

**Form ADV Part 2 Brochure –**  
**Dated July 18, 2016**

**Arlington Capital Management, Inc.**

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This Form ADV Part 2A (“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](http://www.adviserinfo.sec.gov).

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

## ITEM 2 - Material Changes

This Brochure, dated July 18, 2016, contains the following changes from the firm's prior Brochure, dated March 24, 2016:

- 1) Joseph LoPresti is no longer Chief Compliance Officer. The new Chief Compliance Officer is John Hollahan. This change can be found in Part 2A, Item 4, and in the various Part 2B documents.
- 2) Part 2A, Item 14 was amended to disclose that, while Arlington may underwrite the costs of client appreciation events to which clients may bring prospective clients, no compensation is paid for these referrals.

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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 and Senior Portfolio Manager.

Commencing operations in 2000, 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 firm’s services. As of 12/31/2015, the firm managed a total of \$182,400,000 in Discretionary assets on behalf of 750 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.

Arlington’s investment strategy combines quantitative models with qualitative research, seeking to achieve attractive risk-adjusted returns over a long-term investment horizon in the management of client accounts. When indicated by the firm’s proprietary management system, changes and rebalancing of the model portfolios is typically affected. The proprietary management system includes indicators that seek to identify significant market trends. If market trend indicators are negative, tactical risk management transactions may be employed. The tactical strategy typically includes holding cash equivalent investments and short or inverse funds at times. The tactical strategy seeks to protect and potentially profit in 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. Arlington’s proprietary management system also includes asset class and sector leadership, and individual security selection

to seek to 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 is required 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 with clients annually (or at an interval mutually agreed upon) during client meetings or phone discussion, while the firm's risk model portfolios are typically 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 Arlington'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 changes are warranted.

## 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 will have transaction costs (including brokerage fees, commissions and related costs) associated with each trade in their custodial account to cover execution, in addition to any custodial expenses. Please refer to Item 12 of this Firm Brochure for a discussion of Arlington's brokerage practices.

Client assets may be invested in Mutual Funds, Exchanged Traded Funds, or other securities that may charge fees and expenses that are in addition to the management fee charged by Arlington. Therefore, clients whose assets are invested in shares of these Funds or securities will pay both a direct management fee to Arlington *and* an indirect management fee and any expenses charged by these Funds or securities. A complete explanation of the fees and expenses charged by these Funds or securities is contained in the prospectus or other offering memoranda (if one exists) for these Funds or securities, 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 of an advisory contract must be made in writing, thirty (30) days in advance. Arlington's 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 any portion of funds that are managed pursuant to 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. Arlington 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.

#### 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. However, in some instances Arlington will service accounts for retirement plans, pension and profit sharing plans, trusts, estates, charitable organizations, or other business entities.

The firm recommends a minimum relationship size of \$500,000, and requires an investment of at least \$250,000, however, in certain instances, this investment minimum may be waived at the discretion of Arlington.

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

### A. Methods of Analysis and Investment Strategies.

As noted in Item 4 above, Arlington's investment strategy combines quantitative models with qualitative research, seeking to achieve attractive risk-adjusted returns over a long-term investment horizon in the management of client accounts. When indicated by the firm's proprietary management system, changes and rebalancing of the model portfolios is typically affected. The proprietary management system includes indicators that seek to identify significant market trends. If market trend indicators are negative, tactical risk management transactions may be employed. The tactical strategy typically includes holding cash equivalent investments and short or inverse funds at times. The tactical strategy is designed to seek 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. Arlington's proprietary management system also includes asset class and sector leadership, and individual security selection to seek to determine composition and reallocation decisions of model and client portfolios.

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 (securities bought and sold within 30 days), short sales, 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 seeks to utilize numerous sources of information when analyzing investments and economic conditions.

### B. Material Risks (Including Significant or Unusual Risks) Relating to Investment Strategy.

**Lack of Diversification.** Client accounts may not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly,



client accounts may be subject to more rapid change in value than would be the case if Arlington were required to maintain a wider diversification among types of securities and other instruments.

**Market Risks.** The profitability of a significant portion of the investment strategy 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 Arlington will be able to predict accurately these price movements. Therefore, any adverse changes in the overall market may result in a decline in the value of a client's assets. The implementation of Arlington's strategy may result in active and frequent trading to achieve a particular investment objective, which may result in higher commissions and charges to client accounts due to increased brokerage, which will offset client profits or increase losses.

**New Funding.** Arlington will use its discretion when managing new assets placed under management. Such discretion can affect the timing and extent of the sale of any existing securities held in the account(s) and when and to what extent to invest in the new funds in the selected strategy.

### C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks).

**Equity Securities.** The value of equity securities fluctuate in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

**Options.** In connection with the use of options, there may be an imperfect correlation between the change in market value of a security and the prices

of the options in the client's account. In addition, Arlington's investments in options may encounter a lack of a liquid secondary market.

### 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

Mr. LoPresti, the Owner, President and Senior Portfolio Manager of Arlington, is also the owner of the Investor Education Institute. The Investor Education Institute ("IEI") is not an investment adviser registered with the U.S. Securities and Exchange Commission or any state. The IEI publishes financial publications of general and regular circulation that provide investment advice on securities that is of an impersonal nature and that is not tailored to the particular needs of any subscriber. Arlington has entered into agreements with IEI whereby, from time to time, IEI provides to Arlington a variety of services and products, including use of investment models such as PAAM, charts, indicators and other investment tools, access to lists of customers and potential customers and the use of IEI personnel.

### 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 or the 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 Arlington or related persons' accounts may coincide with the interests of clients' accounts, however at no time will Arlington 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 to seek to 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. In the rare event that a block order is partially filled, Arlington will only allow related person accounts to participate in the transaction after all client accounts are filled first.

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 in selecting a particular brokerage firm to execute client transactions (or series of transactions) and determining the reasonableness of the brokerage firm's compensation: the products offered, the level of service, and the ability to meet client needs. In assessing the reasonableness of their commissions, the firm also compares various brokerage firm rates. In selecting a brokerage firm to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, Arlington need not solicit competitive bids and does not have an obligation to seek the lowest

available commission cost. It is not Arlington's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. Selected employees of Arlington meet at least annually to evaluate the brokerage firms used by Arlington to execute client trades using the foregoing factors.

Arlington receives research or other products or services other than execution from Charles Schwab, Inc., in connection with client securities transactions. This is known as a "soft dollar" relationship. Arlington will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

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 broker/dealer with which Arlington does not have a relationship. 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.

Advisory Representatives are not Registered Representatives of any broker/dealer firm.

### ITEM 13 – Review of Accounts

Firm registered Advisory Representatives review all accounts on a continuous basis to determine what, if any, action is necessary. Significant market events affecting the prices of one or more securities in client accounts, changes in the investment objectives or guidelines of a particular client or specific arrangements with particular clients may trigger reviews of client accounts on an other than periodic basis.

We seek to conduct portfolio review meetings with clients on a regular basis. The frequency and format of such 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.

Arlington may from time to time invite certain clients to client appreciation events. These clients are encouraged to invite friends who may be interested in Arlington's services. While Arlington underwrites the cost of these events, there is no compensation paid to any client for any referral.

### 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 advisory services to its clients. Prior to assuming full discretion in managing a client's assets, Arlington enters into an investment advisory agreement or other agreement that sets forth the scope of the Adviser's discretion. Discretion will be given by the client to Arlington via a Limited Power of Attorney authorization. Specifically, the client will be authorizing Arlington, 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 typically 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 types of stocks 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 their requirements and needs.

### 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 – Requirements for State-Registered Advisers

As an SEC registered firm, this item is not applicable.