

Form ADV Part 2 Brochure –
Dated February 11, 2015

Arlington Capital Management, Inc.

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This Form ADV Part 2 (“Brochure”) provides information about the qualifications and business practices of Arlington Capital Management, Inc. If you have any questions about the contents of this Brochure, please contact us at (847) 670-4030. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any other state securities authority.

Addition information about Arlington Capital Management, Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov.

Arlington Capital Management, Inc. is a registered Investment Advisor. However, please note that registration as an Investment Advisor does not imply any level of skill or training.

ITEM 2 - Material Changes

This Brochure, dated February 11, 2015, contains no material changes from the firm's prior Brochure, dated February 25, 2014 with the exception of the firm's updated Assets Under Management figures, as listed in the second paragraph of Item 4 (as of 12/31/2014, the firm managed a total of \$134,618,500 in Discretionary assets for 560 client investment accounts).

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ITEM 4 – Advisory Business

Arlington Capital Management, Inc., Firm CRD Number 114801, is an SEC registered Investment Advisory firm, with one principal owner/officer: Joseph LoPresti, Owner, President, Senior Portfolio Manager, and Chief Compliance Officer.

Formed in 2001, Arlington Capital Management, Inc. (“ACM” or “Arlington”) provides on-going discretionary Investment Management/Supervisory Services. This Management Service is described further below, as well as in the firm’s Investment Advisory Agreement, which all clients must sign prior to engagement of this firms services. As of 12/31/2014, the firm managed a total of \$134,618,500 in Discretionary assets on behalf of 560 client investment accounts.

All client accounts are placed in one of five basic risk type model portfolios based on the client’s suitability and client’s total assets under firm’s management relative to financial net worth. Each risk type model includes a growth and/or income strategy of varying degrees, with the aggressive models focused more on growth than income and conservative models allocating more into the income strategy.

When indicated by the firm’s proprietary management system, changes and rebalancing of the model portfolios is affected. The proprietary management system includes indicators to help identify significant market trends. If market trend indicators are negative, tactical risk management transactions may be employed. The tactical strategy includes holding cash equivalent investments and short or inverse funds at times. The tactical strategy is designed to protect client investment portfolios during significant market downturns; however, there is risk of underperformance if cash or short (inverse) funds are held while the market is rising. Proprietary management system also includes asset class and sector leadership, and individual security selection to help determine composition and reallocation decisions of model and client portfolios.

The above listed advisory services can be tailored to each client – as such, if any client requires any restrictions on any types of stocks or market segments, the client needs to inform Arlington of the restrictions in writing. If, for any reason, the firm is not able to meet the client restrictions, the firm will notify the client of that fact so that the client can determine their requirements and needs.

Arlington Capital Management continues to provide ongoing Investment Advisory Services by monitoring the portfolio and in providing continuous advice and recommendations. Managed portfolios are generally reviewed bi-annually (or at an interval mutually agreed upon) during client meetings, while the firm's risk model portfolios are rebalanced and reviewed daily. However, account reviews could also occur at the time of significant new deposits or withdrawals, material changes in client's financial information, changes in the overall market or economic situation, or at the Advisor's discretion.

Arlington encourages frequent client contact but will seek out contact no less than annually. Clients may call the office at any time during normal business hours to discuss investment matters directly with their Advisory Representative. However, please note that *clients are obligated to promptly notify Arlington of any changes in the client's financial status or information* in order to give the firm an opportunity to review the current investment strategies designed for the client to ensure they continue to meet the client's changing needs or to determine if there changes are warranted.

For accounts invested in Mutual Funds, note that the direct management fees paid to Arlington Capital Management are in addition to the indirect management and expense fees charged by mutual funds; therefore, clients whose assets are invested in shares of mutual funds will pay both a direct management fee to this firm *and* an indirect management fee through the mutual fund.

ITEM 5 – Fees and Compensation

The basic per annum fee schedule assessed against assets under management (with a minimum annual fee of \$7,500) is:

Assets Under Management

\$250,000-\$499,999	\$7,500 annual fee
\$500,000 - \$1 million	1.50%
\$1 M - \$2.5 M	1.25%
\$2.5 M - \$5 M	1.00%
over \$5 million	0.80%

In addition to the above management fee, the client may have transaction costs associated with each trade in their custodial account to cover execution and custodial expenses.

All fees paid to Arlington for Investment Advisory services are separate from the fees and expenses charged to shareholders of mutual fund shares as charged by the mutual funds. A complete explanation of the expenses charged by the mutual funds is contained in each mutual fund's prospectus, which clients should review carefully.

Management fees are due at the beginning of each quarter. Fees for the quarter are based on the closing market value of the portfolio on the last business day of the previous calendar quarter. A client may terminate the advisory contract at any time and receive a pro-rated refund. Termination must be made in writing, thirty (30) days in advance. Advisory fees are negotiable, and the firm may negotiate a flat fee on a case by case basis.

Fees will not be based upon a share of capital gains or capital appreciation of the funds of any portion of funds of an advisory contract (known as "*performance fees*"). Investment advisory fees are not collected for services in excess of \$1200 and six months or more in advance of services. The Advisor reserves the right to modify fees with 30 days advance written notice.

Client may choose to have fees deducted directly from their accounts, or clients can choose to be billed directly by Arlington. The choice of direct billing or automatic deduction of fees is made at the time of new account sign-up, as outlined in the Advisory Contract and new account opening documents. A client can choose at any time to change the method of fee deduction/billing for their account.

Termination of Services:

Where the client has not received Arlington's Form ADV Part II Brochure at least 48 hours prior to engagement, the client may terminate the Agreement without penalty (full refund or no fees due) within 5 business days of signing the Agreement. Alternatively, Investment Advisory Services are continuous, but either party may terminate the Agreement with thirty (30) days prior written notice to the other party's last known legal address.

ITEM 6 – Performance Based Fees and Side-By-Side Management

Arlington does not charge performance based fees of any kind (those fees that are based upon a share of capital gains or capital appreciation of client assets).

ITEM 7 – Types of Clients

Advisory services are generally provided to individuals and high net worth individuals. However, in some instances Arlington will service accounts for retirement plans, pension and profit sharing plans, trusts, estates, charitable organizations, or other business entities.

If an account is subject to the Employee Retirement Income Security Act of 1974, as amended, ("*ERISA*"), the Advisor acknowledges that Advisor is a fiduciary within the meaning of the Act and the ERISA client is a named

fiduciary with respect to the control or advisory of the assets in the Account. In each instance, the client will agree to obtain and maintain a bond satisfying the requirements of Section 412 of ERISA and to include the Advisor and the Advisor's principals, agents, and employees under those insured under that bond and will deliver to the Advisor a copy of the governing plan documents. If the Account assets for which the Advisor provides services represent only a portion of the assets of an employee benefit plan, client will remain responsible for determining an appropriate overall diversification policy for the assets of such plan.

The firm recommends a minimum relationship size of \$500,000. However, in certain instances this minimum may be waived at the discretion of Arlington.

ITEM 8 – Methods of Analysis, Investment Strategies, and Risk of Loss

Investing in securities of any kind involves risk of loss that clients must be prepared to bear.

The investment strategies used in managing client accounts may include both long and short term trading, short sales, trading (securities bought and sold within 30 days), margin, and various options strategies. Because the use of margin and options can entail increased risk, they are only recommended and utilized when consistent with client stated risk tolerance and investment objectives. Arlington utilizes numerous sources of information when analyzing investments and economic conditions, including various rating services, Morningstar and other similar fund rating services, news reports and industry related journals and research, annual reports, prospectuses, and SEC filings.

As noted in Item 4 above, when indicated by the firm's proprietary management system, changes and rebalancing of the model portfolios is affected. The proprietary management system includes indicators to help identify significant market trends. If market trend indicators are negative, tactical risk management transactions may be employed. The tactical

strategy includes holding cash equivalent investments and short or inverse funds at times. The tactical strategy is designed to protect client investment portfolios during significant market downturns; however, there is risk of underperformance if cash or short (inverse) funds are held while the market is rising. Proprietary management system also includes asset class and sector leadership, and individual security selection to help determine composition and reallocation decisions of model and client portfolios.

ITEM 9 – Disciplinary Information

Firms are required to report any legal or disciplinary events that are material to a client's evaluation of our advisory business and the integrity of our management. There are no legal or disciplinary events that are reportable under this Item for either Arlington Capital Management or any supervised person of Arlington.

ITEM 10 – Other Financial Industry Activities and Affiliations

Arlington Capital Management does not have any other financial industry activities or affiliations. However, Mr. LoPresti is the owner of the Investor Education Institute, based in Arlington Heights, Illinois. The Investor Education Institute provides educational products and on-line research tools and investor information for the individual investor.

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

Code of Ethics:

Arlington has adopted a Code of Ethics that obligates this firm and its related persons to put the interest of the firm's Clients before their own interests, and to act honestly and fairly in all aspects of client servicing. In

addition, the Code requires that certain transactions by firm personnel be pre-approved, and that firm personnel report all reportable holdings and transactions to firm management on a regular basis. Clients or prospective clients can always obtain a copy of the firm's Code of Ethics by contacting Mr. Joseph LoPresti, Chief Compliance Officer, at the address or phone number listed on the cover page of this Brochure.

Participation or Interest in Client Transactions and Personal Trading:

Arlington and our related persons may invest in the same investments and models that are used by clients. As such, at times the interests of the Advisor or related persons' accounts may coincide with the interests of clients' accounts, however at no time will the Advisor or any related person receive an added benefit or advantage over clients with respect to these transactions. All applicable rules of the Investment Advisors Act of 1940 (the "Act") will be strictly enforced, and all employee transactions are reviewed on a regular basis to detect and prevent conflicts of interest and front-running. The client's transactions are always completed before (or in the case of bulk trades, at the same time as) the Advisory affiliates enter orders for their own account. Clients should be aware that our related persons participate in block trades along with client transactions.

Arlington does not conduct 'Principal' transactions, does not engage in Cross-Trades between advisory clients, and does not participate in Agency Cross Transactions of any kind.

ITEM 12 – Brokerage Practices

The firm considers the following factors before suggesting a particular brokerage firm to clients: the products offered, the level of service, and the ability to meet client needs. In assessing the reasonableness of their commissions, the firm compares various brokerage firm rates and advises clients of the best overall firm. In considering these parameters, this firm recommends use of Schwab Institutional.

The firm remains flexible in the use of other brokerage firms upon client request or where otherwise appropriate. Clients may be able to receive lower overall commission rates, enhanced execution, or other services at

another broker/dealer. Each client must evaluate each broker/dealer carefully to insure that the broker selected provides them with the best blend of cost, clearance and settlement, and other services.

However, clients who direct their brokerage accounts to broker/dealers of their own independent choosing may not receive best execution on their trades. For example, such clients usually cannot participate in block orders with other clients and the lower transaction costs such trades afford. In such transactions, share prices are averaged across client accounts participating in the block transaction, although clients may still be subject to a minimum commission charge.

The firm receives no soft dollars from any service provider, and Advisory Representatives are not Registered Representatives of any broker/dealer firm.

ITEM 13 – Review of Accounts

Firm registered Advisory Representatives review all accounts daily to determine what, if any, action is necessary. We seek to conduct portfolio review meetings on a regular basis. The frequency and format of meetings will be at a mutually agreed upon interval and may be in person or via phone or web meeting. Clients receive written quarterly statements from this firm showing their portfolio holdings and the total portfolio value. In addition, the client's brokerage firm or custodian firms may also send various confirmations, statements, and/or account information and updates directly to the client.

ITEM 14 – Client Referrals and Other Compensation

Arlington does not utilize or permit payment in any manner to any solicitors or third-parties, and receives no payment for any client referrals or solicitations.

ITEM 15 – Custody

Arlington does not maintain Custody of client funds or securities. As such, this Item is not applicable.

ITEM 16 – Investment Discretion

Arlington offers discretionary investment supervisory services to its clients. Discretion will be given by the client to the applicant via a Limited Power of Attorney authorization. Specifically, the client will be authorizing this firm, or an agent associated with this firm, to make investment decisions and to act upon those decisions on behalf of the client without first contacting said client. This discretion will apply only to the choice of a security to be bought or sold, the amount of securities bought or sold, and the price at which securities are bought or sold.

As noted in Item 4 above, clients do have the ability to leave standing instructions with the Adviser to refrain from investing in particular industries or market segments. If the firm is not able to meet the client restrictions, the firm will notify the client of this fact so that the client can determine what is in their best interest.

ITEM 17 – Voting Client Securities

Clients retain the authority to vote proxies and will be responsible for ensuring that all proxy materials are sent directly to them. Arlington does not and will not vote proxies on behalf of the client.

ITEM 18 – Financial Information

Arlington does not require prepayment of more than \$1,200 in fees per client six months or more in advance – as such, a Balance Sheet is not required and therefore not attached. There is also no known financial

condition that is reasonably likely to impair this firm's ability to meet contractual commitments to clients, and the firm has not been the subject of a bankruptcy proceeding.

ITEM 19 – State Registered Advisors

As an applicant SEC registrant, this item is not applicable.