



RICHMOND CAPITAL MANAGEMENT
Experience, Knowledge, Service

Richmond Capital Management, Inc.

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**Part 2A of Form ADV
Firm Brochure
Summary of Material Changes**

March 28, 2012

This brochure provides information about the qualifications and business practices of Richmond Capital Management. If you have any questions about the contents of this brochure, please contact us at (804) 379-8280 and/or services@richmondcap.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 Richmond Capital Management is available on the SEC's website at www.adviserinfo.sec.gov. Richmond Capital Management is a "registered investment adviser." Registration does not imply a certain level of skill or training.

Material Changes

Below is a summary of material changes from Part 2A of Form ADV (Firm Brochure) dated March 30, 2011. These changes are primarily the result of additional disclosure. You may obtain a copy of the new brochure by contacting Mark Walker, President and Chief Compliance Officer, or Betsy Harris, Managing Director, Client Services at (804) 379-8280.

Methods of Analysis, Investment Strategies and Risk of Loss

- **Interest rate risk:** The level of interest rates will vary with the economic cycle and be influenced by other factors, such as when the Federal Reserve engages in policies to stimulate or contract the economy. When interest rates rise, the value of fixed income securities will fall. Thus, during a period of rising interest rates a fixed income portfolio may experience a loss.
- **Yield curve risk:** Portfolio managers will purchase individual securities based on current firm strategy. A typical portfolio will contain many securities and will range in maturity from very short maturities to 30 years (although in some cases longer bonds may be purchased). How these securities are positioned along the yield curve will impact the total return of the portfolio and the portfolio managers will make an assessment as to the best positioning for each portfolio. Over market cycles the shape of the yield curve (the relationship of short-term interest rates to long-term interest rates) will change. A risk to our clients is that the yield curve shifts in a manner that our clients' portfolios suffer losses.
- **Reinvestment risk:** Fixed income securities pay a fixed coupon until the maturity of the security. Note that the yield of a fixed income security assumes that each coupon payment is reinvested at the yield of the security. Thus should each individual coupon payment be reinvested at a higher or lower yield than the purchase yield, the realized total return over time will differ from the quoted yield. For a portfolio of fixed income securities held for a long period of time, reinvestment risk is significant. Periods of higher interest rates will result in total returns being above the quoted yield on a portfolio, and periods of lower interest rates will result in total returns lower than the quoted yield.
- **Liquidity risk:** Fixed income securities typically do not trade on exchanges, but in an over-the-counter market. Thus, Richmond Capital Management is dependent on market making brokers to both purchase and sell our client's securities. During periods of financial market stress the ability of market making brokers to make bids and offers on client securities may diminish. Note that the firm utilizes electronic trading platforms (TradeWeb and Market Axess) whenever possible. Further, the firm currently has 43 different brokers on the firm's Approved Broker/Dealer list which reduces the risk of any one broker being unable to make bids and offers.
- **Treasury Inflation Protected Security (TIPS) risk:** Investments in TIPS pay a fixed coupon representing a real return. The inflation return of the security is reflected in an accretion of principal for actual inflation (as measured by the Consumer Price Index). TIPS can lose value either by increases in the real return (the impact is equivalent to a rise in interest rates on a nominal bond) or if realized inflation is negative.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- The Chief Compliance Officer (CCO) of the firm is also the firm's President and a portfolio manager. Richmond Capital Management strongly believes in creating and maintaining a culture of compliance with all state and federal laws. The firm believes that having the President serve as the CCO reinforces that belief. This conflict is mitigated by the active involvement of the firm's Vice President for Portfolio Analytics and Compliance (VP-PAC) in the compliance function. The daily compliance monitoring of client portfolios is performed by the VP-PAC, who does not have investment discretion over client portfolios. Any portfolio that is out of compliance is reported daily on the RCM Compliance Error Report. Additionally the VP-PAC annually tests portfolios for bias in performance and the allocation of trades. Finally, the CCO and VP-PAC communicate the results of these tests and other compliance matters to the firm's Board of Directors in the Annual Compliance Review.