

# RGB CAPITAL GROUP, LLC

CA REGISTERED INVESTMENT ADVISER

## FORM ADV PART 2A

Disclosure Brochure

January 10, 2020

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This brochure provides information about the qualifications and business practices of RGB Capital Group, LLC. If you have any questions about the contents of this brochure, please contact us at (858) 367-5200 or at [rob@rgbcapitalgroup.com](mailto:rob@rgbcapitalgroup.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 RGB Capital Group, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for RGB Capital Group LLC is 150420.

RGB Capital Group, LLC registration as an "Investment Adviser," does not imply a certain level of skill or training.

## **ITEM 2 - MATERIAL CHANGES:**

Investment Advisors are required to prepare a disclosure document ("Brochure") that describes the firm and its business practices. Pursuant to California State regulations, RGB Capital Group LLC (hereinafter "RGB") is required to update its Brochure at least annually and provide you with a summary of any material changes since the previous annual amendment.

Since our last annual updating Brochure dated January 10, 2019, there have been no material changes made to our advisory services and disclosures:

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## **ITEM 4 - ADVISORY BUSINESS**

### **Description of Services**

RGB Capital Group, LLC (RGB) is a registered investment advisor based in San Diego, California. RGB is organized as a Limited Liability Company under the laws of the State of California since 2009. RGB is registered to provide investment advisory services in the State of California and State of Louisiana. In addition, the firm has a notice filing with the State of Texas.

The firm's principal place of business is located at 7387 Los Brazos, San Diego, CA 92127-3853.

RGB offers two tiers of client services: 1) Discretionary Portfolio Management and 2) An umbrella arrangement whereby you manage your own portfolio with limited services provided by RGB Capital Group. The two tiers of service are described below.

#### Tier One Service

Advisory services offered by RGB Capital Group, on a discretionary basis, are provided based on model portfolios developed by RGB and are tailored to meet the needs and investment objectives of the Client. Periodically, the account will be rebalanced to assure consistency with the model allocation and to control volatility. Models are primarily invested in mutual funds and exchange-traded funds (ETFs) and most models are offered with and without margin.

RGB requires you grant RGB discretionary authority to manage your account. Discretionary authorization allows RGB to determine the specific securities and the amount of securities purchased or sold for your account without your approval prior to each transaction. Discretionary authority typically is granted by the investment advisory agreement, a power of attorney or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing your restrictions and guidelines in writing.

RGB Capital Group does not hold itself out as providing a specialized advisory service. RGB Capital Group is a risk manager with primary focus on preserving capital and managing risk and reducing emphasis on risk management when the portfolio manager believes it is warranted.

#### Tier Two Service

The Tier Two Service is an umbrella arrangement, on a non-discretionary basis, where a client will manage their own portfolio with limited services provided by RGB Capital Group. RGB services are limited to providing access to the National Financial Services ("NFS") trading platform and Ceros Financial Services customer support, and producing monthly account performance reports. Client will manage their own portfolios, make their own trading and investment decisions, and place their own trades using the NFS trading platform. RGB does not provide continuous and regular supervisory or management services for Client accounts. RGB does not have authority to trade Client account except as a backup when Client is unable to access the NFS trading platform or are otherwise unable to execute a trade, and Client contacts RGB with a trade order. RGB under no circumstance will effect a trade on behalf of the client without their prior express consent.

### **Financial Planning (Financial Consulting)**

RGB does not provide financial planning services to its clients for a fee. Any financial planning services provided by RGB are typically a byproduct of the services provided to clients who maintain assets with the firm.

In accordance with California Code of Regulations (CCR) Section 260.238 (k), RGB does not maintain any material conflict of interest.

Please note RGB does not participate in any wrap-fee programs or provide investment advice to limited types of investments.

### **Types of Investments**

RGB primarily offers advice on mutual funds and exchange traded funds. Additionally, RGB may advise Client's on any type of investment that RGB deems appropriate based on Client's stated goals and objectives. RGB may also provide advice on any type of investment held in Client account at the inception of our advisory relationship or on investments for which the Client specifically requests advice.

### **Assets Under Management**

Discretionary assets under management as of January 10, 2020 are \$34,756,000.

Non-Discretionary assets under management as of January 10, 2020 are \$7,165,000. Please note RGB does not provide continuous and regular supervisory or management services for assets in Tier Two accounts.

## **ITEM 5 - FEES AND COMPENSATION**

### **Tier One Services**

Tier One Services are billed on a fixed fee basis, and for Qualified Clients, there is an option of a performance based fee.

Fixed Fees: Fixed fees will not exceed 1.75% on assets under management. The advisory fee may be negotiable depending on circumstances.

Fees are billed and payable quarterly in arrears, based on the average weighted daily valuation of the Client's account during the billing period. Fees will be assessed pro rata in the event the asset management agreement is executed at any time other than the first day of a calendar quarter.

Performance Based Fees: For Qualified Clients, RGB may enter into arrangements where performance based fees are assessed for advisory services. Clients who are assessed performance based fees will have at least \$1,000,000 under management with RGB immediately after entering into an agreement for management with RGB or certify to RGB such Client has a net worth (not including personal residence) of more than \$2,100,000 at the time of entering into the performance based fee arrangement. The fixed portion of the fee is 1% per annum of the portfolio equity, payable quarterly in arrears based on the average daily balance of the Client's account during the billing period.

The performance fee is equal to 10% of the gross profits, adjusted for deposits and withdrawals made during the year, and predicated on the Client's account exceeding the value of the previous high water mark. Under such arrangements, RGB will not earn a performance fee unless the Client's account value exceeds the previous high water mark. During the first quarter after becoming a Client, the performance fee for each Client, if any, is based on all returns above the initial value of the Client's account. The high water mark is adjusted from time to time based on the following:

- The initial high water mark will equal the client's initial capital contribution.
- Upon receipt of additional capital contributions, the high water mark will be increased by an equal amount.
- Upon a partial withdrawal, the high water mark will be decreased by an equal amount
- After the debit of advisor's fees at the end of a quarter, the client's high water mark will be set equal to the new account balance if a performance fee was earned that quarter.

- Upon request of a complete withdrawal, the gross profits will be calculated and deducted prior to the liquidation of the account.

Performance based fees are billed on a quarterly basis, payable in arrears.

Please note Performance Fees are assessed in accordance with the provisions noted CCR Section 260.234.

### **Tier Two Services**

Tier Two Services are billed based on a fixed percentage. The annualized fee is 0.1% of assets in the account. The annual fee is billed and payable quarterly in arrears based on the average weighted daily valuations of the account during the billing period. Fees will be assessed pro rata in the event the Tier Two Service Agreement is executed at any time other than the first day of a calendar quarter. The fee is negotiable depending on individual client circumstances.

### **Method of payment**

RGB assesses its asset management fees and performance based fees on a quarterly basis, payable in arrears. Payment of fees will be made by the custodian holding the Clients' funds and securities provided that the following requirements are met:

- a) The Client provides written authorization permitting the fees to be paid directly from the Client's account held by the custodian. The Advisor does not have access to Client funds for payment of fees without Client consent in writing.
- b) RGB sends the Client an invoice showing the amount of the fee, the value of the assets on which the fee is based, and the specific manner in which the fee was calculated. RGB will send an invoice to the custodian indicating only the amount of the fees to be paid by the custodian.
- c) It is disclosed to the Client that it is the Client's responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fees are properly calculated.
- d) The custodian agrees to provide the Client with trade confirmations and account statements, at least quarterly, indicating amounts dispersed from the account including the amount of the advisory fee paid directly to RGB. Client will request that RGB receive duplicate account statements. Where available, electronic access to such statements will be granted.

### **Past Due Accounts and Termination of Agreement**

RGB reserves the right to stop work on any account that is more than 60 days overdue. In addition, RGB reserves the right to terminate the advisory agreement.

Fees may be negotiable, based on the discretion of the firm principal. The client has the right to terminate the contract without penalty within five business days after entering into the contract.

For services provided, RGB's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses, which are incurred by the Client. RGB does not, however, receive any portion of these commissions, fees, and costs.

### **Additional Information Regarding Fees and Compensation**

In addition to the asset management fees paid to RGB, the Client will pay transaction charges for trade execution. These transaction charges are paid to the custodian; RGB does not receive any portion of the transaction charges. The transaction charges vary based on the type of investment (e.g., mutual fund, ETF, etc.) and range from \$0 to \$19.95. Client will also incur certain other charges imposed by the custodian including, but not limited to, IRA and qualified retirement plan fees, fees based on cash or money market deposits,

miscellaneous processing fees for services requested by Client, and other charges required by law and imposed by the custodian. RGB does not receive any portion of the custodian charges. Detailed information regarding the charges will be provided to the Client at the time an account is established with the custodian.

The Client should also be aware that with respect to mutual funds and ETFs, the Client will pay the fund a management fee as a shareholder of the fund in addition to paying RGB an advisory fee for asset management. As many of the funds may be purchased directly, the Client could avoid the second layer of fees by not using RGB's management services and by making his/her own investment decisions.

RGB uses mutual funds that the custodian makes available within their custodial platform. Mutual funds may offer multiple classes of shares for purchase in a fee-based investment advisory program. In certain instances, a mutual fund may offer only class A shares, but another similar mutual fund may be available that offers an institutional or fee-based advisory share class. When an account purchases class A shares, the custodian receives from the mutual fund a portion of the 12b-1 fees charged by the mutual fund. RGB does not receive any portion of these 12b-1 fees. Institutional or fee-based advisory share classes generally are not subject to 12b-1 fees. It is generally more expensive for you to own class A shares than an institutional or fee-based advisory share class. An investor in an institutional or fee-based advisory share class will pay lower fees over time and keep more of his or her investment returns than an investor who holds class A shares of the same fund. Clients should understand that in certain circumstances the share class for a mutual fund purchased in an account will not be the least expensive share class that the mutual fund makes available. In an advisory account, the appropriateness of a particular mutual fund share class should be determined based on a variety of different considerations, including but not limited to: the advisory fee that is charged; whether transaction charges are applied and the amount of the transaction charges applied to the purchase or sale of mutual funds; the anticipated frequency of transactions; the holding period for the mutual funds; the overall cost structure of the advisory account; share class eligibility or minimum requirements; and potential tax consequences.

As noted above, the custodian also charges clients a transaction charge for mutual fund purchases and sales. The transaction charge level varies depending on the amount of 12b-1 fees and/or sub transfer agent recordkeeping fees that the custodian receives from the mutual fund. RGB does not receive any portion of these transaction charges. Clients generally do not pay a transaction charge for class A share mutual fund transactions, but generally do pay - though not always - transaction charges for institutional and fee-based advisory share class transactions. Clients may avoid the transaction charge by purchasing class A share mutual funds, however, the share class may be more expensive to the client over time because of the ongoing 12b-1 fee depending on the number of transactions in the account and the holding period. Clients may pay a higher transaction charge for institutional and fee-based advisory shares classes; however, the share class may be less expensive to the client over time.

Clients should consider the additional indirect expenses that exist as a result of the mutual fund fees when negotiating and discussing the advisory fee with RGB and the selection of share classes and mutual funds for the account.

There is a possible conflict of interest regarding rollovers for a Client that is a plan participant in an employer-sponsored retirement plan. Upon reaching a distribution event, a plan participant may decide to liquidate and withdraw funds from their employer-sponsored retirement plan account and rollover the proceeds into an IRA. In the event of an existing relationship with RGB, it would not be unusual for the plan participant to request the assistance of RGB. A conflict of interest exists because RGB will be compensated only if the plan participant rolls over the proceeds into an IRA that is then managed by RGB. As a result, it can be construed that RGB has a financial incentive to recommend one option over another. Therefore, a plan participant should include in his/her decision making process, a thorough review of all options presented when reaching a distribution event; for example (i) remain invested under the employer-sponsored retirement plan (if available), (ii) transfer retirement plan assets to a new employer-sponsored retirement plan (if applicable), (iii) transfer retirement plan

assets to an IRA with a financial institution, or (iv) withdraw assets directly which would be subject to federal and applicable state and local taxes and possibly be subject to the IRS penalty of 10% depending upon the age of the plan participant.

## **ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Side-by-side management refers to the practice of managing accounts that are charged performance based fees while at the same time managing accounts that are not charged performance based fees. As described in Item 5 – Fees and Compensation, RGB accepts both performance and fixed fees.

There is an inherent conflict of interest when assessing certain accounts a fixed fee, while other accounts are assessed a performance fee. RGB will aggregate orders with respect to the same security purchased for all Clients regardless of the assessed fee (fixed or performance) to the account. When orders are aggregated, each participating account receives the average share price for the transaction and bears the transaction costs based upon each account's participation in the transaction, subject to the Advisor's discretion depending on factual or market conditions. Clients participating in block trading may include proprietary or related accounts. Such accounts are treated as Client accounts and are neither given preferential nor inferior treatment versus other Client accounts. Allocations of orders among Client accounts must be made in a fair and equitable manner. In addition, trades are made based on the model assigned to the account (not the fee structure). Models are systematically created in the trading system based on the model assigned. Most investments are in mutual funds and ETFs. Mutual funds inherently provide equitable pricing for all clients. ETF purchases are purchased in a block account and allocated to client accounts based on average pricing.

RGB provides equal treatment to the client regardless of the fee (fixed or performance) assessed to the account.

## **ITEM 7 - TYPES OF CLIENTS**

RGB provides the advisory services to individuals, charitable organizations, corporations and other business entities.

RGB generally imposes a minimum of \$100,000 to open and maintain a Tier One advisory account. In addition, existing RGB Clients may open an additional account with a \$50,000 minimum in a model designated for this purpose (see Item 8 for detailed description). However, in its discretion, RGB may waive account minimums. RGB has no minimum requirement for Tier Two accounts.

## **ITEM 8- METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS**

RGB may use different methods of analysis when providing investment advice to Clients including:

- Chart Analysis – the gathering and processing of price and volume data for a particular security or index. The results of mathematical computations are plotted graphically on charts which are used to predict future price movements based on patterns and trends.
- Technical Analysis – the study of historical price patterns and trends of securities or indices to predict future price movement.
- Macro-Economic Analysis – the study of trends that impact aggregate economy including changes in employment, gross domestic product, interest rates, inflation, etc.



RGB implements its' capital preservation and risk management philosophy through four different investment strategies. The strategies utilized by the Advisor are:

- a) *Flex+ Strategy*: The objective is to achieve capital appreciation during positive market environments, preserve capital during severely negative market cycles and reducing risk when market conditions are less certain. When market conditions warrant, the strategy will move to a levered equity position. This is a growth-oriented strategy designed for long-term investors.
- b) *Core Strategy* (formerly *Conservative Strategy*): The objective is to achieve maximum capital gains while maintaining below market volatility and risk by investing in bond and equity vehicles that are demonstrating better risk-adjusted returns relative to the overall market. Margin is used selectively in margin accounts to increase market exposure when RGB believes increased exposure is in the client's best interest. Cash is used to manage risk when appropriate.
- c) *Balanced Strategy* (formerly *Flexible Strategy*): The objective is to achieve maximum capital gains while maintaining below market volatility and risk by investing in bond and equity vehicles that are demonstrating better risk-adjusted returns relative to the overall market. During most market environments it will combine a 60% allocation to the Core strategy and a 40% allocation to the Flex+ strategy. Margin is used selectively in margin accounts to increase market exposure when RGB believes increased exposure is in the client's best interest. Cash is used to manage risk when appropriate.
- d) *Small Account Strategy*: Similar to the Core strategy, the Small Account strategy strives to achieve maximum capital gains while maintaining below-market volatility and risk by investing in bond and equity vehicles that are demonstrating better risk-adjusted returns relative to the overall market. Margin is used selectively in margin accounts to increase market exposure when RGB believes increased exposure is in the client's best interest. Cash is used to manage risk when appropriate. The Small Account strategy is designed for accounts valued at less than \$100,000 and is available to current clients of RGB who have assets under management utilizing the Flex+, Core and/or Balanced strategies.

RGB may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of the overall investment strategy, but may be used occasionally when RGB determines that it is suitable given market conditions.

RGB strategies and investments have unique and significant tax implications. Tax efficiency is not a primary consideration in the management of your assets. Regardless of your account size or any other factors, RGB strongly recommends that you continuously consult with a tax professional when investing your assets.

#### **Risk of Loss**

Investing in securities carries a risk of loss; RGB does not guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate Clients from losses due to market corrections or declines. RGB cannot offer any guarantees or promises that a Client's financial goals and objectives will be met. Past performance is not an indicator of future performance.

RGB will not be liable to Client for any loss that Client may suffer by investment decisions made or other actions taken in good faith by RGB with that degree of care, skill, prudence, and diligence under the circumstances that a prudent person acting in a fiduciary capacity would utilize.

Use of Margin. Clients who have authorized the use of margin in their accounts grant the authority to use margin at RGB's sole discretion by leveraging investment positions by borrowing funds from securities broker

dealers, banks, or others. Such leverage, if employed, would increase both the possibilities for profit and the risk of loss. Consequently, the effect of fluctuations in the market value of your portfolio would be amplified. Margin borrowings are usually from securities brokers and dealers and typically are secured by the borrower's securities and other assets. Under certain circumstances, such a lender may demand an increase in the collateral that secures the borrower's obligations, and if the borrower were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the borrower's obligation. If your account(s) were to become subject to liquidation in that manner, it could suffer extremely adverse consequences. In addition, the amount of borrowings, if any, and the interest rates on those borrowings, which would fluctuate, could have a significant effect on the portfolio's profitability. Interest on borrowings will be an expense of the client and will affect the performance of your portfolio.

**Market Risk.** Market risk is the risk that a portfolio of stocks, bonds, mutual funds, and exchange traded funds may be adversely affected by general market movements. Your portfolio will be subject to some degree of market risk and the degree could be significant.

**Investment Selection and Trading.** Your investment returns will be largely dependent upon RGB's skill in identifying value in particular equities. RGB has complete discretion to invest and trade your assets, based on our analysis and judgment. In making decisions, RGB may rely on information and data provided and prepared by third parties, including issuers of securities. Although RGB intends to evaluate the accuracy and importance of such information and data, RGB will not be in a position to confirm the completeness, genuineness, or accuracy of such information and data. Although RGB believes the analytical and investment selection techniques of our investment methodology are sound, there can be no assurances that such investment and trading decisions will be profitable over any particular period or at all.

**Portfolio Concentration.** RGB may invest a portion of your assets in securities, mutual funds and exchange traded funds that are industry, sector, or capitalization specific, and thereby may be subject to additional volatility with such a specialized focus. To the extent the model portfolios are concentrated in a particular industry or sector, there is increased risk due to adverse developments within that industry or sector.

**Brokerage Expenses/Transactions Costs.** RGB activities may involve a high level of trading, and the turnover of your portfolio may generate substantial transaction costs. These costs will be borne by you regardless of your accounts' profitability.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Item 4 - Advisory Business" section in this Brochure, RGB primarily recommends mutual funds and exchange traded funds, however, RGB may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

**Mutual Fund Trading.** RGB may invest in mutual funds, which are registered investment companies regulated by the Securities and Exchange Commission (the "SEC"). Mutual funds carry their own inherent risks, including the risk that the managers of the mutual fund will misdiagnose the market or the risk inherent in the market. RGB has no direct control over the management of any of the mutual funds.

Mutual funds reserve the right to reject purchases or delay redemptions, sometimes after the purchase decision is made. These rights may affect efforts to manage the model portfolio's risk. In addition, it is possible for the value of a mutual fund to fall (or to rise more slowly than the stock market as a whole) even when stock prices in general are rising. Risk is involved in fund selection as well as in the timing of trades. Most mutual fund

shares can be traded only at the end of each day, potentially worsening losses on days of steep overall market declines.

**Limitations on Mutual Fund Exchange.** The number of mutual funds that allow for frequent and unrestricted trading is limited, and the selection of mutual funds in which RGB can invest in accordance with our trading strategies is therefore limited to that extent. Mutual funds that RGB may trade, may under-perform other mutual funds that will not permit short-term trading.

**Exchange Traded Funds and Other Similar Instruments.** Shares of exchange traded funds ("ETFs") and other similar instruments may be purchased by RGB. An ETF is an investment company that is registered under the Investment Company Act of 1940 (the "Investment Company Act") that holds a portfolio of stocks or bonds designed to track the performance of a particular index.

Investments in ETFs and other instruments involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks or bonds including risks that the general level of stock or bond prices may decline, thereby adversely affecting the value of each unit of the ETF or other instrument. In addition, an ETF may not fully copy the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks or bonds held. Because ETFs and pools that issue similar instruments bear various fees and expenses, our investment in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. RGB considers the expenses associated with an investment in determining whether to invest in an ETF or other instrument.

The market value of ETF shares may differ from their net asset value. This difference in price may be due to the fact that, at any given point of time, the supply and demand in the market for ETF shares is not always identical to the supply and demand in the market for the underlying basket of securities. Therefore, an ETF share may trade at a premium or discount to its net asset value. Our strategy of investing in ETFs could affect the timing, amount, and character of distributions and may affect your tax liability.

**Leveraged and Inverse Mutual Funds and ETFs.** Leveraged mutual funds and ETFs, sometimes labeled "ultra" or "2x" or "3x" for example, are designed to provide a multiple of the underlying index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. Inverse funds are different from and can be riskier than traditional mutual funds and ETFs. Limited use of inverse mutual funds and ETFs may be employed in an attempt to limit portfolio risk.

Although leveraged and inverse products are designed to provide returns that generally correspond, either positively or negatively, to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual resetting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions may be magnified over time. Some deviations from the stated objectives, to the positive or negative, are possible and may or may not correct themselves over time. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional mutual funds and ETFs.

Foreign Exposure Risks. RGB may invest in mutual funds, ETFs and other similar instruments that invest in foreign securities. Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to:

- i. Currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which our model portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another;
- ii. Differences between the U.S. and foreign securities markets, including the lack of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation;
- iii. Political, social or economic instability;
- iv. Less liquidity, greater volatility, less developed or less efficient trading markets; and
- v. The extension of credit, especially in the case of sovereign debt.

Costs Associated with Mutual Fund and ETF Investments. Investment managers of mutual funds and ETFs will generally be entitled to a fee based on net assets under management. Any such fees charged by an investment manager of a mutual fund or ETF are in addition to the RGB management fee and will reduce the client's assets accordingly.

Investments in Bonds, Bond Funds, and Bond ETFs. RGB may invest in bond funds and bond ETFs. Such investments are subject to a number of risks, including:

- i. Credit risk: the risk that the issuers of the bonds may default (fail to pay the debt that they owe on the bonds that they have issued). This risk may be minimal for investments in insured or U.S. Government bonds.
- ii. Prepayment risk: the risk that prior to the bond maturity dates, the issuers of the bonds will prepay (call) them at a time when interest rates have declined. This risk is sometimes also known as "call risk." Because interest rates have declined, underlying bond funds may have to reinvest the proceeds in bonds with lower interest rates, which can reduce the return. Not all bonds, however, can be prepaid.
- iii. Interest rate risk: the risk that the market value of the bonds will fluctuate as interest rates go up and down. Nearly all bond funds are subject to this type of risk. Because of this type of risk, bond investors may suffer losses, including those investors in insured bonds or government bonds.

Investments in High Yield Bond Funds and ETFs. High yield bonds are speculative investments that carry greater risks and are more susceptible to real or perceived adverse economic and competitive industry conditions than higher quality debt securities. For example, they are issued by organizations that do not qualify for an investment grade rating by one of the rating agencies because of the potential for higher default by the issuer. Another risk is that further financial difficulties by the issuer may result in a decrease in the market value, and this may make it impossible to liquidate the bond prior to maturity.

These risks could affect the value of a particular investment or investments by us, possibly causing your portfolio to be reduced and fluctuate more than other types of investments.

## **ITEM 9 - DISCIPLINARY INFORMATION**

Neither RGB nor its Investment Advisor Representatives have been involved in any significant legal or disciplinary event during the preceding ten years, which is material to the Investment Advisory business.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Robert Bernstein is President of the San Diego Chapter of the American Association of Individual Investors (AAII), a non-profit, investment educational organization. The group organizes investment education events and meetings for both AAII members and non-members. In addition to organizing chapter meetings, Mr. Bernstein may provide educational presentations to the chapter. Neither RGB, nor Mr. Bernstein, receive compensation for participation in these events. Individuals who attend these events may become clients of RGB.

Robert Bernstein teaches classes on investment topics and investment tools. Courses are open to the public. On occasion, clients of RGB may attend these courses. Fees for teaching these courses are unrelated to RGB's advisory business. Individuals who attend these courses may become clients of RGB.

Representatives of RGB do not recommend or select other advisors for clients for the purpose of managing assets or have material relationships with advisors that may create a conflict of interest.

## **ITEM 11 - CODE OF ETHICS / PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

RGB strives to comply with all applicable laws and regulations governing its practices. Therefore, RGB has set forth guidelines for professional standards to protect Client interests at all times and to demonstrate its commitment to its fiduciary duties of honesty, good faith, and fair dealing with Clients.

All associated persons are expected to adhere strictly to these guidelines. Associated persons are also required to report any violations of the Advisor's Privacy Policy. Additionally, RGB maintains and enforces policies reasonably designed to prevent the misuse or dissemination of material, non-public information about Clients or their account holdings by the Advisor or any associated person.

### **Participation or Interest in Client Transactions**

Neither RGB nor its principals recommends to clients, or buys or sells securities in which it maintains a material financial interest.

### **Personal Trading**

RGB and its representatives or persons associated with the Advisor may buy or sell securities that are recommended to Clients or securities in which its Clients are invested. It is the Advisor's policy that associated persons of RGB shall not have priority over any Client account in the purchase or sale of securities. All personal accounts for RGB and its principal are assigned to an RGB model and are traded at the same time with other accounts assigned to that model. As trades are generated by a system based on the model assignment, no preferential treatment is provided to personal accounts.

## **ITEM 12 - BROKERAGE PRACTICES**

### **Soft Dollar**

The research products and services that RGB might receive from recommended brokers/custodians may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to RGB in the performance of its investment decision-making responsibilities. Such research products and services are provided to all investment advisors who utilize the services of such brokers/custodians, and are not considered to be paid for with soft dollars. However, costs for particular transactions might be greater than costs associated with other brokers/custodians not providing RGB with research services or products. While, as part of its fiduciary duties, RGB endeavors at all times to put the interests of its Clients first, Clients should be aware that receipt of such products and services creates a potential conflict of interest.

RGB utilizes the soft dollar benefits received to service all Clients' accounts.

### **Directed Brokerage**

RGB maintains relationships with Ceros Financial Services and National Financial Services and/or other qualified custodians (hereinafter, "broker/custodian"). RGB requires that the Client establish an account with a broker/custodian with which RGB has an existing relationship. Such relationships may include benefits provided to RGB, including but not limited to, research, market information, and/or administrative services. Recommended brokers/custodians may charge higher fees than other brokers/custodians charge for particular services. The practice of directing clients to a specific broker-dealer creates a material conflict of interest. However, RGB will recommend brokers/custodians it feels will provide quality services for competitive costs. Please note other investment advisers do not require Clients to direct to specific brokers/custodians. The reasonableness of commissions and other costs is based on several factors, including professional services, competitive commission rates, transaction costs, volume discounts, execution price negotiations, interest rates, and other services.

### **Trade Aggregation**

Generally, for discretionary accounts, RGB will aggregate orders with respect to the same security purchased for different Clients. When orders are aggregated, each participating account receives the average share price for the transaction and bears the transaction costs based upon each account's participation in the transaction, subject to RGB's discretion depending on factual or market conditions. Clients participating in block trading may include proprietary or related accounts. Such accounts are treated as Client accounts and are neither given preferential nor inferior treatment versus other Client accounts. Allocations of orders among Client accounts must be made in a fair and equitable manner.

In addition, transactions fees are based on predetermined rates; flat fee, price per share or a combination of both. Each account participating in the trade will pay based on the same fee structure.

## **ITEM 13 - REVIEW OF ACCOUNTS**

Robert G. Bernstein, Managing Member, of RGB, or the IAR responsible for the Client's account will monitor Client accounts on a continuous basis and will conduct account reviews on a regular basis. Triggering factors that may stimulate additional reviews of a Client's account include, but are not limited to, Client request, account contributions and withdrawals, and a change in risk/return objectives of the Client.

The Client will receive periodic account statements directly from the account custodian. In addition, RGB will provide Client with monthly performance reports.

#### **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

RGB may pay a fee to investment advisor representatives of RGB for the introduction of new clients in accordance with California Code of Regulations (CCR) 260.236 (c) (2). Any fees paid for the introduction of a new client to RGB shall be paid solely from RGB's investment management fee and shall not result in any additional charge to the client. The investment advisor representative shall provide each prospective client with a copy of RGB's written Brochure.

#### **ITEM 15 - CUSTODY**

RGB directly debits your account(s) for the payment of advisory fees. This ability to deduct advisory fees from your accounts causes the firm to exercise limited custody over your funds or securities. RGB is also deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third party ("SLOA") and under that SLOA can authorize RGB to designate the amount or timing of transfers with the custodian. RGB does not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. RGB will also provide invoices to you reflecting the amount of advisory fee deducted from your account.

You should compare the RGB invoices with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Rob Bernstein, Managing Member at 858-367-5200 or rob@rgbcapitalgroup.com.

#### **ITEM 16 - INVESTMENT DISCRETION**

RGB provides Tier One advisory services to its clients on a discretionary basis. Specifically, RGB is authorized to perform various functions, at the Client's expense, without further approval from the Client. Such functions include the determination of securities and the amount of securities to be purchased and/or sold. Once a portfolio is constructed, RGB provides continuous supervision and rebalancing of the portfolio as changes in market conditions and Client circumstances may require.

RGB requests the client to execute a limited power of attorney with the introducing broker dealer/custodian granting RGB the authority to trade on the Client's account without their prior consent.

#### **ITEM 17 - VOTING CLIENT SECURITIES**

RGB will not vote proxies or render any advice regarding proxies solicited by or with respect to the issuers of securities held in Client accounts. Additionally, RGB will not take any action or render any advice with respect to any securities held in Client accounts, which are named in or are subject to class action lawsuits. If RGB receives written or electronic proxy material or notice of a class action lawsuit, settlement, or verdict affecting

securities owned by a Client, it would forward all notices, proof of claim forms, and other materials to the Client. Electronic mail is acceptable where appropriate, if the Client has authorized contact in this manner.

## **ITEM 18 - FINANCIAL INFORMATION**

RGB is not required to provide financial information to Clients as RGB does not:

- require the prepayment of more than \$500.00 or more in investment advisory fees and six months or more in advance for ongoing portfolio management, or
- take custody of Client funds or securities, or
- have a financial condition reasonably likely to impair the advisor's ability to meet contractual commitments.

## **ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISORS**

Please see Form ADV Part 2B, Item 2 regarding RGB's Investment Advisor Representatives formal education and business background.

Please see Form ADV Part 2B, Item 4 for information regarding RGB's Investment Advisor Representatives other business activity along with the time spent.

RGB may assess its clients a performance fee, see section six for more details.

RGB's Investment Advisor Representative or management personnel (Robert Bernstein) has not been involved in the following items:

1. An award or otherwise being *found* liable in an arbitration claim alleging damages in excess of \$2,500, *involving* any of the following:
  - a) An investment or an *investment-related* business or activity;
  - b) Fraud, false statement(s), or omissions;
  - c) Theft, embezzlement, or other wrongful taking of property;
  - d) Bribery, forgery, counterfeiting, or extortion; or
  - e) Dishonest, unfair, or unethical practices.
  
2. An award or otherwise being *found* liable in a civil, *self-regulatory organization*, or administrative *proceeding involving* any of the following:
  - a) An investment or an *investment-related* business or activity;
  - b) Fraud, false statement(s), or omissions;
  - c) Theft, embezzlement, or other wrongful taking of property;
  - d) Bribery, forgery, counterfeiting, or extortion; or
  - e) Dishonest, unfair, or unethical practices.

No individual from RGB has a relationship with any issuer of securities that is not listed in Item 10 of Part 2A.

**If you have any questions, concerns or require additional information before retaining the services of RGB Capital Group, LLC you may call (858) 367-5200 or by Email at: [rob@rgbcapitalgroup.com](mailto:rob@rgbcapitalgroup.com).**



# FORM ADV PART 2B

Disclosure Brochure Supplement  
for  
Robert Bernstein

January 10, 2020

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San Diego, CA 92127

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This brochure supplement provides information about Robert Bernstein that supplements the RGB Capital Group brochure. You should have received a copy of that brochure. Please contact Robert Bernstein, President at (858) 367-5200 or [rob@rgbcapitalgroup.com](mailto:rob@rgbcapitalgroup.com) if you did not receive RGB Capital Group's brochure or if you have any questions about the contents of this supplement.

Additional information about Robert Bernstein is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - EDUCATIONAL BACKGROUND/ BUSINESS EXPERIENCE**

**Robert G. Bernstein, (CRD #5674019, DOB-1967), Investment Advisor Representative (IAR) – RGB Capital Group, LLC**

### **Formal Education after High School/Industry Designations:**

- University of Rochester, Rochester, NY, M.B.A., Finance & Corporate Accounting, 1993
- University of California, San Diego, CA, B.A., Quantitative Economics and Decision Sciences, 1989
- Certified Public Accountant (retired)

### **Business Background for the Previous Five Years:**

- RGB Capital Group, LLC, Managing Member, 05/2009 – Present.
- Self-Employed, Consulting, 10/2008 – 02/2010.
- Newland Communities, Chief Information Officer, 05/2004 – 09/2008.
- Deloitte & Touche, Senior Manager, 08/1993 – 05/2004.

## **ITEM 3 - DISCIPLINARY INFORMATION**

RGB Capital Group's Investment Advisor Representative has not had a material event that would require a current or prospective client to question his integrity and thus necessitate applicable disclosure.

## **ITEM 4 - OTHER BUSINESS ACTIVITIES**

Robert Bernstein is President of the San Diego Chapter of the American Association of Individual Investors (AAII), a non-profit, investment educational organization. The group organizes investment education events and meetings for both AAII members and non-members. In addition to organizing chapter meetings, Mr. Bernstein may provide educational presentations to the chapter. RGB, nor Mr. Bernstein, receive compensation for participation in these events. Individuals who attend these events may become clients of RGB.

Robert Bernstein teaches classes on investment topics and investment tools. Courses are open to the public. On occasion, clients of RGB may attend these courses. Fees for teaching these courses are unrelated to RGB's advisory business. Individuals who attend these courses may become clients of RGB. This outside business activity consists of less than ten percent of Mr. Bernstein's time.

## **ITEM 5 - ADDITIONAL COMPENSATION**

RGB has not entered into any arrangement with an individual or entity that provides an incentive in exchange for providing Advisory Services.

## **ITEM 6 - SUPERVISION**

Robert Bernstein, Chief Compliance Officer for RGB, is the individual responsible for supervising the Investment Advisory activities of the firm. Mr. Bernstein may be contacted via Email,

[rob@rgbcapitalgroup.com](mailto:rob@rgbcapitalgroup.com). Mr. Bernstein participates in industry seminars and has engaged a compliance firm to provide guidance regarding current rules and regulations that may impact the firm and its business practices.

#### **ITEM 7 – REQUIREMENTS FOR STATE REGISTERED ADVISORS**

The Supervised Individuals have not been *found* liable in an arbitration claim alleging damages in excess of \$2,500, *involving* any of the following:

- (a) An investment or an *investment-related* business or activity;
- (b) Fraud, false statement(s), or omissions;
- (c) Theft, embezzlement, or other wrongful taking of property;
- (d) Bribery, forgery, counterfeiting, or extortion; or
- (e) Dishonest, unfair, or unethical practices.

The Supervised Individuals have not been assessed an award or otherwise *found* liable in a civil, *self-regulatory organization*, or administrative *proceeding* involving any of the following:

- (a) An investment or an *investment-related* business or activity;
- (b) Fraud, false statement(s), or omissions;
- (c) Theft, embezzlement, or other wrongful taking of property;
- (d) Bribery, forgery, counterfeiting, or extortion; or
- (e) Dishonest, unfair, or unethical practices.

The Supervised Individuals have not been the subject of a bankruptcy petition.

**If you have any questions, concerns or require additional information before retaining the services of RGB Capital Group, LLC you may call (858) 367-5200 or by Email at: [rob@rgbcapitalgroup.com](mailto:rob@rgbcapitalgroup.com).**