

# Swallow Farms Capital Management

## **Brochure Dated 3/7/2012**

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**This Brochure provides information about the qualifications and business practices of Swallow Farms Capital Management (“Swallow Farms”). If you have any questions about the contents of this Brochure, please contact us at (413) 230-3405 or [bill@swallowfarms.com](mailto:bill@swallowfarms.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 Swallow Farms Capital Management is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Swallow Farms Capital Management as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to Swallow Farms's disclosure statement since last year's Annual Amendment filing on March 24, 2011.

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#### Item 4            Advisory Business

- A. Swallow Farms is a sole proprietorship. Swallow Farms became registered as an Investment Adviser Firm in September 2006. Swallow Farms is owned by William F. Lindsey.
- B. As discussed below, Swallow Farms offers to its clients (individuals, business entities, trusts, and pension and profit sharing plans) investment advisory services, and, to the extent specifically requested by a client, investment consulting services. Swallow Farms **does not** hold itself out as providing financial planning, estate planning, or insurance planning services.

##### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Swallow Farms to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis. Swallow Farms's annual investment management fee shall vary (from 0% up to 3.00% of the total assets placed under Swallow Farms's management) and shall be based upon the level and scope of the overall investment advisory services to be rendered, which is based upon **various objective and subjective factors**, including, but not limited to, the amount of the assets placed under Swallow Farms's management and the complexity of the engagement.

##### **INVESTMENT CONSULTING SERVICES (STAND-ALONE)**

Swallow Farms *may*, in its sole discretion, determine to provide investment consulting services on a stand-alone separate fee basis. Swallow Farms's investment consulting fees are negotiable, but generally range from \$250 to \$2,500 on a fixed fee basis, and \$250 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Swallow Farms to provide planning or consulting services, clients are generally required to enter into a *Limited Consulting Agreement* with Swallow Farms setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Swallow Farms commencing services. If requested by the client, Swallow Farms may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Swallow Farms. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Swallow Farms if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Swallow Farms's previous recommendations and/or services.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** Swallow Farms **does not** hold itself out as providing financial planning, estate planning, or insurance planning services. If requested by the client, Swallow Farms may provide limited advice regarding non-investment related matters. Neither Swallow Farms, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of Swallow Farms's services should be construed as same. To the extent requested by a client, Swallow Farms may recommend the services of other professionals for certain non-investment implementation. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Swallow Farms. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Swallow Farms if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Swallow Farms's previous recommendations and/or services.

**Please Note: Fee Differentials.** As indicated above, Swallow Farms shall price its services based upon various objective and subjective factors. As a result, Swallow Farms's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by Swallow Farms to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage Swallow Farms on a non-discretionary investment advisory basis **must be willing to accept** that Swallow Farms cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, Swallow Farms will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's verbal consent.**

**Trade Error Policy.** Swallow Farms shall reimburse accounts for losses resulting from Swallow Farms's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within Swallow Farms's custodian firm account and Swallow Farms retains the net gains and losses.

**Client Obligations.** In performing its services, Swallow Farms shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Swallow Farms if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Swallow Farms's previous recommendations and/or services.

**Disclosure Statement.** A copy of Swallow Farms's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Limited Consulting Agreement*.

- C. Swallow Farms shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Swallow Farms shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Swallow Farms's services.
- D. Swallow Farms does not participate in a wrap fee program.
- E. As of December 31, 2011, Swallow Farms had \$24,000,000 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can determine to engage Swallow Farms to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage Swallow Farms to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis, Swallow Farms's annual investment advisory fee shall vary (from 0% up to 3.00% of the total assets placed under Swallow Farms's management) and shall be based upon the level and scope of the overall investment advisory services to be rendered, which is based upon **various objective and subjective factors**, including, but not limited to, the amount of the assets placed under Swallow Farms's management and the complexity of the engagement.

### **INVESTMENT CONSULTING SERVICES (STAND-ALONE)**

Swallow Farms *may*, in its sole discretion, determine to provide investment consulting services on a stand-alone separate fee basis. Swallow Farms's investment consulting fees are negotiable, but generally range from \$250 to \$2,500 on a fixed fee basis and \$250 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have Swallow Farms's advisory fees deducted from their custodial account. Both Swallow Farms's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Swallow Farms's investment advisory fee and to directly remit that management fee to Swallow Farms in compliance with regulatory procedures. In the limited event that Swallow Farms bills the client directly, payment is due upon receipt of Swallow Farms's invoice. Swallow Farms shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Swallow Farms shall generally recommend that Fidelity Investments Institutional Services Company, Inc. ("*Fidelity*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity*

charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Swallow Farms's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

- D. Swallow Farms's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Swallow Farms generally requires a minimum of \$500,000.00 for investment management services. Swallow Farms, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.)

The *Investment Advisory Agreement* between Swallow Farms and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Swallow Farms shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Neither Swallow Farms, nor its representatives accept compensation from the sale of securities or other investment products.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Neither Swallow Farms nor any supervised person of Swallow Farms accepts performance-based fees.

## **Item 7            Types of Clients**

Swallow Farms's clients shall generally include individuals, business entities, trusts, and pension and profit sharing plans. Swallow Farms generally requires a minimum asset level of \$500,000.00 for investment management services. Swallow Farms, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. Swallow Farms may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)

Swallow Farms may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Swallow Farms) will be profitable or equal any specific performance level(s).

- B. Swallow Farms's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Swallow Farms must have access to current/new market information. Swallow Farms has no control over the dissemination rate of market information; therefore, unbeknownst to Swallow Farms, certain analyses may be compiled with outdated market information, severely limiting the value of Swallow Farms's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Swallow Farms's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Swallow Farms may also implement and/or recommend –use of margin and/or options transactions. Each of these strategies has a high level of inherent risk. (*See discussion below*).

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by Swallow Farms in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Swallow Farms may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential *conflict of interest* whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to Swallow Farms. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Swallow Farms shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by Swallow Farms is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Swallow Farms, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, Swallow Farms recommends that clients primarily allocate investment management assets among individual equities, individual fixed-income securities and index funds (generally in the form of exchange traded funds and occasionally other mutual funds), on a discretionary and non-discretionary basis, in accordance with the client's designated investment objective(s).

## **Item 9            Disciplinary Information**

Swallow Farms has not been the subject of any disciplinary actions.



**Item 10            Other Financial Industry Activities and Affiliations**

- A. Neither Swallow Farms, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Swallow Farms, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Swallow Farms does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.
- D. Swallow Farms does not recommend or select other investment advisors for its clients.

**Item 11            Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

- A. Swallow Farms maintains an investment policy relative to personal securities transactions. This investment policy is part of Swallow Farms's overall Code of Ethics, which serves to establish a standard of business conduct for all of Swallow Farms's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

Swallow Farms also maintains and enforces policies reasonably designed to prevent the misuse of material non-public information by Swallow Farms or any person associated with Swallow Farms.

- B. Neither Swallow Farms nor any related person of Swallow Farms recommends, buys, or sells for client accounts, securities in which Swallow Farms or any related person of Swallow Farms has a material financial interest.
- C. Swallow Farms and/or representatives of Swallow Farms *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Swallow Farms and/or representatives of Swallow Farms are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Swallow Farms did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Swallow Farms's clients) and other potentially abusive practices.

Swallow Farms has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Swallow Farms's "Access Persons". Swallow Farms's securities transaction policy requires that an Access Person of Swallow Farms must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after

becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Swallow Farms selects; provided, however that at any time that Swallow Farms has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Swallow Farms and/or representatives of Swallow Farms *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Swallow Farms and/or representatives of Swallow Farms are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Swallow Farms has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Swallow Farms's Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that Swallow Farms recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Swallow Farms to use a specific broker-dealer/custodian), Swallow Farms generally recommends that investment management accounts be maintained at *Fidelity*. Prior to engaging Swallow Farms to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Swallow Farms setting forth the terms and conditions under which Swallow Farms shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Swallow Farms considers in recommending *Fidelity* (or any other broker-dealer/custodian to clients) include historical relationship with Swallow Farms, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Swallow Farms's clients shall comply with Swallow Farms's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Swallow Farms determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Swallow Farms will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Swallow Farms's investment management fee. Swallow Farms's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Swallow Farms may receive from *Fidelity* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist Swallow Farms to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Swallow Farms may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Swallow Farms in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist Swallow Farms in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Swallow Farms to manage and further develop its business enterprise.

Swallow Farms's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by Swallow Farms to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Swallow Farms's Chief Compliance Officer, William F. Lindsey, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. Swallow Farms does not receive referrals from broker-dealers.
3. Swallow Farms does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Swallow Farms will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Swallow Farms. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Swallow Farms to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Swallow Farms.

**Swallow Farms's Chief Compliance Officer, William F. Lindsey, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that Swallow Farms provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Swallow Farms decides to purchase or sell the same securities for several clients at approximately the same time. Swallow Farms may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Swallow Farms's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Swallow Farms shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13          Review of Accounts**

- A. For those clients to whom Swallow Farms provides investment supervisory services, account reviews are conducted on an ongoing basis by William F. Lindsey. Mr. Lindsey follows a guided process to effectively match client objectives and risk tolerance with suitable asset allocation models. Evaluations are conducted to ensure that the account continues to be managed in accordance with investment objectives and policies. All investment supervisory clients are advised that it remains their responsibility to advise Swallow Farms of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with Swallow Farms as changes to their investment objectives and risk levels arise.
- B. Swallow Farms *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Swallow Farms provides investment advisory services shall also receive a quarterly report from Swallow Farms summarizing account holdings and performance.

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

- A. As referenced in Item 12.A.1 above, Swallow Farms may receive an indirect economic benefit from *Fidelity*. Swallow Farms, without cost (and/or at a discount), may receive support services and/or products from *Fidelity*.

Swallow Farms's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by Swallow Farms to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Swallow Farms's Chief Compliance Officer, William F. Lindsey, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. Swallow Farms does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

#### **Item 15            Custody**

Swallow Farms shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Swallow Farms provides investment advisory services shall also receive a quarterly report from Swallow Farms summarizing account holdings and performance.

**Please Note:** To the extent that Swallow Farms provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Swallow Farms with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Swallow Farms's advisory fee calculation.

## **Item 16          Investment Discretion**

The client can determine to engage Swallow Farms to provide investment advisory services on a discretionary basis. Prior to Swallow Farms assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Swallow Farms as the client's attorney and agent in fact, granting Swallow Farms full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Swallow Farms on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Swallow Farms's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Swallow Farms's use of margin, etc).

## **Item 17          Voting Client Securities**

- A. Swallow Farms does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Swallow Farms to discuss any questions they may have with a particular solicitation.

## **Item 18          Financial Information**

- A. Swallow Farms does not solicit fees of more than \$500, per client, six months or more in advance.
- B. Swallow Farms is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Swallow Farms has not been the subject of a bankruptcy petition.

**Item 19            Requirements for State-Registered Advisors**

- A. William F. Lindsey is Swallow Farms's Principal and Chief Compliance Officer. For more information about Mr. Lindsey, please see the Brochure Supplement to Swallow Farms's Brochure.
- B. Swallow Farms is not actively engaged in any other business, other than as set forth herein.
- C. Neither Swallow Farms, nor its representatives, accepts performance-based fees.
- D. Neither Swallow Farms, nor its representatives, has been the subject of any disciplinary actions.
- E. Neither Swallow Farms, nor its representatives, has any relationship or arrangement with any issuer of securities.

**ANY QUESTIONS: Swallow Farms's Chief Compliance Officer, William F. Lindsey, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**