



13030090

COMMISSION

Washington, D.C. 20549

SEC  
Mail Processing  
Section

FEB 27 2013

Washington DC  
402

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

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

SEC FILE NUMBER
8- 65564

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 01/01/2012 AND ENDING 12/31/2012  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: MAINSAIL GROUP, LLC

OFFICIAL USE ONLY
_____
FIRM I.D. NO.

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

350 Madison Avenue

(No. and Street)

New York

NY

10017

(City)

(State)

(Zip Code)

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

Richard Sobel, FINOP

(212) 751-4422

(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)

1185 Avenue of the Americas

New York

NY

10036

(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)

OATH OR AFFIRMATION

I, Gregory Jakubowsky, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Mainsail Group, LLC of December 31, 2012, 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:

Gail M Parker
Notary Public, State of New York
NO 01PA6126374
Qualified in New York County
Commission Expires May 02, 2013

[Handwritten Signature]
Signature
CEO
Title

[Handwritten Signature: Gail M. Parker]
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. (Bound under separate cover)
(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).

## Contents

---

Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Condition	2
Notes to Statement of Financial Condition	3 - 4

---



## Independent Auditor's Report

To the Member  
Mainsail Group, LLC  
New York, New York

### Report on the Statement of Financial Condition

We have audited the accompanying statement of financial condition of Mainsail Group, LLC (the "Company") as of December 31, 2012 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the statement of financial condition.

### Management's Responsibility for the Statement of Financial Condition

Management is responsible for the preparation and fair presentation of this 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 this 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 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 Company'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 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 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 Mainsail Group, LLC as of December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.

*McGladrey LLP*

New York, New York  
February 25, 2013

**Mainsail Group, LLC**  
**(a limited liability company)**

**Statement of Financial Condition**  
**December 31, 2012**

---

**ASSETS**

Cash	\$ 588,919
Due from clearing broker	2,270
Distributor fees receivable	90,485
Other assets	<u>8,420</u>
<b>Total assets</b>	<b><u><u>\$ 690,094</u></u></b>

**LIABILITIES AND MEMBER'S EQUITY**

Liabilities:	
Accounts payable	\$ 8,811
Accrued expenses and other liabilities	<u>314,684</u>
<b>Total liabilities</b>	<b>323,495</b>
Member's Equity	<u>366,599</u>
<b>Total liabilities and member's equity</b>	<b><u><u>\$ 690,094</u></u></b>

See Notes to Statement of Financial Condition.

**Mainsail Group, LLC**  
**(a limited liability company)**

**Notes to Statement of Financial Condition**

---

**Note 1. Organization**

Mainsail Group, LLC (the "Company") was formed under the laws of the State of Delaware on July 30, 2002. The Company is registered as a broker-dealer in securities with the Securities and Exchange Commission (the "SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA").

The Company operates under the exempted provisions of paragraph (K)(2)(ii) of SEC Rule 15c3-3. All customer accounts are cleared through another broker-dealer on a fully disclosed basis.

**Note 2. Significant Accounting Policies**

Accounting Policies: The Company follows generally accepted accounting principles ("GAAP"), as established by the Financial Accounting Standards Board (the "FASB"), to ensure consistent reporting of financial condition, results of operations and cash flows.

Revenue Recognition: The Company records commission revenue and expenses on a trade-date basis as securities transactions occur. Distributor fees are recognized on an accrual basis as earned (see Note 4).

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in determining the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Furniture and Equipment: Furniture and equipment is reported in other assets in the statement of financial condition and is stated at cost (\$12,674) less accumulated depreciation (\$10,003). Straight-line depreciation of furniture and equipment is determined using estimated useful lives of three to seven years. Management reviews furniture and equipment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recovered.

Accounting for Income Taxes: The FASB provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more likely than not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. For the year ended December 31, 2012, management has determined that there are no uncertain tax positions. The current and prior three tax years remain subject to examination by tax authorities.

The Company is treated as a partnership for federal and state income tax purposes and, therefore, no provision has been made in the accompanying financial statement for federal or state income taxes.

**Note 3. Due From Clearing Broker**

The clearing and depository operations for the Company's securities transactions are provided by its clearing broker pursuant to a clearing agreement. At December 31, 2012, the receivable from the clearing broker represents cash maintained at the clearing broker.

**Note 4. Distributor Fees Receivable**

In 2011, the Company entered into an agreement with an affiliate, Silverbay Capital Management ("Silverbay"). The Company receives a distributor fee equal to 7% of the asset-based compensation that Silverbay receives from one of its mutual fund clients. Total distributor fee income pursuant to this agreement in 2012 was \$822,833, of which \$90,485 is receivable as of December 31, 2012.

**Mainsail Group, LLC**  
**(a limited liability company)**

**Notes to Statement of Financial Condition**

---

**Note 5. Related Party Transactions**

The Company pays a related entity under an administrative services agreement. The amount paid represents the Company's allocable share of rent, utilities and employee compensation as defined in the agreement. The total amount paid under this agreement for the year ended December 31, 2012 was \$61,644.

Substantially all of the Company's revenue is derived from accounts that are managed by the Managing Member.

**Note 6. Off-Balance-Sheet Risk and Concentration of Risk**

The Company, at times, maintains its cash balances in bank deposit accounts in excess of federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

Since the Company does not clear its own securities and futures transactions, it has established accounts with clearing brokers for this purpose. This can and often does result in a concentration of credit risk with these firms. Such risk, however, is mitigated by each clearing broker's obligation to comply with rules and regulations of the SEC.

The Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker-dealers. The clearing broker-dealers carry all of the accounts of the customers of the Company and are responsible for execution, collection and payment of funds and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these wherein the clearing broker-dealers may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and that customer transactions are executed properly by the clearing broker-dealers.

**Note 7. Regulatory Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (SEC 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 15 to 1. Net capital and aggregate indebtedness fluctuate on a daily basis; however, at December 31, 2012, the Company had net capital, as defined, of \$267,694, which was \$246,128 in excess of the required net capital of \$21,566. The Company's net capital ratio was 1.21 to 1.

**Note 8. Indemnifications**

The Company has agreed to indemnify its clearing brokers for losses that the clearing brokers may sustain from the customer accounts introduced by the Company. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these agreements and has not recorded a contingent liability in the financial statements for these indemnifications.

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects risk of loss to be remote.

**Note 9. Subsequent Events**

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date this financial statement was issued.