

## **Form ADV Part 2A**

**Arlen Capital, LLC  
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**February 13, 2014**

**This brochure provides information about the qualifications and business practices of Arlen Capital, LLC. If you have any questions about the contents of this Brochure, please contact us at (401) 854-3506 and/or [matsonos@arlencorp.com](mailto:matsonos@arlencorp.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 Arlen Capital, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any references to Arlen Capital, LLC as a registered investment adviser or its related persons as registered advisory representatives does not imply a certain level of skill or training.**

**Item 2 - Material Changes**

February 13, 2014

Item 4 – Amended discretionary assets under management from \$142,347,000 as of December 31, 2012 to \$160,259,000 as of December 31, 2013.

September 13, 2013

**Item 5 under Investment Management Services**

Deleted	<p>Advisory fees will be charged in arrears or at the end of each calendar quarter. The quarterly fee will be calculated based on the value of the managed portfolio on the last business day of the calendar quarter. Fees for partial period will be prorated. The initial quarterly fee will be a pro-rated portion of the fee based on the number of days remaining in the calendar quarter when services are initiated on a day other than the first day of the quarter.</p> <p>You may make additions to the Account or withdrawals from the Account, upon notice to Arlen Capital. Additional assets of \$100,000 or more (based on a lump sum deposit) deposited into the Account after it is opened will be charged a pro-rata fee based upon the number of days remaining in the calendar quarter. Since fees are calculated and billed in arrears, no fee adjustments are made for partial withdrawals from the account. No fee adjustments will be made for systematic investments or withdrawals. No fee adjustments will be made for Account appreciation or depreciation.</p> <p>For example, if you have four managed accounts with a value as of the just completed calendar quarter of: \$1,101,569.40, \$555,498.46, \$675,879.50, and \$74,301.12 with a total value of \$2,407,248.48, you will not pay a fee on the managed accounts greater than 0.91%.</p> <p>Fee calculation formula: aggregated account value x annual fee % = \$ annual fee / 365 = daily fee x # days in quarter = Quarterly Fee</p>
Inserted	<p>Fees are billed quarterly in arrears on the last business day of the calendar quarter based upon the average daily balance of the portfolio in the preceding calendar quarter.</p>

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At least annually, this section will discuss only specific material changes that are made to the Brochure and provide you with a summary of such changes. Additionally, reference to the date of the last annual update to this Brochure will be provided.

The material changes discussed above are only those changes that have been made to this brochure since the firm's last annual update of the brochure. The date of the last annual update of the brochure was February 2014.

## Arlen Capital, LLC

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year, which is December 31st. We may further provide other ongoing disclosure information about material changes as necessary.

Additionally, we will further provide you with a new brochure as necessary based on change or new information, at any time, without charge.

Our brochure may be requested free of charge by contacting Mary Ann Tsonos at (401) 854-3506 and/or [matsonos@arlencorp.com](mailto:matsonos@arlencorp.com). Additional information about Arlen Capital, LLC is also available via the SEC's website [www.adviser.sec.gov](http://www.adviser.sec.gov). The website also provides information about any persons affiliated with Arlen Capital, LLC who are registered, or are required to be registered, as investment adviser representatives of Arlen Capital, LLC.

Item 3 - **TABLE OF CONTENTS**

Item 1 – Cover Page .....	Cover Page
Item 2 - Material Changes .....	2
Item 3 - TABLE OF CONTENTS .....	4
Item 4 - Advisory Business.....	5
Investment Management Services.....	5
Third Party Manager Programs .....	7
Wealth Planning Services.....	7
Seminars and Educational Workshops.....	8
General Information.....	8
Item 5 - Fees and Compensation.....	8
Investment Management Services .....	8
Third Party Manager Programs .....	10
Wealth Planning Services.....	10
Seminars and Educational Workshops.....	11
Item 6 - Performance-Based Fees and Side-By-Side Management.....	11
Item 7 - Types of Clients .....	11
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9 - Disciplinary Information .....	13
Item 10 - Other Financial Industry Activities and Affiliations.....	13
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	14
Item 12 - Brokerage Practices.....	15
Item 13 - Review of Accounts.....	16
Item 14 - Client Referrals and Other Compensation.....	16
Item 15 - Custody.....	17
Item 16 - Investment Discretion .....	17
Item 17 - Voting Client Securities.....	17
Item 18 - Financial Information.....	17
Item 19 - Requirements for State Registered Advisers .....	17
Brochure Supplements	

#### **Item 4 - Advisory Business**

Arlen Capital, LLC (hereinafter referred to as “Arlen Capital”) is an investment advisory firm offering Investment Management and Wealth Planning Services customized to your individual needs. The services are more fully described below.

Arlen Capital has been in business since April of 2001. Arlen Capital is a one member LLC wholly owned by Arlen Corporation. Arlen Corporation is owned by Peter A. Sullivan.

Arlen Capital offers the following advisory services. As previously stated, each of the services is more fully described below.

- Investment Management
- Analysis, Recommendation and Monitoring of Third Party Managed Programs
- Wealth Planning
- Seminars and Educational Workshops

Arlen Capital tailors the advisory services it offers to your individual needs. You may impose restrictions and/or limitations on the investing in certain securities or types of securities.

Our investment advisory services begin with an initial interview and data gathering to determine your individual needs, goals, time horizons and risk tolerance. Additionally, you will be asked to complete a Client Suitability Form (New Account Form). The information gathered by Arlen Capital will assist Arlen Capital to provide you with the requested services and customize the services to your financial situation. Depending on the services you have requested, Arlen Capital will gather various financial information and history from you including, but not limited to:

- Retirement and financial goals
- Investment objectives
- Investment horizon
- Financial needs
- Cash flow analysis
- Cost of living needs
- Education needs
- Savings tendencies
- Other applicable financial information required by Arlen Capital in order to provide the investment advisory services requested.

As of **December 31, 2013**, Arlen Capital has **\$160,259,000** of discretionary assets under management. Arlen Capital does not manage assets on a nondiscretionary basis.

#### **Investment Management Services**

Upon Arlen Capital completing its analysis of your situation, Arlen Capital will determine an asset allocation customized to your financial goals, objectives and risk tolerance. Arlen Capital primarily uses mutual funds and exchange traded funds (ETFs). However, advice is not limited to mutual funds and ETFs.

## Arlen Capital, LLC

Arlen Capital has designed four model portfolios. The model portfolios are designed around a risk tolerance centered on volatility sensitivity.

1. Lowest Volatility Portfolio - Investment style is comprised of domestic fixed income, international fixed income, domestic balanced, alternatives and domestic equity funds.
2. Mildly Assertive Portfolio - Investment style is comprised of domestic fixed income, international fixed income, domestic balanced, alternatives and domestic equity funds.
3. Moderately Assertive Portfolio - Investment style is comprised of domestic fixed income, international fixed income, domestic balanced, alternatives and domestic equity funds.
4. Aggressive Portfolio - Investment style is comprised of domestic fixed income, international fixed income, domestic balanced, domestic equity funds, alternatives and international equity funds.

After evaluating your information, Arlen Capital will determine which of its model portfolios would be most suitable for you. From there, Arlen Capital customizes your portfolio allocation taking into consideration your limitations or restrictions, the market and economy at the time and your financial situation, goals and objectives and creates a portfolio allocation customized to you.

Arlen Capital will schedule a meeting with you and present the recommended portfolio allocation. Upon your approval, Arlen Capital will implement the portfolio allocation. Arlen Capital will provide continuous and ongoing management of your account. Unless otherwise expressly requested by you, Arlen Capital will manage the account on a discretionary basis and will make changes to the allocation as deemed appropriate by Arlen Capital. Arlen Capital will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you. Arlen Capital may actively trade securities and hold such holdings for periods of 30 days or less or maintain positions for longer or shorter term periods.

If you elect to have your accounts managed on a nondiscretionary basis, no changes will be made to the allocation of your account without prior consultation with you and your expressed agreement. However, Arlen Capital will periodically rebalance your account to maintain the initially agreed upon asset allocation. Arlen Capital does not deem rebalancing as a form of discretion.

You are advised transactions in the account, account reallocations and rebalancing may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts and other qualified retirement accounts.

As further described below under Brokerage Services, Arlen Capital has entered into a relationship to offer you brokerage and custodial services through Royal Alliance Associates, Inc. ("Royal Alliance") and Pershing, LLC. There is no affiliation between Arlen Capital and Royal Alliance or Pershing.

If you select another brokerage firm for custodial and/or brokerage services will not be able to receive asset management services from Arlen Capital. Advisory representatives registered with Arlen Capital are dually registered with Royal Alliance, member FINRA and SIPC. Advisory Representatives must adhere to FINRA rules and regulations and the policies and procedures of Royal Alliance. These policies and procedures and FINRA's rules prohibit representatives from conducting transactions at a broker/dealer which approval has not been obtained from Royal Alliance.

Fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Managed account programs should be considered a long-term investment and thus long-term performance and performance consistency are the major goals.

### **Third Party Manager Programs**

If Arlen Capital believes you can benefit from the asset management services of a third party manager, Arlen Capital may refer you to third-party investment management programs with which Arlen Capital has established a relationship. Arlen Capital is not affiliated with any third party manager. Third party manager programs are used as another way to diversify your portfolio.

At the time of recommendation, Arlen Capital will deliver to you the third-party management firm's Disclosure Brochure. Arlen Capital will remain your primary investment manager, as outlined in the client agreement between you and Arlen Capital. As such, Arlen Capital will monitor the performance of the third-party management firm.

Arlen Capital has made arrangements with Private Capital Management, Inc. ("PCM") to offer an alternative to asset management through a third party managed program. You will enter into an agreement with PCM for asset management services. You should read the third party manager's or asset allocator's disclosure brochure for additional disclosure of its managed program.

Arlen Capital does not take custody of your assets with the exception of deducting its advisory fees from your account. Arlen Capital will not directly conduct securities transactions on your behalf or participate directly in the selection of the securities to be purchased or sold for your account under management with the third party manager. Investment decisions are made by the third party manager in accordance with the agreement between you and the manager.

Arlen Capital will be available to periodically meet with you and review your account.

### **Wealth Planning Services**

Arlen Capital offers consulting and advisory services on the following areas:

- Goal Planning
- Business Planning
- Investment Strategies
- Multi-Generational and Trust Planning
- Life Insurance Planning

Plans are based on your financial situation at the time and are based on financial information disclosed by you to Arlen Capital. You are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. Arlen Capital cannot offer any guarantees or promises that your financial goals and objectives will be met. Further, you must continue to review the plan and update the plan based upon changes in your financial situation, goals, or objectives or changes in the economy. Should your financial situation or investment goals or objectives change, you must notify Arlen Capital promptly of the changes. You are advised that the advice offered by Arlen Capital may be limited and is not meant to be comprehensive. Therefore, you may need to seek the services of other professionals such as a property and casualty insurance adviser, attorney and/or accountant.

## Arlen Capital, LLC

You are not obligated to implement advice through Arlen Capital or Advisory Representatives. Should you implement the plan with Arlen Capital's Advisory Representatives commissions or other compensation may be received in addition to the advisory fee paid to Arlen Capital.

### **Seminars and Educational Workshops**

Arlen Capital conducts Seminars and Educational Workshops which may include presentations on Investment Management, Wealth Planning, various investment and insurance strategies, and retirement planning.

### **General Information**

You are advised the investment recommendations and advice offered by Arlen Capital are not legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your attorney and/or accountant. You are advised that it is necessary to inform Arlen Capital promptly with respect to any changes in your financial situation and investment goals and objectives. Failure to notify Arlen Capital of any such changes could result in investment recommendations not meeting your needs.

### **Item 5 - Fees and Compensation**

#### **Investment Management Services**

Fees are negotiable and are not based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds.

Arlen Capital reserves the right to waive fees for advisory personnel and their family members during their association with the Advisor, and each decision will be dependent upon the nature of services

Fees are billed quarterly in arrears on the last business day of the calendar quarter based upon the average daily balance of the portfolio in the preceding calendar quarter.

Advisory fees are determined at the time of engagement and are based upon portfolio size, nature of services, clients' circumstances, pre-existing relationships, and are at the discretion of Arlen Capital.

You will be charged the higher of an annual minimum fee of \$2,500 (\$625 per quarter) or a fee calculated in accordance with the fee schedule below. You are advised that if you are assessed the minimum fee because your account value is not large enough the minimum fee may be considered excessive in comparison to the account size. You may obtain similar advisory services from another investment adviser for a lower cost. The charging of the minimum fee is subject to the discretion of Arlen Capital. Part of the decision will be based on the complexity of your situation.

<b>Account Size</b>	<b>Annual Fee</b>
\$0 to \$1,250,000	0.99%
\$1,250,000 to \$2,750,000	0.91%
\$2,750,001 to \$5,000,000	0.86%
\$5,000,001 to \$10,000,000	0.81%



Arlen Capital, LLC

\$10,000,001 and above	0.71%
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Account balances will be aggregated based on family ID to determine appropriate discounts

Arlen Capital may change the above fee schedule upon 30-days prior written notice to you.

In addition to the advisory fees above, you will pay transaction fees for securities transactions executed in your account in accordance with the custodian's transaction fee schedule. Refer to the transaction fee schedule below. Transaction fees are not determined or charged by Arlen Capital. Transaction fees are set and determined by the broker/dealer. Arlen Capital does not share in any portion of the transaction fees. Further, the broker/dealer may change the transaction charges based on their agreement with you.

Transaction Charges

No-Load Funds	Purchases and Redemptions	\$32.50
	Exchanges	\$0.00 per trade
NTF Mutual Funds (Non-IRA)	Purchases	\$0.00 if > \$2,499 \$32.50 if < \$2,499
	Redemption	\$0.00 if held > 6 months \$51.50 if held < 6 months
	Exchange	\$0.00
	Minimum purchase for qualified plans	\$500
Load Funds @ NAV	Purchases	\$32.50
	Redemption	\$0.00
	Exchanges	\$0.00
Stocks	\$25 + 5 cents/share	
Penny Stocks	Under \$1.00 charged \$50 or 5% of principal, whichever is greater	
Bonds	\$50 per transaction	
Unit Investment Trusts	\$50 per transaction	
Brokerage Confirmation	\$4 per confirm	
Brokerage Paper Surcharge	\$1.50 per event	

Additionally, you may pay fees for custodial services, account maintenance fees, transaction fees, and other fees associated with maintaining the Account. Such fees are not charged by Arlen Capital and are charged by the product, broker/dealer or account custodian. Arlen Capital does not share in any portion of such fees. Additionally, you may pay your proportionate share of the fund's management and administrative fees and sales charges as well as the mutual fund adviser's fee of any mutual fund they purchase. Such advisory fees are not shared with Arlen Capital and are compensation to the fund-manager. You should read the mutual fund prospectus prior to investing.

Advisory fees will generally be collected directly from your account, provided you have given Arlen Capital written authorization. You will be provided with an account statement reflecting the deduction of the advisory fee. If the Account does not contain sufficient funds to pay advisory fees, Arlen Capital has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. You may reimburse the account for advisory fees paid to Arlen Capital, except for ERISA and IRA accounts.

You are advised Advisory Representatives of Arlen Capital are dually registered representatives of Royal Alliance Associates, Inc., a registered broker/dealer, member of the Financial Regulatory

## Arlen Capital, LLC

Authority (FINRA) and SIPC. Advisory Representatives of Arlen Capital are dually registered as Registered Representatives of Royal Alliance. Advisory Representatives may receive trail commissions (i.e. 12b-1 fees) for a period of time as a result of directing securities transactions through Royal Alliance. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from your assets. 12b-1 fees may be initially paid to Royal Alliance and a portion passed to the Advisory Representatives. Arlen Capital recommends mutual funds that pay 12b-1 fees and no-load funds. The receipt of such fees could represent an incentive for the Advisory Representatives to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest.

You may purchase the securities recommended by Arlen Capital directly or through other brokers or agents not affiliated with Arlen Capital.

### Termination Provisions

You may terminate investment advisory services obtained from Arlen Capital, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Arlen Capital. You will be responsible for any fees and charges incurred from third parties as a result of maintaining the Account such as transaction fees for any securities transactions executed and Account maintenance or custodial fees. Thereafter, you may terminate investment advisory services upon Arlen Capital's receipt of your written notice to terminate. Should you terminate investment advisory services during a calendar quarter, you will be charged a pro-rated portion of the advisory fee up to the date of termination.

### **Third Party Manager Programs**

Arlen Capital will be compensated for its advisory services. Arlen Capital will charge an annual fee in accordance with the fee schedule below. The fee will be charged on a calendar quarterly basis in arrears. Accounts established or closed during a calendar quarter will be adjusted for the quarter.

Account Value	Annual Fee
Up to \$1,250,000	0.775%
\$1,250,000 to \$2,750,000	0.770%
\$2,750,000 to \$5,000,000	0.650%
\$5,000,000 to \$10,000,000	0.600%
Over \$10,000,000	0.500%

### Termination Provisions

You may terminate Arlen Capital's service at any time upon Arlen Capital's receipt of your written notice to terminate. To terminate the third party manager's service you will need to terminate in accordance with the terms set forth in the agreement between you and the third party manager.

### **Wealth Planning Services**

You are advised that fees for planning services are strictly for planning services. Therefore, you may pay fees and/or commissions for additional services obtained such as asset management or products purchased such as securities or insurance.

Fees are negotiable. Your fees will be dependent on several factors including time spent with Arlen Capital, number of meetings, complexity of your situation, amount of research, services requested and staff resources.

## Arlen Capital, LLC

Fee Type	Maximum Fee	Payable
Fixed Fee	\$1,500 to \$10,000	Payable one-half (1/2) upon execution of the advisory agreement with Arlen Capital and the balance due at the time of presentation of the plan or analysis, unless otherwise negotiated with you.

### Termination Provisions

You may terminate advisory services obtained from Arlen Capital, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Arlen Capital. Thereafter, you may terminate investment advisory services upon delivery of written notice to Arlen Capital. You will be responsible for any time spent by Arlen Capital.

### **Seminars and Educational Workshops**

An attendee fee will range from \$0 to \$500. Fees will be based on the complexity of the content and materials provided. Fees are negotiable.

The payment of fees and cancellation provisions will be outlined in the invitation or course outline. Attendees are never under obligation, but are welcome to engage individualized services.

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

This section is not applicable to Arlen Capital since Arlen Capital does not charge performance based fees.

### **Item 7 - Types of Clients**

Arlen Capital's services are geared toward individuals both high net worth (i.e. clients with a net worth of \$1,500,000) and other than high net worth, trusts estates, or charitable organizations, pension and profit sharing plans, and corporations or other business entities.

If you are participating in Investment Management Services, you will be subject to the higher of an annual minimum fee of \$2,500 (\$625 per quarter) or a fee calculated in accordance with the fee schedule disclosed above under the section Fees and Compensation and Investment Management Services. The charging of the minimum fee is subject to the discretion of Arlen Capital. In deciding whether Arlen Capital will charge the minimum fee, Arlen Capital will consider the complexity of your situation, size of the account, other services in which you participate and whether additional funds and/or securities will be transferred into the account.. If you are assessed the minimum fee because the account value is not large enough you are advised the minimum fee may be considered excessive in comparison to the account size. Further, you are advised you may obtain similar advisory services from another investment adviser for a lower cost.

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

The methods of analysis and investment strategy used to select the securities are based on a list of industry ratios as follows:

*Standard Deviation:* A gauge of risk that measures the spread of the difference of returns from their average. The more a portfolio's returns vary from its average, the higher the standard

deviation. It is important to note that higher than average returns affect the standard deviation just as lower than average returns. Therefore, it is not a measure of downside risk.

*Downside Deviation / Downside Risk:* An alternate measure of risk to standard deviation, the concept of downside risk assumes that each investor has a Minimal Acceptable Return (MAR), and that the investor is only concerned with deviations below this MAR. Unlike standard deviation, if the investor's investment realizes a return above the MAR, then the return is observed as acceptable and should not be indicative of risk. In a downside variance framework, only deviations below the MAR are considered when computing the measure of risk.

*Sortino Ratio:* The Sortino Ratio is similar to the standard Sharpe Ratio, but provides risk-adjusted return information in a different risk framework. The numerator is similar to the standard Sharpe Ratio, except that instead of the risk free rate, the investor's minimal acceptable return (MAR) is used. Also, where the Sharpe Ratio uses standard deviation in the denominator, the Sortino uses a measure of semi-deviation called Downside Risk. Essentially what the Sortino ratio provides is a measure of how far the manager's returns are above the MAR relative to the amount of Downside Risk he or she is taking.

Note that the Sortino Ratio is not the same as the Upside Potential Ratio. The Upside Potential Ratio uses a probability-weighted function of returns.

*Upside Potential Ratio:* The Upside Potential Ratio is a measure of the ability to exceed an investor's minimal acceptable return (MAR) relative to the amount of downside risk he or she is taking. It is the ratio of Upside Potential to Downside Risk.

Using the Upside Potential Ratio provides a unitless number that indicates how likely you are to experience returns above the MAR while accounting for the risk of experiencing returns below the MAR. For example, an Upside Potential Ratio of 1.5 means your chances for success (getting a return above the MAR) is 50% higher than your risk of failure (getting a return below the MAR).

*Omega Excess Return:* In downside style analysis, a measure of what did happen that one can compare to what could have happened (excess return), it is calculated by taking the difference of the omega return for the manager and the omega return for the style. Omega Excess Return indicates the excess return the manager achieved after adjusting for the manager's style and downside risk

*Downside Probability:* Downside Probability is, strictly speaking, the probability that a return will fall below the minimal acceptable return (MAR). It does not measure the magnitude of the shortfall; only the probability the return will be lower than the MAR.

*S&P 500 Index:* A broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. This index does not contain the 500 largest companies or the most expensive stocks traded in the U.S. While many of the stocks are among the largest, this index also includes many relatively small companies. This index consists of approximately 380 industrial, 40 utility, 10 transportation and 70 financial companies listed on U.S. market exchanges (mostly NYSE issues). It is a capitalization-weighted index (stock price times number of shares outstanding), calculated on a total return basis with dividends reinvested. Inception: January 1970.

## Arlen Capital, LLC

*Russell 1000 Value Index:* Represents a segment of the Russell 1000 with a less-than-average growth orientation. Companies in this index have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Russell 1000 Growth Index.. Inception: January 1979.

Arlen Capital does not represent, warrant or imply that the services or methods of analysis used by Arlen Capital can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Arlen Capital will provide a better return than other investment strategies.

As stated above, Arlen Capital primarily uses mutual funds and ETFs. The risks with mutual funds include the costs and expenses within the fund that can impact performance, change of managers, and fund straying from its objective. Open ended mutual funds do not typically have a liquidity issue and the price does not fluctuate throughout the trading day. ETFs are traded on an exchange. Therefore, their price fluctuates more dramatically than a mutual fund. ETFs in comparison to mutual funds have a shorter history.

You are advised investing in securities involves risk of loss, including the potential loss of principal. Therefore, your participation in any of the management programs offered by Arlen Capital will require you to be prepared to bear the risk of loss and fluctuating performance.

### **Item 9 - Disciplinary Information**

There is no reportable disciplinary information required for Arlen Capital or its management persons that is material to your evaluation of Arlen Capital, its business or its management persons.

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

As previously stated, Advisory Representatives are dually registered as an advisory representative of Arlen Capital and as a registered representative of Royal Alliance Associates, Inc. ("Royal Alliance"). You are under no obligation to purchase or sell securities through your Advisory Representative. However, if you choose to implement advice and recommendations, commissions may be earned in addition to any fees paid for advisory services. Commissions may be higher or lower at Royal Alliance than at other broker/dealers. Advisory Representatives may have a conflict of interest in having you purchase securities and/or insurance related products through Royal Alliance in that the higher their production with Royal Alliance the greater potential for obtaining a higher pay-out on commissions earned.

Under the rules and regulations of the FINRA, Royal Alliance has an obligation to perform certain supervisory functions regarding certain activities engaged in by advisory representatives who are also registered representatives of Royal Alliance. For such supervisory functions, Arlen Capital may pay Royal Alliance a portion of the advisory fees they receive. Royal Alliance and Arlen Capital are not affiliated.

## Arlen Capital, LLC

Arlen Corporation, the owner of Arlen Capital, is a licensed insurance agency in the state of Rhode Island. Insurance products are provided to clients for personal, estate and wealth building needs. This activity accounts for approximately 20% of the Advisory Representatives' time.

Arlen Corporation, the owner of Arlen Capital, is a licensed agency with several insurance companies in the state of Rhode Island and Advisory Representatives are licensed life, health and variable contracts agents. Normal commissions from insurance products are earned and paid by insurance companies to Arlen Corporation when such products are placed directly with their personal clients. Insurance products are often recommended to clients of Arlen Capital to minimize clients' exposure to identified risks. Although clients are under no obligation to purchase insurance products recommended, clients often do purchase such products when the needs arise. For clients of Arlen Capital who do purchase such products causing commissions to be generated, such commissions are paid to Arlen Corporation.

Arlen Capital attempts to mitigate the conflicts of interest with the potential receipt of commissions if recommendations are implemented by providing you with these disclosures. Further, you are encouraged to consult other professionals and may implement recommendations through other financial professionals. Furthermore, as a registered representative with Royal Alliance, Advisory Representatives are subject to a supervisory structure at Royal Alliance for his securities business.

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

Arlen Capital and its associated persons may buy or sell securities identical to those securities recommended to you. Therefore, Arlen Capital and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold to you. Arlen Capital and its associated persons will not put their interests before your interest. Arlen Capital and its associated persons may not trade ahead of you or trade in such a way to obtain a better price for themselves than for you or other clients.

Arlen Capital is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of your transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

You have the right to decline any investment recommendation. Arlen Capital and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

### **Code of Ethics**

Arlen Capital has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. Arlen Capital takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as Arlen Capital's policies and procedures. Further, Arlen Capital strives to handle your non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides you with Arlen Capital's Privacy Policy. As such, Arlen Capital maintains a code of ethics for its Advisory Representatives, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting

requirements, and safeguarding of material non-public information about your transactions. Further, Arlen Capital's Code of Ethics establishes Arlen Capital's expectation for business conduct. A copy of our Code of Ethics will be provided to you upon request.

## **Item 12 - Brokerage Practices**

As previously stated, Advisory Representatives are registered representatives of Royal Alliance. As a result they are subject to FINRA Conduct Rule 3040 which may restrict them from conducting securities transactions away from Royal Alliance unless Royal Alliance provides them with written authorization. Arlen Capital is independently owned and operated and not affiliated with Royal Alliance.

You are advised that not all investment advisers require you to maintain accounts at a specific broker/dealer. You are advised you may maintain accounts at another broker/dealer. However, the services provided by Arlen Capital will be limited to only advice and will not include implementation. If you select another brokerage firm for custodial and/or brokerage services you will not be able to receive asset management services from Arlen Capital.

In initially selecting Royal Alliance, Arlen Capital conducted due diligence. Arlen Capital's evaluation and criteria included ability to service you, staying power as a company, industry reputation, ability to report to you and to them, trading platform, products and services available, technology resources, and educational resources.

Periodically, Arlen Capital will review alternative broker/dealers and custodians in the marketplace to ensure Royal Alliance is meeting Arlen Capital's duty to provide best execution for your accounts. The review will include a comparison to Royal Alliance which involves evaluating criteria such as overall expertise, cost competitiveness and financial condition. The quality of execution by Royal Alliance will be reviewed through trade journal evaluations. However, best execution does not simply mean the lowest transaction cost. Therefore, no single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian.

You are advised there may be an incentive for Arlen Capital and the Advisory Representatives to recommend a broker/dealer over another based on the products and services that will be received rather than your best interest.

Royal Alliance has a wide range of approved securities products for which Royal Alliance performs due diligence prior to selection. Royal Alliance's registered representatives are required to adhere to these products when implementing securities transactions through Royal Alliance. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Royal Alliance also provides Advisory Representatives, and therefore the Arlen Capital, with back-office operational, technology, and other administrative support. Other services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. Such services are intended to help Advisory Representatives and Arlen Capital manage and further develop its business enterprise.

Royal Alliance and the clearing firm, Pershing, LLC also make available to Arlen Capital other products and services that benefit Arlen Capital but may not directly benefit you. Some of these other products and services assist Arlen Capital with managing and administering your accounts. These include

## Arlen Capital, LLC

software and other technology that provide access to your account data (such as trade confirmation and account statements); facilitate trade execution; provide research, pricing information and other market data; facilitate payment of Arlen Capital's fees from your accounts; and assist with back-office functions; recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Arlen Capital's accounts, including accounts not held through Royal Alliance.

Advisory Representatives as Registered Representatives may receive trail commissions (i.e. 12b-1 fees) for a period of time as a result of directing securities transactions through Royal Alliance. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from your assets. 12b-1 fees may be initially paid to Royal Alliance and a portion passed to the Advisory Representative of record. The receipt of such fees could represent an incentive for Advisory Representatives to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest.

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

#### *Investment Management Services*

Arlen Capital reviews managed accounts at least quarterly. You will be invited to participate in a review not less than at least annually. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Your Advisory Representative will monitor for changes or shifts in the economy, changes to the management and structure of a mutual fund or company in which your assets are invested, and market shifts and corrections.

You are advised that you must notify your Advisory Representative promptly of any changes to your financial goals, objectives or financial situation as such changes may require him review the portfolio allocation and make recommendations for changes.

You will be provided statements at least quarterly direct from the account custodian. Additionally, you will receive confirmations of all transactions occurring direct from the account custodian. Upon your request, Arlen Capital will provide a consolidated report of your managed accounts. You should compare the report with statements received direct from the account custodian. Should there be any discrepancy the account custodian's report will prevail.

#### *Wealth Planning Services*

You will not receive regular reviews unless you request a review. Wealth Planning services are considered completed upon presentation of the analysis. Arlen Capital recommends you have at least an annual review and update to any plans. However, the time and frequency of the reviews is solely your decision. Additionally, you will be charged review fees based on the fee schedule disclosed under the program. Other than the initial plan or analysis, there will be no other reports issued.

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

Arlen Capital does not directly or indirectly compensate any person who is not a supervised person of Arlen Capital for referrals. Further, Arlen Capital does not receive an economic benefit from a non-client for providing investment advice or advisory services to you.

Product vendors recommended by Arlen Capital may provide monetary and non-monetary assistance with client events, provide educational tools and resources, and assistance with due diligence trips.



## Arlen Capital, LLC

Arlen Capital does not select products as a result of any monetary or non-monetary assistance. The selection of product is first and foremost. Arlen Capital's due diligence of a product does not take into consideration any assistance it may receive. Therefore, this is not considered a conflict of interest but a benefit for you and Arlen Capital.

Arlen Capital does not compensate any person or entity for referring business to Arlen Capital.

### **Item 15 - Custody**

With the exception of deduction of Arlen Capital's advisory fees from your accounts, Arlen Capital does not take custody of your funds or securities.

### **Item 16 - Investment Discretion**

You may grant Arlen Capital authorization to manage your account on a discretionary basis. You will grant such authority to Arlen Capital by execution of the advisory agreement. You may terminate discretionary authorization at any time upon receipt of written notice by Arlen Capital.

Additionally, you are advised that:

- 1) You may set parameters with respect to when account should be rebalanced and set trading restrictions or limitations;
- 2) Your written consent is required to establish any mutual fund, variable annuity, or brokerage account;
- 3) Arlen Capital requires the use of the broker/dealer with which your Advisory Representative is registered for sales in commissionable mutual funds or variable annuities, if you elect to implement recommendations through your Advisory Representative;
- 4) With the exception of deduction of Arlen Capital's advisory fees from the account, if you have authorized automatic deductions, Arlen Capital will not have the ability to withdraw your funds or securities from the account.

### **Item 17 - Voting Client Securities**

Arlen Capital does not vote your securities. Unless you suppress proxies, securities proxies will be sent directly to you by the account custodian or transfer agent. You may contact Arlen Capital about questions you may have or opinions on how to vote the proxies. However, the voting and how you vote the proxies is solely your decision.

### **Item 18 - Financial Information**

Arlen Capital will not require you to prepay more than \$1,200 and six or more months in advance of receiving the advisory service.

### **Item 19 - Requirements for State Registered Advisers**

This section is not applicable to Arlen Capital. **Arlen Capital is not state registered. Arlen Capital is registered with the Securities and Exchange Commission.**