

**Form ADV Part 2 Brochure –**  
**Dated December 21, 2017**

**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 December 21, 2017, contains no material changes from the firm's prior Brochure, dated March 23, 2017, with the following exception: Part 2A, Item 15 was amended to disclose that, Arlington Capital Management, who assists clients in transferring funds from client accounts held with qualified custodians to third parties, is deemed to have custody, however, is not required to obtain a surprise annual audit by an independent accountant.

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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 12/31/2016, the firm managed a total of \$268,300,000 in Discretionary assets on behalf of 870 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. Accounts are managed on a discretionary basis; however, in instances where ACM provides advice to accounts where ACM does not have trading authority, ACM will provide recommendations to the client and the client has the responsibility to implement the trades.

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 or high risk, risk management transactions may be employed. The risk management strategies typically includes holding cash equivalent investments and/or short or inverse funds at times. The risk management strategies seek 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 reasonable 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. Client 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

Less than \$500,000	\$7,500
\$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. However, in certain instances, this investment minimum may be negotiated 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 or high risk, risk management transactions may be employed. The risk management strategies typically includes holding cash equivalent investments and/or short or inverse funds at times. The risk management strategies are 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).

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.

## 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 advice about 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 (Proactive Asset Allocation Model), charts, indicators and other investment tools, access to lists of customers and potential customers and the use of IEI personnel.

ACM's investment decisions are often based upon the PAAM Model, which we customize into our Proactive Asset Allocation Strategy (PAAS) Model. IEI makes every effort to promptly notify subscribers as changes to the PAAM Model occur. These notifications may occur prior to, during, or after ACM begins trading securities in the PAAS Model.

Often, the same securities may be present in both the PAAM and PAAS Models. In this situation, IEI subscribers may be aware of recommendations prior to ACM trades, and may obtain better or worse pricing than ACM clients. By the same token, if ACM begins trading prior to the notification to IEI subscribers, ACM clients may obtain better or

worse pricing than IEI subscribers who act on the information. From time to time, these same securities may be stocks or Exchange Traded Funds (ETF) with low market capitalizations. IEI's publication of recommendations of low market capitalization securities may affect their market price after being made available to IEI subscribers. ACM believes that its clients will be advantaged in the long term because of its affiliation with IEI and the ability to use PAAM.

ACM never trades based upon anticipated market impact of trades made by IEI subscribers. The PAAS Model is customized to meet the needs of a managed portfolio. It therefore may hold securities not included in the PAAM Model or vice versa, and may be traded over time rather than immediately upon a change to the PAAM Model.

### 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 currently recommends Charles Schwab & Co., Inc. as the primary custodian for client accounts.

At this time, ACM anticipates that most client trades will be placed with the client’s custodian, due to the typical size of block trades and/or the liquidity of the securities being traded.

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 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, certain trade journals; industry benchmark reports; and attendance at certain seminars and conferences. 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 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 a 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 advantages associated with participation in block orders with other clients. In such transactions, share prices are averaged across client accounts participating in the block transaction. These block orders may utilize trading algorithms offered by the primary custodian that can offer flexibility, such as allowing an order to be spread across a period of time, in contrast with a trade executed at a specific point in time. Commissions and trading costs may vary among clients who direct the use of brokers or dealers other than Arlington’s recommended custodian.

Furthermore, Arlington places trades with its recommended custodians prior to placing trades with other brokers. Therefore, this may result in execution prices either better or worse than prices received by clients using

Arlington's recommended custodian. Once Arlington places orders with its recommended custodians, it will typically place trades with other custodians regardless of whether or not the orders have been completed at the recommended custodians.

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

In the event of a trade error, ACM will promptly correct the error. If the error results in a loss, ACM will make the client whole. If the error would result in a gain in the client's account, the client will retain the gain. Please note that if a trade error occurs in a Charles Schwab account, Schwab will absorb losses and retain gains when the amounts is \$100 or less.

### 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.

Arlington encourages frequent client contact but will seek out contact no less than annually. The frequency and format of such contact 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

In accordance with current guidance pertaining to advisors who assist clients in transferring funds from client accounts held with qualified custodians to third parties, Arlington is deemed to have custody. Under this guidance, Arlington is not required to obtain a surprise annual audit by an independent accountant. Clients will receive account statements from their custodian and should carefully review those statements. We urge you to compare your custodial statements with the statements you receive from ACM and notify us of any discrepancies.

## 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. Arlington also has the authority to select the broker-dealer to be used. Please see disclosure in item 12 of this brochure.

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 reasonable 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.