement Of Financial Condition  
March 31, 2013**

**Assets**

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Cash	\$	50,401
Prepaid expenses		<u>1,596</u>
<b>Total assets</b>	<b>\$</b>	<b><u>51,997</u></b>

**Liabilities And Member's Equity**

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Liabilities		
Accounts payable	\$	9,600
Due to related party		<u>2,481</u>
<b>Total liabilities</b>		<b><u>12,081</u></b>
Commitments, contingencies and guarantees		
Member's Equity		<u>39,916</u>
<b>Total liabilities and member's equity</b>	<b>\$</b>	<b><u>51,997</u></b>

See Notes To Financial Statements.

**TSG Spectrum Capital Advisors, LLC**

**Statement Of Operations**

**For the Period from April 2, 2012 through March 31, 2013**

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Revenue:	
Private placement advisory fees	<u>\$ 75,000</u>
Expenses:	
Rent	28,800
Travel	7,169
Consulting	79,636
Office expenses	12,195
Accounting and administrative	12,000
Regulatory fees	1,703
Other	1,583
<b>Total expenses</b>	<u>143,086</u>
<b>Net loss</b>	<u>\$ (68,086)</u>

See Notes To Financial Statements.

**TSG Spectrum Capital Advisors, LLC**

**Statement Of Changes In Member's Equity  
For the Period from April 2, 2012 through March 31, 2013**

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Balance, April 2, 2012	\$ 108,002
Net loss	<u>(68,086)</u>
Balance, March 31, 2013	<u>\$ 39,916</u>

See Notes To Financial Statements.

**TSG Spectrum Capital Advisors, LLC**

**Statement Of Cash Flows**

**For the Period from April 2, 2012 through March 31, 2013**

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<b>Cash Flows From Operating Activities</b>	
Net loss	\$ (68,086)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Prepaid expenses	(903)
Accounts payable	9,600
Due to related party	2,481
<b>Net cash provided by operating activities</b>	<u>11,178</u>
<b>Net decrease in cash</b>	<u>(56,908)</u>
Cash:	
Beginning of period	<u>107,309</u>
End of period	<u>\$ 50,401</u>

See Notes To Financial Statements.

## TSG Spectrum Capital Advisors, LLC

### Notes To Financial Statements

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#### Note 1. Nature Of Business And Significant Accounting Policies

**Nature of business:** TSG Spectrum Capital Advisors, LLC (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company signed its membership agreement with FINRA on April 2, 2012. The Company is a single-member limited liability company wholly owned by Spectrum Capital Advisors, LLC (Spectrum). Spectrum is owned 70% by Spectrum Government Solutions, LLC, which is wholly owned by The Spectrum Group Members, LLC (Spectrum Group).

The Company operates under the exemptive provisions of paragraph (k)(2)(i) of rule 15c3-3 of the Securities and Exchange Act of 1934. Therefore, the Company does not have customer accounts, and thus does not carry margin accounts or receive customer funds or securities, which it would have to transmit promptly in connection with its activities as a broker or dealer. The Company does not otherwise hold funds or securities for or owe money to customers, nor does it have financial transactions between the broker or dealer and customers through which bank accounts have been designated as Special Accounts for the Exclusive Benefit of Customers of the Company.

A summary of the Company's significant accounting policies follows:

The Company follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of operations, and cash flows. References to Generally Accepted Accounting Principles (GAAP) in these footnotes are to the *FASB Accounting Standards Codification*<sup>™</sup>, sometimes referred to as the Codification or ASC.

**Basis of presentation:** The financial statements include only the accounts of the Company.

**Basis of accounting:** The Company prepares its financial statements on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the underlying obligations have been incurred.

**Use of estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue recognition:** Private placement advisory services and are recognized as earned in accordance with the terms of the advisory contract.

**Subsequent events:** The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these financial statements were issued, noting none.

## **TSG Spectrum Capital Advisors, LLC**

### **Notes To Financial Statements**

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#### **Note 2. Income Tax Status**

As a single-member limited liability company, the Company is treated as a "disregarded entity" for income tax purposes. Thus, for federal income tax purposes, the Company is accounted for as a division of Spectrum and does not file separate tax returns. The Company's financial activity is reported in conjunction with the federal and state income tax filings of Spectrum. Income taxes have not been provided, as the members of Spectrum are individually liable for taxes, if any, on their share of Spectrum's net income or loss.

The Company may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Company would recognize any interest and penalties on income taxes as a component of income tax expense in the statement of operations.

Management evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Spectrum files income tax returns in U.S. federal jurisdiction and in Virginia. Spectrum is subject to U.S. federal, state, and local income tax examinations by tax authorities for tax years starting in 2010.

#### **Note 3. Net Capital Requirement**

The Company is a broker-dealer subject to the SEC Uniform Net Capital Rule (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 8 to 1 during the 12 months after commencing business. Rule 15c3-1 also requires that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At March 31, 2013, the Company had net capital of \$38,320, which was \$33,320 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 0.32 to 1.

## TSG Spectrum Capital Advisors, LLC

### Notes To Financial Statements

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#### Note 4. Related Party Transactions

The Spectrum Group provides the Company office space and certain operational and administrative services under the terms of an Expense Sharing Agreement in return for a fee. The fee is based on the square feet of office space, personnel, and administrative support requirements. The fee paid to the Spectrum Group for the period from April 2, 2012 through March 31, 2013, totaled \$50,700, of which \$600 was payable as of March 31, 2013.

The following table sets forth the Company's related party expenses included in the statement of operations for the period from April 2, 2012 through March 31, 2013:

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Rent	\$	28,800
Administrative support		9,000
IT support		5,400
Copier, facsimile, and postage		3,000
Office supplies		2,700
Computer charges		1,800
	\$	<u>50,700</u>

As of March 31, 2013, the Company has a payable due to Spectrum of \$1,881 for expenses paid by Spectrum on behalf of the Company.

#### Note 5. Commitments and Contingencies

For the period ending March 31, 2013 the Company is aware of no commitments, contingencies or guarantees that might result in a loss or future obligation.

**Computation Of Net Capital Under SEC Rule 15c3-1**

March 31, 2013

**Net Capital**

Member's equity	\$ 39,916
Nonallowable assets – prepaid expenses	<u>1,596</u>
<b>Net capital</b>	<b><u>\$ 38,320</u></b>

**Aggregate Indebtedness**

Accounts payable	\$ 9,600
Due to related party	<u>2,481</u>
<b>Total aggregate indebtedness</b>	<b><u>\$ 12,081</u></b>

**Computation Of Basic Net Capital Requirements**

Minimum net capital requirement (the greater of \$5,000 or 6 2/3% of aggregate indebtedness)	<u>\$ 5,000</u>
Excess net capital	<u>\$ 33,320</u>
Ratio of aggregate indebtedness to net capital	<u>0.32 to 1</u>

Reconciliation of the computation of net capital and aggregate indebtedness herein with the corresponding unaudited filing March 31, 2013, prior to amendment:

	<u>Net Capital</u>	<u>Aggregate Indebtedness</u>
Net capital as reported in the Company's corresponding unaudited FOCUS filing	\$ 42,038	\$ 8,363
Adjustment – accounts payable understatement, net effect	(3,718)	3,718
	<u>\$ 38,320</u>	<u>\$ 12,081</u>



## Independent Auditor's Report on Internal Control

To the Member  
TSG Spectrum Capital Advisors, LLC  
Alexandria, Virginia

In planning and performing our audit of the financial statements of TSG Spectrum Capital Advisors, LLC (the Company), as of March 31, 2013 and for the period from April 2, 2012 through March 31, 2013, 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 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 any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons, and the 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 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 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 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 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 March 31, 2013, to meet the SEC's objectives.

This report is intended solely for the information and use of the member, audit committee, management, the SEC, Financial Industry Regulatory Authority, 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.

*McGladrey LLP*

Richmond, Virginia  
May 23, 2013

# TSG Spectrum Capital Advisors, LLC

Financial Report  
For the Period from April 2, 2012 to March 31, 2013

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# **TSG Spectrum Capital Advisors, LLC**

Financial Report  
For the Period from April 2, 2012 to March 31, 2013