

## **Firm Brochure**

(Part 2A of Form ADV),

**&**

## **Privacy Notice**

**BROPHY WEALTH MANAGEMENT**

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**Hours of Operation: Monday through Friday 8:30 A.M. to 5:00 P.M.**

This brochure provides information about the qualifications and business practices of BROPHY WEALTH MANAGEMENT. If you have any questions about the contents of this brochure, please contact us at: 603-668-2303, or by email at bwm@brophywealth.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 Brophy Wealth Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

November 16, 2011

**Material Changes**

This amendment includes material changes to the sections on Advisory Business, Fees and Compensation, Financial Industry Affiliations, and Soft Dollars.

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## **Advisory Business**

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### Principal Owners

Stephen A. Brophy is Sole Proprietor of Brophy Wealth Management (“BWM”).

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### Firm Description

BWM, established in January 1995, provides wealth advisory services based on comprehensive or issue-specific financial analysis and the development of wealth plans. Clients may choose to have continuing investment management after a plan is completed. The disciplines used in financial analysis and planning include: investment management services, education funding, cash flow and budgeting, risk management, tax mitigation strategies, and estate planning designs. Stephen A. Brophy has acted as an Investment Advisor Representative since 1995. He conducted business as Brophy Financial Advisory Group, a sole-proprietorship, from October, 1994, until June 2008, when he changed the name of the firm to BWM.

BWM designs and implements investment planning strategies that include turnkey asset management programs, stocks, bonds, mutual funds, exchange traded funds (“ETFs”), variable insurance vehicles, real estate investment trusts, limited partnerships, and private placement investments.

BWM does not have custody of any client assets nor does it have trading discretion over any client assets.

BWM is registered as an Investment Advisor (“IA”) and BWM financial advisors are appropriately registered in states where acting in an Investment Advisor Representative (“IAR”) capacity. BWM financial advisors are also registered representatives of Lincoln Financial Securities Corporation (“LFS”), an investment advisor registered with the United States Securities and Exchange Commission (the “SEC”), a broker-dealer registered with the SEC and appropriate state securities authorities, and member of the Financial Industry Regulatory Authority (“FINRA”).

Stephen A. Brophy and Steven M. Dalton are registered with appropriate states as Life, Accident, and Health Insurance Agents.

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### Financial Consulting Services, Financial Analyses & Wealth Plans, Investment Advisory Services & Asset Management Services

- Financial Consulting Services

Brophy Wealth Management offers financial consultation services and provides general investment advice to clients through a written service agreement.

This service may include:

1. A review of the client's current investment portfolio prepared by an entity other than BWM or its advisory representative.
2. A review of the client's comprehensive financial plan or any portion thereof, prepared by an entity other than BWM or its advisory representative.
3. The discussion of a generic investment portfolio or investments in general with the client, not involving any specific investment recommendations.
4. Review of a client's current retirement plan, estate plan, or college funding plan.
5. Review of financial documents at the request of other professionals, including attorneys and accountants.

The consultation service does not include recommendations on or obligate the client to purchase specific investments or insurance products. Clients are not obligated to use BWM, its advisors/representatives, or its broker-dealer, LFS, to purchase specific securities or insurance. Clients may obtain legal, accounting and investment services from any professional source to implement any generic recommendations made by a Brophy Wealth Management advisor/representative. If the client elects Brophy Wealth Management, its advisor(s)/representative(s), and its broker-dealer (LFS) to implement any recommendations, the Brophy Wealth Management advisor/representative may receive commissions and/or other compensation from LFS.

Consultation services are considered "Hourly Planning Engagements". The hourly fee for Stephen A. Brophy, CFP®, CPA® is \$250.00. The hourly fee for Steven M. Dalton, CFP®, ChFC®, CRPC® is \$200.00. The hourly billing rate for a BWM planning assistant and other BWM administrative personnel is \$50.00. A good faith estimate will be made prior to work performed.

- Financial Analyses & Wealth Plans

BWM provides clients with financial analyses and plans through a written service agreement with the client. Under the written service agreements, the BWM advisor/representative will consult with the client to obtain information regarding the client's assets, liabilities, present and foreseeable future obligations, present and future income, financial goals, and other related data. Once the information has been gathered, the BWM advisor/representative will furnish clients with a Financial Analysis and Wealth Plan that will include all or some of the following:

1. Summary of client's present financial situation that may include a statement of net worth, cash flow model, current allocation of assets, recommendations for repositioning, strategic tax planning, a review of insurance policies and recommendations for changes if necessary, one or more retirement scenarios, estate planning review and recommendations, education planning with funding recommendations, and other related analyses as applicable.
2. Summary of financial and insurance goals that may include such topics as shortfalls/overages, use of assumed interest rates, inflation rates, estimates of current and future income and living expenses and/or other factors and contingencies.
3. General advice concerning the client's financial and insurance objectives may include potential strategies that could include recommendations on repositioning of current assets and the directing of current and future invested assets.

The financial analysis and wealth plan will consist of a computer generated program drawing on statistical samples and will be designed to provide general guidance toward accomplishing stated investment and insurance goals.

A BWM advisor/representative will deliver a comprehensive written financial analysis and wealth management plan to the client and meet with the client for a review of the document. After this review, BWM's obligations to the client shall terminate. Any necessary updates to the financial analysis and plan or execution of the recommendations made in the plan must be requested by the client. BWM and its advisors/representatives are not obligated to update the financial analysis and plan or to monitor changes in the client's financial circumstances, investments and/or insurance in connection with the Financial Analysis & Wealth Plan Services.

Financial Analyses and Plans provided by BWM will include recommendations for specific investment or insurance products. BWM provides written strategies that clients may implement, which may increase the probability that their stated goals are realized. Clients are not obligated to use BWM or its broker-dealer, LFS, to purchase specific securities or insurance or pursue any investment strategy. Clients may obtain legal, accounting, and other investment services from any professional source to implement generic recommendations made by BWM advisors/representatives. If the client elects BWM, its advisors/representatives, and LFS its broker-dealer, Brophy Wealth Management advisors/representatives will likely receive commissions or other compensation from its broker-dealer. The BWM advisor/representative may give more specific recommendations regarding investments in his or her separate role as a registered representative as opposed to his or her role as an IAR, if the client relationship extends to that phase. Recommendations developed by a BWM

advisor/representative are based upon the professional judgment of the BWM advisor/representative and neither BWM nor the BWM advisor/representative can guarantee the results of these recommendations.

Fees charged for the Financial Analysis & Wealth Planning Services will be determined by the BWM advisor/representative and client based on a number of factors, including the complexity of the planning and consulting engagement, and shall not exceed \$5061.00 unless requested by the client. The fee for a Wealth Plan is predicated upon the facts known at the start of the engagement. The fee range is \$500.00 to \$5061.00. In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided which the client must approve in advance. Clients have the option to pay a portion of the fee at the time the service agreement is signed and the remainder of the fee when the Financial Analysis & Wealth Plan is delivered. In no event will fees be charged more than six (6) months in advance. The client may request an update to their Financial Analysis & Wealth Plan by submitting a written request to BWM or their BWM advisor/representative. Any such update will be provided on substantially the same terms as the initial Financial Analysis & Wealth Plan, subject to a separate fee negotiated between the client and the BWM advisor/representative. The fee for an update is negotiable and shall not exceed the fee charged for the initial Financial Analysis & Wealth Plan.

### Investment Advisory Services

If the client elects Brophy Wealth Management, its advisor(s)/representative(s), and LFS its broker-dealer to implement recommendations made during the Consulting Services or Financial Analysis & Wealth Planning, the client will sign an agreement for service and fees directly with BWM or the service provider or money manager selected. Brophy Wealth Management, its advisor(s)/representative(s), and LFS will typically receive a portion of the portfolio management fee charged to the client.

Clients may elect one of two Asset Management Service Programs: "Wrap Fee Services" or "Non-Wrap Fee Services":

- Asset Management Services (Wrap Fee Services) Program

This option provides clients with continuous management of their investment portfolio by a BWM Advisor. Fees are assessed based upon an annual percentage of the client's assets under management. The BWM Advisor will manage investments based on the specific needs of the client utilizing investments that may include mutual funds, stocks, bonds, options, and variable annuity and insurance products. On a periodic basis, the BWM Advisor will review each client's account and direct the management and allocation of the investments within the account depending on the client's investment



objective. The client selects the BWM Advisor who will manage the client's account. These accounts are managed on a non-discretionary basis. Clients may impose reasonable limitations or restrictions on the Advisor. Any such limitations are to be in writing and may include restrictions on the purchase of particular securities, industries, or asset classes.

BWM and its advisors/representatives maintain a relationship with LFS to offer brokerage accounts ("Program Accounts") through Pershing, LLC ("Pershing") to house client securities. In addition to paying a wrap fee that covers the investment advisory services and various administrative operations of the account, clients are also responsible for payment of transaction charges and certain account service charges. The schedule of transaction charges is listed on the Service Agreement.

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## Fees

The Asset Management Services (Wrap Fee Services) Program is based on a percentage of the client's investable assets according to the following schedule:

\$	50,000.00	TO	\$150,000.00.....	1.45%
\$	151,000.00	TO	\$350,000.00.....	1.25%
\$	351,000.00	TO	\$750,000.00.....	1.00%
\$	751,000.00	TO	\$2,000,000.00.....	0.80%

Amounts over \$2,000,000.00.....Negotiated

The above fees are for the advisory services associated with ongoing management of client accounts by BWM Advisor(s). Certain account charges, some of which are described below, are not included in these fees. When using the fee schedule above, BWM takes into consideration other invested assets. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Clients may also incur certain charges imposed by third parties in connection with investments made through Program accounts. These may include: mutual fund or money market 12b-1 and sub-transfer agent fees, mutual fund or money market management fees and administrative expenses, mutual fund transaction fees, certain deferred sales charges on previously purchased mutual funds transferred into the account, variable annuity expenses, other transaction charges and services fees, IRA and qualified retirement plan fees, and other charges required by law. Brophy Wealth

Management, its advisors/representatives or its broker-dealer may receive a portion of these fees. Further information regarding charges and fees assessed by a mutual fund or annuity is available in the appropriate prospectus.

In considering the investment program and the brokerage related services provided by BWM, its broker-dealer, Pershing, and other parties, a prospective client should be aware that the program may cost more or less than purchasing the services separately from other advisors or broker-dealers. The factors that should be considered include the size of the client's portfolio, the nature of the investments to be managed, commission costs, custodial expenses, the anticipated level of trading activity and the amount of advisory fees and other charges for managing the client portfolio. BWM, its advisor/representatives, and its broker-dealer recommending the program will receive compensation as a result of a client's participation in the program. The amount of the compensation may be more than what BWM, its advisor/representatives, and its broker-dealer would receive if the client participated in other investment programs or paid separately for investment advice, brokerage, and other services. Therefore, BWM, its advisor/representatives, and its broker-dealer may have a financial incentive to recommend this program over other products and services.

- Asset Management Services (Non-Wrap Fee Services) Program

This option allows BWM clients access to the investment advisory services of professional portfolio management firms ("Portfolio Managers") for the individual management of client accounts. Through written agreements with BWM, LFS, Pershing, and numerous Portfolio Managers including Brinker Capital, Morningstar Investment Services, and Genworth Financial Wealth Management, Inc., clients may choose different investment styles. Investment styles include Equity, Balanced, and Fixed Income. Each client selects one or more Portfolio Managers based on his or her individual financial circumstances, investment needs, goals and level of risk tolerance. An Investor Profile Questionnaire is used to assist in determining the appropriate investment style and Portfolio Manager.

A list of the available Portfolio Managers and their investment styles is available upon request. BWM forwards a copy of the completed Investor Profile to its broker dealer for a suitability review as well as to the selected Portfolio Manager(s). The Portfolio Manager(s) independently determine whether to accept the client account. Pursuant to the Service Agreement, the client agrees to provide information regarding material changes in the client's financial circumstances or investment objectives. Upon receipt, BWM forwards this information to its broker-dealer and the client's Portfolio Manager(s). Clients may communicate such information to, or otherwise communicate directly with, Portfolio Manager(s) although clients are encouraged to direct communications through their investment professional. Additional information on each Portfolio Manager, including the Portfolio Manager's ADV Part 2A or disclosure brochure is also provided.

## **MORNINGSTAR INVESTMENT SERVICES**

BWM has an agreement with Morningstar Investment Services, Inc. ("MIS") whereby BWM may offer clients and potential clients the Morningstar® Managed Portfolios<sup>SM</sup> Program ("Program"). The Program is an investment advisory program offered by MIS, a federally registered investment advisor, comprised of mutual fund asset allocation and focused strategy portfolios, ("Mutual Fund Portfolios"), exchange traded fund strategy ("ETF Strategy"), and select stock basket strategy portfolios (Stock Baskets). The minimum initial investment to open an account under the Mutual Fund Portfolios is \$50,000 and \$100,000 for the ETF Strategy and Stock Baskets portfolios. Some Stock Basket portfolios have a \$250,000 minimum investment requirement.

Pursuant to the discretionary authority granted to MIS by the client within the Investment Management Agreement, MIS will execute transactions in mutual fund shares, exchange traded funds, and general securities as appropriate to rebalance or reallocate account assets to be consistent with the client's selected portfolio and restrictions, if any. Rebalancing will typically occur quarterly whereas reallocating will occur as frequently as MIS considers necessary. MIS and BWM will not maintain custody of the individual investor's mutual fund shares. Typically an unaffiliated custodian or a mutual fund transfer agent will hold these shares. The ETF Strategy and Stock Baskets accounts are held at Pershing with LFS acting as introducing broker dealer. Pershing will directly charge the client's account for custody and clearing charges related to the transactions in the ETF Strategy and Stock Baskets programs. Clearing and custody fees are charged by Pershing quarterly in advance as follows:

### **Account Assets Clearing Fee**

First \$250,000 0.25%  
Next \$250,000 0.10%  
Next \$500,000 0.08%  
Next \$1,000,000 0.07%  
Next \$3,000,000 0.06%  
Over \$5,000,000 0.05%

As a participant in the Mutual Fund Portfolios, the client will pay a maximum annualized fee ("Account Fee") of 1.50%. The maximum client fee for ETF Strategy accounts is 1.41% and 1.65% for Stock Baskets. The Account fee is paid quarterly in arrears based upon the average account value during the quarter. MIS will receive compensation for their investment advisory services provided under the Program as a percentage of assets. In addition, MIS will delegate certain services to BWM and LFS such as assisting each client in completing a questionnaire and other applicable account opening forms, determining suitability, contacting the client at least annually to obtain any changes in their financial situation and acting as liaison between MIS and the client. For these services, BWM and LFS will receive a portion of the fee paid by each client participating in this Program. BWM's portion of the fee will not exceed 1.10% on an annualized basis. Clients assets will be invested in shares of mutual funds and/or

exchange traded funds, each of which will have its own advisory fees and fund expenses. As a shareholder of these funds, the client will bear their proportionate share of these fees. Clients may invest in the mutual funds, exchange traded funds, or general securities directly without participating in the MIS Program however in doing so they will not receive the advisory and other services provided by MIS and BWM respectively. For more information concerning the Morningstar® Managed Portfolios<sup>SM</sup> Program please see MIS' current Form ADV, Part 2A or disclosure brochure.

## BRINKER CAPITAL

Through LFS, BWM has an agreement with Brinker Capital, Inc. ("Brinker") whereby BWM may solicit clients and potential clients for Brinker's asset allocation programs. Clients enter into an investment advisory agreement with Brinker pursuant to which Brinker assists and advises the investor in establishing objectives, developing an investment strategy to meet those objectives, identifying appropriate investments and monitoring such investments. In consideration for such services, Brinker receives an Investment Advisory Fee, billed quarterly in advance, based on the account asset value at the time the account is established and, thereafter, on the last business day on the immediately preceding quarter. BWM and LFS receive a portion of the Investment Advisory Fee for solicitation and referral of clients to Brinker, assisting clients in completing questionnaires and account opening paperwork, assisting in the development of the initial policy recommendation and managing the ongoing client relationship. The fees paid to BWM and LFS range from 0.00% - 2.80%.

## Core Asset Manager Program

Brinker's Core Asset Manager program is a separate account asset allocation program whereby Brinker matches investor objectives with the talents of one or more portfolio managers. Brinker selects a number of money managers with varying styles and in turn recommends its clients to a particular investment adviser based on the client's individual needs and objectives. Once the client has selected one or more advisers, Brinker monitors the performance of the investment adviser and prepares, provides, and presents to clients quarterly reports on performance.

The pricing for Brinker's Core Asset Manager program is an all-inclusive account management fee (wrap fee) which may be negotiable. The all-inclusive fee covers all custodial and brokerage services as well as the investment advisory services. It does not cover any fees charged by the SEC. The maximum fee charged is 3.00%. The account minimum is \$500,000, but smaller accounts may be accepted by Brinker at its discretion.

## Unified Managed Account Program

Brinker's Unified Managed Account Program ("UMA Program") is an investment program through which Brinker provides several multi-manager, multi-asset class

investment strategies, using separately managed accounts and other investments including mutual funds, and/or ETFs. The client will enter into an investment advisory agreement with Brinker Capital, through which the client grants Brinker discretionary authority to (i) retain one or more investment managers on behalf of client (each, a “Style Manager”) to manage all or a portion of the client’s assets, (ii) invest all or a portion of the client’s assets in shares of registered mutual funds and/or ETFs, and (iii) retain, on behalf of client, a coordinating sub-adviser to provide portfolio implementation and coordination services with respect to the client’s account. Brinker Capital establishes the asset allocation for the client’s account based on the investment strategy selected by the client, evaluates, selects and monitors the funds and the managers responsible for managing the assets in the client’s account and provides quarterly performance reports to the client. BWM acts in a solicitor’s capacity in referring clients to Brinker Capital for Brinker’s services under the UMA Program.

Brinker’s fee for this program ranges from 0.70% - 1.25% of assets annually, and varies by account size and investment objective selected. Generally, the fee as a percentage of assets is lower for larger accounts, and for accounts that are more heavily allocated toward fixed income asset classes. BWM and LFS, as solicitor, can add up to 1.75% as a Solicitor’s Fee, but the fee is negotiable and may be discounted as agreed to between the client and BWM. The fee is payable upon the opening of the account, based on the market value of the client’s account assets when the account is opened, prorated for the number of days remaining in the quarter. Thereafter, the quarterly fee is charged in advance by liquidating assets from the account, based on the market value of the account as of the last business day of the previous quarter. Mutual funds and ETFs have additional internal expenses, including 12(b)-1 fees that will apply to the extent assets are invested in these investment vehicles. Clients should be aware that they will bear these mutual fund and ETF expenses, as described in the applicable prospectuses, in addition to the UMA Program fees described above.

## Destinations

Brinker also offers a mutual fund asset allocation program called Destinations whereby Brinker has full discretion to select various mutual funds offered through Fidelity Institutional Wealth Services which offers an array of mutual funds to be used in its asset allocation program. Brinker recommends an asset allocation among mutual funds based on the investor’s stated objectives. Brinker has developed an asset allocation strategy based on market conditions as well as changing clients’ needs. The client is responsible for payment of the internal expenses and advisory fees as set forth in each mutual fund’s current prospectus. The mutual fund fees and expenses are in addition to the account management fee. BWM does not receive any portion of the mutual fund advisory fees or internal expenses. The maximum fee charged is 3.00%. The account minimum is \$50,000, but smaller accounts may be accepted by Brinker at its discretion.

## Brinker Capital Crystal Strategy I Program

Brinker also offers an investment management program called Crystal Strategy I that is managed on a discretionary basis by Brinker. In implementing this program, Brinker employs three main approaches to achieve the desired objective: (1) allocating broadly among different asset classes (2) investing in many diverse strategies and (3) using highly focused stock selection. First, Brinker will broadly diversify the account across six major asset classes - domestic equity, international equity, fixed income, absolute return, real assets, and private equity. In doing so, Brinker believes that the greater asset class diversification will increase the potential to generate positive returns while also reducing the overall portfolio volatility. Brinker will actively manage the exposures in the strategy through a variety of methods, including, but not limited to: varying the amount allocated to the asset classes, altering the portfolio's net market exposure, adding short positions, and altering or adjusting the specific investment strategies used in the portfolio. Next, Brinker will invest in many diverse strategies within the portfolio. In addition to more traditional factors such as market capitalization, style, sector and geographical region, other factors may include: merger & arbitrage, closed-end funds, spin-offs, intellectual patent rights, commercial real estate lending, credit spreads as well as a wide array of other strategies. To achieve these specific exposures, a variety of investment vehicles will be utilized. Such vehicles may include, but are not limited to: individual stocks, master limited partnerships, ETFs, and closed-end funds. Brinker may also allocate a portion of the account to one or more underlying sub-managers responsible for managing such assets through the use of separately managed accounts. Lastly, Brinker will use highly focused stock selection to further attempt to increase the risk adjusted return of the portfolio. Brinker believes that by focusing on only a small number of stocks which represent Brinker's best ideas, clients will receive higher return potential with little to no incremental portfolio risk. The Brinker Capital Crystal Strategy I can be used either as a standalone investment strategy or in conjunction with a relative return based strategy such as Destinations, UMA or Core Asset Manager.

Fees for this program include a 0.60%-0.70% charge for Brinker, custody and clearing charges of up to 0.23%, and style manager fees of approximately 0.50% for equity managers and 0.35% for fixed income managers. BWM can add a "solicitor's fee" that, when added to the other fees listed above, equal the total program fee charged to the client. Internal fees for investment vehicles such as mutual funds, ETFs and similar investment products are in addition to these fees, and are described in the applicable prospectus for each such product.

## Retirement Plan Services Program

Brinker's Retirement Plan Services Program is an investment program through which Brinker provides asset allocation models to a retirement plan sponsor to be made available to retirement plan participants. The retirement plan sponsor enters into an investment advisory agreement with Brinker, and a separate recordkeeping and administration agreement with a recordkeeping service provider ("Administrator").

Through this program, retirement plan participants are able to select from Brinker's six (6) model investment strategies for management of their retirement plan assets. Brinker establishes, maintains, and rebalances the models on a discretionary basis, and Administrator executes any transaction necessary to align plan participant accounts with Brinker's models. Brinker does not provide investment advice directly to any plan participant. Brinker's models consist entirely of mutual funds available on the Fidelity Investment Advisor Group platform.

Brinker's fee for this program is 0.30%. BWM, as solicitor, can add up to 2.0% as a Solicitor's Fee, which is negotiable and may be discounted as agreed to between the retirement plan sponsor and BWM. Administrator charges separate fees for its services, as described in the separate agreement for plan administration and recordkeeping. The mutual funds used in this program have their own expenses, which are in addition to the fees charged by Brinker, BWM, and the Administrator. The mutual fund expenses are described in the prospectus of each respective mutual fund. Neither LFS, nor BWM provides any investment advice to any retirement plan sponsor or retirement plan participant through this program.

#### GENWORTH FINANCIAL WEALTH MANAGEMENT, INC.

BWM has an agreement with Genworth Financial Wealth Management, Inc. ("Genworth") to offer clients a variety of asset allocation and advisory services. Through Genworth's asset allocation system, clients are introduced to investment managers who provide discretionary management of individual portfolios of equity and/or fixed income securities. Clients may also invest in model portfolios of mutual funds, exchange traded funds, and variable annuity sub-accounts created and maintained by a number of institutional investment strategists. Clients will enter into an investment advisory agreement pursuant to which the client will grant Genworth or another portfolio strategist trading authority to manage the client's assets on a fully discretionary basis and authorize Genworth to establish a custodial account for the client's benefit at Genworth or an affiliate of Genworth, or any other custodian of Genworth's choosing. The grant of discretionary authority to Genworth or portfolio strategist includes the authority to determine the initial and ongoing asset allocation of the client's assets, the authority to buy and sell securities and other investments for client accounts, the authority to select broker-dealers with which any such transactions will be effected, and the authority to retain other investment advisers to provide advice to Genworth and to manage some or all of client assets, and to replace such investment advisers as Genworth so chooses. Neither LFS nor BWM has any responsibility or authority to effect securities transactions in client's accounts, determine the initial or ongoing asset allocation of client's accounts, or to select investment advisers to manage all or a portion of client's accounts.

BWM will consult with client to assess their financial situation, identify investment objectives, and determine whether the services offered by Genworth may be appropriate and suitable for the client. This consultation may include collecting financial and demographic information from the client through an application and suitability questionnaire, assisting the client in identifying financial objectives and investment programs that may be appropriate for the client. Any information collected through this process may be shared with LFS, BWM, Genworth, any investment advisers selected by Genworth, the custodian, and any other parties performing services to the client through the Program. Genworth and/or its affiliates and service providers are responsible for production and distribution of all client reporting, including transaction reporting, performance reporting, and tax reporting.

For each of Genworth's programs under the referral model, the client may pay an Initial Consulting Fee ("ICF") of up to 1.5% of their initial investment and any subsequent investment of \$2,000 or more. Up to 1.0% of the ICF will be paid to BWM. The ICF is negotiable and may vary among clients. The client will also be responsible for an ongoing investment management fee ("Management Fee") that varies by program, which includes a maximum fee of 1.35% payable to BWM. Genworth's fees vary by program, but also by the size of the client account and overall client relationship, as well as by the type of portfolio and asset allocation of the client accounts. Genworth's fees may be negotiable under certain conditions deemed relevant by Genworth. BWM's portion of the fee is negotiable, and may vary among clients. The Management Fee is calculated and paid quarterly in advance, based on the value of the assets in the client's account on the last day of the previous calendar quarter. For new accounts, the Program Fee is prorated at inception of the client's account for the remainder of the calendar quarter. The custodian debits the client's account for the ICF and Management Fee, retains its portion for custodial services and remits the remainder of the Program Fee to Genworth, who, in turn, pays LFS and BWM and any Portfolio Advisers and service providers. LFS will receive a portion of the fees for each Genworth program as described below, and will compensate BWM client with a portion of the fees it receives. LFS may also receive additional compensation from Genworth and its affiliates for providing administrative services to Genworth clients and accounts, and for its promotional and marketing efforts in soliciting clients on Genworth's behalf. LFS may also receive cash and non-cash payments from Genworth and its affiliates for meetings, training, and support of education and marketing initiatives. Clients may pay more or less for services under Genworth's asset management programs than if they purchased similar services separately. The fees for these programs may be higher or lower than investment advisory fees charged by Genworth or BWM to other clients for similar services. The amount of compensation received by BWM may be more or less than what it would receive if the client participated in other programs or paid separately for the services provided by Genworth. BWM may therefore have a financial incentive to recommend Genworth over other programs or services.

In addition to the fees for Genworth's programs described below, there may be other costs assessed which are not included in these fees, such as dealer mark-ups, costs



associated with the purchase and sale of certain mutual funds, mutual fund expenses including 12(b)-1 fees, odd-lot differentials, exchange or auction fees, transfer taxes, costs for transactions executed other than by the custodian, electronic fund and wire transfers, SEC fees, other charges mandated by law, any record keeping and reporting fees charged to IRA and other retirement plan accounts. For more information please consult the Form ADV, Part 2A of Genworth and/or the disclosure brochure for the Genworth programs.

### Privately Managed Portfolios Service (“PMP”)

Under the PMP service, Genworth manages client assets in a portfolio of securities on a fully discretionary basis. These portfolios are offered in a variety of equity styles, with various risk management strategies and levels, as selected by the client with assistance from BWM. The account minimum is \$250,000, although smaller accounts may be accepted at the discretion of Genworth. Genworth will utilize one or more investment advisers (“Portfolio Advisers”) to recommend securities for purchase and sale within the client’s account. Securities and other investments will be invested, reinvested, and reallocated on an ongoing basis. The client may pay an ICF as described above, and will also be responsible for an ongoing Management Fee of up to 2.8%, including a maximum fee of 1.35% payable to BWM.

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### Service Agreement

The Asset Management Services Service Agreement is provided to the client in writing prior to the start of the relationship and includes the scope of work to be performed and a description of fees. The scope of work may include: cash flow management, insurance review, investment management (including performance reporting), education planning, retirement planning, estate planning, and tax planning, as well as the implementation of recommendations within each area.

Most clients choose to have BWM provide investment services in order to obtain ongoing in-depth advice and life planning. All aspects of the client’s financial affairs are reviewed, and may include those of their children based on the client’s direction and needs. The agreement allows for a partnership between the client and BWM so that realistic and measurable goals are set and objectives to reach those goals are defined. The agreement allows for the review of goals and objectives as they may change over time, and for the implementation of suggestions on an on-going, as-needed basis.

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### Termination of Agreements

Although the agreement is an ongoing agreement and constant adjustments may be required, the length of service to the client is at the client's discretion. The client, the Advisor, or the investment manager may terminate an agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

When a client terminates any of the aforementioned agreements, which may be done at any time by notifying Brophy Wealth Management in writing, the client will assume payment of the rate for the time spent on the investment advisory engagement prior to notification of termination. Brophy Wealth Management may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, BWM will refund any unearned portion of the advance payment.

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### Tailored Relationships

The goals and objectives for each client are documented at each client meeting and filed. Investment policy statements are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities by providing a verbal or written request to their advisor who will notify investment companies of such requests.

### Client Assets Under Management

As of September 30, 2011, the amount of client assets under BWM's management on a non-discretionary basis was approximately \$127,500,000.

## **Fees and Compensation**

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### Description

Brophy Wealth Management bases its fees on a percentage of assets under management, hourly charges, fixed fees, and commissions.

Financial plans are priced according to the degree of complexity associated with the client's situation. Fixed fees and hourly charges are non-negotiable. Fees based on a percentage of assets under management and commission fees may be negotiable depending on the level of assets (see Advisory Service Fees).

Fee schedules and other compensation are included in the description of each advisory program and service above. In certain circumstances, fees and account minimums may be negotiable.

In programs that use Portfolio Managers, a portion of the total fee up to 0.75% of assets under management may be paid to the Portfolio Manager for their services. The amount may vary by program and by manager.

Client agreements to which BWM is party may generally be terminated at any time, by either party, for any reason on 30 days written notice. Any prepaid, unearned fees will be refunded, and any unpaid fees will be due.

Fees charged may vary by BWM advisor/representative. Certain BWM advisor/representatives may provide comparable services for fees that are different from those charged by other BWM advisor/representatives.

All fees paid to BWM for investment advisory services are separate from the fees and expenses charged by mutual funds to their shareholders. These mutual fund fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. BWM will often recommend "no load" mutual funds.

A client can invest in a mutual fund directly without the services of BWM or LFS. In that case, the client would not receive the services provided by BWM or LFS, such as assisting the client in determining which investments are most appropriate to their financial condition and objectives. The client should review the fees charged by the funds, BWM, and LFS to fully understand the total amount being paid and evaluate services being provided (see Brokerage Practices).

BWM advisors/representatives may receive additional compensation and/or incentive awards for reaching certain levels of assets under management in the investment advisory programs, or generating a certain amount of fee revenue in a certain period. The client will not be charged any additional fees due to these circumstances. However, the receipt of additional compensation presents a conflict of interest and may affect the judgment of the BWM advisor/representative.

BWM may recommend products that are managed or sold by LFS affiliated companies and may receive additional compensation on these products, provided that these products are suitable for the client's objectives. This presents a conflict of interest and gives BWM and its employees an incentive to recommend investment products based on the compensation received, rather than on a client's needs. All of this information is fully disclosed in writing to the client at the time of entering into an advisory contract.

BWM, LFS, and their affiliated companies have suitability requirements, as well as regulatory and compliance rules and procedures which must be followed. In addition, LFS maintains a supervisory system that includes conducting periodic supervisory and compliance inspections and audits. Clients have the option to purchase investment products recommended by BWM through other brokers or agents that are not affiliated with LFS.

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### Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid to BWM.

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### Past due Accounts and Termination of Agreement

BWM reserves the right to stop work on any account that is more than 60 days overdue. In addition, BWM reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in Brophy Wealth Management's judgment, to provide proper financial advice. Any unused portion of fees collected in advance will be refunded within 60 days.

### **Performance-Based Fees**

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#### Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

BWM does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

### **Types of Clients**

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#### Description

BWM generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities. Client relationships vary in scope and length of service.

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

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BWM provides financial consulting using both fundamental and technical approaches to financial planning. The financial plans provide analysis and advice in the following

areas: investments, cash management, risk management, retirement planning, and estate planning. BWM advisors/representatives perform analysis for asset management programs, which are provided to clients. The analysis relies on research reports and information provided by third parties who are contracted to provide such information.

In the financial planning process, BWM advisor/representatives will assist clients, through the use of approved questionnaires and software in identifying their financial objectives. BWM advisor/representatives will recommend asset allocation strategies made up of different categories of financial assets in order to address specific client-identified economic and tax concerns. For all asset management programs, the specific security analysis methods, sources of information and investment strategies depend upon and are determined by the applicable third party asset management vendors or process selected by the client.

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

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### Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The sources of information include financial publications and magazines, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the SEC, company press releases, Morningstar Workstation, and other research services.

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### Investment Strategies

The primary investment strategy used on client accounts is strategic and tactical asset allocation. Portfolios are generally globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives and risk tolerances stated by the client during consultations. The client may change these objectives at any time.

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### Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance business operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

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### Legal and Disciplinary

There is no disciplinary information to report.

## **Other Financial Industry Activities and Affiliations**

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### Affiliations

BWM has employees who are Registered Representatives of LFS, a FINRA member broker-dealer, including Stephen A. Brophy. These employees may also be licensed agents of The Lincoln National Life Insurance Company (“LNL”).

LFS is affiliated with the following companies due to common ownership by Lincoln National Corporation:

- The Lincoln National Life Insurance Company (insurance company and investment advisor)
- Lincoln Life & Annuity of New York (insurance company)
- LFA, Limited Liability Company (insurance agency)
- Lincoln Financial Distributors, Inc. (broker-dealer)
- Lincoln Financial Advisors Corporation (broker-dealer and investment advisor)
- Lincoln Financial Investment Services Corporation (broker-dealer)
- Lincoln Investment Advisors Corporation (investment advisor)
- First Penn-Pacific Life Insurance Company
- Lincoln Variable Insurance Products Trust
- Newton County Loan & Savings, FSB (savings bank)
- JPSC Insurance Services, Inc.

Conflicts of interest may be created by financial incentives and/or compensation arrangements between BWM, LFS, and its affiliates. These conflicts of interest and the steps taken to address them are described above in the section on “Fees and Compensation.” BWM may recommend or select other investment advisors for clients and receive compensation directly or indirectly from those advisors. This creates a material conflict of interest in that LFS and its Representatives have a financial incentive to recommend advisors based on compensation paid. These conflicts of interest and the steps taken by LFS to address them are described above in the section on “Fees and Compensation.”

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

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### Code of Ethics

The employees of Brophy Wealth Management have committed to an Investment Advisor Code of Ethics. Through this code, BWM strives to ensure high standards of professional excellence and ethical conduct among its employees. A copy of the Code of Ethics is available for review by clients and prospective clients upon request.

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### Participation or Interest in Client Transactions

BWM and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Brophy Wealth Management *Compliance Manual*.

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## Personal Trading

Personal trading reviews of employees are conducted according to FINRA obligations in order to ensure that the best interests of the clients are met.

## **Brokerage Practices**

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### Selecting Brokerage Firms

BWM advisor/representatives generally recommend LFS as broker-dealer for investment products. However, the client is under no obligation to purchase products from BWM, its advisors/representatives, or LFS, as described in the advisory contract. The client pays the same fee for advisory services whether or not products are purchased from the BWM advisor/representative. The client also pays the same price and commissions for products whether or not BWM provided a financial plan to the client.

BWM's advisory business does not include blocking trades, negotiating commissions, or obtaining volume discounts. Lower commissions or better execution may be achieved elsewhere. Different commissions may be charged to different clients.

In certain circumstances, BWM advisor/representatives may recommend brokers other than LFS. In most cases, the other broker would be recommended because of the role they play in an asset management program. Advisors do not require clients to direct brokerage. By directing brokerage, BWM, through LFS may not be able to achieve most favorable execution of client transactions, and this practice may cost clients more money.

For additional information on conflicts of interest created by the recommendation of LFS as a broker-dealer, or the recommendation of certain other broker-dealers for asset management programs, including compensation arrangements between LFS and other broker-dealers, please see the section on "Fees and Compensation" above.

Under the Asset Management Programs, LFS serves as the broker-dealer, with Pershing as custodian.

In the Brinker Capital Asset Management Programs (Destination, Core, UMA, and Crystal Strategies), Brinker Capital will execute and clear trades in client accounts. For Brinker's Core Asset Manager Program, National Financial Services will serve as custodian. For Brinker Destinations, these services are provided by Fidelity Institutional Wealth Services.



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## Best Execution

BWM reviews the execution of trades weekly.

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## Soft Dollars

BWM may receive research software and nominal marketing credits from various investment companies. These investment products may pay an economic benefit (including equipment or non-research services) from the investment product provider. These benefits are passed through to clients on a proportionate basis to enhance service levels provided. When client brokerage commissions are used to obtain research or other products or services, the client receives a benefit because the client does not have to produce or pay for the research, products, or services. BWM may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than its clients' interest in receiving most favorable execution.

[\*Describe in detail the types of products and services received from client brokerage commissions within the last fiscal year.]

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## Order Aggregation

Most trades are for mutual funds or ETFs where trade aggregation does not garner any client benefit. Trades are performed in a manner which is least costly to clients.

## **Review of Accounts**

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### Periodic Reviews

Account reviews are performed periodically, but at least annually at a minimum, by BWM advisors Stephen A. Brophy and Steven M. Dalton. Account reviews are performed more frequently when market conditions dictate.

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### Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### Regular Reports

Clients receive communications and reports on at least an annual basis and should carefully review statements received from custodians and compare to any reports received from BWM.

## **Client Referrals and Other Compensation**

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### Incoming Referrals

BWM has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

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### Referrals Out

BWM does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

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## **Custody**

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### Account Statements

All assets are held at qualified custodians. These custodians provide account statements directly to clients at their address of record at least quarterly or on-line at the client's discretion.

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### Performance Reports

Clients are provided account statements directly from their custodians. BWM may also provide performance reports at review meetings.

## **Investment Discretion**

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### Discretionary Authority for Trading

BWM does not have discretionary authority to manage securities accounts on behalf of clients. BWM consults with the client prior to each trade to obtain trade approval.

The client approves the custodian to be used.

## **Voting Client Securities**

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### Proxy Votes

BWM does not vote proxies on securities. Clients are expected to vote their own proxies. Clients will receive proxies at their mailing address listed with BWM. Clients may contact BWM should questions arise regarding the proxy process.

## **Financial Information**

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### Financial Condition

BWM does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. BWM has never been subject to any bankruptcy petitions.

A balance sheet is not required to be provided because BWM does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$500 per client and six months or more in advance.

## **Business Continuity Plan**

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### General

BWM has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services, or key people.

### Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily.

### Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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### Loss of Key Personnel

BWM has signed a Business Continuation Agreement with another financial advisory firm to support BWM in the event of Stephen A. Brophy's serious disability or death.

## **BROPHY WEALTH MANAGEMENT PRIVACY NOTICE**

Brophy Wealth Management is committed to protecting the privacy of our customers' and former customers. In order to issue and service high quality financial products and services, we collect personal information about you. **We do not sell the information you have entrusted to us to third parties.** We disclose your personal information only as necessary to provide the products and services you expect from a financial services leader. To help you understand how we protect your personal information, this notice describes our current privacy policy and practices. During the continuation of your relationship with Brophy Wealth Management, we will advise you of our privacy policy and practices at least once annually, as required by law. **You do not need to take any action as a result of this notice, but you do have certain rights as described below.**

### **INFORMATION WE MAY COLLECT AND USE**

We collect information about you to help us identify you as our customer or our former customer, to process your requests quickly, to provide investment services to you, or to tell you about products or services we believe you may want and use. Information we collect includes:

**Information from you** – When submitting your application or new account form, you may give us information such as your name, address, Social Security number, financial, and employment history.

**Information about your transactions** – We may keep information about your transactions with us or our business partners.

**Information from our website** – We may obtain information about you from our e-mail service.

### **HOW WE TREAT YOUR INFORMATION**

Brophy Wealth Management may share the information described above with our service providers. These providers may require access to information about you to process or service transactions you have requested, to provide efficient customer services, or to inform you of products or services you may find useful. Our service providers are unaffiliated and may include financial service providers (for example, third party administrators, broker-dealers, insurance agents and brokers, registered representatives) or non-financial companies and individuals (for example, IT consultants). Please be assured that we require these service providers to safeguard your personal information and to use or disclose it only for the work they are performing on our behalf, or as permitted by law.

We may provide information to regulatory authorities and law enforcement officials in accordance with applicable law or to others when we believe in good faith that the law

requires it. In the event of a sale of all or part of our business, we may share customer information related to that business as part of the transaction. **Brophy Wealth Management does not sell or share your information with outside marketers who may want to offer you their own products and services. You do not need to take any action for this benefit.**

## **SECURITY OF INFORMATION**

Keeping your information secure is one of our most important responsibilities. We maintain physical, electronic, and procedural safeguards to protect your information. Employees are authorized to access your information only when they need it to provide you with products and services or to maintain your accounts. Employees who have access to your personal information are required to keep it confidential.

## **MAKING SURE INFORMATION IS ACCURATE**

We want to make sure that we have accurate information about you. Generally, upon written request, we will make your personal information available for your review. Information we have collected in connection with or in anticipation of a claim or legal proceeding will not be made available. If you believe that any of our records are inaccurate, you may notify us in writing of any corrections, amendments, or deletions that you believe should be made. Questions about accessing or correcting your personal information should be directed to Brophy Wealth Management, 40 South River Road, Unit 15, Bedford, NH 03110 603-668-2303.