

## ADV Part 2a

### Item 1 – Cover Page

**Arlen Wealth Management, LLC**  
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Pittsburgh, PA 15235  
(412) 825-5168  
May 15, 2012

This brochure provides information about the qualifications and business practices of Arlen Wealth Management, LLC (“Arlen” or the “Adviser”). If you have any questions regarding the contents of this Brochure, please contact us at (412) 825-5168 and/or via electronic mail at [jduggan@arlenwealthmanagement.com](mailto:jduggan@arlenwealthmanagement.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Arlen is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information with which you may determine to hire or retain advisory services. Additional information about Arlen is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

As a result of recently passed legislation, Arlen is no longer eligible to remain federally registered with the SEC. As a result, Arlen will be transitioning its registration to the Commonwealth of Pennsylvania. It is expected that this transition will occur prior to June 28, 2012.

Our brochure may be requested by contacting John K. Duggan, II, President, at (412) 825-5168 or by email at [jduggan@arlenwealthmanagement.com](mailto:jduggan@arlenwealthmanagement.com). Additional information about Arlen is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser, if applicable.

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#### **Item 4 – Advisory Business**

Arlen, which has been in business since June 2008, became registered with the SEC effective July 1, 2009. Arlen offers the services described below primarily to individuals and institutions, including trust, estates and charitable organizations. The principal owner of the firm is John K Duggan, Jr., who serves as President and Chief Compliance Officer. As of April 30, 2012, Arlen managed discretionary client assets valued at \$36,575,163. Arlen does not have any non-discretionary assets under management.

Arlen provides investment advisory services, defined as providing continuous investment advice to a client or making investments on behalf of a client in accordance with each client's investment objectives and risk tolerance. Through personal discussions an investment policy statement is incorporated into each client's investment advisory agreement which defines their unique investment objectives, risk tolerances and any investment restrictions and/or guidelines. Through various forms of analysis including fundamental and technical, Arlen will select equity, fixed income, and money market related investments. See Item 8, Methods of Analysis, Investment Strategies and Risk of Loss for a complete discussion of Arlen's investment analysis.

Clients have the opportunity to place reasonable restrictions on the types of investments made in their accounts.

#### **Item 5 – Fees and Compensation**

Arlen charges a management fee for its investment advisory services which is a percentage of the client's assets managed by Arlen.

Arlen's typical management fee is 1% per annum which is charged monthly, in advance, based on the value of client account assets at the end of the previous calendar month. If a client terminates their account during a month, that portion of the prepaid fee not earned will be promptly refunded. If Arlen begins managing assets for a client during any month, a prorated fee for that month will be charged to the client and payable in advance.

Fees are negotiable based on individual circumstances which include, but are not limited to, the type of client account, the assets of the account and the probability of future additional contributions. Arlen deducts its fees directly from client accounts.

In addition to Arlen's management fee clients will also incur expenses related to brokerage commissions, transaction fees, custodian fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Please refer to Item 12, Brokerage Practices, for a description of the Arlen's practices regarding selection of broker-dealers and trading.

If Arlen invests client assets in mutual funds, exchange traded funds or similar type of investments, clients will also incur fees charged directly by those mutual funds or exchange traded funds including

transactions fees. Clients should review the prospectuses of these investments directly for a discussion of the actual fees to be incurred.

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

Arlen does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

Arlen offers advisory services primarily to institutional accounts, including trust, estates and charitable organizations.

Arlen normally requires a minimum of \$500,000 to establish an account with a client. However, the minimum account size is negotiable under certain circumstances such as the type of client account, the amount of the account and the probability of future additional contributions.

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

Client accounts are managed solely by John K. Duggan, Jr., Arlen's President.

Arlen develops both a long term economic outlook and a shorter term market dynamics outlook when developing an investment strategy for a client. Arlen employs both fundamental and technical analysis in developing its investment strategy for clients. Fundamental analysis utilizes economic and securities valuation data while technical analysis utilizes market prices, volume and other data derived directly from the market. Both are used to determine securities and market risk. The primary focus is finding investments and asset allocation mixes that will satisfy each client's investment objectives and risk tolerances. As market conditions change so will the asset allocation and security selection.

Arlen uses various sources of data including third party research reports, subscription services, government and non-government web sites, as well as a host of financial newspapers, magazines, and periodicals.

Arlen will provide advice primarily on cash equivalents (T Bills and Money Market Funds), bonds and notes (Corporate, Government and Government Agency, Certificates of Deposit, and Municipals), mutual funds, individual equity securities and exchange traded funds (ETF's) or similar investments.

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

The risks below are summaries of the material risks of Arlen's primary investment strategies. It is possible that some of the investment vehicles and direct investments, including mutual funds, selected by Arlen will not perform as anticipated. There can be no assurance that Arlen's investment strategies will achieve profitable results, and results may vary substantially over time. Past performance of client accounts should not be relied upon as an indication of future results. For more detailed information

regarding risks of mutual funds employed in Arlen's strategies, please refer to each mutual fund's prospectus and statement of additional information.

#### Market Risks

The profitability of a significant portion of Arlen's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that Arlen will be able to predict accurately these price movements.

#### Turnover

The portfolio turnover rate of mutual fund portfolios may be significant, potentially involving substantial brokerage commissions and other fees in addition to possibly generating taxable capital gains.

#### Interest Rate Risk

To the extent Arlen invests in fixed income securities and interest sensitive equity securities, clients will be subject to interest rate risk. Generally, the value of debt securities will change inversely with changes in interest rates. As interest rates rise, the market value of debt securities tends to decrease. Conversely, as interest rates fall, the market value of debt securities tends to increase. This risk will be greater for long-term securities than for short-term securities.

#### Credit Risk and Liquidity Risk

Arlen may invest client assets in fixed income securities and other debt securities which carry the risk of default by the borrower which subjects clients to credit risk. If the creditworthiness of an investment is significantly downgraded the ability to sell the investment may become difficult which will subject the client to liquidity risk.

#### Inflation Risk

Inflation increases the possibility that the value of assets or income will decrease relative to the purchasing power of the US dollar. To the extent that Arlen invests client assets in securities that may not keep pace with the rate of inflation, clients will be subject to inflation risk. No assurances can be made that a client's portfolio will increase in or maintain their purchasing power, even if absolute returns are positive.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of its management. Arlen has no required disciplinary disclosure.

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

Arlen and Mr. John K. Duggan Jr., its president, have no other financial industry activities and affiliations.

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

Arlen has adopted a Code of Ethics (“COE”) which is designed to ensure that Arlen fulfills its fiduciary duty to clients, has a standard of business conduct and follows all securities laws. The COE has provisions and requirements that personal securities transactions, activities and interests of the employees and owners of Arlen do not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

In addition, the COE includes provisions requiring the reporting of personal trading, maintaining the confidentiality of client information, the prohibition of insider trading, restrictions on the acceptance of significant gifts and documenting certain gifts and business entertainment items, among other things.

In summary, Arlen’s COE requires that:

- The interests of client accounts will at all times be placed first;
- All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest; and
- Arlen and its employees must not take advantage of their positions.

There is always a conflict-of-interest when an Adviser permits personal trading by its employees. Employees could take advantage of their positions with Arlen and the knowledge they have about client accounts to trade the same securities at more favorable terms than clients or participate in certain investments which may be limited in availability and are suitable for a client account. In addition, when advisor’s personnel are engaged in personal trading during business hours, they may be more concerned with their own accounts as opposed to client accounts. Arlen believes its COE, including its requirements around personal trading and the requirement that clients interest are always put ahead of those of Arlen or its employees helps to control the risk associated with these conflicts of interest.

Arlen will provide a copy of the COE to any client or prospective client upon request. To obtain a copy of Arlen’s COE, please contact John K. Duggan, Jr., President at (412) 825-5168 or by email at [jduggan@arlenwealthmanagement.com](mailto:jduggan@arlenwealthmanagement.com).

## **Item 12 – Brokerage Practices**

Arlen selects brokers and/or dealers to execute trades it believes will provide the best overall services at commission rates Arlen believes are reasonable for the services provided including a broker's ability to provide professional services, competitive commission rates, and other services which Arlen believes will help in providing investment management services to clients.

Arlen may permit clients in certain circumstances to direct Arlen to use a particular broker-dealer including where a client has a pre-existing relationship with the broker or participates in a commission recapture program. In such cases, Arlen will advise the client that directed brokerage accounts may not be able to obtain best execution and client would not benefit from Arlen’s aggregation of orders or

negotiated commission rates. Arlen will advise clients if they believe a client's directed broker does not provide competitive and quality services.

Arlen does not engage in any soft dollar programs. However, Arlen does receive economic benefits which would not be received if Arlen did use Schwab's Advisor Services. These benefits include: receipt of duplicate client confirmations and electronic duplicate statements; access to a trading desk serving Schwab Institutional clients exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; receipt of compliance publications, and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors. As a result, a conflict-of-interest may exist in that Arlen may have an incentive to trade primarily with Schwab in return for these benefits. However, Arlen believes it has procedures in place to control and monitor this risk including a best execution review process to ensure that clients are receiving best execution.

Arlen will block trades where possible and when advantageous to clients. This blocking of trades permits the aggregation of securities from multiple client account. When used, transaction costs are shared equally and on a pro-rated basis between all accounts. Block trading also can allow Arlen to execute equity trades in a timelier manner.

As a fiduciary, Arlen has the responsibility to effect orders correctly, promptly and in the best interests of our clients. In the event any error occurs in the handling of any client transactions, due to Arlen's actions, or inaction, or actions of others, Arlen's policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting Arlen in any way.

### **Item 13 – Review of Accounts**

Client portfolios and performance are monitored by Arlen on a quarterly basis unless a client requests a more frequent review.

On a monthly basis the broker sends an account statement and each transaction generates a confirmation to the client

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

Arlen does not currently pay solicitors to refer business to the Firm.

### **Item 15 – Custody**

Arlen is deemed to have custody by being able to direct debit its fees from client accounts. However, Arlen does not take physical custody of any client assets.



### **Item 16 – Investment Discretion**

Arlen's policy requires a written investment advisory agreement which grants Arlen investment discretionary authority. However, in certain circumstances, clients can limit Arlen's investment discretion such as restricting certain types of investments and/or industries.

### **Item 17 – Voting Client Securities**

Arlen does not vote client proxies.

### **Item 18 – Financial Information**

A registered investment adviser is required to provide you with certain financial information or disclosures about its financial condition. Arlen has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### **Item 19 – Requirements for State Advisers**

Employment with Arlen normally requires some prior business experience and an appropriate investment related professional designation.

#### **President**

John K. Duggan, Jr.

#### **Education**

University of Pittsburgh, B.Sc. 1974

#### **Employment**

Arlen Asset Management, Inc., President (04/2009 - present)

PNC Wealth Management, Senior Relationship Manager (03/1994 – 03/2009)

## **ADV Part 2b**

### **Item 1 Cover Page**

John K. Duggan, Jr., (born 1949)  
Arlen Wealth Management, LLC  
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Pittsburgh, PA 15235  
(412) 825-5168  
May 15, 2012

This brochure supplement provides information about John K. Duggan, III that supplements the Arlen Wealth Management, LLC brochure. You should have received a copy of that brochure. Please contact John K. Duggan III, if you did not receive Arlen's brochure or if you have any questions about the contents of this supplement.

Additional information about, John K. Duggan, Jr. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Item 2 Educational Background and Business Experience**

#### **President**

John K. Duggan, Jr.

#### **Education**

University of Pittsburgh, B.Sc. 1974

#### **Employment**

Arlen Asset Management, Inc., President (04/2009 - present)  
PNC Wealth Management, Senior Relationship Manager (03/1994 – 03/2009)

### **Item 3 Disciplinary Information**

There are no reportable events material to a client's or prospective client's evaluation of John K. Duggan, Jr.

### **Item 4 Other Business Activities**

There are no other business activities with which John K. Duggan III is involved.

**Item 5 Additional Compensation**

There are no additional arrangements or circumstances in which John K. Duggan, Jr. receives additional compensation.

**Item 6 Supervision**

Arlen has adopted compliance policies and procedures it believes are reasonably designed to prevent and detect violations by Arlen and its sole employee, John K. Duggan, Jr. of the rules and regulations to which Arlen is subject.

**Item 7 Requirements for State-Registered Advisers**

This Item 7 requires disclosure if certain events relating to John K. Duggan, Jr. have occurred such being found liable of dishonest behavior and/or the filing of bankruptcy petition. There are no events to disclose.