

# Murphy Capital Management Inc.

SEC File Number: 801 – 20376

ADV Part 2A, Firm Brochure

Dated: March 18, 2019

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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 [peterl@murphycapital.com](mailto:peterl@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 also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Murphy Capital 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

Since the March 15, 2018 Annual Amendment filing, this ADV Part 2A Firm Brochure has been materially amended as follows:

- We have updated Item 4 to reflect that Peter J. Lewis is now the President of Murphy Capital.
- We have updated Item 10 to enhance disclosures about client's ability to obtain loans with Peapack-Gladstone Bank.
- We have updated Item 15 to reflect that Peapack-Gladstone Bank is deemed to have custody of certain clients' cash and securities in connection with the investment advisory services that we provide.

**ANY QUESTIONS: Murphy Capital's Chief Compliance Officer, Karen J. Alvarado is available to address any questions that a client or prospective client may have regarding the disclosures and arrangements described in this Firm Brochure.**

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## **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. Effective July 31, 2017, Murphy Capital is principally owned by Peapack-Gladstone Bank, which is wholly owned by Peapack-Gladstone Financial Corporation.
- B. As discussed below, Murphy Capital offers its clients 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 consulting services to its investment advisory clients on investment and non-investment related matters that are generally ancillary to the investment advisory process. These services, to the extent provided, are rendered exclusively on an unsolicited basis, for which Murphy Capital does not usually charge any separate fee.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Murphy Capital to provide discretionary investment advisory services. Prior to engaging Murphy Capital to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement setting forth the terms and conditions of the engagement.

Murphy Capital generally provides investment advisory services specific to the needs of each client, except in instances when Murphy Capital provides sub-advisory services or serves as a portfolio manager in a wrap-fee program. In those instances, Murphy Capital provides services designed to meet a specific investment objective. References to Murphy Capital's clients throughout this brochure refer to clients that Murphy Capital provides individualized investment advice.

Before providing investment advisory services to clients, an investment adviser representative will determine each client's investment objective. Thereafter, Murphy Capital will invest or recommend that the client invest their assets consistent with their designated investment objective. Murphy Capital primarily invests client assets using one or more of the following types of securities: individual equity securities (stocks), fixed income securities (bonds), and exchange traded funds ("ETFs"), on a discretionary basis in accordance with the client's designated investment objective. Once invested, Murphy Capital monitors and reviews a client's account performance, asset allocation and investment objectives and will rebalance or make changes to the client's investments.

### **MISCELLANEOUS**

**Limitations of 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 a client, Murphy Capital may provide limited consulting services to its clients on investment and non-investment related matters, such as estate, tax, and insurance planning. Murphy Capital does not charge clients any separate or additional fee for these 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 legal, accounting, or insurance implementation services. Accordingly, Murphy Capital does not prepare estate planning documents, tax returns, or sell insurance products. To the extent requested by a client, Murphy Capital

may recommend the services of other professionals for certain non-investment implementation purposes (*e.g.*, attorneys, accountants, or insurance agents). The client is under no obligation to engage the services of any recommended professional. If the client engages any recommended professional, and a dispute arises, the client agrees to seek recourse exclusively from the engaged professional. It remains the client's responsibility to notify Murphy Capital promptly if there is ever any change in their financial situation or investment objectives so that Murphy Capital can review, evaluate, and if necessary, revise its previous recommendations and/or services.

**Sub-Advisory Engagements.** Murphy Capital also serves as a sub-adviser to unaffiliated registered investment advisers according to the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, the unaffiliated investment advisers that engage Murphy Capital maintain both the initial and ongoing day-to-day relationship with the underlying client, and the obligation to determine the suitability for Murphy Capital's investment strategies. If Murphy Capital is directed to use a specific custodian/broker-dealer to execute transactions, Murphy Capital will be unable to negotiate commissions and/transaction costs, and as a result will be unable to seek better execution. As a result, an investor 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 through alternative clearing arrangements recommended by Murphy Capital. Higher transaction costs adversely impact account performance.

**Retirement Plan Rollovers.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Murphy Capital recommends that a client roll over their retirement plan assets into an account to be managed by Murphy Capital, such a recommendation creates a conflict of interest if Murphy Capital will earn a new (or increase its current) advisory fee as a result of the rollover. To the extent that Murphy Capital recommends that clients roll over assets from their retirement plan to an IRA managed by Murphy Capital, then Murphy Capital represents that it and its investment adviser representatives are fiduciaries under the Employment Retirement Income Security Act of 1974 ("ERISA"), or the Internal Revenue Code, or both. No client is under any obligation to roll over retirement plan assets to an account managed by Murphy Capital. Murphy Capital's Chief Compliance Officer, Karen J. Alvarado is available to address any questions that a client may have regarding the conflict of interest presented by rolling over an account to be managed by Murphy Capital.

**Trade Error Policy.** Clients will not be responsible for losses resulting from Murphy Capital's trade errors. When able, the gains and losses arising from trade errors are reconciled within Murphy Capital's custodian firm account and Murphy Capital is responsible for the net losses or retains the net gains.

**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. It remains the client's responsibility to notify promptly Murphy Capital if there is ever any change in their financial situation or investment objectives so that Murphy Capital can review, evaluate, and if necessary, revise its previous recommendations and/or services.

- 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 objectives. Thereafter, Murphy Capital shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. The client may, at any time, impose reasonable restrictions, in writing, on Murphy Capital's services.
- D. Murphy Capital does not sponsor a wrap fee program for its investment advisory services. However, Murphy Capital is a participating investment adviser in certain unaffiliated wrap-fee and managed account programs. The programs for which Murphy Capital manages investment advisory accounts on a discretionary basis are sponsored by Morgan Stanley Smith Barney, 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, investors generally pay their fees directly to the program sponsors who, in turn, pay a portion of those fees to Murphy Capital. The advisory fees received by Murphy Capital are based upon an annual percentage of assets under management, and are calculated on a quarterly basis. Fees received by Murphy Capital under the UBS Financial Services Wrap Fee Program, Morgan Stanley Smith Barney Wrap Fee Program, PCG Asset Management Wrap Fee Program, and Merrill Lynch Wrap Fee Program range between 0.50% and 1.00% of assets under management.

**Wrap-Fee and Managed Account Programs:** In the event that Murphy Capital is engaged to provide investment advisory services as part of an unaffiliated wrap-fee or managed account program, the program sponsors generally directs Murphy Capital to use a specific broker-dealer to execute transactions. Under a wrap-fee program, the program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a fee. Under a managed account program, the sponsor may or may not require investors to pay separately for commissions or transaction costs. In either event, participation in either type of program may cost the investor more or less than purchasing services separately. If the sponsor determines the broker-dealer to execute transactions for the program, Murphy Capital will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result, investors 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 through alternative clearing arrangements recommended by Murphy Capital. Higher transaction costs adversely impact account performance. **Murphy Capital's Chief Compliance Officer, Karen J. Alvarado is available to address any questions that a client may have regarding participation in a wrap fee program.**

- E. As of December 31, 2018, Murphy Capital had \$810,302,868.14 of assets on a discretionary basis, plus \$148,502.09 on a non-discretionary basis, for a total of \$810,451,370.23 assets under management.

## Item 5 Fees and Compensation

- A. Clients can engage Murphy Capital to provide discretionary investment advisory services.

### INVESTMENT ADVISORY SERVICES

If a client determines to engage Murphy Capital to provide discretionary investment advisory services on a negotiable basis, Murphy Capital's annual investment advisory fee, which is generally 1.00% of the value of assets under management, is based upon various objective and subjective factors, including, but not limited to: negotiations with the client, the amount of the assets placed under Murphy Capital's direct management, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered. As a result, similar clients could pay different fees and other investment advisers may be able to provide the services offered by Murphy Capital at lower (or higher) rates.

- B. Murphy Capital's advisory fees is generally 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 Murphy Capital's investment advisory fee and to directly remit that management fee to Murphy Capital in compliance with regulatory procedures. Murphy Capital generally deducts fees or bills clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter. Murphy Capital reserves the right to make billing arrangements with clients that differ, which will be set forth in a written agreement with the client.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Murphy Capital shall generally recommend that investment advisory accounts be maintained at a discount broker-dealer such as TD Ameritrade, Inc., an unaffiliated SEC-registered broker-dealer and FINRA/SIPC member ("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 transactions, and mark-ups and mark-downs are charged for fixed income transactions). In addition, client accounts may invest in mutual funds (including money market funds) and ETFs that have various internal fees and expenses (i.e. management fees), which are paid by these funds but ultimately borne by clients as a fund shareholder. These internal fees and expenses are in addition to the fees charged by Murphy Capital.
- D. Murphy Capital does not generally require an annual minimum fee or asset level for investment advisory services. Murphy Capital reserves the right to reduce or waive its investment advisory fee.

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 will refund the pro-rated portion of the advanced advisory fee based upon the number of days remaining in the billing quarter.

**No Refunds for Initial Billing:** In the event that a client terminates Murphy Capital's services during the initial billing period, Murphy Capital will not refund any portion of the advanced advisory fee for that period unless required by applicable law or regulation or the termination was the result of the death of the client.

- 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 generally include individuals, pension and profit sharing plans, corporations, business entities, trusts, estates and charitable organizations. Clients and prospective clients should review Item 5 for information about Murphy Capital's ability to reduce, waive or negotiate its investment advisory fees.

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

A. Murphy Capital may use 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 use 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)

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk. It should not be assumed that future performance of any specific investment or investment strategy recommended or undertaken by Murphy Capital will be profitable or equal any specific performance level.

- 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.

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 (*e.g.*, a 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 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. 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 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, and in most instances, 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. Although the intent of most of the options-related transactions that may be implemented by Murphy Capital is to partially hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, long calls and puts, 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 addition, certain options strategies can limit the amount of gains. In light of these enhanced risks, clients may direct Murphy Capital, in writing, not to employ any or all such strategies for their accounts. Each client or prospective client who is interested in seeking to explore and/or implement an options strategy directly through Murphy Capital (and not through unaffiliated wrap or managed account fee programs) will receive an additional disclosure document regarding the objective and corresponding risks/rewards of implementing an options strategy. No client is under any obligation to use options strategies. There can be no guarantee that an options strategy will achieve its objective or prove successful.

For additional detailed information on the use of options and option strategies, please refer to the Option Clearing Corp.'s Option Disclosure Document, which can be found at: <http://www.optionsclearing.com/components/docs/riskstoc.pdf>. Hard copies may be ordered by calling 1-888-678-4667 or writing OCC, 1 North Wacker Drive, Suite 500 Chicago, IL 60606.

- C. Currently, Murphy Capital primarily invests client assets using one or more of the following types of securities: individual equity securities (stocks), fixed income securities (bonds), and ETFs. Investing in securities involves the risk of loss that clients must be prepared to bear. Some of the common risks associated with the types of securities that Murphy Capital recommends include, but are not limited to:

**Stock Market Risk.** This risk reflect that stock prices overall will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities.

**Issuer Risk.** This is the risk that the value of a security may decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services

**Index or Tracking Error Risk.** To the extent it is intended that an account or security within an account tracks an index, the account or security may not match, and may vary substantially from, that of the index for any given period of time. Because an account or security that tracks an index is not actively managed, the account may purchase, hold and sell securities at times when an actively managed fund would not do so. Murphy Capital does not guarantee that any tracking error targets will be achieved.

## 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. **Banking or Thrift Institutions.** Murphy Capital is owned by Peapack-Gladstone Bank (“PGB”), which is wholly owned by Peapack-Gladstone Financial Corporation. PGB also owns several domestic operating subsidiaries, including: PGB Trust & Investments of Delaware, which offers trust administration and related services; Peapack-Gladstone Mortgage Group Inc., which offers commercial and residential mortgage lending and related services; and Peapack Capital Corporation, which is an equipment financing company. Upon request, Murphy Capital may recommend to clients that they use PGB and its affiliates for various banking, trust, lending, and related services. The recommendation of PGB or any of its affiliates presents a conflict of interest, because Murphy Capital has an incentive to recommend PGB or its affiliates based on its intention to support its principal owner and affiliates, rather than on a particular client’s need. To mitigate this conflict of interest, Murphy Capital will not receive any direct compensation from PGB or any of its affiliates in exchange for such referrals. Clients are not under any obligation to use PGB or any of its affiliates.

You also may decide to borrow money from PGB. Your account managed by Murphy Capital may be used as collateral. If the purpose of the loan is used to purchase additional securities, it is the policy that the maximum loan value that can be offered is 50% of the collateral securities market value. The decision to borrow money from our affiliate rests with you and should only be made if you understand the risks of borrowing money.

Murphy Capital’s Chief Compliance Officer, Karen J. Alvarado is available to address any questions that a client or prospective client may have regarding this affiliation and the conflict of interest it creates.

- D. **Other Investment Adviser.** PGB also owns “Quadrant Capital Management, LLC and Lassus Wherley & Associates, P.C. Both are SEC-registered investment advisory firm, SEC File Number 801 - 60050 (“Quadrant”) and SEC File Number 801-27567 (“Lassus Wherley”). Neither Murphy Capital nor its representatives will refer its clients to Quadrant or Lassus Wherley to receive investment advisory services.

Murphy Capital’s Chief Compliance Officer, Karen. J Alvarado is available to address any questions that a client or prospective client may have regarding this affiliation.

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

receive compensation for its services provided as a portfolio manager in certain wrap-fee and separately managed account programs as discussed above in Item 4.

## **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 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.

- 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 and investors. 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 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 advisory accounts be maintained at a discount broker-dealer such as Ameritrade. Prior to engaging Murphy Capital to provide investment advisory 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 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 advisory fee.

### 1. Non-Soft Dollar Research and Additional Benefits

Murphy Capital receives from Ameritrade (and potentially other broker-dealers, custodians, investment platforms, unaffiliated investment managers, vendors, or fund sponsors) free or discounted support services and products. Certain of these products and services assist Murphy Capital to better monitor and service client accounts maintained at these institutions. The support services that Murphy Capital obtains can include investment-related research; pricing information and market data; compliance or practice management-related publications; discounted or free attendance at conferences, educational or social events; or other products used by Murphy Capital to further its investment management business operations.

Certain of the support services or products received may assist Murphy Capital in managing and administering client accounts. Others do not directly provide this 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 or assets maintained at Ameritrade or other broker-dealers and custodians because of these arrangements. There is no corresponding commitment made by Murphy Capital to any broker-dealer or custodian or any other entity to invest any specific amount or percentage of client assets in any specific securities because of this arrangement.

Murphy Capital's Chief Compliance Officer, Karen. J Alvarado is available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest it creates.

TD Ameritrade Institutional Advisor Program

Murphy Capital participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional, a division of Ameritrade. As indicated above, Ameritrade is an unaffiliated SEC-registered broker-dealer and FINRA/SIPC 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 conflict of interest and may indirectly influence Murphy Capital's choice of Ameritrade for custody and brokerage services. Murphy Capital's Chief Compliance Officer, Karen. J Alvarado is 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 "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 advisory 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 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. Murphy Capital's Chief Compliance Officer, Karen J. Alvarado is available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest such arrangement creates.

Vaughan & Co. Securities, Inc.

Murphy Capital generally pays a referral for each account referred to it by Vaughan & Co. Securities, Inc. ("Vaughan"), an independent broker-dealer. 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 Murphy Capital execute transactions through Vaughan, the client will generally incur higher transactions costs than those that are charged by other broker-dealer/custodians with which Murphy Capital has a relationship. The brokerage compensation received by Vaughan is in addition to the referral fee paid to Vaughan by Murphy Capital. Murphy Capital's Chief Compliance Officer, Karen J. Alvarado is available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest such arrangement creates.

3. **Directed Brokerage.** 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, clients 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 through alternative clearing arrangements recommended by Murphy Capital.

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. Higher transaction costs adversely impact account performance. Please also see the corresponding disclosures at Items 4 regarding sub-advisory engagements and wrap-fee and managed account programs and Item 12 regarding the Vaughan relationship. Murphy Capital's Chief Compliance Officer, Karen J. Alvarado is available to address any questions that a client or prospective client may have regarding these arrangements.

- B. 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. For investors in wrap-fee programs and separately managed account programs, Murphy Capital will generally aggregate purchase and sales of securities among client accounts at each custodian. Murphy Capital maintains a procedure to rotate the order of its aggregated trading activity by custodian so that its clients are treated on a fair and equitable basis.

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

- A. Clients' accounts are reviewed on an ongoing basis by Murphy Capital's Principals and/or representatives. All 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 above, Murphy Capital receives free and discounted support services and products from Ameritrade.
- B. If a client is introduced to Murphy Capital by a solicitor, it will typically 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 referral fee is paid solely from Murphy Capital's investment advisory fee, and will not result in any additional charge to the client. If the client is introduced to Murphy Capital by an unaffiliated solicitor, the solicitor will provide the prospective client with a copy of the current version of this Brochure and a separate written disclosure statement disclosing the terms of the arrangement between the Registrant and the solicitor, including the compensation to be paid by the Registrant to the solicitor.

#### **Item 15      Custody**

Murphy Capital has the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. While Murphy Capital does not have physical custody of client's cash or securities, Murphy Capital is deemed to have custody of certain client's accounts because of its relationship with PGB.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the qualified custodian that maintains their account and clients should carefully review those statements.

Murphy Capital may also provide a written periodic report summarizing account activity and performance. If it does, the client is urged to compare any statement or report provided by Murphy Capital with the account statements received from their account's qualified custodian.

#### **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, clients are required to execute an Investment Advisory Agreement granting Murphy Capital authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name in their account.

Clients who engage Murphy Capital on a discretionary basis may, at any time, 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. Except as indicated specifically below, Murphy Capital does not vote client proxies and 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. However, upon Murphy Capital's receipt of an applicable legal notice directly from a client's account custodian, Murphy Capital shall make elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other type of events pertaining to client's investments.

With respect to the "ACCESS" and "Strategic Wealth Portfolio" programs offered through UBS Financial Services, Inc., Murphy Capital, in conjunction with the proxy voting and due diligence services provided by Broadridge Financial Solutions, Inc., or its successors or assigns ("Broadridge"), shall be responsible for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted. Upon receipt of any proxies or shareholder communications related to client assets from the client, UBS Financial Services, Inc., or its affiliates, Murphy Capital shall coordinate with Broadridge to monitor corporate actions of individual issuers and investment companies consistent with Murphy Capital's fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, Murphy Capital may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Murphy Capital may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Murphy Capital shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2(c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Murphy Capital voted on any specific proxy issue is also available upon written request.

- B. Except as indicated above with respect to the "ACCESS" and "Strategic Wealth Portfolio" programs offered through UBS Financial Services, Inc., or relative to Murphy Capital's receipt of legal notices directly from clients' account custodians about mergers, acquisitions, tender offers, bankruptcy proceedings, or other type of events pertaining to clients' investments, 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, Karen J. Alvarado is available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**