

# TSG Alpha Partners LLC

## Form ADV Part 2A: Firm Brochure

### Private Fund 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 5 – Fees and Compensation has been updated to include certain expenses that may be borne by the Private Funds even though TSG Alpha, the Managers or other affiliates currently bear these expenses.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss has been updated to include certain additional risks related to investing in private securities.

Item 10 – Other Financial Industry Activities and Affiliations has been updated to include 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.

Item 13 – Review of Accounts has been updated to include a statement regarding the delivery of audited financials statements for the Private Funds.

Certain formatting and prose have been changed throughout the Brochure. TSG Alpha does not consider this a material change.

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 Partners, LLC (“TSG Alpha” or the “Advisor”) is a Delaware limited liability company organized on November 19, 2021. Its principal owner is Andrew Spaventa. TSG Alpha began providing advisory services in August 2022.

TSG Alpha provides individuals and institutions with a variety of investment advisory services including but not limited to, financial planning, retirement plan and pension consulting, portfolio management and private fund offerings.

This brochure (the “Private Fund Brochure”) addresses the disclosures and risks related to its management of the private funds. Investors in the private funds should read both TSG Alpha Form ADV Part 2A Firm Brochure – Investment Advisory Services (the “Advisory Services Brochure”) and the Private Fund Brochure.

In April of 2024, TSG Alpha entered into investment management agreements appointing TSG Alpha as the investment manager to multiple private pooled investment vehicles (the “Private Funds”) managed by affiliates of TSG Alpha (the “Managers”) as outlined below.

Private Fund	Manager
TSG Venture Fund LLC	The Spaventa Group
TSG Secondary Fund LLC	The Spaventa Group
TSG Strategic Secondary Fund LLC	The Spaventa Group
TSG Strategic Secondary Fund 2 LLC	TSG Secondaries Partners GP, LLC
TSG Secondary Fund 2 LLC	TSG Secondaries Partners GP, LLC
TSG Secondary Fund 3 LLC	TSG Secondaries Partners GP, LLC
TSG Secondary Fund 4 LLC	TSG Secondaries Partners GP, LLC
TSG Secondary Fund 5 LLC	TSG Secondaries Partners GP, LLC
TSG Secondary Fund 6 LLC	TSG Secondaries Partners GP, LLC

All references herein to TSG Alpha are deemed to include the Managers, as applicable and appropriate. Mr. Spaventa acts as the portfolio manager to the Private Funds.

The Private Funds were formed for the purpose of investing in private equity and stocks of privately held companies. For more information regarding the strategy, see “Item 8. Methods of Analysis, Investment Strategies and Risk of Loss” below. Investment advice will be provided directly to the Private Funds and not individually to the investors in the Private Funds. TSG Alpha will manage the assets of the Private Funds in accordance with the terms of each Private Fund’s confidential private placement memoranda, individual operating agreement and other governing documents applicable to the Private Fund (collectively, the “Governing Fund Documents”). Investors in the Private Funds cannot opt in or out of securities held by the applicable Private Fund and are not allowed to tailor the applicable Private Fund’s strategy in any way except to satisfy regulatory and compliance obligations.

TSG Alpha does not participate in wrap fee programs.

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**

### General

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.

Investors should review all fees charged by TSG Alpha and its affiliates to fully understand the total amount of fees to be paid by a Private Fund and, indirectly, by the underlying investors.

### Management Fee

TSG Alpha typically receives its management fee from a portion of the initial up front fee which is deducted from an investor’s initial capital contribution, as set forth in the applicable Governing Fund Documents.

Without the consent of, or notice to, any other investor, TSG Alpha may elect to reduce, waive, assign, participate or otherwise share the management fee payable with respect to some investors (including affiliates of TSG Alpha).

### Incentive Allocation

Each affiliated Manager is entitled to receive, upon a liquidity event, from the applicable Private Fund, on behalf of their respective investors, an incentive allocation from a portion of an investor's income and gains, subject to a hurdle rate, as set forth in the applicable Governing Fund Documents.

Without the consent of, or notice to, any other investor, TSG Alpha may elect to reduce, waive, assign, participate or otherwise share the incentive allocation payable with respect to some investors (including affiliates of TSG Alpha).

### Expenses and Other Fees Attributable to the Fund

TSG Alpha, the Managers and/or an affiliate are currently bearing certain Private Fund expenses, including but not limited to, the formation and organization of the Private Fund, professional fees and fund audits, accounting and administration, investor reporting, third party research, and regulatory filing fees, but reserves the right, in each of their discretion, to expense these expenses to the Private Funds at any time.

In general, allowable operating expenses to be borne by the Private Fund, include, without limitation,

- all expenses incurred in connection with the organizational expenses, offering of interests and the admission of investors,
- all operating expenses of the Fund such as tax preparation fees (including, without limitation, any such fees related to the preparation of tax returns and Schedule K-1s), governmental fees and taxes (or any other governmental charges levied against the Fund),
- custodial and prime brokerage fees and expenses,
- communications with investors,
- ongoing legal, accounting, auditing, administration, appraisal, bookkeeping, consulting and other professional fees and expenses, including for litigation, and preparation of a Private Fund's financial statements and reports,
- all Private Fund costs, expenses and charges incurred in connection with the investment and trading activities of the Private Fund (e.g., brokerage commissions, mark-ups, margin interest, expenses related to short sales, custodial fees, clearing and settlement charges and other transaction costs to brokers), if applicable,
- professional and other advisory and consulting expenses,
- monitoring or the assertion of rights or pursuit of remedies (including, without limitation, pursuant to bankruptcy or other legal proceedings, or participation in informal committees of creditors or other security holders of an issuer),

- all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against a Private Fund,
- the costs of any litigation and indemnification relating to the affairs of a Private Fund,
- fees and expenses related to third-party research, publications, data and data services, including research provided by banks, brokerage firms and other vendors (regardless of the mechanism used to pay for such research), due diligence and other investigative services, including data about markets, financial instruments, issuers and other inputs into models or systems,
- costs of compliance with applicable laws and regulations of governmental and self-regulatory bodies,
- a Private Fund's expenses associated with forming and maintaining the legal existence of the Private Fund, including administrator's fees,
- insurance premiums of the Private Fund, the Manager and the Advisor,
- all expenses and costs incurred in connection with any regulatory or legal filings (or registrations) required to be made with respect to the Private Fund),
- all other reasonable expenses related to the management and operation of the Private Fund and/or the purchase, sale or disposition of the Interests, including, in the case of any expenses directly related to a Private Fund's investments, any portion of any such joint expenses that the Manager determines are properly and ratably allocable to the Private Fund.

Unless otherwise determined by a Manager in accordance with the Governing Fund Documents, Private Fund expenses generally will be shared among all capital accounts in accordance with the respective balances thereof; provided that the Manager may, under certain circumstances, allocate certain costs and expenses incurred by the Private Fund solely to one or more investors or groups of investors, in accordance with the terms of the Governing Fund Documents.

TSG Capital's registered representatives receive commissions on the sale of interests in the Private Funds from a portion of the upfront fees.

TSG Alpha, its affiliates and employees or representatives receive fees for services unrelated to the Private Funds. Please read the Advisory Services Brochure for complete information.

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

As described in Item 5, with certain exceptions, each affiliate of TSG Alpha that serves as a Manager (or in a similar capacity) to a Private Fund is entitled to performance-based compensation from the applicable Private Fund. Performance-based compensation arrangements create an incentive for TSG Alpha: (i) to recommend investments that may be riskier or more speculative than those that might be

recommended under a different fee arrangement, such as a management fee only arrangement, and (ii) to dispose of investments at a time and in a sequence that would generate the most performance-based compensation. To the extent TSG Alpha determines the fair value of Private Fund assets, TSG Alpha has a conflict of interest as the calculation of the performance-based compensation will be based on such valuations. Performance-based compensation incentivizes TSG Alpha to overvalue assets in order to increase the amount of its affiliates' performance-based compensation. TSG Alpha seeks to mitigate these conflicts through disclosures in this Brochure, additional disclosures in the applicable Governing Fund Documents, as well as policies and procedures.

TSG Alpha and its affiliates periodically review the allocation of investment opportunities to confirm that clients are treated fairly and equitably.

## **Item 7 – Types of Clients**

As noted in “Item 4. Advisory Business,” TSG Alpha provides investment advisory services to Private Funds, in addition to advisory clients. TSG Alpha provides discretionary management and advisory services to the Private Funds directly, subject to the direction and control of the Managers, and not individually to the underlying investors.

Investors in the Private Funds may include, but are not limited to, high net worth individuals, trusts, estates or charitable organizations and corporate or business entities. Investors in the Private Funds will be required to meet certain suitability qualifications, such as being “accredited investors” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended. Details concerning applicable investor suitability criteria are set forth in the Governing Fund Documents.

The minimum initial subscription in the Private Funds is set forth in the Governing Fund Documents and is subject to the discretion of TSG Alpha.

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

### **Methods of Analysis and Investment Strategies**

TSG Alpha's primary investment objective for the Private Funds will be to generate returns for its investors by identifying and investing in what it considers to be leading-edge businesses that have the potential to make significant returns. The Private Funds will seek long-term capital appreciation with respect to their investments in one or more venture capital and growth equity investments in various seed-stage, early-stage, developmental-stage, and later-stage private companies. The timing of any exit from a portfolio company held by a Private Fund is not possible to estimate.



TSG Alpha seeks to identify opportunities to acquire shares of private companies prior to an initial public offering. The companies sought out for potential investments are generally innovative and fast-growing companies with the potential to offer attractive valuations and high returns. Each Private Fund's initial investment focus will generally be targeted at a specific industry or portfolio company. TSG Alpha will consider all investment opportunities that may be a suitable investment for a Private Fund and is not limited to any particular industry. Investors should carefully review the Governing Fund Documents for the investment strategy and related risks of the Private Fund.

A Private Fund's direct investments generally will take the form of equity (common and/or preferred stock). In the case of secondary securities purchases, the Private Fund's investments generally will take the form of equity (common and/or preferred stock) purchased from former and current employees and other stockholders of a portfolio company, but may also take other forms of investment, including investment in an economic interest in a particular security of a portfolio company or a forward purchase contract. In the case of investments in other investment funds, special purpose vehicles and or other entities with a similar investment focus as a Private Fund, the Private Fund's investments will take the form of membership or partnership interests in such funds, vehicles, or entities, which hold equity, economic interest in equity, or convertible debt in one or more portfolio companies within the Private Fund's investment focus.

Portfolio company interests in a Private Fund are typically purchased directly from an affiliate of TSG Alpha. Please see Items 10, 11 and 12 for additional information.

### **Investment Risks**

All investments present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even when 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.

Past performance is not indicative of future results. Therefore, clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there are varying degrees of risk. Because of the inherent risk of loss associated with investing, TSG Alpha is unable to represent, guarantee, or even imply that its services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in a Private Fund. These risk factors include risks TSG Alpha believes to be material or significant to the investment strategies or methods of analysis by the Advisor's employees.

#### Risks Associated with TSG Alpha's Private Funds

*Long-Term Investment; Illiquidity of Investments.* Unlike liquid investments, Private Fund investments do not provide daily liquidity or pricing. In fact, investment in Private Funds requires a long-term commitment, with limited or no liquidity opportunities and no certainty of return. The return of capital and the realization of gains and other income, if any, from an investment may not occur until several years after such investment is made, if at all. Given that certain Private Funds are expected to operate over several years, substantial changes to the business, economic, political, and regulatory and technology environment may have a more profound effect on Private Fund investments.

*Limited Transferability of Interests.* Certain Private Funds and applicable securities laws impose substantial restrictions upon the transferability of private fund interests. There is no public market or other market for most private fund interests.

*Valuation.* The underlying investment in the Private Fund consists of securities and other financial instruments that are very thinly traded, or for which no market exists, or which are restricted as to their transferability. If applicable, TSG Alpha relies on information from the issuers and/or its own valuation to provide a good faith, fair market value with respect to interests in Private Funds. There is no actively traded market for the securities issued by each Private Fund. TSG Alpha will apply a fair value methodology based on their best judgment and that is appropriate considering the nature, facts and circumstances of each Private Fund investment. The process of valuing securities for which reliable market quotations are not readily available is based on inherent uncertainties and likely results in values that would differ had an active market existed for such securities. The good faith fair market value determinations will most likely differ from the value of such securities when ultimately sold. To the extent that TSG Alpha's interests are not fully aligned with those of the investors, conflicts of interest with respect to valuations of interests in Private Funds will arise.

*Limited Operating History.* Private Funds have limited operating histories and there can be no assurance that the Private Funds' investments will achieve results similar to those achieved by previous investments (including the performance of predecessor Private Funds).

*Competition.* The activity of opportunistically identifying, completing, and realizing attractive investments is highly competitive and involves a high degree of uncertainty. Private Funds will be competing with other established funds and investment organizations with substantial resources and experience.

*Limited Number of Investments/Lack of Diversity.* Except as set forth in each Private Fund's Governing Fund Documents, Private Funds are under no obligation to diversify their investments, whether by reference to amount invested or industries or geographical areas in which the investments are made. Accordingly, Private Funds participate in a limited number of investments (typically as few as one (1) single holding) and, as a consequence, the aggregate return of any Private Fund is substantially adversely affected by the unfavorable performance of even a single investment.

*Investing in a Single Issuer.* Unlike a typical private equity fund or fund-of-funds, which are intended to invest in a variety of portfolio companies and/or portfolio funds, the Private Funds are expected to invest exclusively in a single investment. This approach carries a number of risks and special considerations not associated with typical private equity funds or funds-of-funds, including: no benefits of portfolio diversification; performance will be determined exclusively by the performance of the investment; performance will be burdened by the costs and procedures associated with the formation, management, operation, dissolution and liquidation of the Private Fund; and susceptibility to idiosyncratic risks associated with the investment such as death or incapacity of a key officer or manager or possibility of fraud and other misconduct by its employees and service providers.

*Absence of Registration.* Investments offered through Private Funds are exempt from registration under the Securities Act provided by Regulation D. In addition, these Private Funds will typically rely on the "exclusion" from the definition of "investment company" for certain "private" investment companies provided by the Investment Company Act of 1940, as amended ("ICA"). As a result, the Private Funds have not registered and are not subject to regulation under the ICA or the Securities Act, and investors are not afforded the protections that such registrations and regulations might provide.

*Reliance on Key Persons.* The operation of any Private Fund is dependent on TSG Alpha and the Managers, and the operations of each Manager depend in substantial part on the services of Mr. Spaventa. There can be no assurance that Mr. Spaventa will continue to be associated with such managing parties throughout the life of the Private Funds. In addition, Mr. Spaventa devotes his time and attention to various investments and activities, which includes the activities of the Private Funds and the existing investments. The loss of key personnel could have a material adverse effect on a Private Funds' ability to realize its investment objectives.

*Redemption Limitations for Investments in Private Funds.* Unless otherwise noted in the Governing Fund Documents, investors in Private Funds typically redeem all or a portion of their investments from the Private Fund with limited frequency and upon prior written notice as specified in the applicable Governing Fund Documents.

## Investing in Private Placements

The purchase of the privately placed securities of a non-public company (the “Securities”) is, in general, a highly speculative investment and should be undertaken only by persons who are financially able to bear the loss of their entire investment and who have no need for liquidity of their investment in the issuer of such Securities (the “Issuer”). Such investments involve various risks relating to the nature of the financing and potentially the state and federal legalities surrounding the Issuer, the nature and stage of development of the Issuer’s business, and the business sector in which it operates.

*Lack of Operating History.* The Issuer may be in the early stages of development with a history of little or no revenues and may have historically operated at a loss before, during, and may continue to, following the offering of the Securities. Such issuers are typically subject to the difficulties, uncertainties, and risks associated with the establishment of a new or early-stage business such as manufacturing capability, limited product lines, lack of marketing expertise, the existence of more experienced or better capitalized competition, and reliance on a few large suppliers or customers.

*No Prior Market for the Issuer’s Securities; Determination of Offering Price.* For the Securities of non-publicly traded issuers, there are no or only a very limited secondary trading markets and it is unlikely that an active secondary trading market will develop or be sustained following a privately placed offering of such Issuer’s Securities. There is no assurance that an investor in such Securities will be able to sell them at a particular time or that the price received upon any sale will be favorable. Securities issued by private companies have not been registered under the Securities Act or under the Securities laws of any State of the United States or any other jurisdiction, including outside the United States.

*Arbitrarily Determined Offering Price.* The offering price of Securities issued in non-underwritten private offerings is determined by the Issuer based on its subjective evaluation of factors such as the history of, and prospects for, the Issuer’s business and the industry in which it competes, an assessment of management, past and present operations, prevailing market and economic conditions, and any other factors it deems relevant to the security being offered. The offering price may not bear a relationship to the amount of earnings anticipated to be generated by the Issuer, or the Issuer’s assets, book value or other recognized criteria of value, and should not be regarded as an objective valuation or an indication of any future resale value of the Securities offered.

*Uncertainty of Financial Projections.* Business plans and financial projections provided by the Issuer of Securities are based on assumptions and projections that may not prove accurate. No assurance can be given regarding the validity of the Issuer’s assumptions or the attainability of its financial projections. Although an issuer may believe that the assumptions underlying its business plan are reasonable, future

operating results and growth projections are inherently uncertain and may differ materially from the projections presented to potential investors.

*Proceeds of the Offering May Be Insufficient to Execute on the Issuer's Business Plan.* The shares of the Issuer are in most instances being offered on a "best efforts" basis. In this type of offering structure, the placement agent is not required to sell any specific number or dollar amount of Securities but will use its best efforts to sell the Securities being offered by the Issuer. Accordingly, the funds raised in the offering may not equal amounts contemplated by the Issuer to be required to effectuate its business plan or otherwise be sufficient to permit the company to develop and conduct operations consistent with its projected performances.

*Additional Financing May Be Required.* An issuer that operates at a loss or with limited cash flow following an offering of its Securities, may be required to secure additional financing in order to fund its operations. If the Issuer decides to issue additional equity Securities, it is possible that their issuance will result in dilution of the interests of its existing shareholders, an increase in indebtedness to the detriment of existing lenders or other effects on the issued and outstanding Securities of such issuer. To the extent that the Issuer incurs indebtedness, the Issuer will be subject to certain risks including interest rate fluctuations and inability to generate sufficient cash flow to make scheduled payments. In addition, indebtedness generally ranks prior to the equity of an issuer for purposes of distributing the Issuer's assets in the event of bankruptcy. There is also the possibility that the Issuer will be unable to locate financing on satisfactory terms or may be required to significantly curtail its operations.

*Management's Discretion in the Application of Proceeds.* Unless specified in the Issuer's private placement memorandum, offering circular or prospectus, the Issuer's management team will have broad discretion as to the use of the net proceeds from an offering of its Securities. This could result in the proceeds being applied to uses that investors may not deem desirable or with which they may not agree.

*Dependence on Key Personnel.* the Issuer may be highly dependent on the services of key technical and management personnel the loss of whose services could have a material adverse effect on the Issuer's business or operations. If the Issuer loses the services of key management personnel, or if it fails to recruit additional highly skilled personnel as needed, its ability to expand its operations and increase the size of the company will be impaired, and it may experience loss of markets or market share and become less competitive.

*Proprietary Rights and Licenses.* If an issuer is dependent on proprietary and/or licensed technology in its operations, its success will be closely related to its ability to obtain and enforce intellectual property protection for such technology. There exists the possibility that certain patents would not be sufficiently broad to protect key aspects of such an issuer's or its licensor's technology, so that competitors would

be able to duplicate the Issuer's products or that patent laws would not provide effective legal or injunctive remedies to prevent infringement. Patents are also frequently challenged, invalidated, or circumvented by competitors; litigation of patent or infringement claims may result in substantial cost and diversion of resources.

*Competition.* Most companies experience significant competition in their market sectors from other companies, including larger companies which may have access to greater financial, technical, and other resources. It may be difficult for an issuer, particularly an issuer in the early stages of its business development, to continue to make investments necessary to maintain its competitive position.

*Purchasers May Lack Information for Monitoring Investments.* the Issuer is not registered with the Securities and Exchange Commission and currently has no periodic reporting requirements. Accordingly, the Securities offered may not have any special information rights attached to them and purchasers may not be able to obtain all the information they would want regarding the Issuer or the Securities offered.

### General Risks

*General Economic and Market Conditions.* The success of a Private Fund's activities will be affected by and subject to general economic and market conditions, such as changes in interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Private Fund's investments), trade barriers, trade wars, tariffs, protectionist regulatory policies, currency exchange controls, national and international political circumstances and developments, and other circumstances (including wars, epidemics and pandemics, terrorist acts, security operations and natural disasters), as well as changes in government policy precipitated by the foregoing. These and other factors may affect the level and volatility of securities prices, the correlations and relationships between the prices of various securities and the liquidity of a Private Fund's investments in ways that impair the profitability or result in losses. Unpredictable or unstable market conditions may also result in reduced opportunities to find suitable investments to deploy capital or make it more difficult to exit and realize value from a Private Fund's investments. From time to time, various markets around the world have experienced extreme periods of volatility, illiquidity, correlation with other markets, negative (or positive) performance and other disruptions and conditions that would previously have been viewed as extremely unlikely or even impossible. Such market developments have led to large losses and insolvencies at numerous investment funds soon thereafter. A Private Fund could experience a reduction in attractive investment opportunities and a Private Fund's investments could be materially impaired in many ways that cannot be predicted. There can be no assurance that general market developments in the future will not have a material adverse effect on a Private Fund. A Private Fund could incur material

losses even if the Advisor reacts quickly to difficult market conditions, and there can be no assurance that a Private Fund will not suffer material losses and other adverse effects from rapid changes in market conditions in the future. Prospective Investors should realize that markets for the financial instruments in which a Private Fund invests can correlate strongly with each other (or cease to correlate) at times or in ways that are difficult to predict. Even a well-analyzed approach may not protect a Private Fund from significant losses under certain market conditions. The particular or general types of market conditions in which a Private Fund may incur losses or experience unexpected performance volatility cannot be predicted, and a Private Fund may materially underperform other investment funds with substantially similar investment objectives and approaches.

*Potential for Fraud.* In spite of the Advisor's efforts to invest in reputable and trustworthy companies, there is a risk that a Private Fund may invest in issuers that engage in fraud. Instances of fraud can be particularly difficult to detect and prevent. To the extent that a Private Fund invests in a company that engages in fraud, a Private Fund could lose all or a substantial portion of its investment in such company and it could have a material adverse effect on a Private Fund's financial condition and results of operations.

*Equity Risks.* A Private Fund will invest in equity securities. The market price of securities owned by a Private Fund may go up or down, sometimes rapidly or unpredictably. A risk of investing in a Private Fund is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or the sectors in which a Private Fund will invest. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which TSG Alpha believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Advisor anticipates. As a result, a Private Fund may lose all or substantially all of its investment in any particular instance.

*Investments in Undervalued Equity and Equity-Related Securities.* A Private Fund may invest in what TSG Alpha believes to be undervalued equity and equity-related securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that

such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a Private Fund's investments may not adequately compensate for the business and financial risks assumed. A Private Fund may make certain speculative investments in securities which the Advisor believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. In addition, a Private Fund may be required to hold such securities for a substantial period of time before realizing their anticipated value.

*Fundamental Analysis.* Fundamental analysis is premised on the assumption that markets are not perfectly efficient, that informational advantages and mispricings do occur and that econometric analysis can identify trading opportunities. Fundamental analysis may incur substantial losses if such economic factors are not correctly analyzed, not all relevant factors are identified and/or market forces cause mispricings to continue despite the traders having correctly identified such mispricings. Fundamental analysis may also be more subject to human error and emotional factors than technical analysis.

*Limited Diversification and Risk Management Failures.* As described herein, at any given time, a Private Fund's portfolio may contain a single security and will not be diversified to any material extent and, as a result, a Private Fund could experience significant losses if general economic conditions, and, in particular, those relevant to the issuers whose securities are owned by the Private Fund, decline. This limited diversity could expose the Private Fund to losses disproportionate to market movements in general. Other investment funds may pursue similar strategies, which creates the risk that many funds may be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses. Although the Advisor attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in the Advisor's risk management efforts could result in material losses for a Private Fund.

*Availability of Investment Strategies.* The success of a Private Fund's investment and trading activities depends on the ability of TSG Alpha to identify portfolio companies that will successfully conduct an initial public offering. Identification of these portfolio companies involve a high degree of uncertainty. No assurance can be given that the Advisor will be able to identify suitable investment opportunities in which to deploy a Private Fund's capital.

*Default and Credit Risks.* A Private Fund and the Advisor will assume credit risk to their brokers, custodians and other counterparties in connection with brokerage and banking arrangements and other



contractual relationships. In evaluating credit risk, the Advisor will often be dependent upon information provided by the obligor, which may be materially inaccurate or fraudulent. Any actual default, or any circumstance that increases the possibility of such a default, could have a material adverse effect on a Private Fund.

*Litigation.* A Private Fund's investment activities may subject it, the Manager and the Advisor, to the risks of becoming involved in litigation with third parties. The expense of defending against claims against a Private Fund by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by the Private Fund, reduce distributions and could require investors to return distributed capital and earnings to the Private Fund. The Manager, the Advisor and their respective affiliates will generally be indemnified by the Private Funds in connection with any such litigation, subject to certain conditions.

*Regulatory Developments.* The legal, tax and regulatory environment worldwide for private investment funds is evolving, and changes in the regulation of private investment funds, their managers and their trading and investing activities may have a material adverse effect on the ability of a Private Fund to pursue its investment program. There has been an increase in scrutiny of the alternative investment industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Private Funds to pursue their investment program or conduct business with brokers and other counterparties could have a material adverse effect on the Private Funds.

*Business Continuity and Disaster Recovery.* The business operations of TSG Alpha, its affiliates, the Private Funds and its portfolio companies may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster, (e.g., tornadoes, floods, hurricanes and earthquakes), terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolonged power outages. Although the Advisor and/or its affiliates have implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, a Private Fund and its investors may be adversely affected.

*Cybersecurity Breaches and Identity Theft.* The information and technology systems of TSG Alpha, its affiliates, the Private Funds, and their service providers and portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, other security breaches and/or usage errors. The techniques used to obtain unauthorized access to data, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time. Although TSG Alpha has implemented

various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, TSG Alpha, its affiliates, the Private Funds, their service providers and/or their portfolio companies may have to make a significant investment to fix or replace them. The failure of these systems for any reason could cause significant interruptions in such parties' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Cyberattacks and the failure of information and technology systems may interfere with the processing of investor purchases or withdrawals, impact the Private Funds' ability to value its assets, cause the release of confidential information and/or subject TSG Alpha or the Private Funds to regulatory fines, penalties or financial losses, other compensation costs, and/or additional compliance costs. The Private Funds and their investors could be negatively impacted as a result.

*The descriptions of risk factors contained above are a brief overview of various market risks related to TSG Alpha's investment strategy and business operations. They are not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of a Private Fund. In addition, key risk areas inherent to investing also include risks related to the operations and investment activities of a Private Fund and risks related to specific investments. TSG Alpha recommends that investors and prospective investors review the Governing Fund Documents for a more complete discussion of the risk factors associated with a Private Fund.*

## 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, however, Mr. Salvatore C. Caruso, in an outside business activity from TSG Alpha, has a disciplinary reporting history. An SEC Order, Case # 3-14389, instituting Administrative and Cease-and-Desists Proceedings related to events involving an SEC routine examination of an affiliated Broker Dealer, Legend Securities, Inc. ("Legend"), for violating 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."

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 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 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 was later 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 Mr. Spaventa being 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 are 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. Andrew Spaventa is the sole owner, Founder and CEO of The Spaventa Group. 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").

### 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 interests 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 registered representatives 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, Mr. 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 or Interest 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.

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).

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.

## **Item 12 – Brokerage Practices**

Transactions executed on behalf of a Private Fund regarding a particular portfolio company are generally purchased and sold through privately negotiated transactions.

As further described in Governing Fund Documents, The Spaventa Group, or a related person (including its affiliates, officers, directors or employees) will purchase investments on behalf of and in anticipation of launching a Private Fund to hold such investment. Ownership of such investments will be transferred to the Private Fund in a subsequent transaction, typically at prices greater than the corresponding price to The Spaventa Group and/or other affiliates, who will, accordingly, profit from such sales. Each Private Fund investor acknowledges and consents to any mark-up associated with the purchase of portfolio company securities by executing a subscription document in reference to the Governing Fund Documents.

If, in pursuit of the investment strategy of a Private Fund, TSG Alpha were to sell publicly traded securities for a Private Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for the Private Funds managed by TSG Alpha. In selecting a broker to execute client transactions, TSG Alpha may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) gross compensation paid to the broker.

TSG Alpha does not pay or receive research or other soft dollar benefits in connection with securities transactions for the Private Funds. In the event TSG Alpha chooses to utilize soft dollars in the future, TSG Alpha will implement the requisite policies and procedures prior to undertaking such activity which includes ensuring that the activity falls within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.

TSG Alpha provides investment management services to the Private Funds. Each Private Fund is invested in a particular portfolio company at a particular offering price and as such, no aggregation of purchase and sale orders for eligible and suitable client accounts is required.

## **Item 13 – Review of Accounts**

Each Private Fund generally will consist of a single portfolio company which will be held until a liquidity event occurs. Mr. Spaventa regularly monitors the market for secondary activity of these portfolio companies. The Private Fund investors are provided with a confirmation statement upon the initial investment detailing the portfolio company held and applicable interests. Each Private Fund investor will receive audited financial statements for the applicable Private Fund within 120 days after the conclusion of the Fund's fiscal year and the Form ADV Part 2A Brochure.



TSG Alpha and its affiliates are committed to providing transparency and educational updates to its clients and investors in Private Funds. TSG Alpha may provide investors or prospective investors with certain information in response to questions and requests, including, but not limited to, in connection with due diligence meetings and ongoing information requests. This information may not be provided to other investors or prospective investors. Each investor and prospective investor is responsible for asking the questions it believes are necessary in order to make informed investment decisions.

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

TSG Alpha does not receive any economic benefit, directly or indirectly from any unaffiliated third parties for advice rendered to clients. As discussed in Item 5, TSG Capital’s registered representatives receive commission for the sale of interests in the Private Funds.

#### **Item 15 – Custody**

TSG Alpha has custody of the Private Fund assets because it has authority to obtain possession of the assets and because its affiliates serve as the managers of the funds. However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to the Private Funds because it complies with the provisions of the so-called “Pooled Vehicle Annual Audit Exception,” which, among other things, requires that each Private Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Private Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

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

In accordance with the terms and conditions of the Governing Fund Documents, TSG Alpha has discretionary authority to determine, without obtaining specific consent from a Private Fund or its investors, the securities and other investments to be bought or sold on behalf of the Private Fund.

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

The portfolio companies held by the Private Funds are generally not publicly traded and no proxy voting exists. TSG Alpha has voting discretion over the Private Funds’ securities if applicable. Investors in the Private Funds would generally not be able to direct their votes in a particular situation. In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, TSG Alpha has adopted and implemented written policies and procedures governing the voting of securities for the Private Funds. The general policy, if voting became relevant, would be to vote proxy proposals, amendments, consents or resolutions (collectively, “Proxies”) in the best interest and consistent with the Private Fund’s investment objectives.

## **Item 18 – Financial Information**

TSG Alpha is not required to provide a balance sheet because it does not solicit prepayment of fees more than six months in advance. TSG Alpha does not have any financial condition that is likely to impair its ability to meet contractual commitments to its clients, nor has TSG Alpha been subject to a bankruptcy petition at any time during the past ten years.

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

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