

Farland Capital, Inc.

Investment Portfolio Management

Richard A. Farland

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January 1, 2012

This Brochure provides information about the qualifications and business practices of Farland Capital, Inc. If you have any questions about the contents of this Brochure, please contact us at (540) 955-1532. 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. Farland Capital, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about Farland Capital, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

These material changes refer to only new changes in the January 1, 2011 filing of the firm brochure.

The Dodd-Frank Act required that investment advisers with Assets under Management (AUM) under \$100 million that were registered with SEC would be required to shift their registration to the state where the business is conducted with few exceptions. Farland Capital, Inc. is in the process of completing this action. All Investment Advisors who are required to switch must complete the process by June 28, 2012. It is expected that Farland Capital, Inc. will have completed the switch by that date.

Farland Capital, Inc.'s physical location, mailing address, website address, and Richard Farland's name were added to the cover page.

Item 4 – Advisory Business was changed to reflect additional requirements for this section. The changes included:

- Farland Capital, Inc. has been in the investment advisory business since April 1997.
- Securities are generally limited to U.S. marketable securities traded on major exchanges where quotes are readily available and liquid market exist. On rare occasions foreign stocks come into accounts but we do not hold ourselves to be specialized managers of foreign securities.
- Discussions are held with clients to establish general asset allocation based on client general risk tolerance levels. The general asset allocation is expressed in percentages of equities, fixed income, and cash levels within the client's tolerable ranges.
- As of December 31, 2011, Farland Capital, Inc. has \$77,868,289 of assets under management. Of this amount, \$66,292,027 of assets are under discretionary basis and the remainder of \$11,576,262 of assets are under non-discretionary basis. Clients may impose restrictions on investing in certain securities or types of securities by specific name of companies, industries, or types of investment assets.
- Farland Capital, Inc. is wholly owned by Richard A. Farland.

Item 5 – Fees and Compensation was changed to reflect additional requirements for this section. The changes included:

- Initial meetings are held for free and subsequent meetings, if only financial consultation is involved, are charged on an hourly basis. Investment advice on a consultation basis will be charged at \$125 per hour.
- These fees will be payable to Farland Capital, Inc. If the account is terminated and since the charges are taken in arrears, the client will be charged on the partial quarter on a prorated basis.

- The information is used to implement long term purchases (securities held for at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies. Equity securities pricing can be extremely volatile and represent substantial risk to capital. Fixed income securities bear interest rate and credit risks. The same is true for options or options strategies. Cash or money market also have some interest rate and credit risks.

Item 12 – Brokerage Practices was changed to reflect additional requirements for this section. The changes included:

- Rewritten for clarification and expansion of practices.
- Added “Well Fargo Advisors in Winchester, Virginia is the only broker recommended at this time.”

Item 13 – Review of Accounts was changed to reflect additional requirements for this section. The changes included:

- Quarterly statement of the value of a clients account along with data to measure the investment performance of the account are mailed to the client. Additionally, at the request of a client, the account will be reviewed in anticipation of further discussion.

Item 16 – Investment discretion was changed to reflect additional requirements for this section. The changes included:

- When assuming authority to manage accounts, an advisory agreement is signed between the client and Farland Capital, Inc. Further, the client must sign a power of attorney or equivalent with the custodian or broker-dealer. Investment guidelines and restrictions must be provided to Farland Capital, Inc. in writing.

Item 19 – Requirements for State-Registered Advisers was changed to reflect additional requirements for this section. The changes included:

- Please refer to the Brochure Supplement for Virginia State-Registered Advisers. The brochure supplement follows this item.

In addition, Farland Capital, Inc. will add the Brochure Supplement (Form ADV 2B) to this brochure. It is located after Item 19 - Requirements for State-Registered Advisers. It contains repetitive information from the Brochure (Form ADV 2A). This Brochure Supplement is required for conformity of registration. Item 19 has been updated to reflect this change required by the State of Virginia.

The state of Virginia oversight of Investment Advisors is overseen by the State Corporation Commission and its Division of Securities & Retail Franchising. Their website is <http://www.scc.virginia.gov/srf/index.aspx>,

Currently, our Brochure may be requested by contacting Richard A. Farland at (540) 955-1532.

Additional information about Farland Capital, Inc. is also available via the SEC's web site

www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Farland Capital, Inc. who are registered, or are required to be registered, as investment adviser representatives of Farland Capital, Inc. Richard A. Farland is the only investment advisor representative of Farland Capital, Inc.

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Item 4 - Advisory Business

Farland Capital, Inc. provides investment securities portfolio management or investment advice and has been in the investment advisory business since April 1997. Farland Capital, Inc. is a general portfolio manager not specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing. Portfolio management includes the selection of investments, monthly reviews of accounts, quarterly valuations and performance reviews. Securities are generally limited to U.S. marketable securities traded on major exchanges where quotes are readily available and liquid market exist. On rare occasions foreign stocks come into accounts but we do not hold ourselves to be specialized managers of foreign securities. Discussions are held with clients to establish general asset allocation based on client general risk tolerance levels. The general asset allocation is expressed in percentages of equities, fixed income, and cash levels within the client's tolerable ranges.

As of December 31, 2011, Farland Capital, Inc. has \$77,868,289 of assets under management. Of this amount, \$66,292,027 of assets are under discretionary basis and the remainder of \$11,576,262 of assets are under non-discretionary basis. Clients may impose restrictions on investing in certain securities or types of securities by specific name of companies, industries, or types of investment assets.

Farland Capital, Inc. is wholly owned by Richard A. Farland.

Richard A. Farland is the president of Farland Capital, Inc. His background is provided below:

PERSONAL BACKGROUND

1. Mr. Richard A. Farland was born on September 12, 1951

EDUCATION BACKGROUND

1. Lawrenceville School, 1964-1969 High School
2. University of Virginia, 1969-1973 BA English
3. George Washington University, 1975-1978 MBA International Business

BUSINESS BACKGROUND

1. Farland Capital, Inc. – Winchester, VA; 4/1997 - Present; President
2. F&M Bank - Winchester, VA; 3/1995 – 2/1997; Senior Vice President - Trust Investments
3. Farland Investment Management, Inc. - Winchester, VA; 10/1986 – 2/1997; President
4. Merrill Lynch - Winchester, VA; 1982-1986; Senior Financial Consultant
5. Wheat First Securities - Winchester, VA; 1981-1982; Registered Representative
6. American Security Bank - Washington, DC; 1978-1979; Assistant Treasurer/Int. Loan Officer

Item 5 – Fees and Compensation

Portfolio Advisory/Management Fee Schedule

First	\$300,000.....	1.00% Per Year
Next	\$300,000.....	.75% Per Year
Over	\$600,000.....	.50% Per Year

For non-profit organizations, the fee is .75% on the first \$600,000 and .50% over \$600,000.

The fee schedule will be applied to a valuation of assets under management and is payable quarterly after the valuation period. Related accounts may be combined for fee purposes. Fees will be prorated to the end of the month in which notice has been received of termination of the management/advisory relationship. In rare instances, fees are negotiable based on the size and nature of the assets to be managed.

Initial meetings are held for free and subsequent meetings, if only financial consultation is involved, are charged on an hourly basis. Investment advice on a consultation basis will be charged at \$125 per hour.

All fees are subject to negotiation. The specific manner in which fees are charged by Farland Capital, Inc. is established in a client's written agreement with Farland Capital, Inc. Farland Capital, Inc. will generally bill its fees on a quarterly basis after the quarter. Clients may also elect to be billed directly for fees or to authorize Farland Capital, Inc. to directly debit fees from client accounts. Accounts initiated during a calendar quarter will be charged a prorated fee.

These fees will be payable to Farland Capital, Inc. If the account is terminated and since the charges are taken in arrears, the client will be charged on the partial quarter on a prorated basis.

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

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

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

Farland Capital, Inc. does not charge any performance-based fees (fees based on a share of capital gains on or

capital appreciation of the assets of a client).

Item 7 – Types of Clients

Farland Capital, Inc. provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, and trust accounts.

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

Farland Capital, Inc. uses fundamental, technical, and cyclical methods for security analysis. The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate ratings services, timing services, annual reports to include prospectuses and filings with the Securities and Exchange Commission, and company press releases.

The information is used to implement long term purchases (securities held for at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies. Equity securities pricing can be extremely volatile and represent substantial risk to capital. Fixed income securities bear interest rate and credit risks. The same is true for options or options strategies. Cash or money market also have some interest rate and credit risks.

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

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Farland Capital, Inc. or the integrity of Farland Capital, Inc.'s management. Farland Capital, Inc. has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

None at this time.

Item 11 – Code of Ethics

Farland Capital, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, and personal securities trading procedures, among other things. All supervised persons at Farland Capital, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

Farland Capital, Inc. anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Farland Capital, Inc. has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Farland Capital, Inc., its affiliates and/or clients, directly or indirectly, have a position of interest. Farland Capital, Inc.'s employees and persons associated with Farland Capital, Inc. are required to follow Farland Capital, Inc.'s Code of Ethics. Subject to satisfying this policy and applicable laws, officers and employees of Farland Capital, Inc. and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Farland Capital, Inc.'s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Farland Capital, Inc. will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Farland Capital, Inc. and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Farland Capital, Inc.'s obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Farland Capital, Inc. will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order.

We will make every effort, in our recommendations and actions, to avoid circumstances where there is a potential for conflict of interest. Employees may hold the same or similar securities as held in client's portfolio, but may not establish positions contrary to those of clients and may not give personal transaction priority over client transactions. Employees of Farland Capital, Inc. will not purchase or sell any security for themselves or their immediate family members if the transactions could be exposed to result in market conditions detrimental to a planned transaction for a client.

Farland Capital, Inc.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Farland Capital, Inc.

Item 12 – Brokerage Practices

Farland Capital, Inc. will have, for discretionary accounts, the authority to decide which securities are to be bought and sold and the total amount of securities to be bought and sold. Farland Capital, Inc. will also offer investment advisory service to clients who do not grant the applicant discretionary authority. In such cases decisions to buy or sell securities will not be made without obtaining the consent of the client which can be

either verbal or in writing. Discretionary and non-discretionary authority will be established in the Investment Management agreement signed by Farland Capital, Inc. and the client.

Farland Capital, Inc. will work with a broker selected by the client so long as that broker will provide good and responsive professional services. Farland Capital, Inc. receives no direct or indirect compensation from any brokerage firm and does not require that a client use any recommended broker. A broker selected by the client or a broker recommended by Farland Capital, Inc. may be unable to achieve the best execution, charge the most favorable commission rates, or allow for the savings available through aggregate orders; therefore either or these methods of broker selection may incur more expenses than would otherwise be the case.

If a client does not have a broker through whom brokerage business is to be directed, Farland Capital, Inc. will suggest a broker to the client. The recommended broker will be from a well-recognized firm and will offer commission discounts to the client. In making such a recommendation, the quality of the firm, the professional services that the broker has previously provided, and the professional reputation of the broker will be considered. Clients directing brokerage to a particular broker may be charged higher commission rates than those clients who allow Farland Capital, Inc. to select the broker. The opposite could also be true with a broker recommended by Farland Capital, Inc. having the higher rates.

Well Fargo Advisors in Winchester, Virginia is the only broker recommended at this time.

In some cases clients have their assets held by a bank trust department. Farland Capital, Inc. will work with that trust department. In cases where the client has a bank trust custody account, generally equity trades are made through the broker-dealer that the bank uses. In other cases, particularly with fixed income investments, we execute trades for trust department clients with the broker who offers the best service, execution, or inventory for a particular transaction. Farland Capital, Inc. receives no direct or indirect compensation from any bank trust department.

At this time we are not able to aggregate the purchase or sale of securities except when the client has assets held by a trust department. When possible we aggregate purchase and sale transactions for these clients to reduce commissions, to negotiate better block prices for bonds, and to establish an average transaction per unit cost for all clients involved in that particular transaction.

Item 13 – Review of Accounts

Farland Capital, Inc. provides a monthly review of accounts. In addition, reviews of specific investment as new information is obtained. Quarterly valuation and performance review are performed. All reviews of accounts, valuations of accounts, and performance reviews are performed by Richard A. Farland, President, for all accounts.

Quarterly statement of the value of a clients account along with data to measure the investment performance of the account are mailed to the client. Additionally, at the request of a client, the account will be reviewed in anticipation of further discussion.

Item 14 – Client Referrals and Other Compensation

None at this time.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Farland Capital, Inc. provides quarterly statement of the value of a client's account along with data to measure the investment performance of the account. Clients are urged to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Farland Capital, Inc. usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Farland Capital, Inc. observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Farland Capital, Inc.'s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

When assuming authority to manage accounts, an advisory agreement is signed between the client and Farland Capital, Inc. Further, the client must sign a power of attorney or equivalent with the custodian or broker-dealer. Investment guidelines and restrictions must be provided to Farland Capital, Inc. in writing.

Item 17 – Voting Client Securities

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

Item 18 – Financial Information

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

Item 19 – Requirements for State-Registered Advisers

Please refer to the Brochure Supplement for Virginia State-Registered Advisers. The brochure supplement follows this item.

Farland Capital, Inc.

Investment Portfolio Management

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January 1, 2012

This brochure supplement provides information about Richard Farland that supplements the Farland Capital, Inc. brochure. You should have received a copy of that brochure. Please contact us at (540) 955-1532 if you did not receive Farland Capital, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Farland Capital, Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Educational Background and Business Experience

Richard A. Farland is the president of Farland Capital, Inc. His background is provided below:

PERSONAL BACKGROUND

1. Mr. Richard A. Farland was born on September 12, 1951

EDUCATION BACKGROUND

1. Lawrenceville School, 1964-1969 High School
2. University of Virginia, 1969-1973 BA English
3. George Washington University, 1975-1978 MBA International Business

BUSINESS BACKGROUND

1. Farland Capital, Inc. – Winchester, VA; 4/1997 - Present; President
2. F&M Bank - Winchester, VA; 3/1995 – 2/1997; Senior Vice President - Trust Investments
3. Farland Investment Management, Inc. - Winchester, VA; 10/1986 – 2/1997; President
4. Merrill Lynch - Winchester, VA; 1982-1986; Senior Financial Consultant
5. Wheat First Securities - Winchester, VA; 1981-1982; Registered Representative
6. American Security Bank - Washington, DC; 1978-1979; Assistant Treasurer/Int. Loan Officer

Item 3 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Farland Capital, Inc. or the integrity of Farland Capital, Inc.'s management. Farland Capital, Inc. has no information applicable to this Item.

Item 4 – Other Business Activities

None at this time.

Item 5 – Additional Compensation

None at this time.

Item 6 – Supervision

None at this time. Mr. Richard Farland is the only investment adviser employed by Farland Capital, Inc.

Item 7 – Requirements for State-Registered Advisers

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Farland Capital, Inc. or the integrity of Farland Capital, Inc.'s management. Farland Capital, Inc. has no information applicable to this Item.