

## **PART 2A of FORM ADV: BROCHURE**

**RCG CAPITAL MANAGEMENT, LLC**  
110 W. MAIN STREET, 2<sup>nd</sup> FLOOR  
LOUISVILLE, KENTUCKY 40202  
(502) 301-8535

For Additional Inquires:

Shawn J. Ridley  
(502) 301-8535  
[Sridley@Ridleycap.com](mailto:Sridley@Ridleycap.com)

**This brochure provides information about the qualifications and business practices of RCG Capital Management, LLC. If you have any questions about the content of this brochure, please contact us at (502) 301-8535 or at [Sridley@Ridleycap.com](mailto:Sridley@Ridleycap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about RCG Capital Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

## TABLE OF CONTENTS

<b>1. Advisory Business.....</b>	<b>3</b>
<b>2. Fees and Compensation.....</b>	<b>4</b>
<b>3. Performance Based Fees.....</b>	<b>5</b>
<b>4. Clients.....</b>	<b>5</b>
<b>5. Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>6</b>
<b>6. Disciplinary Information.....</b>	<b>8</b>
<b>7. Other Financial Industry and Affiliations.....</b>	<b>9</b>
<b>8. Code of Ethics.....</b>	<b>9</b>
<b>9. Brokerage Practices.....</b>	<b>9</b>
<b>10. Review of Account(s).....</b>	<b>9</b>
<b>11. Custody.....</b>	<b>10</b>
<b>12. Investment Discretion.....</b>	<b>10</b>
<b>13. Voting Client Securities.....</b>	<b>10</b>
<b>14. Financial Information.....</b>	<b>10</b>

## Section 1: Advisory Business

RCG Capital Management, LLC (**“the Company”**) is a newly formed (November, 2013) Kentucky limited liability company. The Company is applying with the Security and Exchange Commission to be a registered investment advisor. A registered investment advisor does not imply a certain level of skill or training by any federal or state regulatory agency.

The Company provides investment advisory services to an affiliated private investment fund. The primary investment objective of this investment fund is growth of capital, with a secondary consideration towards the generation of current income. To achieve this investment objective, the Company invests primarily in private, illiquid assets, including, but not limited to, real estate, private companies, and partnerships. The Company may also invest in money market funds, U.S. Treasury bills, and investment grade corporate notes with maturities of 6 months or less.

The Company serves as investment adviser to a private investment fund (**the “Fund” or “client”**). The Fund is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940. The General Partner of the Fund provides prospective limited partners, who are qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, the Fund’s Private Placement Memorandum. The Private Placement Memorandum describes the Fund’s investment objective, strategies, management, fees, conflicts, risks and other terms. Prior to being accepted as a limited partner of the Fund by the General Partner, all prospective investors must:

- 1.) acknowledge receipt and execute a Limited Partnership Agreement and,
- 2.) complete and execute Fund Subscription Documents verifying that they are qualified purchasers.

The Company is owned by Ridley Capital Group, LLC, a Kentucky registered limited liability company. Ridley Capital Group is owned by Shawn J. Ridley. Ridley Capital Group is the sole Member (Owner) of the Company. Ridley Capital Group was formed in 2009, and its primary business prior to entering the investment advisory business has been providing business consulting services to corporate entities.

Prior to establishing Ridley Capital Group and RCG Capital Management, Mr. Ridley founded Atlas Brown, Inc. in 2004, an investment advisory and multi-family office firm for high-net worth individuals and institutional investors. Mr. Ridley served as Chief Executive Officer and Chief Investment Officer for Atlas Brown.

As Chief Investment Officer for Atlas Brown, Mr. Ridley managed investment portfolios that included publically-traded domestic and foreign stocks, bonds, mutual funds and exchange traded funds; private corporate investments; and, private investment funds.

Prior to Atlas Brown, Mr. Ridley served 13 years in multiple capacities for Hilliard Lyons Asset Management Group (HLAM), including Chief Strategist, Director of Equity Investments, Member of the Investment Policy Committee, Manager of the Hilliard Lyons Growth Fund, and Lead Portfolio Manager of HLAM's Institutional Growth Portfolio. As Portfolio Manager of the Hilliard Lyons Growth Fund from 2000-2004, Mr. Ridley increased the Fund's Morningstar Rating from two stars to five stars, according to *Morningstar*. As Director of Equity Investments during the same time period, HLAM's two equity products rated among the top ten percent of its peer group for three and five year periods, according to *Zephyr Analytics*. During Mr. Ridley's tenure at HLAM, assets under management increased from \$600 million to more than \$6.0 billion.

Mr. Ridley began his career in Boston at Scudder, Stevens and Clark as a Registered Representative. Mr. Ridley then moved to Eagle Investment Associates, a wholly owned subsidiary of Bank of Boston. While at Eagle, Mr. Ridley served as an Investment Officer for high net worth individuals and institutional clients.

Mr. Ridley earned his B.A. in Economics and Public Affairs from the University of Denver in 1986. Mr. Ridley earned his Chartered Financial Analyst (CFA) designation in 1991. Mr. Ridley was appointed by the Governor of Kentucky to serve on the Commonwealth's Blue Ribbon Commission on Public Pension Funds in 2007 to investigate administrative and investment policies to reduce projected short-falls in future benefits.

Mr. Ridley serves as Chief Executive Officer and Chief Compliance Officer of the Company.

The Company serves as investment advisor solely to private investment funds. The General Partner of the private investment funds for which the Company serves as investment advisor is owned by Ridley Capital Group, or is an affiliate of Ridley Capital Group.

The Company has no assets under management. Once the Company does have assets under management, it will have investment discretion of client assets in accordance with the investment objectives and strategies described in the client's Private Placement Memorandum and Limited Partnership Agreement.

## **Section 2: Fees and Compensation**

The Company serves as investment advisor to a private investment fund, which is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.

The Company charges an annual fee of 2.0% (two-percent) of assets under management. The annual fee is paid to the Company in monthly increments (1/12 of two percent) based on the prior month's market value of assets under management. The Company will only deliver *brochure* to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.

### **Section 3: Performance-Based Fees**

In addition to charging a management fee based on assets under management, the Company is paid performance-based fees by its client. Performance-based fees are calculated annually by the Fund's third-party administrator and verified by an independent public accountant.

Within 90 days of each calendar year-end, and each year following, net cash flow and income of the Fund received during the prior calendar year attributable to the Investments are distributed to Partners. Net income and cash flows are derived from dividend income, interest income, or distributions of operating net cash flow received from Investments. In each case, annual distributions are subject to appropriate reserves established by the General Partner for reasonably anticipated liabilities and obligations of the Fund. Carried Interest shall be calculated to include the gain in market value of the Fund from the first day of a calendar year to its last day, less capital contributions received from Partners. The market value increase may be due to cash flow, dividends, distribution on Investments, realized and unrealized gains, less permanent write-downs. Annual income distributions and Carried Interest calculations shall follow the order of priority below:

- (i) First, 6.0% to all (Limited) Partners in proportion to their respective Capital Contributions received prior to the last business day of the third calendar quarter of the prior calendar year:
- (ii) Second, 100% to the Company, until the Company has received aggregate distributions pursuant to this clause (ii) equal to 20% of the sum of distributions made pursuant to clause (i);
- (iii) Thereafter, (A) 80% to all Limited Partners in proportion to their respective Capital Contributions received prior to the last business day of the third calendar quarter of the prior calendar year, unless annual income distributions and annual realized and unrealized gain allocations exceeds 20% of Capital Contributions (the "Bonus Incentive Threshold"), whereby such annual distribution shall equal 70% of net distributions in excess of Bonus Incentive Threshold, and (B) 20% to the Company, and 30% of annual distributions above the Bonus Incentive Threshold.

The Company does not pay performance-based fees to supervised persons.

### **Section 4: Clients**

The Company provides investment advice to a private investment fund, which is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940.

## **Section 5: Methods of Analysis, Investment Strategies, and Risk of Loss**

The Company will invest primarily in privately-held, illiquid investments. With the exception of money market funds, short-term U.S. Treasury bills, and investment grade corporate notes with maturities 6 months or less, the Company does not invest in publically traded securities.

The Company seeks investment opportunities in companies it believes can generate and grow revenues and cash flow on a consistent basis. The Company performs fundamental analysis and due diligence on each potential investment, which includes, but is not limited to:

- A detailed review of the business plan that provides information on the investment opportunity, including but not limited to, investment fundamentals; its industry; management profile; historic financial performance; financial projections; market and company risks; company competitive advantages; competitors; past capitalizations; future capital requirements; investment valuation, current ownership, corporate governance, regulatory considerations, liquidity plans, and tax considerations.
- Copies of corporate documents, including, but not limited to, operating agreements, articles of incorporation, private placement memorandums, federal and state tax returns, surveys, titles, past Board meeting minutes, complaints, liens, patents, insurance policies, permits, proprietary formulas, employment agreements, bank statements, and independent access to key executives and advisers.

Investments in private, illiquid securities are inherently risky and an investment made by the Company on behalf of its client may result in a substantial or total loss of capital.

The Company believes there are considerable risks inherent in investing generally, and in the Company's investment strategy specifically. The Company believes the following considerations should be carefully evaluated before making an investment in a private investment fund advised by the Company. As a result of these considerations, as well as other risks inherent in any investment, there can be no assurance that the Company's client will achieve its investment objectives.

***Private Investment Funds Risks Generally.*** The Company's Investments will be subject to the risks inherent in the ownership and operation of private businesses and assets. These risks include, but are not limited to, those associated with the burdens of ownership of operating businesses and real property; general and local economic conditions; business displacement from competitors; management of employees; legal disputes regarding employees, vendors, customers, investors or regulators; changes in supply of and demand for competing properties; the financial resources of customers; changes in industry laws or other regulatory burdens; energy and supply shortages; various uninsured or uninsurable risks; natural disasters; changes in real tax rates; changes in

interest rates and the availability of operating lines of credit; negative developments in the economy that depress travel activity; environmental liabilities; contingent liabilities on disposition of assets; terrorist attacks; war; and other factors that are beyond the control of the Company. There can be no assurance that there will be a ready market for resale of Investments because Investments will not be liquid. Illiquidity may result from the absence of an established market for the Investments, as well as legal or contractual restrictions on their resale by the Company.

***Availability of Insurance Against Certain Catastrophic Losses.*** With respect to assets acquired by the Company on behalf its client, the Company, or an affiliate, intends to maintain liability, fire, flood, extended coverage and loss of business insurance with insured limits and policy specifications that the Company believes are customary for similar assets. However, certain losses of a catastrophic nature, such as wars, natural disasters, terrorist attacks or other similar events, may be either uninsurable or, insurable at such high rates that to maintain such coverage would cause an adverse impact on the related Investments. In general, losses related to terrorism are becoming harder and more expensive to insure. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can increase greatly the total costs of casualty insurance for an asset. As a result, Investments may not be insured against terrorism. If a major uninsured loss occurs, client could lose both invested capital in and anticipated profits from the affected Investments. Damage and destruction of such assets could be material with accompanying long periods of operational outage. Insurance premiums for such properties have increased significantly in the last several years, and coverage could become difficult to obtain for certain assets.

***Environmental Liabilities.*** Client Investments may be exposed to substantial risk of loss arising from Investments involving undisclosed or unknown environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified. Under various federal, state and local laws, ordinances and regulations, an owner of certain business facilities and real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability also may be imposed without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property or asset are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the asset or to borrow funds using such assets as collateral, which could have an adverse effect on a client's return from such Investment.

***Minority Ownership of a Private Investment:*** The Company may invest in assets as a minority owner, limiting its ability to influence or control the strategies and actions of

management. The Company's lack of influence or control of management of an Investment may result in long-term illiquidity and permanent loss of investment capital.

***Risk of Limited Number of Investments; Lack of Diversification.*** To allow the Company to be flexible and opportunistic, the number, size and types of Investments are not limited, other than the general limitation restricting Company investments to broad bands within an industry. For instance, the Company will not invest more than 25% of portfolio assets (on a cost basis) in any single industry, with the exception of real estate. As a consequence, the Company may participate in a limited number of Investments and, as a consequence, the aggregate return of client's portfolio may be substantially affected by the unfavorable performance of even a single Investment. Investors have no assurance as to the degree of diversification in the Company's Investments, either by geographic region or asset type.

***General Economic and Market Conditions.*** The success of the Company's investment activities will be affected by general economic and market conditions, changes in laws, and national and international political and socioeconomic circumstances. A sustained downturn in the United States or global economy (or any particular segment thereof) could adversely affect the Company's investment results or impede the Company's ability to effectively exit its Investments on favorable terms. Any of the foregoing events could result in substantial or total losses to the Company's portfolio in respect to certain Investments, which losses likely will be exacerbated by the presence of leverage.

***Use of Leverage:*** The Company, as adviser to a private investment fund, may incur indebtedness up to 50% of the portfolio's market value. The utilization of indebtedness substantially increases the risk to an investment portfolio, and may result in a substantial or total loss of portfolio capital.

## **Section 6: Disciplinary Information**

In February, 2006, Mr. Ridley's then estranged wife filed a complaint against Mr. Ridley and his former employer, J.J.B. Hilliard, W.L. Lyons, Inc., alleging unsuitable investments, breach of fiduciary duty, breach of contract, conversion, and negligence. Alleged damages were \$1,326,000. After arbitration, Mr. Ridley was solely liable for \$150,000, and J.J.B. Hilliard, W.L. Lyons was solely liable for \$100,000. (NASD CASE #06-00374). No explanation for its findings was provided by the arbitration panel.

At the time of the complaint, Claimant and Mr. Ridley were married, but separated since September 2003. Mr. Ridley filed for divorce in April 2004, and divorce proceedings were still pending at the time of the arbitration hearing. Mr. Ridley emphatically denies all claims by his then estranged wife.

Mr. Ridley has not been a subject of any other complaint.



## **Section 7: Other Financial Industry Activities and Affiliations**

The Company has affiliation with the General Partner of the private investment fund it advises. The Company is owned by Ridley Capital Group, which is owned by Shawn J. Ridley. The General Partner of the private investment fund, RCG Partners I, LLC, is majority owned by Ridley Capital Group.

The General Partner has hired the Company to provide investment advisory services, and those services have not been independently bid out, and it is possible that other more established service providers are available at a lower cost.

## **Section 8: Code of Ethics**

The Company has established, maintains and enforces a written code of ethics that complies with Rule 240A-1 under the Investment Advisers Act of 1940. The code of ethics established by the Company defines a standard of business conduct for supervised persons that reflects the fiduciary obligations of the Company and its supervised persons.

The code of ethics established by the Company requires all supervised persons to comply with applicable federal securities laws.

The Company does not allow supervised persons to co-invest in private Investments made by the Company on behalf of client. While the Company does not invest in publically traded securities, the Company has established provisions for supervised persons to report, and for the Company to review, all securities transactions and holdings in accordance with Rule 204A-1 of the Investment Advisors Act of 1940.

The Company provides copies of its code of ethics to any client or prospective client upon request.

## **Section 9: Brokerage Practices**

The Company does not currently trade in public securities and has no broker-dealer relationships.

## **Section 10: Review of Accounts**

The CEO of the Company reviews its client's account daily. Available liquidity, portfolio holdings, and potential Investments are considered daily. The Company provides its client with an unaudited written report within 30 days of the end of each calendar quarter, and an independent audited written report within 60 days of the end of each calendar year.

### **Section 11: Custody**

A third-party, non-affiliated institution is custodian of client assets. The Company and its client receive same statements from custodian.

### **Section 12: Investment Authority**

The Company has investment authority of its client's assets. The client executes an investment management agreement providing the Company investment authority of client assets.

### **Section 13: Voting Client Securities**

The Company has authority to vote client securities. The Company views this responsibility as an important responsibility of its investment management function and is subject to its fiduciary duties.

The Company cast proxy votes in a manner consistent with the best interests of its client and its limited partners, to disclose and address actual or potential conflicts of interest, and not to elevate its own interests over those of the client.

The Chief Compliance Officer of the Company has proxy voting authority. However, if a proxy vote entails considerable discussion, the CCO will solicit a vote from the Company's investment policy committee. For example, the CCO may solicit a vote from the Company's investment policy committee for a proxy proposing an acquisition or divestiture.

The Company will issue a written notice to clients when its investment policy committee votes a proxy. Clients may obtain the Company's proxy voting policies and procedures upon request.

### **Section 14: Financial Information**

The Company does not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

There are no financial conditions reasonably likely to impair the Company's ability to meet its contractual commitment to its client.

