

Murphy Capital Management Inc.

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This Brochure provides information about the qualifications and business practices of Murphy Capital Management Inc. (“Murphy Capital”). If you have any questions about the contents of this Brochure, please contact us at (908) 719-6430 or johnm@murphycapital.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 Murphy Capital Management, Inc. also is available on the SEC’s website at www.adviserinfo.sec.gov.

References herein to Murphy Capital Management, Inc. 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 Murphy Capital's disclosure statement since last year's Annual Amendment filing on March 25, 2011.

Item 3 Table of Contents

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business	3
Item 5	Fees and Compensation	5
Item 6	Performance-Based Fees and Side-by-Side Management	7
Item 7	Types of Clients.....	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9	Disciplinary Information	9
Item 10	Other Financial Industry Activities and Affiliations	9
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12	Brokerage Practices	11
Item 13	Review of Accounts.....	15
Item 14	Client Referrals and Other Compensation.....	15
Item 15	Custody.....	16
Item 16	Investment Discretion.....	17
Item 17	Voting Client Securities.....	17
Item 18	Financial Information	17

Item 4 Advisory Business

- A. Murphy Capital is a corporation formed on October 1, 1983 in the State of New Jersey. Murphy Capital became registered as an SEC Investment Adviser Firm in December 1983. Murphy Capital is principally owned by John J. Murphy, who is the President and Treasurer. Suzann Murphy is deemed to be the beneficial owner of shares owned by John J. Murphy, however she disclaims beneficial ownership of these shares.
- B. As discussed below, Murphy Capital offers to its clients (individuals, pension and profit sharing plans, corporations, business entities, trusts, estates and charitable organizations, etc.) investment advisory services. Murphy Capital **does not** hold itself out as providing financial planning, estate planning, or insurance planning services. To the extent specifically requested by a client, Murphy Capital *may* provide limited consultation services to its investment management clients on investment and non-investment related matters that are generally ancillary to the investment management process. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which Murphy Capital shall usually not receive any separate or additional fee.

INVESTMENT ADVISORY SERVICES

The client can determine to engage Murphy Capital to provide discretionary investment advisory services on a *fee-only* basis. Murphy Capital's current standard annual investment advisory fee is one percent (1.00%) of assets under management. In the event that a client elects to use options as a strategy for his/her/its/their investment account (**See** disclosure at Item 8 below), Murphy Capital's advisory fee shall increased by one-quarter of one percent (0.25%) of assets under management.

MISCELLANEOUS

Limited Consulting/Implementation Services. Although Murphy Capital does not hold itself out as providing financial planning, estate planning or accounting services, to the extent specifically requested by the client, Murphy Capital *may* provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate planning, tax planning, insurance, etc. Murphy Capital shall not receive any separate or additional fee for any such consultation services. Neither Murphy Capital, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of Murphy Capital's services should be construed as same. To the extent requested by a client, Murphy Capital may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agent, etc.). The client is under no obligation to engage the services of any such recommended professional. **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 Murphy Capital if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Murphy Capital's previous recommendations and/or services.

Please Note: Mutual Fund Board Service. Murphy Capital's President and CCO, John J. Murphy, serves on the boards of directors for various mutual funds. Murphy Capital

may purchase these funds for its clients if and when it believes such purchases are appropriate. Mutual funds represent a very small percentage (less than 5%) of the types of securities purchased by Murphy Capital for its client accounts. Nevertheless, Mr. Murphy's service does present a *conflict of interest*. **Accordingly, any client, in writing, may advise Murphy Capital not to purchase any mutual funds for which Mr. Murphy serves as a director. See disclosure at Item 10C(2) below. Murphy Capital's Chief Compliance Officer, John J. Murphy, 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.**

Please Note: Inverse/Enhanced Market Strategies. Murphy Capital may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Murphy Capital, in writing, not to employ any or all such strategies for his/her/their/its accounts.

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

Client Obligations. In performing its services, Murphy Capital 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 Murphy Capital if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Murphy Capital's previous recommendations and/or services.

Disclosure Statement. A copy of Murphy Capital'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*.

- C. Murphy Capital 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, Murphy Capital 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 Murphy Capital's services.
- D. Murphy Capital does not offer a wrap fee program for its investment advisory services. However, Murphy Capital is a participating investment adviser in certain unaffiliated wrap and managed account fee programs. The programs for which Murphy Capital manages investment advisory accounts on a discretionary basis are sponsored by Morgan Stanley Smith Barney, Vaughan & Co. Securities, Inc., PCG Asset Management, LLC,

Merrill Lynch Managed Account Services and UBS Financial Services, Inc. With respect to the wrap-fee and managed account programs in which Murphy Capital is a participating investment adviser, clients pay their fees directly to the sponsoring brokers who, in turn, remit a portion of those fees to Murphy Capital. The advisory fees remitted to Murphy Capital are based upon an annual percentage of assets under management, and are calculated by the sponsoring brokers either on a quarterly basis or a monthly basis. Currently, Murphy Capital receives a fee equal to 0.5% of assets managed by Murphy Capital under the Morgan Stanley Smith Barney Wrap Program. Fees remitted to Murphy Capital under the Vaughan & Co. Securities, Inc. Wrap Fee Program and managed account fee program, UBS Financial Services Wrap Fee Program, PCG Asset Management Wrap Fee Program, and Merrill Lynch Wrap Fee Program range from 0.5% to 1.00% of assets under management.

Please Note (Wrap/Managed Account programs): In the event that Murphy Capital is engaged to provide investment management services as part of an unaffiliated wrap-fee program, Murphy Capital will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that Murphy Capital is engaged to provide investment management services as part of an unaffiliated managed account program, Murphy Capital will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

- E. As of December 31, 2011, Murphy Capital had \$526,249,072 in assets under management on a discretionary basis and \$3,835,402 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage Murphy Capital to provide discretionary investment advisory services on a *fee-only* basis.

INVESTMENT ADVISORY SERVICES

If a client determines to engage Murphy Capital to provide discretionary investment advisory services on a *fee-only* basis, Murphy Capital's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Murphy Capital's current standard advisory fee is one percent (1.00%) of assets under management. In the event that a client elects to use options as a strategy for his/her/its/their investment account (**See** disclosure at Item 8 below), Murphy Capital's advisory fee shall increased by one-quarter of one percent (0.25%) of assets under management.

- B. Murphy Capital's advisory fees shall be deducted from client's custodial account. Both Murphy Capital's *Investment Advisory Agreement* and the custodial/ clearing agreement authorizes the custodian to debit the account for the amount of Murphy Capital's

investment advisory fee and to directly remit that management fee to Murphy Capital in compliance with regulatory procedures. Murphy Capital 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, Murphy Capital shall generally recommend that investment management accounts be maintained at a discount broker-dealer such as TD Ameritrade ("Ameritrade"). Broker-dealers such as Ameritrade 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). Clients will incur, in addition to Murphy Capital's investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom Murphy Capital and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by Ameritrade).
- D. Murphy Capital'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. Murphy Capital does not generally require an annual minimum fee or asset level for investment advisory services. Murphy Capital, in its sole discretion may charge a lesser investment management fee 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 Murphy Capital 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, Murphy Capital shall refund the pro-rated portion of the advanced advisory fee paid upon the number of days remaining in the billing quarter. **Please Note – No Refunds:** Except in the event of death or as otherwise prohibited by applicable law or regulation, in the event that a client terminates Murphy Capital's services during the initial billing quarter, Murphy Capital shall not refund any portion of the advanced quarterly fee.

- E. Neither Murphy Capital, nor its representatives, accepts compensation from the sale of securities or other investment products.

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

Neither Murphy Capital, nor any supervised person of Murphy Capital, accepts performance-based fees.

Item 7 Types of Clients

Murphy Capital's clients shall generally include individuals, pension and profit sharing plans, corporations, business entities, trusts, estates and charitable organizations. Murphy Capital does not generally require an annual minimum fee or asset level for investment advisory services. Murphy Capital, in its sole discretion, may charge a lesser investment management fee 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. Murphy Capital may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

Murphy Capital 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)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- 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 Murphy Capital) will be profitable or equal any specific performance level(s).

B. Murphy Capital'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 Murphy Capital must have access to current/new market information. Murphy Capital has no control over the dissemination rate of market information; therefore, unbeknownst to Murphy Capital, certain analyses may be compiled with outdated market information, severely limiting the value of Murphy Capital'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.

Murphy Capital'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, Murphy Capital may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (See discussion below).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

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 Murphy Capital 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 Murphy Capital 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 shall correspondingly increase the management fee payable to Murphy Capital. 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 Murphy Capital 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 Murphy Capital 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 Murphy Capital, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, Murphy Capital primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices), on a discretionary basis in accordance with the client's designated investment objective(s).

As disclosed above, Murphy Capital may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Murphy Capital, in writing, not to employ any or all such strategies for his/her/their/its accounts. (*See* Item 4.B)

Item 9 Disciplinary Information

Murphy Capital has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither Murphy Capital, 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 Murphy Capital, 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.
2. **Mutual Fund Board of Directors.** Although Murphy Capital believes it is *not material* to its investment advisory operations, Murphy Capital sets forth the following for full disclosure purposes:

Murphy Capital's President and Chief Compliance Officer, John J. Murphy, serves on the boards of directors for various mutual funds. Murphy Capital may purchase these funds for its clients if and when it believes such purchases are appropriate. Mutual funds represent a very small percentage (less than 5%) of the types of securities purchased by Murphy Capital for its client accounts. Nevertheless, Mr. Murphy's service does present a *conflict of interest*. Accordingly, any client, in writing, may advise Murphy Capital not to purchase any mutual funds for which Mr. Murphy serves as a director.

Murphy Capital's Chief Compliance Officer, John J. Murphy, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest any such arrangement may create.

- D. Murphy Capital does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

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

In accordance with Section 204A of the Investment Advisers Act of 1940, Murphy Capital also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Murphy Capital or any person associated with Murphy Capital.

- B. Neither Murphy Capital nor any related person of Murphy Capital recommends, buys, or sells for client accounts, securities in which Murphy Capital or any related person of Murphy Capital has a material financial interest.
- C. Murphy Capital and/or representatives of Murphy Capital *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Murphy Capital and/or representatives of the firm 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

Murphy Capital 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 Murphy Capital’s clients) and other potentially abusive practices.

Murphy Capital has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Murphy Capital’s “Access Persons”. Murphy Capital’s securities transaction policy requires that an Access Person of Murphy Capital 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 Murphy Capital selects; provided, however that at any time that Murphy Capital has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Murphy Capital and/or representatives of Murphy Capital *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Murphy Capital and/or representatives of the firm 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, Murphy Capital has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Murphy Capital’s Access Persons.

Item 12 Brokerage Practices

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

Factors that Murphy Capital considers in recommending a discount broker-dealer, such as *Ameritrade* (or any other broker-dealer/custodian to clients) include historical relationship with Murphy Capital, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Murphy Capital's clients shall comply with Murphy Capital'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 Murphy Capital 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 Murphy Capital 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, Murphy Capital's investment management fee. Murphy Capital'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 discount broker-dealer/custodian, Murphy Capital may receive from *Ameritrade* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist Murphy Capital to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Murphy Capital 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 Murphy Capital 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 Murphy Capital in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Murphy Capital to manage and further develop its business enterprise.

Murphy Capital's clients do not pay more for investment transactions effected and/or assets maintained at *Ameritrade* as result of this arrangement. There is no corresponding commitment made by Murphy Capital to *Ameritrade* 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.

Murphy Capital's Chief Compliance Officer, John J. Murphy, 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.

Institutional Advisor Program

Murphy Capital participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. *Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Murphy Capital receives some benefits from *Ameritrade* through its participation in the Program.

As disclosed above, Murphy Capital participates in the Program and Murphy Capital may recommend *Ameritrade* to clients for custody and brokerage services. There is

no direct link between Murphy Capital's participation in the Program and the investment advice it gives to its clients, although Murphy Capital receives economic benefits through its participation in the Program that are typically not available to *Ameritrade* retail investors.

These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Murphy Capital's participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Murphy Capital by third party vendors. *Ameritrade* may also have paid for business consulting and professional services received by Murphy Capital's related persons. Some of the products and services made available by *Ameritrade* through the program may benefit Murphy Capital but may not benefit its client accounts. These products or services may assist Murphy Capital in managing and administering client accounts, including accounts not maintained at *Ameritrade*. Other services made available by *Ameritrade* are intended to help Murphy Capital manage and further develop its business enterprise. The benefits received by Murphy Capital or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to *Ameritrade*. As part of its fiduciary duties to clients, Murphy Capital endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Murphy Capital or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Murphy Capital's choice of *Ameritrade* for custody and brokerage services.

Murphy Capital's Chief Compliance Officer, John J. Murphy, 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.

2. TD Ameritrade AdvisorDirect

Murphy Capital may receive client referrals from *Ameritrade* through its participation in *Ameritrade* AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Murphy Capital may have been selected to participate in AdvisorDirect based on the amount and profitability to *Ameritrade* of the assets in, and trades placed for, client accounts maintained with *Ameritrade*. *Ameritrade* is a discount broker-dealer independent of and unaffiliated with Murphy Capital and there is no employee or agency relationship between them. *Ameritrade* has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. *Ameritrade* does not supervise Murphy Capital and has no responsibility for Murphy Capital's management of client portfolios or Murphy Capital's other advice or services. Murphy Capital pays *Ameritrade* an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that

the client pays to Murphy Capital (“Solicitation Fee”). Murphy Capital will also pay *Ameritrade* the Solicitation Fee on any advisory fees received by Murphy Capital from any of a referred client’s family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Murphy Capital on the recommendation of such referred client. Murphy Capital will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to *Ameritrade* to its clients. For information regarding additional or other fees paid directly or indirectly to *Ameritrade*, please refer to the *Ameritrade* AdvisorDirect Disclosure and Acknowledgement Form.

Murphy Capital’s participation in AdvisorDirect raises potential conflicts of interest. *Ameritrade* will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at *Ameritrade* and whose client accounts are profitable to *Ameritrade*. Consequently, in order to obtain client referrals from *Ameritrade*, Murphy Capital may have an incentive to recommend to clients that the assets under management by Murphy Capital be held in custody with *Ameritrade* and to place transactions for client accounts with *Ameritrade*. In addition, Murphy Capital has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from *Ameritrade* or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Murphy Capital’s participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Vaughan & Co. Securities, Inc.

Murphy Capital generally pays a referral for each account referred to it by Vaughan & Co. Securities, Inc. (“Vaughan”), a broker independent of and unaffiliated with, Murphy Capital. The solicitation arrangement with Vaughan creates a ***conflict of interest*** between a client’s interest in receiving best execution and Murphy Capital’s interest in obtaining future client referrals from Vaughan. In the event that the referred client directs that Murphy Capital execute transactions through Vaughn, the client will generally incur higher transactions costs than those that are charged by other broker-dealer/custodians with which Murphy Capital.

Murphy Capital’s Chief Compliance Officer, John J. Murphy, 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.

3. Murphy Capital often accepts 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 Murphy Capital 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 Murphy Capital. 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 Murphy Capital 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 Murphy Capital.

Murphy Capital's Chief Compliance Officer, John J. Murphy, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that Murphy Capital provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Murphy Capital decides to purchase or sell the same securities for several clients at approximately the same time. Murphy Capital 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 Murphy Capital'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. Murphy Capital 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 Murphy Capital provides investment supervisory services, account reviews are conducted on an ongoing basis by Murphy Capital's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Murphy Capital of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Murphy Capital on an annual basis.
- B. Murphy Capital *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 semi-annually (June and December), with written transaction confirmation notices and regular written summary account statements directly from Murphy Capital. Murphy Capital may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.1 above, Murphy Capital may receive an indirect economic benefit from *Ameritrade*. Murphy Capital, without cost (and/or at a discount), may receive support services and/or products from *Ameritrade*.

Murphy Capital's clients do not pay more for investment transactions effected and/or assets maintained at *Ameritrade* as result of this arrangement. There is no corresponding commitment made by Murphy Capital to *Ameritrade* 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 result of the above arrangement.

Murphy Capital's Chief Compliance Officer, John J. Murphy, 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. If a client is introduced to Murphy Capital by either an unaffiliated or an affiliated solicitor, Murphy Capital *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Murphy Capital's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Murphy Capital by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Murphy Capital's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Murphy Capital and the solicitor, including the compensation to be received by the solicitor from Murphy Capital.

Item 15 Custody

Murphy Capital shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Murphy Capital may also provide a written periodic report summarizing account activity and performance.

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

Item 16 Investment Discretion

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

Clients who engage Murphy Capital on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Murphy Capital'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 Murphy Capital's use of margin, etc.).

Item 17 Voting Client Securities

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

Item 18 Financial Information

- A. Murphy Capital does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Murphy Capital 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. Murphy Capital has not been the subject of a bankruptcy petition.

ANY QUESTIONS: Murphy Capital's Chief Compliance Officer, John J. Murphy, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.