

TSG Alpha Partners, LLC  
Form ADV Part 2A: Firm Brochure  
Advisory Services Brochure

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The date of this brochure is:  
**November 30, 2024**

This brochure provides information about the qualifications and business practices of TSG Alpha Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (631) 403-5364 and/or at [scaruso@tsgalpha.com](mailto:scaruso@tsgalpha.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority.

Additional information about TSG Alpha Partners LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

TSG Alpha Partners, LLC is required to disclose to clients, material changes since the last update to the Firm Brochure that was filed and that may be important to them.

This Brochure, dated November 30, 2024, serves as an update to the TSG Alpha Partners, LLC Brochure dated April 24, 2024 (the “Prior Brochure”).

In December 2024, TSG Alpha applied for registration with the Securities and Exchange Commission.

Item 4 – Advisory Services has been updated to remove Wrap Fee Programs.

Item 10 – Other Financial Industry Activities and Affiliations has been updated with reference to TSG Capital Advisers, an affiliated broker dealer

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading has been updated with reference to certain principal transactions between a Private Fund and an affiliate of TSG Alpha.

You may request a copy of this Brochure by contacting Mr. Salvatore C. Caruso, President at (631) 403-5364 or [scaruso@tsgalpha.com](mailto:scaruso@tsgalpha.com).

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## **Item 4 – Advisory Business**

TSG Alpha is a newly-formed privately owned Delaware limited liability company wholly owned by The Spaventa Group, LLC, a Delaware limited liability company (“Spaventa”). Spaventa is wholly-owned by Mr. Andrew Spaventa, a New York resident, CRD# 6175466. TSG Alpha began providing advisory services in August 2022.

TSG Alpha is dedicated to providing individuals and institutions with a wide array of investment advisory services. TSG Alpha provides asset management and investment consulting services for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons (the “Investment Advisory Services”).

TSG Alpha is also the investment manager to multiple private pooled investment vehicles (the “Private Funds”) managed by Spaventa and TSG Secondaries Partners GP, LLC (the “Managers”); both are affiliates of TSG Alpha. The Private Funds were formed for the purpose of investing in private equity and stocks of privately held companies. Please see TSG Alpha’s separate Private Fund Brochure, for complete information regarding these advisory services.

### **Types of Investment Advisory Services Offered**

TSG Alpha provides several advisory services to clients. Each of these services is discussed separately below.

#### **I. Alternatives – Private Pooled Investments**

TSG Alpha provides investment management services to affiliated private investment funds (collectively the “Private Funds”). In this role, TSG Alpha advises on investments in private equity securities which are not actively traded, or for which there is no existing public market. These securities are typically purchased directly from an affiliate of TSG Alpha. Please see the Private Fund Brochure for a complete description of the services.

#### **II. Financial Planning**

TSG Alpha provides Comprehensive Financial Planning, as well as a variety of standalone financial planning and consulting services, to clients for the management of financial resources based upon an analysis of current situation, goals, and objectives. Financial planning services entail the involvement of the client that begin with a detailed interview and preparing a financial plan or rendering a financial consultation for clients based on the client’s financial goals and objectives. This planning or consulting may encompass Retirement Planning, Estate Planning, Investment Planning, Insurance Planning, Long Term Care Planning, Education Planning, Corporate and Personal Tax Planning, Pension Planning, Charitable Planning, Business Financial Planning & Management, Mortgage/Debt Analysis, and any other relevant issue to the particular client which will impact their financial situation.

Written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. Implementation of the recommendations will be at the discretion of the client. TSG Alpha provides clients with a written financial summary of their financial situation, and observations for financial planning engagements. Financial consultations are not typically accompanied by a written summary of observations and recommendations, as the process is less formal than the planning service. Assuming that all the information and documents requested from the client are provided promptly, plans or consultations are typically completed within six (6) months of the client signing a contract with TSG Alpha.

### **III. Retirement Plan & Pension Consulting**

TSG Alpha provides retirement plan and pension consulting services to employer plan sponsors on an ongoing basis. Generally, such consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan or pension plan. As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan structure and participant education.

Retirement Plan & Pension Consulting services typically include:

- *Investment Options* – TSG Alpha works with the Plan Sponsor to evaluate existing investment options and make recommendations for appropriate changes.
- *Asset Allocation and Portfolio Construction* – TSG Alpha develops strategic asset allocation models to aid Participants in developing strategies to meet their investment objectives, time horizon, financial situation and tolerance for risk.
- *Investment Monitoring* – TSG Alpha monitors the performance of the investments and communicates with clients about their accounts.

All retirement plan and pension consulting services shall be in compliance with the applicable state laws regulating retirement consulting services. This applies to client accounts that are retirement or other employee benefit plans (“Plan”) governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). If the client accounts are part of a Plan, and TSG Alpha accepts appointment to provide services to such accounts, TSG Alpha acknowledges its fiduciary standard within the meaning of Section 3(21) of ERISA as designated by the Retirement Plan & Pension Consulting Agreement with respect to the provision of services described therein.

### **IV. Portfolio Management**

Portfolio Management services are provided to individuals and business or institutional clients that are not registered investment advisors. A financial plan may recommend that the client establish a portfolio of securities. The plan will outline the goals, objectives and risk tolerance of this proposed portfolio. A client who desires this portfolio management service may engage TSG Alpha to act as the portfolio manager. These services are provided to clients on either a discretionary or a non-discretionary basis: such service will be determined in conjunction with the client.

Advisory services are tailored to the needs of each individual or institutional client. Recommendation of investments will be based on the information provided by the client during TSG Alpha's interview and information gathering process. A client may also impose restrictions on specific investments.

To provide this Portfolio Management service, TSG Alpha will require the client to open an account at a recommended broker.

TSG Alpha may provide services that are not considered to be advisory or financial planning in nature. These services include: income tax preparation for individuals; mortgage planning or consulting services; the research of a bank relationship; refinancing consultations; and other non-financial planning consulting services.

### **Tailoring of Advisory Services**

TSG Alpha offers individualized investment advice to clients. General investment advice will be offered to Financial Planning & Consulting and Retirement Plan Consulting clients.

Each Portfolio Management client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

### **Regulatory Assets Under Management**

As of November 30, 2024, TSG Alpha managed \$6,025,329 in its Investment Advisory Services and \$68,464,076 in its Private Funds of regulatory assets under management on a discretionary basis. Total regulatory assets under management as of 11/30/2024 were \$74,489,405.

## **Item 5 – Fees and Compensation – Investment Advisory Services**

All fees are subject to negotiation, except where specified. The specific manner in which fees are charged by TSG Alpha is established in a client's written agreement with TSG Alpha. TSG Alpha will generally bill its fees on a monthly basis. Clients may elect to be billed in advance or arrears each calendar month. Clients may also elect to be billed directly for fees or to authorize TSG Alpha to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar month. Accounts initiated or terminated during a calendar month will be charged a pro-rated fee up to the date of withdrawal. Since management fees are calculated in arrears there will not be any unearned fees and therefore there will not be any refunds. Upon termination of any account, any prepaid, unearned financial planning services fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

TSG Alpha's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to TSG Alpha's fee. TSG Alpha does not receive any portion of the charges, fees and commissions described in this paragraph.

Lower fees for comparable services may be available from other sources.

Item 12 further describes the factors that TSG Alpha considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## **FEE SCHEDULE**

### **I. COMPREHENSIVE PLANNING SERVICES**

TSG Alpha charges on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of TSG Alpha's engagement with the client.

Hourly fees range from \$150 to \$300 per hour and will require a retainer for the first 2 hours of labor which will be required to be paid at the time the contract is executed.

Flat fees range from \$5,000 to \$25,000 and require a retainer of fifty percent (50%) of the ultimate financial planning or consulting fee at the time of signing. The remainder of the fee will be directly billed to the client and due within thirty (30) days of a financial plan being delivered or consultation rendered. Fees may be waived at TSG Alpha's discretion.

If a client should terminate this agreement before the plan is delivered, the following termination policy will apply. The hours spent on the plan are billed at 30 minute intervals. Pre-paid, unearned fees will be promptly refunded. A financial planning contract may be terminated at any time by either party for any reason by delivering at least thirty (30) days' written notice to the other party.

### **II. LIMITED PLANNING**

The fee for this service ranges from \$150.00 to \$300.00 per hour; this fee is not negotiable. Limited planning fees are due and payable when the service is provided; termination and refund provisions are not applicable.

### III. PORTFOLIO MANAGEMENT

TSG Alpha's Program fees are negotiable and the maximum annual fee charge for this Service will not exceed one and a half percent (1.50%). Fees to be assessed will be outlined in the advisory agreement to be signed by the Client. TSG Alpha will generally bill its fees on a monthly basis. Clients are billed in arrears each calendar month. Clients may also elect to be billed directly for fees or may authorize TSG Alpha to directly debit fees from their accounts at held at TSG Alpha's custodian. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar month. Accounts initiated or terminated during a calendar month will be charged a pro-rated fee. Upon termination of any account, any prepaid, unearned financial planning services fees will be promptly refunded, and any earned, unpaid fees will be due and payable. As fees are charged in arrears, a refund provision is not applicable. Clients have the right to terminate an advisory agreement without penalty within five business days after entering into the advisory agreement. At its sole discretion, TSG Alpha reserves the right to negotiate fees.

In rare cases, TSG Alpha will agree to directly invoice a Client account(s). As part of this process, Clients understand the following:

- a. The management fees are shown on the custodial statements. In addition, upon request, reporting of management fees will be provided by TSG Alpha directly to the Client. The Client is encouraged to reconcile the custodian's statement and information provided by TSG Alpha for accuracy.

Either TSG Alpha or the Client may terminate the advisory agreement signed with TSG Alpha for this Service by providing notice writing at any time. Upon notice of termination, TSG Alpha will process a pro-rata fee up to the date of account transfer out of TSG Alpha's custodian.

The following are the fees charged by Advisor for services provided:

<u>Account Value</u>	<u>Annual Fee</u>
<b>\$0 to \$999,999</b>	<b>1.50%</b>
<b>\$1,000,000 to \$2,499,999</b>	<b>1.25%</b>
<b>\$2,500,000 to \$4,999,999</b>	<b>1.00%</b>
<b>\$5,000,000 to \$9,999,999</b>	<b>0.75%</b>
<b>\$10,000,000+</b>	<b>0.50%</b>

Please see Exhibit A, TSGA Fee Schedule, which is attached to TSG Alpha's Investment Advisory Agreement for complete details.



#### **IV. RETIREMENT PLAN & PENSION CONSULTING**

TSG Alpha's Retirement Plan Consulting services are billed on the percentage of Plan assets under management. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of TSG Alpha's engagement with the client. Fees based on a percentage of managed Plan assets will not exceed 1.50% on an annualized basis. The fee-paying arrangements for Retirement Plan Consulting service will be determined on a case-by-case basis and will be detailed in the signed consulting agreement. Generally, the fees will be charged on a monthly basis and all fees are charged in arrears.

#### **V. Private Fund Management**

Please see the Private Fund Brochure for fees and expenses related to the Private Funds.

#### **OTHER TYPES OF FEES & EXPENSES**

Clients may also pay charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses). TSG Alpha does not receive a portion of these fees.

TSG Alpha and its related persons may receive referral fees from certain service providers that TSG Alpha recommends to clients. TSG Alpha mitigates any conflict of interest related to this by conducting due diligence on the service providers it recommends and by disclosing this relationship to clients prior to recommending the service provider.

Some of TSG's Investment Advisor Representatives (IAR's) are licensed to sell insurance products. These IAR's, in their individual capacity, are insurance agents for various insurance companies and are therefore able to recommend and sell insurance products, including annuity products. As such, the insurance licensed IAR's will be able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. The applicable individual representatives have disclosed their licenses and each of the companies they are appointed with, as well as the conflict of interest, in their personal Form ADV Part 2B Brochure Supplement.

TSG Alpha provides investment advisory services to the Private Funds pursuant to the Governing Fund Documents, which set forth in detail the applicable fee structures. TSG Alpha, the Managers and other affiliates, including an affiliated broker dealer, TSG Capital Advisors LLC ("TSG Capital"), typically receive compensation from a one-time upfront fee of up to 12.5% paid by investors based on their initial capital contribution. Managers typically receive an incentive fee above a hurdle rate upon a liquidation event. Typically, the one-time upfront fee and the carried interest will be the only fees charged to the investor for the life of the fund.

## **TERMINATION & REFUNDS**

Either party may terminate the advisory agreement signed with TSG Alpha for Comprehensive Portfolio Management service at any time, upon thirty (30) days' written notice. Upon notice of termination, as of the effective date of termination, TSG Alpha processes a pro-rata refund of the unearned portion of the advisory fees charged in advance at the beginning of the quarter.

Clients may close their account at any time subject to the terms of the account agreement with their custodian. Fees are deducted as incurred by the custodian.

Financial Planning & Consulting clients may terminate their agreement at any time prior to the delivery of a financial plan by providing at least thirty (30) days written notice. For purposes of calculating refunds, all work performed by TSG Alpha up to the effective date of termination shall be calculated at the hourly fee currently in effect. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by TSG Alpha as of the effective date of termination.

Either party to a Retirement Plan Consulting Agreement may terminate at any time by providing written notice to the other party. Full refunds will only be made in cases where cancellation occurs within five (5) business days of signing an agreement. After five (5) business days from initial signing, either party must provide the other party thirty (30) days' written notice to terminate billing. Billing will terminate 30 days after receipt of termination notice. Clients are charged on a pro-rata basis, which takes into account work completed by TSG Alpha on behalf of the client, through the effective date of termination. Clients will incur charges for bona fide advisory services rendered up to the effective date of termination. TSG Alpha processes a pro-rata refund of the unearned portion of the advisory fees charged in advance at the beginning of the quarter.

Clients have sole responsibility for determining whether to implement any recommendations, including any investment or insurance recommendations, made by Advisor during any personal consultation. There is no requirement that Client implement any of the recommendations or otherwise conduct business through Advisor contained in any financial or investment plan presented to the client.

## **COMMISSIONABLE SECURITIES SALES**

TSG Alpha, and its representatives, do not sell securities for a commission in advisory accounts. However, certain TSG Alpha representatives are also registered representatives of TSG Capital and will receive commissions on the sale of interests in the Private Funds from a portion of the upfront fees.

## **GENERAL INFORMATION ON FEES**

Fees are computed and billed monthly, in arrears, and are based on the market value of Client's Account on the last day of the month in the prior month. As set up by Client and agreed upon with TSG Alpha, the "Account Value" and the applicable "Annual Fee" applied will include assets where TSG Alpha is providing investment advice but TSG Alpha does not have trading discretion. Fees will be prorated, on a monthly basis, with respect to new Accounts opened during a quarter.

The fee schedule above may be amended from time to time by TSG Alpha upon at least thirty (30) days' advance written notice to Client, subject to Client's right to terminate the Agreement before an increased fee schedule takes effect upon at least thirty (30) days' written notice to TSG Alpha. Upon termination, advisor fees will be prorated to the effective date of termination. Client will receive a refund of any fees paid but not yet earned through the effective date of termination and thirty-day (30) notice period.

The fee charged by TSG Alpha is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the assets or any portion of the assets of an advisory client (SEC Rule 205(a)(1) under the Investment Advisers Act of 1940).

All fees paid to TSG Alpha for investment advisory services are separate and distinct from the fees and expenses charged to shareholders of mutual fund shares by the mutual funds. A complete explanation of these expenses charged by the mutual fund is disclosed in each fund prospectus.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

TSG Alpha does not charge any performance-based fees for Investment Advisory Services. Where TSG Alpha acts as the investment manager to any Private Fund, performance-based fees may be paid to an affiliate Manager. Please see the Private Fund Brochure for more information.

### **Item 7 – Types of Clients**

TSG Alpha offers advisory services to individuals, including high net worth individuals, qualified retirement plans, trusts, charitable organizations and small businesses.

TSG Alpha requires a minimum account size of \$25,000.00 for any of its portfolio management services but may accept a lower opening deposit to open the account in its sole discretion.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Although all investments involve risk, TSG Alpha's investment advice seeks to limit risk through broad diversification among asset classes and, as appropriate for particular clients that invest directly in fixed income securities to represent the fixed income class.

In the implementation of investment plans, TSG Alpha therefore primarily uses equities, mutual funds, exchange traded funds (ETFs), options and, as appropriate, portfolios of fixed income securities.

Clients may hold or retain other types of assets as well, and TSG Alpha may offer advice regarding those various assets as part of its services. Advice regarding such assets may not involve asset management services but may help to more generally assist the client.

### Analysis of a Client's Financial Situation

In the development of investment plans for clients, including the recommendation of an appropriate asset allocation, TSG Alpha relies on an analysis of the client's financial objectives, current and estimated future resources, and tolerance for risk. To derive a recommended asset allocation, TSG Alpha may use a Monte Carlo simulation, a standard statistical approach for dealing with uncertainty. As with any other methods used to make projections into the future, there are several risks associated with this method, which may result in the client not being able to achieve their financial goals. They include:

- *The risk that expected future cash flows will not match those used in the analysis.* TSG Alpha's analysis may rely on an assumption on future cash flows of an investment asset, whether a company or other business entity. Cash flows can fluctuate and may not adhere to projected trends due to external and internal conditions, including supply chain demands and interest rates. Changes in cash flows can affect whether an investment asset increases or decreases in value.
- *The risk that future rates of return will fall short of the estimates used in the simulation.* TSG Alpha's analysis may rely on assumptions of rates of return. Rates of return may vary due to the valuation of an investment asset over a period of time. Fluctuations in rates of return may impact the overall returns a client receives from holding an investment asset.
- *The risk that inflation will exceed the estimates used in the simulation.* TSG Alpha's analysis may rely on assumptions of inflation during a projected time period. Actual inflation may increase or decrease due to a variety of external factors, and affects the valuation of an investment asset.
- *For taxable clients, the risk that tax rates will be higher than was assumed in the analysis.* TSG Alpha's individual clients may be taxed at different rates depending on individual circumstances. Clients may not realize the same returns from an investment as assumed in the analysis due to higher or lower tax rates.

### Methods of Analysis used in Formulating TSG Alpha's Investment Advice and/or Managing Client Assets

*Fundamental analysis.* Fundamental analysis considers the economic, financial, and other qualitative/quantitative factors that may impact the price of a security. Fundamental analysis attempts to measure its intrinsic value as compared to its current price. Risks may include using incorrect assumptions, financial misreporting and/or failure by management to disclose key, material events, and unforeseen micro/macroeconomic factors that may cause the price of a security to diverge from its intrinsic value. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

*Qualitative analysis.* We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement and predict

changes to share price based on that data. A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

*Technical analysis.* Technical analysis attempts to predict future price movements of a security based on historical data, such as price and volume. Technical analysis may involve using charts to identify recurring patterns and trends, but there is no guarantee that those patterns and trends will reoccur. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

*Asset Allocation.* Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

*Mutual Fund and/or ETF Analysis.* We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

*Risks for All Forms of Analysis.* Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

#### Investment Strategies Used by TSG Alpha in Managing Client Accounts

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

*Long-Term Purchases.* We may buy securities for your account and hold them for a relatively long time (more than a year) in anticipation that the security's value will appreciate over a long horizon. The risk of this strategy is that we could miss out on potential short-term gains that could have been profitable to your account. Moreover, if our predictions are incorrect, it's possible that the security's value may decline sharply before we make a decision to sell.

*Short-Term Purchases.* We may buy securities for your account and decide to sell them within a relatively short time horizon (less than a year) in order to capitalize on short-term price fluctuations. There is no guarantee, however, that this strategy will be able to produce gains. A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more trading than does a longer-term strategy and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

*Trading.* We may buy securities for your account and sell them quickly (typically within 30 days) in order to take advantage of short-term price volatility. As with short-term purchases, there is no guarantee that this strategy will be able to produce gains. Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options: having a long-term investment in a security that was designed to be a short-term purchase, or the potential of having to take a loss. In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

*Timing.* Even if we are correct in determining that the price of a security will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.

*Inflation.* History has shown that over the long term, most securities appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

*Venture Capital Strategy.* We may attempt to selectively identify and invest in a limited number of seed and early and late stage high growth companies and other pooled investment vehicles investing in private companies. The objective is to realize long-term capital appreciation through its investments by gaining exposure to companies that can scale rapidly, are capital efficient, and are early market movers.

*Private Equity Strategy.* We may attempt to selectively identify and invest in a limited number of growth companies. The objective is to realize long-term capital appreciation through its investments by gaining exposure to companies that can scale rapidly, are capital efficient, and are early market movers.

*Fixed Income Strategy.* We may attempt to opportunistically allocate assets among loan participations, individual or syndicated loans, convertible securities, bonds, debentures, notes and other fixed income instruments or evidences of indebtedness, participations in collateral or other asset purchase rights, pledged assets, liens and other security interests, asset backed securities, securities and other instruments issued by commercial lenders and other pooled investment vehicles that, in turn, directly and/or indirectly have investments in loans to businesses located in the United States or any other securities or other instruments consistent with the investment objective.

Please also see TSG Alpha's Private Fund Brochure.

### Risk of Loss

#### **Investing in securities involves risk of loss that clients should be prepared to bear.**

All investments present the risk of loss of principal – the risk that the value of securities (including but not limited to mutual funds, ETFs and individual bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even if the value of the securities, when sold, is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

While the stock market may increase and the account(s) could experience a gain, it is also possible that the stock market may decrease, and the account(s) could suffer a loss. It is important that clients understand the risks associated with investing in the stock market, are appropriately diversified in investments, and ask any questions.

The mutual funds and ETFs utilized by TSG Alpha may include funds invested in domestic and international equities, including options, corporate and government fixed income securities and commodities. Equity securities may include large capitalization, medium capitalization and small capitalization stocks. Mutual funds and ETF shares invested in fixed income securities are subject to the same risks associated with the underlying bond holdings:

- *Interest Rate Risk.* Also referred to as market risk—the risk that interest rates will fluctuate and may reduce (or increase) the value of an investment asset; this risk increases the longer an asset is held.
- *Inflation Risk.* The risk that actual inflation may increase or decrease due to a variety of external factors and affect the value of an investment asset, resulting in a risk of a loss in purchasing power because the value of such asset does not keep up with inflation.
- *Credit Risk.* The possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection.

Among the riskiest mutual funds used in TSG Alpha's investment strategies funds are the U.S. and International small capitalization and small capitalization value funds, emerging markets funds, and commodity futures funds. Conservative fixed income securities have lower risk of loss of principal, but most bonds (with the exception of Treasury Inflation Protected Securities, or TIPS) present the risk of loss of purchasing power through lower expected return. This risk is greatest for longer-term bonds.

Certain funds utilized by TSG Alpha may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

- *Risk of currency fluctuations.* The exchange rate of international currencies fluctuates which causes the value of individual currencies to rise and/or fall. The value of an international investment may lose value due to a loss of value in the local currency or a rise in value of the client's preferred currency.
- *Risk of period of illiquidity.* The inability to easily exit a position, including related to laws or regulations of foreign countries requiring investment to remain for a certain period of time, prohibiting or hindering the withdrawal of investments. Client's investment may lose value if an investment asset cannot be exited or withdrawn and value declines.
- *Risk of price volatility.* The price of goods and services may change significantly over a short period of time. The uncertainty of stable value can cause projecting growth to be difficult, and client's investments may lose value if prices of goods and services cannot be guaranteed.

In selecting specific mutual funds and ETFs for TSG Alpha's investment strategies, TSG Alpha may look at the track record and experience of the manager. **However, as with all securities investments, past performance does not guarantee future results,** and a manager who has been successful in the past may not be able to replicate that result. In addition, since TSG Alpha does not control the underlying investments in a fund or ETF, managers of different funds/ETFs held by a client may purchase the same security, thereby increasing the risk of loss of principal to the client if that security were to fall in value. There is also the risk that a manager may deviate from the stated investment strategy of the fund/ETF, which could make that fund/ETF less suitable for the client's portfolio. More information about the risks of any particular market sector can be reviewed in the prospectuses of the selected mutual funds/ETFs managing assets within each applicable sector.

Our securities analysis involves reliance on information from third party sources. There is a risk that our analysis may be compromised by inaccurate or misleading information.

#### Description of Material, Significant or Unusual Risks Relating to TSG Alpha's Investment Strategies

TSG Alpha generally invests client cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, TSG Alpha tries to achieve the highest return on client cash balances through relatively low-risk conservative investments.



In most cases, at least a partial cash balance will be maintained in a money market account so that TSG Alpha may debit advisory fees for our services related to the Comprehensive Portfolio Management service.

With respect to investing in funds and ETF's, general risk factors that are common to each fund and ETF includes, but are not limited to:

- risk of changes in market conditions such as interest rates, inflation, and general climate of market and economic conditions;
- risk of illiquidity preventing withdrawal of investment;
- risk of lack of diversification which can leave investors vulnerable to fluctuations, downturns and geographic events in specific types of assets or sectors;
- risk of valuation due to incorrect or inaccurate valuation of fund investments;
- risk of reliance on a general partner or manager to manage the affairs of the fund, including lack of independent legal counsel for the fund, or on key personnel to maintain the value of an asset;
- risk of limited recourse due to limitations on liability and indemnification of general partners, manager or key personnel;
- risk of oversight due to limited regulatory oversight, usuary, or use of lenient underwriting standards compared to convention lenders;
- risk of default on loans and/or non-performance on loan obligations payable by a fund's debtors due to borrower insolvency;
- risk of borrower fraud committed by fund's debtors;
- risk of delayed payment due to processing and use of third parties to transfer funds,
- risk of lending such as competition to secure lending or overleveraged borrowing to secure lending, and interest rate risk;
- risk of leverage due to using the incomes of borrowed funds to make a larger purchase can magnify any losses associated with that asset and increase the cost associated with that asset due to interest payments on the associated loan amount; and
- risk of taxation based on the tax rates of individual clients.

All clients who invest in funds (including mutual funds and ETFs) are **STRONGLY** encouraged to review the relevant sections that discuss "Risk Factors" in detail that are located in the of the governing fund documents, as well as all other relevant sections of investment documents, for more details as to the topic of risk factors. The information contained herein is a **SUMMARY ONLY** and is qualified in its entirety by such documents.

***Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.***

## Item 9 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of TSG Alpha or the integrity of TSG Alpha’s management.

TSG Alpha has no information applicable to this Item to report; however, Mr. Salvatore C. Caruso, in an outside business activity from TSG Alpha, has a disciplinary reporting history. An SEC Order Instituting Administrative and Cease-and-Desists Proceedings, Case # 3-14389 from May 16, 2011, related to events involving an SEC routine examination of a Broker Dealer affiliated with Mr. Caruso, Legend Securities, Inc. (“Legend”), for violating Section 17(a) and Rules 17a-3 and 17a-4 of the Securities Exchange Act of 1934 (“Exchange Act”). Section 17(a) of the Exchange Act and Rules 17a-3 and 17a-4 thereunder require that brokers or dealers make and keep current various records relating to its business and preserve those records for specified periods of time. Specifically, Rule 17a-3(a)(19)(ii) requires registered brokers and dealers to make and keep current records “of all agreements pertaining to the relationship between each associated person” and the broker or dealer. Rule 17a-4(j) requires broker-dealers to “furnish promptly to a representative of the Commission legible, true, complete, and current copies of those records” of the broker or dealer that are required to be preserved under Section 17(a) or “any other records” of the broker or dealer that are “subject to examination under Section 17(b) of the Exchange Act that are requested by the representative of the Commission.”

Mr. Caruso was ordered to cease and desist from committing or causing any violations and any future violations of Section 17(a) and Rules 17a-3 & 17a-4 of the Exchange Act. Mr. Caruso was also censured and was ordered to pay a civil money penalty in the amount of \$25,000. Mr. Caruso complied with all of the requirements required of him by the SEC Order and paid the full amount of the civil money penalty.

Neither Mr. Caruso nor Legend were statutorily disqualified from the securities industry as a result of this order. Outside of this event, Mr. Caruso has never had any other disciplinary reporting history. This disciplinary reporting history did not involve TSG Alpha. Additional details can be found on FINRA’s Broker Check system: [www.finra.org/brokercheck](http://www.finra.org/brokercheck). Additional information is also provided as an attachment to this Form ADV, Part 2A (Item 9 Attachment).

Additionally, Mr. Spaventa has a disciplinary reporting history in outside business activities not involving TSG Alpha.

This statement has been updated on August 28<sup>th</sup>, 2023 in light newly discovered clarifying information that was previously unknown to Mr. Spaventa. The Florida Office of Financial Regulation (“FOFC”) issued a final order denying Mr. Spaventa’s application for registration as an associated person of Salomon Whitney LLC, Case # 54961-SR (October 17, 2014). This final order was entered after Mr. Spaventa’s employing Firm at the time, Salomon Whitney Financial, failed to request a hearing to address the FOFC’s allegation that Mr. Spaventa made a material misrepresentation or misstatement on his application for registration. Salomon Whitney Financial also failed to withdraw the application timely to avoid the action by the FOFC that resulted.

Mr. Spaventa was named in a complaint against Salomon Whitney Financial alleging sales practice violations of churning, negligence, unsuitability, unauthorized trading and breach of contract, Case # 18- 01055. Mr. Spaventa was listed as co-broker for the plaintiff's account, along with another associate who also acted as a broker for the account. Mr. Spaventa denied all allegations. However, due to financial reasons and to keep his license in good standing, he decided to settle with the client. This action was closed and settled on 06/26/2019. Mr. Spaventa settled this action for \$14,999.00 outside of arbitration. Mr. Spaventa was suspended for failure to comply with an arbitration award or settlement agreement or to satisfactorily respond to a FINRA request to provide information concerning the status of compliance, Case # 18-01055 (September 6, 2019). The suspension against Mr. Spaventa was initiated due to the fact that Mr. Spaventa was unable to pay the monetary amount due under the arbitration award. Mr. Spaventa's suspension was lifted on December 16, 2019, when he paid the monetary amount due under the arbitration award. None of Mr. Spaventa's disciplinary events involve TSG Alpha. Additional details can be found on FINRA's Broker Check system: [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

### **Item 10 – Other Financial Industry Activities and Affiliations**

Certain of TSG Alpha's management persons are registered, or have an application pending to register, as representatives of TSG Alpha's affiliated, registered broker-dealer, TSG Capital Advisors ("TSG Capital"). TSG Capital is registered with the SEC and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA").

Neither TSG Alpha nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

TSG Alpha, its affiliates and its management persons have relationships and arrangements that are material to its clients. The Spaventa Group is the sole owner of TSG Alpha, the Managers of the Private Funds, TSG Capital and TSG Insurance Services LLC ("TSG Insurance"). Drew Spaventa is the sole owner, Founder and CEO of The Spaventa Group.

#### **Broker Dealer**

TSG Capital is a limited purpose broker-dealer that serves as the distributor and placement agent of the Private Funds. TSG Alpha employees who are involved in marketing or soliciting these products are also licensed, registered representatives of TSG Capital. These employees, in appropriate circumstances and consistent with a clients' objectives, recommend to investment management clients or prospective clients the purchase of shares in the Private Funds, these pooled investment vehicles typically pay investment management and supervisory and administrative fees to TSG Alpha, and pay distribution and/or commission fees to TSG Capital.

Certain TSG Capital registered representatives receive commissions or other compensation for the sale of certain products, such as private funds. The compensation may be paid at different levels for different products, and takes a number of variables into account, which may provide an incentive to TSG Capital employees to promote, recommend or solicit the sale of a particular product over another. Pursuant to policy, no TSG Capital employee is permitted to promote, recommend or solicit the sale of one product over another solely because that product will provide higher revenue or compensation to the employee,

TSG Alpha's relationship with its affiliated broker-dealer gives rise to conflicts of interest between it, its clients and Private Funds managed by TSG Alpha or its affiliates. In general, TSG Alpha and its affiliates have an incentive to cause an account to retain or otherwise transact with affiliated broker-dealers instead of unaffiliated broker-dealers or other counterparties. TSG Alpha and its affiliates could also have an incentive to structure certain investment transactions so that the transactions require the use of an affiliated broker-dealer. In addition, an affiliated broker-dealer could cause investors that are strategically important to TSG Alpha or its affiliates to receive an allocation ahead of others.

#### Other Investment Adviser

Quantum Advisory Group, LLC, a registered investment advisor in NY State, is owned by a supervised person of TSG Alpha, Salvatore C. Caruso. In order to mitigate any conflict of interest, Mr. Caruso, will not refer TSG Alpha clients or any potential clients to Quantum.

#### Insurance Commissions

TSG Insurance Services, LLC was formed to coordinate the receipt of insurance commissions generated by registered persons of TSG Alpha.

Certain members and employees of TSG Alpha are also independently licensed insurance agents affiliated with various insurance companies. When selling insurance products in this separate capacity, they may receive normal and customary commissions. Insurance commissions earned by these persons are separate and in addition to advisory fees. This practice presents a conflict of interest because the person providing investment advice on behalf of the Advisor who is also an insurance agent has an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, clients are under no obligation, contractually or otherwise, to purchase insurance products through any member or employee affiliated with TSG Alpha.

#### Sponsor of Private Funds

Affiliates of TSG Alpha serve as a manager, sponsor, or general partner of the Private Funds (or equivalent), as disclosed in Item 7.A of TSG Alpha's Form ADV Part 1. Clients seeking alternative investments are advised of a potential conflict of interest in that there is an economic incentive to recommend the services of members, employees, and affiliates. Clients are also advised that TSG Alpha professionals strive to put their clients' interests first and foremost. Clients may invest in any private fund they choose.

## Other Services

TSG Alpha may provide services that are not considered to be advisory or financial planning in nature. These services include income tax preparation; mortgage planning or consulting services; the research of a bank relationship; refinancing consultations; and other non-financial planning consulting services.

### **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

TSG Alpha has adopted a Code of Ethics (the “Code”) that obligates TSG Alpha and its related persons to put the interests of the Clients before their own interests and to act honestly and fairly in all respects in their dealings with the Clients. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by related persons.

The Code covers standards of business conduct, prohibited business practices, personal trading requirements, reporting of personal securities transactions, insider trading, restrictions on accepting and giving significant gifts, and reporting of certain gifts and business entertainment items, among other things.

Pre-clearance is required for certain personal securities transactions, including initial public offerings and certain limited offerings. In addition, personnel are required to submit quarterly transaction and annual holdings reports for their own accounts or any account in which they have a direct or indirect beneficial interest.

TSG Alpha’s Code requires personnel to comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information. Nonetheless, TSG Alpha, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers of securities, including issuers in which TSG Alpha or its related persons have invested or seek to invest on behalf of a Client. TSG Alpha is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, including the Clients. TSG Alpha maintains written policies and procedures reasonably designed to prohibit the communication of such information to persons who do not have a legitimate need to know such information and to otherwise ensure that TSG Alpha is acting in compliance with applicable law. In certain circumstances, TSG Alpha may possess certain confidential or material nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security. TSG Alpha and its personnel are prohibited from communicating such information with respect to the Clients or using such information for the Clients’ benefit.

An affiliate of TSG Alpha generally purchases investments for the Private Funds directly and later sells interests to the Private Funds, typically at prices greater than the price paid by the affiliate. This creates a potential conflict because TSG Alpha may prioritize its own or its affiliates’ financial gain over the client’s best interests in the transaction. TSG Alpha and its affiliates mitigate the risks associated with a principal transaction by fully disclosing the transactions and fees in the appropriate Governing Fund Documents. Each investor in a Private Fund consents to the principal transaction by completing the appropriate subscription agreement. In addition, TSG Alpha representatives conduct thorough due diligence on the portfolio companies

to ensure, where possible, that pricing is indicative to the market.

Affiliates of TSG Alpha act as the sponsor to the Private Funds. Clients of TSG Alpha may be solicited to invest in the Private Funds. This creates a conflict of interest where TSG Alpha representatives may be incentivized to promote the affiliated funds which will result in additional fees. TSG Alpha's representatives must put the interests of their clients first and no recommendation to invest in an affiliated Private Fund can be made unless it is determined that it is suitable for a client.

It is TSG Alpha's policy that the firm will not effect any principal or agency cross securities transactions for client accounts, outside of the Private Fund transactions. TSG Alpha will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

A copy of the Code of Ethics may be obtained, upon request, by calling 631-403-5364 or by email to [scaruso@tsgalpha.com](mailto:scaruso@tsgalpha.com).

## **Item 12 – Brokerage Practices**

TSG Alpha will generally require a portfolio management client to select a recommended broker to receive portfolio management services. This recommendation is made subject to TSG Alpha's fiduciary responsibilities, including best execution. TSG Alpha has evaluated these brokers and makes the recommendation of these brokers based on the following factors: reasonableness of commissions and/or fees, the broker's ability to provide professional services, competitive commission rates and/or fees, the ability to negotiate transaction price, block trading, and other services which will assist TSG Alpha in providing advisory services to clients. TSG Alpha will regularly reassess the services provided by its recommended brokers to determine that the reasonableness of commissions is consistent with their ability to provide quality services to TSG Alpha and its clients, and that overall execution quality is consistent with TSG Alpha's duty to seek best execution for its clients.

Generally, TSG Alpha intends to recommend Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, to clients in need of portfolio management services. Schwab will act as the client's custodian and executing broker-dealer. TSG Alpha participates in the Schwab advisor services program offered to independent investment advisors. Typically, this recommendation will be made to a financial planning client who is evaluating Mr. Caruso as a source of implementation of advisory recommendations. Mr. Caruso may also recommend to this client that they evaluate other broker-dealers recommended by TSG Alpha.

TSG Alpha receives benefits that it would not receive if it did not offer investment advice. TSG Alpha will engage in block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients' accounts so long as transaction costs are shared on a pro-rated basis between all accounts included in any such block, and clients participating in the block trade will receive the average price of all transactions executed on a pro rata basis. Block trading allows TSG Alpha to execute equity trades in a more timely, equitable manner and to reduce overall commission charges to clients.

TSG Alpha will also receive research and other products or services other than execution from a broker- dealer that it recommends that a client selects to use for portfolio management services (“soft dollars”).

Included in these soft dollars benefits are eligible “research or brokerage services” under Section 28(e) of the Exchange Act. While the brokerage and research services that are paid for with soft dollars are selected because TSG Alpha believes they will add value to TSG Alpha client portfolios, the use of client commissions to pay for such services creates a conflict of interest. When TSG Alpha obtains brokerage and research services with soft dollars, TSG Alpha receives a benefit because TSG Alpha does not have to produce or otherwise pay for the research with “hard” dollars. Accordingly, TSG Alpha may have an incentive to select or recommend broker-dealers based on TSG Alpha's interest in receiving soft dollar benefits rather than the clients’ interest in receiving most favorable execution. Soft dollar services obtained by TSG Alpha may include research created or developed by broker-dealers (often referred to as “proprietary research”), as well as services that are developed or created by third parties. Soft dollar services may be used by TSG Alpha in servicing any or all accounts, and services obtained with commissions from one client account may be used in connection with accounts that do not provide any soft-dollar benefits to TSG Alpha. TSG Alpha does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate. In addition, certain brokerage or research services obtained by TSG Alpha with soft dollars may be used for investment decision making purposes, as well as purposes unrelated to investment decision making (e.g., advertising). With respect to any such services, TSG Alpha will make a reasonable allocation of the cost of the services between “soft” and “hard” dollars based on the extent to which the services are used for investment decision making purposes (which may be paid for with “soft” dollars) versus non-investment decision making purposes (which are paid for with “hard” dollars out of TSG Alpha’s own funds). The allocation of costs between “soft” and “hard” dollars presents an additional conflict of interest between TSG Alpha and certain of its clients (i.e., those from which TSG Alpha receives soft dollar benefits). However, this conflict is mitigated because there is no direct link between the advice TSG Alpha provides to clients and the receipt of such soft dollars, and receipt of these benefits does not depend on the amount of brokerage transactions directed to such broker. Further, TSG Alpha believes that its use of soft dollars to obtain research and/or brokerage services is beneficial to the firm and its clients and follows policies and procedures that are intended to ensure that its use of soft dollars is consistent with applicable law and regulations.

TSG Alpha will not accept certain client directed brokerage relationships; TSG Alpha will require an advisory client to open a brokerage account at the recommended broker-dealer as discussed above. Generally, TSG Alpha believes that limitations involved in a directed brokerage situations would prohibit TSG Alpha from providing its advisory services.

## **Item 13 – Review of Accounts**

### **I. FINANCIAL PLANNING**

Reviews: Financial Plans are not reviewed unless this separate service is purchased. TSG Alpha will send out an annual notice to planning customers recommending this review.

Reports: These client accounts will receive reports as contracted for at the inception of the advisory relationship. Financial Planning clients will not receive regular reports.

### **II. PORTFOLIO MANAGEMENT**

Reviews: Account assets are supervised continuously and formally reviewed at least quarterly by Mr. Salvatore Caruso. The review process contains each of the following elements:

- a. Assessing client goals and objectives;
- b. Evaluating the employed strategy(ies);
- c. Monitoring the portfolio(s); and
- d. Addressing the need to rebalance.

Additional account reviews may be triggered by any of the following events:

- a. A specific client request;
- b. A change in client goals and objectives;
- c. An imbalance in a portfolio asset allocation; and
- d. Market/economic conditions.

Reports: All clients will receive monthly statements from their account custodian, which will outline the client's current positions, cost basis of securities, and current market value. TSG Alpha may provide quarterly reports summarizing account balances and holdings.

## **Item 14 – Client Referrals and Other Compensation**

As indicated under the disclosure for Item 12, it is expected that Schwab (and other recommended broker-dealers) will provide TSG Alpha with access to services, which are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge to them. These services benefit TSG Alpha but may not benefit its clients' accounts. Many of the products and services assist TSG Alpha in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements),



facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of TSG Alpha's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of TSG Alpha's accounts. Recommended brokers also make available to TSG Alpha other services intended to help TSG Alpha manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. TSG Alpha does not, however, enter into any commitments with the brokers for transaction levels in exchange for any services or products from brokers. While, as a fiduciary, TSG Alpha endeavors to act in its clients' best interests, TSG Alpha's requirement that clients maintain their assets in accounts at Schwab or another recommended broker-dealer may be based in part on the benefit to TSG Alpha of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the brokers, which may create a potential conflict of interest.

TSG Alpha does not currently pay referral fees to independent persons or firms ("Solicitors") for client referrals. However, it is possible that in the future TSG Alpha may enter into a referral arrangement with one or more Solicitors. All clients referred by a Solicitor to TSG Alpha will be given full written disclosure by the Solicitor that describes the terms and fee arrangements between TSG Alpha and the Solicitor. In states where licensure of Solicitors is required, TSG Alpha will ensure that any such Solicitors are registered with such state. Advisor fees paid to us by clients that may be referred by Solicitors will not be increased as a result of any referral arrangement.

### **Item 15 – Custody**

All client assets are maintained with an independent qualified custodian. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. TSG Alpha urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please see the Private Fund Brochure for Private Fund custody arrangements.

### **Item 16 – Investment Discretion**

For discretionary clients, TSG Alpha requests that it be provided with written authority through the advisory contract to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in the advisory contract or support documentation. Clients may amend these limitations as required; all amendments shall be submitted in writing and become effective when accepted by TSG Alpha.

TSG Alpha has discretion on all Private Funds.

## **Item 17 – Voting Client Securities**

Proxy Voting: As a matter of firm policy and practice, TSG Alpha does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. TSG Alpha may provide advice to clients regarding the clients' voting of proxies.

Class Actions, Bankruptcies and Other Legal Proceedings: Clients should note that TSG Alpha will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct TSG Alpha to transmit copies of class action notices to the client or a third party. Upon such direction, TSG Alpha will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about TSG Alpha's financial condition. TSG Alpha has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

TSG Alpha does not require, nor will it request or solicit, prepayment of more than \$1,200.00 in advisory fees per client, six months or more in advance.

## **Item 19 – Requirements for State-Registered Advisors**

TSG Alpha is not a state-registered adviser.

## Item 9 Attachment

To Whom It May Concern:

This letter serves as my explanation to the regulatory action imposed by the Securities and Exchange Commission (“SEC” or “Commission”) against me, Salvatore C. Caruso, on May 16<sup>th</sup>, 2011, SEC Administrative Proceedings file #3-14389.

My explanation to the SEC actions is fairly simple. However, before offering an explanation, I believe that it is necessary to provide you with a brief resume of my professional career.

My career in the financial services industry began in June 1989, as a customer service representative for Hamilton Federal Savings Bank. I was then promoted to Assistant Branch Manager in 1991 and promoted to Branch Manager in 1993, at the age of 24. In 1996, I resigned from the bank and started Legend Financial Management, a Registered Investment Advisory firm and, in 1998, I started Legend Securities, Inc. (“Legend”), f.k.a. SPC Securities, Inc., serving as the firm’s President, CFO and CCO since inception.

Licenses and Designations:

I have obtained the following FINRA exams/Licenses:

- a. Series 63, Uniform Securities Agent State Law Exam – 09/02/1993
- b. Series 6, Investment Company Products, Limited Representative – 10/07/1993
- c. Series 24, General Securities Principal – 11-15-1996
- d. Series 7, General Securities Representative – 02-05-1997
- e. Series 53, Municipal Securities Principal – 06/16/1998
- f. Series 27, Financial & Operations Principal – 07/14/1998
- g. Series 4, Registered Options Principal – 12/05/2001

I have obtained the following insurance related exams/licenses:

- a. NYS Life, Accident & Health Insurance – 1993
- b. NYS Variable Life Insurance & Annuities – 1996 I

have obtained the following professional designations:

- a. Certified Financial Planner – 05/27/1997
- b. Registered Investment Advisor Representative – 1997
- c. NYS Notary Public – 1994

I have obtained the following education related degrees:

- a. Pace University, BBA General Business – June, 1991
- b. New York University, Certificate in Financial Planning – January, 1997 I

have also received the following civic achievements/awards:

1. Lions Club International, Bensonhurst Club Member, serving as Treasurer and Board Member on several occasions – 1993 to Present
2. Received Melvin Jones Fellow Award from Lions International - 2008
3. Rotary International, North Shore Club Member, serving as Treasurer and Board Member on several occasions – 1996 to Present
4. Received Club Service Award from North Shore Rotary – 2001
5. Co-organized the 13<sup>th</sup> Avenue Merchants Association in Brooklyn, NY, serving as President and Board Member – 1993 to 1995.
6. Received Certificate of Achievement for Community Service from State Senator, Martin J. Golden – June 2003

Other industry related accomplishments include:

1. Obtained positive findings from branch audits 2 years in a row while Branch Manager for Hamilton Federal Savings Bank.
2. No customer complaints or adverse regulatory action from any government agency or SRO in over 17 years as a FINRA licensed individual.
3. No customer complaints or any adverse regulatory actions from any government agency or SRO against any past or present registered representative, officer or employee of Legend for the first 11 years Legend was in business. (Legend received its first customer complaint against a registered representative in early 2010, which was settled and disclosed in November 2010.)
4. No adverse regulatory actions from any government agency or SRO against Legend for the first 11 years Legend was in business. (Legend was cited for OATS violation in April 2010.)

I would now like to examine the SEC's regulatory actions against me and the facts of the matter. The SEC states that *"Legend willfully violated Section 17(a) and Rules 17a-3 and 17a-4 of the Exchange Act. Section 17(a) of the Exchange Act and Rules 17a-3 and 17a-4 thereunder require that brokers or dealers make and keep current various records relating to its business and preserve those records for specified periods of time. Specifically, Rule 17a-3(a)(19)(ii) requires registered brokers and dealers to make and keep current records "of all agreements pertaining to the relationship between each associated person" and the broker or dealer. Rule 17a-4(j) requires broker-dealers to "furnish promptly to a representative of the Commission legible, true, complete, and current copies of those records" of the broker or dealer that are required to be preserved under Section 17(a) or "any other records" of the broker or dealer that are "subject to examination under Section 17(b) of the [Exchange] Act that are requested by the representative of the Commission." Legend failed to make and keep current records concerning its relationship with the*

*Associated Person. Specifically, Legend failed to make and keep current records related to the Associated Person's employment and compensation. Legend also failed to furnish promptly true, complete and current copies of such records when requested to do so by representatives of the Commission.*

*As a result of the conduct described above, Caruso willfully aided and abetted and caused Legend's violation of Section 17(a) of the Exchange Act and Rules 17a-3 and 17a-4 thereunder.*

*On the basis of the foregoing, Respondent Caruso hereby consents to the entry of an Order by the Commission imposing the following sanctions pursuant to Sections 15(b) and 21C of the Exchange Act:*

- A. Respondent Caruso shall cease and desist from committing or causing any future violations of Section 17(a) of the Exchange Act and Rule 17a-3 and 17a-4 thereunder;*
- B. Respondent Caruso is hereby censured; and*
- C. Caruso shall, within thirty (30) days of this Order, pay a civil money penalty in the amount of \$25,000 to the United States Treasury. If timely payment of the full amount is not made by Respondent Caruso, additional interest shall accrue pursuant to 31 U.S.C."*

#### FACTS AND EVENT TIME LINE

1. I/Legend received the Associated Person's ("AP") Form U-4 on June 16<sup>th</sup>, 2008, prior to hiring him and registering him with Legend. It was my belief that the Form U4 satisfied the compliance requirements of SEC Rule 17a-3(19).
2. The AP provided hard copies of the other additional employment forms, utilized by Legend, personally to me sometime in late June/early July of 2008. The forms were given to Legend's recently hired Compliance Assistant ("CA") on June 3<sup>rd</sup>, 2008. The CA served as Chief Compliance Officer for other broker dealers prior to joining Legend.
3. Initially and continuously for the next few months, I sent emails to CA, providing instructions and items to do on a regular basis, one of which was to insure that Legend had obtained all forms required for hiring new AP's. This is all electronically documented.
4. Upon request by the SEC Staff Examiners for the AP's employment file, as well as the file of other individuals, I was not able to find the AP's file. I asked the CA for the employment file and he stated that he could not locate it. After conducting an extensive search for the missing forms, I determined that the forms were lost. This is when I sent the email to the AP, asking him to complete the forms again.
5. The forms that I requested from the AP are for Legend's internal use and are designed to supplement the information provided on the electronic Form U-4.
6. When the SEC asked me about the request to back date the forms in question for the AP, during my On the Record Interview ("OTR"), I immediately and without hesitation stated that my intentions were to replace my original documents and that I was in no way trying to deceive the SEC examiners because the original documents were lost.

7. At the time I sent the email referenced in the Order to the AP, the SEC Examiners were still conducting their examination and I was fully aware that they could request anything at any time, including current electronic or written communications. In hindsight, I should have just asked the AP to sign the forms with the current date.
8. My responses to questions at the OTR, pertaining to this email and the forms that I made at the OTR were under oath. I am fully aware that providing intentionally false, inaccurate or misleading statements or responses to any law enforcement agent of the Federal Government, the SEC, SRO's or any other government agencies and securities divisions carry severe penalties and punishment.

At the time the SEC began its routine examination of Legend, Legend was going through a substantial growth phase. The combination of actively managing the company and complying with the SEC's document requests in a timely manner was very burdensome and strenuous at times. It would have been easy for anyone to make a mistake. In summary, I MADE A GENUINE MISTAKE by not informing the SEC Staff Examiners that I had just obtained the missing forms from the AP. As we are all aware, everyone makes genuine mistakes, in their lives as individuals and professionals. As evidenced by my resume I have extensive knowledge and experience in the securities industry as well as extensive knowledge laws and regulations.

In the context of the SEC's Order, Section III, Item 9, these were books and records violations. Also, there is no mention or reference to any rule that this was a violation related to any type of securities transaction nor was this a financial related violation involving fraud. For example, please note:

Section IV, Item A – *“Respondent Legend cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rules 17a-3 and 17a-4 thereunder;”* and Section IV, Item B – *“Respondent Caruso cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rules 17a-3 and 17a-4 thereunder; and* Section IV, Item C – *“Respondents Legend and Caruso are censured.”*

The above sections do not state that neither I nor Legend have been statutorily disqualified, in any manner, from the securities industry. I and Legend have been issued a cease and desist order FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF THE SPECIFIC RULES for which the SEC has taken the regulatory action.

In conclusion, the violations specified by the SEC have been remedied and Legend and I are in full compliance with the terms and conditions of the SEC Order. Please feel free to contact me if you have any additional questions. Thank you.

Respectfully yours,  
Salvatore C. Caruso  
President & CFO