

**Form ADV Part 2 Brochure –**

**Dated March 18, 2024**

**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 March 18, 2024, contains the following material changes from the firm's prior Brochure, dated March 22, 2023.

- No material changes have been made.

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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., DBA Arlington Wealth Management (“AWM” or “Arlington”) provides Wealth Management Services and on-going discretionary Investment Management/Supervisory Services. These services are 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 12/31/2023, the firm managed a total of \$154,749,803.00 in Discretionary assets on behalf of 745 client investment accounts.

### Wealth Management Services

Arlington uses the following systematic consulting process for uncovering clients’ most important goals and for designing and implementing appropriate solutions.

1. **Discovery Meeting.** At an initial meeting, we conduct a discovery interview. This helps us identify the challenges clients and prospective clients face in achieving all that is important to them and understand their most important financial issues. We examine the current situation, the goals they would like to achieve and how we can help them maximize the possibility of achieving those goals.
2. **Investment Plan Meeting.** At this meeting, we want to make sure something wasn’t missed or misunderstood from the Discovery meeting. We’ll present our diagnostic of the current situation and our recommendations for how we can bridge the gaps in order to help the client or prospective client reach their goals. This plan forms the foundation for all of our work together.
3. **Mutual Commitment Meeting.** At this meeting, we are ready to mutually decide if we should begin working together and proceed with implementing the investment plan. We should only mutually commit if we both agree that our firm can add substantial value to their lives. Should we both choose to work together, we will commit our resources toward helping the client achieve what is most important to the client and their family. We also execute the documents necessary to put the investment plan into motion, and then begin providing the applicable Investment Management Services.
4. **45-Day Follow-up Meeting.** At this meeting, we introduce the client to our team, ensure they can access all of their accounts electronically and generally make sure

we get off on the right foot. We also answer any questions the client may have at that time.

**5. Regular Progress Meetings and Advanced Planning Recommendations.**

These meetings, which are scheduled at intervals convenient to the client, provide us an opportunity to review any major changes in personal or financial situation since our last meeting. If these changes require an adjustment to the investment plan, we make the recommendation. We also review overall progress toward long-term financial goals. These meetings are also our opportunity to present and discuss advanced planning recommendations that may be appropriate for the client's situation, so that we can prioritize those areas of greatest importance and then address them systematically. Some of these advanced planning recommendations may be developed in conjunction with outside professionals. Some recommendations may involve the use of outside services for implementation, and these services are not within the scope of this agreement. The following areas are typically addressed depending on Client's circumstances:

- a. **Wealth Enhancement:** Tax mitigation and cash-flow planning
- b. **Wealth Transfer:** Transferring wealth effectively
- c. **Wealth Protection:** Risk mitigation, legal structures
- d. **Charitable Giving:** Maximizing charitable impact

Wealth Management Services also includes the services identified in the Investment Management section that follows.

**Investment Management Services**

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 one of AWM's growth strategies 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 AWM provides advice to accounts where AWM does not have trading authority, AWM shall promptly inform clients of any recommended changes to client's account, and it will be client's responsibility to review these recommendations and, if client approves the recommendations, to place the recommended transactions with client's custodian. Client will also be responsible for obtaining custodial statements from the custodian and providing them to Arlington as soon as practicable to allow Arlington to review client Account's positions, valuations and trading activity. In addition, if appropriate, AWM may recommend private placements such as Delaware Statutory Trusts (DSTs).

Arlington's investment strategies combine 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 Proactive Asset Allocation Strategy** seeks to allocate client portfolios into asset classes that exhibit leadership characteristics as identified by our proprietary management system. This includes specific industry groups, commodity classes, countries, etc. and security selection (i.e. ETFs and/or individual stocks) to seek to determine composition and reallocation decisions of model and client portfolios. If market trend indicators are negative or high risk, risk management transactions may be employed.

**Arlington's Core Strategy** provides exposure to a more broadly diversified portfolio of assets (typically ETFs) than the Proactive Asset Allocation Strategy, such as Large Cap Growth, Developed International, etc. If market trend indicators are negative or high risk, risk management transactions may be employed.

**Arlington's Buffered Strategy** is designed to help reduce uncertainty in the stock market by potentially taking advantage of market growth while maintaining a downside buffer. In this strategy the client's assets are invested in one or more "Defined Outcome" ETFs. These ETFs, which are based on market indices (such as the S&P 500), are designed to achieve the following over a defined period of time (the "outcome period"):

- (a) absorb a certain amount of loss in declining markets (the "buffer");
- (b) limit the amount for growth the ETF may achieve in rising markets (the "cap").

For example, assume that we purchase a "Defined Outcome" ETF based on the S&P 500 with an outcome period of one year, a buffer of 9%, and a cap of 14%. We buy the ETF on the first day of the outcome period and sell it on the last day.

If the S&P 500 declined by 5% during that year, the ETF would be approximately the same value that it was when purchased minus the fund expenses. If, however, the S&P 500 declined by 15% that year, the ETF would lose approximately 6% (a 15% loss less the 9% buffer), minus the fund expenses.

If the S&P 500 rose 10% during that year, the ETF would also increase in value by approximately the same amount minus the fund expenses. If, however, the S&P 500 rose 20% that year, the ETF's gains would be capped at approximately 14% minus the fund expenses.

As the price of the index and the ETF will fluctuate during the outcome period, the effective percentage of the buffer or cap may be greater or lower than they were at the beginning of the outcome period when the ETF is purchased after the beginning of the outcome period or sold before the end of the outcome period.

Please note that the percentages listed above are only meant to serve as an example and do not represent the actual buffers and caps used by any particular "Defined Outcome" ETF. Returns will be reduced by internal ETF fees and charges as well as by Arlington's advisory fee.

The Buffered Strategy does not guarantee income or return on investment. If market trend indicators are negative or high risk, Arlington Capital Management may employ risk management strategies.

We strongly recommend that clients interested in Arlington's Buffered Strategy review this strategy with an Account Manager before investing.

**Arlington's Proactive Faith-Based Strategy** seeks to allocate client portfolios into stocks or funds that meet certain religious, as well as Environmental, Social and Governance (ESG) criteria. Arlington then applies our proprietary management system to identify securities exhibiting potential leadership characteristics. Allocations may at times include commodity classes or broad market index funds. If market trend indicators are negative or high risk, risk management transactions may be employed.

**Private Placements:** In certain circumstances, private placements, such as DSTs, may be recommended by Arlington. Arlington may also provide consulting services regarding private placements. We often use outside firms to assist with the development of recommendations of private placements.

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.

Arlington offers Lifetime Retirement Income Planning Services to investment management clients. Lifetime Retirement Income Plans ("plans") provide a personalized strategy that includes all of the client's retirement income resources integrated into one plan. These resources may include 401(k) accounts, IRA accounts, Trusts, Social Security, Pensions, etc. The resulting plans are designed to provide a tax efficient withdrawal strategy for retirement income. Plans will not provide specific securities recommendations, although general allocation strategies may be discussed.

Certain legacy accounts are managed in a way that differs from the foregoing. Such client have been provided details regarding the methods used, and the strategies are subject to Arlington's oversight.

Arlington offers Consulting Services related to financial, tax and investment planning. The scope of each consulting engagement is described in an advisory agreement specific to the engagement.



## ITEM 5 – Fees and Compensation

Arlington's clients fall under one of the following fee schedules, although the fees are negotiable. Arlington may enter into other fee arrangements in a case-by-case basis. Arlington may also enter into fixed-fee consulting arrangements.

### Wealth Management Services

Wealth Management Services fees are paid quarterly in advance and assessed against assets under management, as follows:

<b>Value of Assets Under Management</b>	<b>Annual Fee</b>
Less than \$2.5 million	1.25%
\$2.5 million to \$5 million	1.00%
\$5 million to \$10 million	0.80%
Over \$10 million	0.65%

The minimum quarterly fee for Wealth Management Services is \$3,750.

### Investment Management Services

Investment Management Services fees are paid quarterly in advance and assessed against assets under management, as follows:

<b>Value of Assets Under Management</b>	<b>Annual Fee</b>
Less than \$500,000	\$7500
\$500,000 to \$1 million	1.50%
\$1 million to \$2.5 million	1.25%
\$2.5 million to \$5 million	1.00%
Over \$5 million	0.80%

The minimum quarterly fee for Investment Management Services is \$1,875.

### Additional Information

While the above represents our fee schedules, certain legacy fee schedules exist for specific clients. In addition, depending upon the client's circumstances and needs, we can offer a legacy fee schedule to new clients.

The above fees apply to accounts that are managed on a discretionary basis and instances where AWM provides advice to accounts where AWM does not have trading authority.

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.

For billing purposes, in cases where the account holds unregistered securities (private placements, including DSTs) for which a market value is not available, we value the holdings at the latest value provided by the issuer, which in some cases may be the original cost. Original cost may be more or less than the actual market value of the security at any given time and may be more or less than the proceeds investors will receive upon liquidation or termination of the security. Consequently, when original cost is used, Arlington may charge a fee that is based on a valuation that is higher or lower than the fair market value of the underlying investments. In these cases, clients sign a disclosure acknowledging the value and the amount to be charged, and that the amount of the fee will not vary over the life of the investment, though the underlying value of the private placement may fluctuate and at liquidation may be worth more or less than the amount originally invested.

Most of our clients' assets are invested in accordance with our strategies. Where we manage a private placement, such as a DST, that investment will not be included in the strategy but its value will be included with other assets for billing purposes. Management fees on private placements generally will be assessed the same billing rate as other assets, but in some cases may be assessed a different rate as specified in the advisory agreement. Also see Item 8 Methods of Analysis, Investment Strategies and Risk of Loss for further information on private placements, including their costs and the impact on fees of Arlington's recommending private placements.

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. At its sole discretion, Arlington may waive some or all fees due during the 30 days after written notice of termination. 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.

There is no fee for Lifetime Retirement Income Planning Services for Investment Management clients. Clients are also entitled to a periodic update of the plan, typically every three years and whenever the client’s circumstances substantially change. Planning services are available upon request. Lifetime Retirement Income Planning Services are not available on a stand-alone basis.

***Limited Negotiability of Advisory Fees:*** Although Arlington has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. Additionally, in some cases Arlington offers discounted fees to clients who have received services from its affiliates. The specific annual fee schedule(s) and services provided are identified in the contract between the adviser and each client.

**ERISA Accounts:** Arlington is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income Security Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation.

### Consulting Services

Arlington offers Consulting Services related to financial, investment planning, and private placements. The fees associated with a consulting engagement is determined based on the scope of the work involved and is a fixed price, which is disclosed to clients in their consulting agreement.

In some cases, Arlington is paid by a third party, rather than the client, for consulting services on private placements, offered or sponsored by the third party. If the amounts paid to Arlington by the third party are greater than the amounts that would have been received from the client, a conflict of interest is created because it provides an incentive to recommend such private placements over other alternatives. However, Arlington does not expect this to generally be the case. Arlington only recommends private placements where it believes the recommendations are in the client's best interest. When such recommendations are made, clients will be provided details of any such compensation to be received by Arlington.

#### 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.

For investment management services, 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

##### Investment Management Services

##### 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.

Certain legacy accounts are managed in a way that differs from the foregoing. Such client have been provided details regarding the methods used, and the strategies are subject to Arlington's oversight.

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 Strategies.**

**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.

Lifetime Retirement Income Planning Services

Arlington licenses software that is used to develop Lifetime Retirement Income Plans for clients.

Risks associated with use of the planning software and its algorithms:

- Risk that the software algorithms may not provide accurate forecasts.
- Risk that inputs and assumptions are not accurate. For example, the rates of return and income assumed in a plan may not actually be achieved, or actual spending in retirement is higher than forecast.

These risks may result in account values being lower than forecast, planned funds not being available for use in retirement, or funds being depleted at a faster rate than planned.

***Private Placements:*** Where Arlington believes it to be suitable for the client, the firm may occasionally recommend private-placed securities. Private placements (unregistered securities) are exempt from registration under federal securities laws, may have limited or no transparency as to the underlying investments, and are generally available only to "accredited" or "qualified investors," who are assumed to be sophisticated purchasers who have little or no need for liquidity from such investments and are able to withstand

the loss of some or all of their investment. An Accredited Investor is an individual or joint with spouse with greater than \$1,000,000 in Investable Net Worth, or individual Annual Income in excess of \$200,000 in each of the two most recent years, \$300,000 if jointly, and has a reasonable expectation of reaching the same income level in the current year.) Limitations on withdrawal rights and non-tradability of interests create higher liquidity risk, and such securities should be viewed as long-term investments. Clients using these products and strategies must be able to tolerate this illiquidity by reserving sufficient resources to meet all obligations. Expenses related to private placements may be a higher percentage of net assets than traditional investment strategies. The duration of private fund investments with longer-term securities are more sensitive to interest rates and include the possibility of more volatility than other investments. This is not an exclusive list of potential or actual risks in any particular private placement and additional important information is found in the specific security's offering materials. Clients must receive and read the offering materials before investing and execute any required subscriptions documents. The investment sponsor determines whether to accept a specific investment. Arlington is not able to exercise its discretionary authority with respect to private placements.

As stated above, in some cases, Arlington is paid by a third party, rather than the client, for consulting services on private placements, offered or sponsored by the third party. If the amounts paid to Arlington by the third party are greater than the amounts that would have been received from the client, a conflict of interest is created because it provides an incentive to recommend such private placements over other alternatives. However, Arlington does not expect this to generally be the case. Arlington only recommends private placements where it believes the recommendations are in the client's best interest. When such recommendations are made, clients will be provided details of any such compensation to be received by Arlington.

***Real Estate DSTs:*** When Arlington believes it to be suitable for the client, the firm may occasionally recommend privately-placed real estate DSTs (Delaware Statutory Trust). The risks described in Private Placements, above, also apply to real estate DSTs.

The DST structure permits tax deferral on appreciated property by allowing the investment of proceeds from appreciated real estate. Real estate DSTs are structured to take advantage of the tax deferral opportunity afforded by Section 1031 of the tax code ("1031 Exchange"). A 1031 Exchange must be completed in accordance with specific requirements in order to obtain the tax benefit. The real estate DSTs we recommend are designed to help investors meet the 1031 Exchange requirements, but there are circumstances unique to each investor that cannot be addressed by the investment structure. Further, each real estate DST has features that may create other tax consequences, such as state tax obligations, or generation of passive income. For this reason, we recommend that you consult your own tax professional before investing.

Real estate DSTs are not the only way investors can benefit from a 1031 exchange. The investments Arlington recommends bring certain advantages, such as diversification, professional management, and access to significant commercial properties. The structure also limits the investor's control and influence significantly, and the investment structures build in high operating and sales expenses for the investment Sponsor, manager, and affiliated entities. These expenses will lower investors' overall returns.

In recommending a real estate DST, Arlington has a conflict of interest because the firm will charge its agreed investment advisory fee on the amount invested, for as long as clients hold the investment. The conflict arises because Arlington charges advisory fees on securities, not on real estate. By recommending clients move assets from real estate to a security that invests in real estate, Arlington increases its overall compensation. The firm addresses this conflict by recommending real estate DSTs only where it believes the benefits are significant enough to overcome the additional expenses. We encourage investors to carefully consider the potential investment benefit, net of fees, as well as the potential tax benefits, in deciding whether to invest in a real estate DST.

***Real Estate Risk:*** Risks associated with the real estate industry in general include: local, national and international economic conditions; pandemics and epidemics; the supply and demand for properties; the financial conditions for tenants, buyers and sellers of properties; changes in interest rates; changes in environmental laws or regulations, planning laws and other governmental roles and fiscal and monetary policies; changes in real property tax rates; negative developments in the economy that depress travel and retail activity; uninsured casualties; force majeure acts, terrorist events, under-insured or uninsurable losses; and other factors that are beyond the reasonable control of the Manager. Other risks include, but are not limited to, tenant vacancies; declining market values; potential loss of entire investment principal; that potential cash flow, potential returns, and potential appreciation are not guaranteed in any way; adverse tax consequences; and that real estate is typically an illiquid investment.

In addition, real estate assets are subject to long-term cyclical trends that give rise to significant volatility in values. Investment is disproportionately exposed to the foregoing risks because of its concentration in real estate and real estate-related investments.

Real estate investing may be subject to a higher degree of market risk because of concentration in a specific industry, sector, or geographic sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrowers. In general, investing in securities with concentrated exposures to (i) particular asset class(es) and/or (ii) a particular sector



and/or (iii) one or a select few markets involves greater risk than investing in investments that have greater diversification.

***Risk of Loss:*** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

#### ITEM 9 – Disciplinary Information

On April 16, 2018, Arlington Capital Management, Inc., (currently using the DBA Arlington Wealth Management “AWM”) and Joseph F. LoPresti agreed to settle an administrative proceeding with the U.S. Securities and Exchange Commission (“Commission”) without admitting or denying the Commission’s findings. In determining to accept their settlement, the Commission took into account the remedial acts that AWM promptly undertook, including revising its advertising policies and procedures, naming a new Chief Compliance Officer, and hiring a new compliance consultant, as well as its cooperation with the Commission staff.

The Commission determined that from on or about 2012 to 2015, at times, AWM advertised back-tested performance results of its model portfolios without properly disclosing the fact that the models were back-tested or that changes to the model had been applied retroactively. The Commission also determined that AWM failed to adopt policies and procedures reasonably designed to prevent violations of the Investment Advisers Act of 1940 in connection with its advertisements. The Commission stated that Mr. LoPresti was responsible for AWM’s advertising and its policies and procedures at that time.

To settle these proceedings, AWM and Mr. LoPresti were ordered to cease and desist from committing and causing future violations, were censured and agreed to pay civil penalties. AWM also agreed to continue to use a compliance consultant to provide certain required reports and recommendations.

#### 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.

AWM'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 AWM 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 AWM trades, and may obtain better or worse pricing than AWM clients. By the same token, if AWM begins trading prior to the notification to IEI subscribers, AWM 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. AWM believes that its clients will be advantaged in the long term because of its affiliation with IEI and the ability to use PAAM.

AWM 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.

Mr. LoPresti and Mr. Hollahan, Investment Advisor Representative and Chief Compliance Officer of Arlington, are also owners of Advanced Tax Reduction Group LLC (ATRG). Additionally, certain employees of Arlington provide services to ATRG. ATRG provides tax planning, consulting and preparation services, and estate planning consulting services for separate and typical compensation. These services provided by ATRG are separate and distinct from Arlington's services. ATRG does not provide investment advice.

Arlington typically recommends ATRG to its investment management and wealth management clients in need of tax or estate planning services. This creates a conflict of interest, however Arlington only recommends ATRG when it believes it is in the client's best interest. Services provided by ATRG are separate and distinct from Arlington's advisory services. Clients of ATRG are charged for services separately by ATRG at agreed upon compensation rates. Arlington's clients are not required to use ATRG for

tax or estate planning services and are free to select a firm of their choice. Arlington does not receive referral fees from ATRG for Arlington's clients that are referred to ATRG.

ATRG typically recommends Arlington to tax and estate planning clients in need of investment advisory and wealth management services. ATRG's clients are not required to use Arlington for investment management or wealth management services and are free to select a firm of their choice. ATRG does not receive referral fees from Arlington for ATRG's clients that are referred to Arlington.

One representative of our firm is a licensed insurance agent. As an insurance agent, this representative of our firm may offer various insurance products. Commissions may be earned as a result of sale of insurance products. Our clients are under no obligation to purchase insurance products recommended or offered by this representative.

#### 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. Furthermore, if not all client and employee accounts intended to participate in the block trade are able to because of a partial fill, accounts will be assigned on a prorated basis to participate in the block trade. If subsequent blocks trades are necessary for any client accounts, these

accounts may obtain better or worse pricing than prior block trades. Arlington does not conduct ‘Principal’ transactions and does not participate in Agency Cross Transactions of any kind.

## ITEM 12 – Brokerage Practices

### Investment Management Services

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. Charles Schwab & Co., Inc. charges AWM Clients a minimum commission and/or fee of \$0.00 per trade and in some instances, a higher rate. This rate is subject to change at any time by Charles Schwab & Co., Inc.

At this time, AWM 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 does not receive “soft dollars” from custodian/brokerage firms. However, Arlington does receive benefits without cost to Arlington, in the form of:

- investment research
- access to client account data
- facilitation of trade execution and allocation of aggregated trade orders
- pricing and other market data
- facilitation of payment of our fees from clients’ accounts
- various client services functions

- consulting
- computer software and related systems support which allow Arlington to better monitor and manage client accounts maintained at Financial Institutions

Arlington receives these services without cost because Arlington renders investment management services to clients that maintain assets at custodian/brokerage firms. The services are not provided in connection with securities transactions of clients (i.e., not “soft dollars”).

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, AWM will promptly correct the error. If the error results in a loss, AWM will make the client whole. If the error results 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.

### DSTs and Private Placements

Where we recommend a DST or other private placement, our core custodians may not permit you to hold the assets with them. In most cases, the issuer will retain a record of

your holdings in book-entry form. If needed, we will recommend another third-party custodian able to hold private placements. The fees associated with the arrangement will be disclosed to you at the time you select the custodian.

#### Lifetime Retirement Income Planning Services

No specific investments are recommended in Lifetime Retirement Income Plans. As Lifetime Retirement Income Plans are provided to clients at no charge, it is anticipated that clients will consider using Arlington for investment management services. However, clients are free to implement the plan with any broker or adviser they choose.

### ITEM 13 – Review of Accounts

#### Investment Management Services

Firm registered Advisory Representatives review all accounts on a periodic basis, not less than a quarterly 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.

Certain legacy accounts are reviewed in a way that differs from the foregoing. Such client have been provided details regarding method of review.

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 quarterly statements from this firm showing their portfolio holdings and the total portfolio value, with the exception of certain legacy clients. 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.

#### Retirement Income Planning Services

Investment management clients may request a periodic update of the plan, typically every three years and whenever the client's circumstances substantially change.

#### ITEM 14 – Client Referrals and Other Compensation

Arlington does not utilize or make payments 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 take possession of client assets. Client funds and securities are maintained with a qualified custodian, and in some cases, client funds invested in DSTs are held by the applicable DST sponsor(s).

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 AWM 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.