



## **PART 2A OF FORM ADV – BROCHURE**

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This Brochure provides information about the qualifications and business practices of Tactical Allocation Group, LLC. If you have any questions about the contents of this Brochure, please contact us at (800) 780-4TAG or [info@tagllc.net](mailto:info@tagllc.net). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

We are a registered investment adviser. Registration of an adviser does not imply any level of skill or training.

Additional information about us also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **ITEM 4: ADVISORY BUSINESS**

### **Our Owners and Principals**

Our firm was established in 2004. We must inform you of any persons owning twenty-five percent (25%) or more of our firm's membership interests. James F. Peters, Jr. owns more than twenty-five percent (25%) of our firm's membership interests.

### **Our Advisory Services**

Your assets will be invested in exchange-traded products (ETPs) like exchange traded funds (ETFs), exchange traded notes (ETNs) allocated in accordance with one of our portfolios as described in “**ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**” beginning on page 6. Our portfolios are tactically allocated towards global equities, commodities and fixed income and we use a global blended benchmark to measure the risk we assume in allocating our portfolios.

### ***Sub-advisory Services***

Generally, we will enter into a sub-advisory agreement with a broker or another financial advisor which we refer to as your independent financial advisor or Financial Advisor. Under these services, your Financial Advisor recommends to you an investment in one or more of our portfolios.

### ***Clients Referred by Financial Advisors***

At the outset of our relationship, you will enter into an investment advisory agreement with us. We also expect that you will have an agreement with your Financial Advisor. Our agreement will explain the services we provide to you and the responsibilities of your Financial Advisor.

Your Financial Advisor will be responsible for helping you complete the portfolio selection questionnaire which provides your Financial Advisor with information about your targeted time horizon, risk tolerance and long-term goals. Your Financial Advisor will help you choose the portfolio that meets your investment objectives. You must notify your Financial Advisor promptly if there are ever any changes in your financial situation or investment objectives or if you wish to impose any reasonable restrictions upon our management services. We use the information you provide in the portfolio selection questionnaire to confirm the portfolio selected by you and your Financial Advisor. In addition, your Financial Advisor will provide to you this initial Brochure, our privacy policy and a quarterly portfolio performance report. We will provide you with an annual summary of material changes to our Brochure, if any, and when required our privacy policy.

As part of our services to qualified retirement plans which are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), we will act as a fiduciary of the plan under Section 3(21)(A) and as an Investment Manager under Section 3(38) of ERISA.

As a 3(38) investment manager, the plan fiduciary gives us discretionary authority to manage the plan's assets. This means that the plan fiduciary shifts its fiduciary responsibility to us for the selection of the plan's investments. For all qualified plan clients, your Financial Advisor will work with the plan fiduciary to develop a formal written investment policy statement for the plan, or they will review and amend the existing investment policy statement, which establishes the plan's specific standards and processes for investment operations. The investment policy statement may also place restrictions on the types of investments the plan invests its assets in. The Financial Advisor uses the plan's investment policy statement to recommend the portfolio. We will receive a copy of the plan's investment policy statement and will continually monitor the performance of the plan's investments.

We manage your advisory account on a discretionary basis in accordance with the selected portfolio. You retain individual ownership of all securities and you have the opportunity to place reasonable restrictions on the types of investments in your account although if we deem your restrictions to be unreasonable, we will not enter into an investment advisory agreement with you or we will terminate the existing agreement with you.

We receive a portion of the investment management fee for our advisory services and when agreed upon in the investment advisory agreement, the Financial Advisor receives the balance for its financial consulting services. Unless you participate in our wrap fee program, our portion of the fee does not include brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by you.

### ***Traditional Sub-advisory Services***

When we provide traditional sub-advisory services, we will have no direct relationship with the Financial Advisor's client. You will sign an agreement with your Financial Advisor under which you agree to pay a fee based on a percentage of the assets under management. The Financial Advisor establishes the fee which you pay. We receive a portion of the fee for our advisory services as agreed upon in the sub-advisory agreement. Your Financial Advisor will ask you to complete the portfolio selection questionnaire which provides your Financial Advisor with information about your targeted time horizon, risk tolerance and long-term goals. Your Financial Advisor will help you choose the portfolio that meets your investment objectives. We use the information you provide in the portfolio selection questionnaire to confirm the portfolio selected by you and your Financial Advisor.

### ***Trade Signals***

We may also enter into an agreement with a Financial Advisor to provide trade signal alerts that replicate our portfolio tactical allocation trades. After receiving the trade signal alert, the Financial Advisor is responsible for executing the client's trades. We will have no direct relationship with the Financial Advisor's client. We receive a fee calculated by the Financial Advisor, based on the end of the calendar quarter value of assets under management in our trade signal program.

## ***Wrap Fee Programs***

We sponsor a wrap fee program and we are the portfolio manager in our wrap fee program and wrap fee programs sponsored by other financial institutions.

In a wrap fee program, you will typically pay the sponsoring financial services firm a single fee, generally payable on a quarterly basis, to cover all costs in connection with securities transactions in your account, the investment management services, custody and related services.

### ***Investment Advisory Services through our Sponsored Wrap Fee Program***

We offer investment advisory services through a wrap fee program. If you participate in our program, we will charge you a specified fee which covers both our advisory fee and the fees for executing transactions within your account. If you participate in our program through a Financial Advisor, they will establish and disclose our fee to you. Our fee does not include your Financial Advisor's fee unless we otherwise agree in writing. There are no other differences in how we manage accounts participating in our wrap fee program.

A complete description of the program and fees to participate in the program are contained in our Sub-advisory Wrap Fee Brochure, which is the program Brochure. To request a copy of the program Brochure please contact us at (800) 780-4TAG or [info@tagllc.net](mailto:info@tagllc.net).

### ***Participation in Wrap Fee Programs (Not sponsored by us)***

We also provide investment advisory services in connection with a wrap fee program sponsored by other financial service firms such as broker dealers or investment advisers. Generally, if we are selected as a portfolio manager to provide investment advisory services as part of the wrap fee program, we are compensated directly by the firm sponsoring the "wrap fee" program.

### ***Other Investment Management Services through a Direct Relationship***

We also may provide investment management services to you regarding your annuity products or your individual employer-sponsored retirement plans. If we provide investment management services to you on these types of assets, we will review, at least quarterly, your investment options. In so doing, we either direct or recommend the allocation of your assets among the various mutual funds that comprise the variable life/annuity product or the retirement plan. Your assets will be maintained either at the specific insurance company that issued the variable life/annuity product or at the custodian designated by the sponsor of your retirement plan.

## **Assets Under Management**

We manage client assets on a discretionary basis. As of December 31, 2014, we had \$174,254,000 in client assets managed on a discretionary basis and \$401,180,000 in client assets under advisement. Assets under advisement represent the assets where we provide advisory services to third-party managers using our trade signals.

## **ITEM 5: FEES AND COMPENSATION**

### **Investment Management Fee Schedule**

Our fees vary depending upon the market value of your assets under management and the portfolio you select. Our standard fee schedule is as follows:

<b>ANNUAL FEE</b>					
<b>Asset Level</b>	<b>Tactical Income</b>	<b>Tactical Conservative</b>	<b>Tactical Moderate</b>	<b>Tactical Growth</b>	<b>Tactical Equity</b>
\$100,000 - \$1,999,999	0.35%	0.50%	0.75%	0.75%	0.60%
\$2,000,000 - \$4,999,999	0.35%	0.45%	0.70%	0.70%	0.60%
\$5,000,000 - \$9,999,999	0.35%	0.45%	0.65%	0.65%	0.60%
\$10,000,000 - \$24,999,999	0.35%	0.35%	0.50%	0.50%	0.60%
\$25,000,000 - \$49,999,999	0.35%	0.30%	0.45%	0.45%	0.60%
\$50,000,000 - \$99,999,999	0.35%	0.25%	0.40%	0.40%	0.60%
\$100,000,000 and over	0.35%	Negotiable	Negotiable	Negotiable	0.60%

Unless we agree in writing to handle it differently, we bill our fee quarterly in advance. The fee is based on the total assets in your account. Once your assets reach the higher asset bracket, the entire account is charged the fee associated with that bracket. We may agree to aggregate your related accounts for purposes of calculating the asset level and fee. If you enter into an agreement directly with us, then the specific manner in which we charge fees is described in our investment advisory agreement with you. We may negotiate our fee under certain circumstances and negotiated fees may be higher or lower than those described above. As noted above in “Traditional Sub-advisory Services” beginning on page 2, if we provide traditional sub-advisory services to you, we will negotiate our fee with your Financial Advisor and not directly with you.

Our initial fee will be calculated and deducted at the inception of your account and is prorated based upon the days remaining in the initial quarter. Generally, your fee for all subsequent quarters will be deducted within the first five business days following the close of each calendar quarter. Our fee will be calculated as of the end of each calendar quarter using the ending balance of assets in your account as reported by your custodian or as reconciled within our portfolio accounting software. We do not make adjustments or refunds for additions or partial withdrawals during any quarter.

Unless you participate in a wrap fee program, our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. You may incur certain charges imposed by custodians, brokers, third party investment managers. Exchange-traded products also charge internal management fees, which are disclosed in their prospectus. We do not receive any portion of these commissions, fees and costs.

For qualified plans, we will disclose to the plan fiduciary all revenue arrangements and any other monetary benefits provided to us or our employees related to the qualified plan.

## **Termination of Services**

Either of us may terminate our investment advisory agreement by providing the other party with written notice. You have the right to terminate the agreement without penalty within five business days after signing the agreement. If the agreement terminates prior to the end of a billing period, we will refund advisory fees to you prorated from the date of termination to the end of quarter. If the agreement is terminated, you will still be liable for any transactions initiated by us in your account under the agreement prior to the termination date, such as the purchase of investments. If you request, we will initiate redemption instructions upon receipt of your written termination notice. Proceeds will be available for payment to you upon settlement of all transactions in the account. It may not be necessary to liquidate all securities positions when terminating our agreement and you should ask us about that at the time of termination.

You are responsible for any cost incurred in transferring assets from the account to a different account. If you terminate your relationship with your Financial Advisor, that may not terminate your agreement with us.

## **Other Fees and Charges**

If we provide you with advisory services through your Financial Advisor, you are paying two advisory fees: you pay one fee to us and one fee to your Financial Advisor. In general, if you qualify to use our advisory services without a financial advisor, as described in “**ITEM 7: TYPES OF CLIENTS**” beginning on page 6, you may pay a lower fee.

ETPs typically charge their shareholders various transactions and operating expense costs associated with the establishment and operation of the funds. These fees will generally include a management fee, shareholder servicing, other fund expenses, and sometimes a distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge. However, because of differences in distribution and often lower transaction costs, total operating expense ratios for ETPs often have been historically less than those for corresponding mutual funds. These separate fees and expenses are disclosed in each fund’s current prospectus, which is available from the fund or we can provide it to you upon your request.

Consequently, for any type of fund investment, it is important for you to understand that you are directly and indirectly paying two levels of advisory fees and expenses: you pay one layer of fees to the fund and you pay one layer of advisory fees and expenses to us. Generally speaking, most funds may be purchased directly, without using our services and without incurring our advisory fees.

## **Direct Billing to Client’s Custodian**

You may elect to be billed directly for fees or you may authorize us to directly debit fees from your accounts. Generally, clients authorize us to grant the custodian permission to directly deduct the fees from their account. Under our agreement, you will authorize us to bill your custodian directly for our fees. As early as the first five business days following the close of each calendar quarter, your custodian will deduct and send to us the fee. The custodian’s



periodic statements will show each fee deduction from your account. You may withdraw this authorization for direct billing of these fees at any time by notifying us or your custodian in writing.

### **Family Accounts**

For our current or former employees or members of their immediate family, we may provide the same services for no fee or for fees lower than those charged to our other clients.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

A performance based fee is a fee based on a share of capital gains on or capital appreciation of the assets of a client. We do not charge our advisory clients any performance-based fees; however, our fees will generally increase as the aggregate value of your account increases, or decrease if the value of the account decreases, subject to our fee schedule.

## **ITEM 7: TYPES OF CLIENTS**

We provide investment advisory services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations, foundations, corporations, and other investment advisers.

We impose certain conditions for starting or maintaining an account. As a client of a Financial Advisor, you generally must have a minimum of \$100,000 of cash and/or securities to open an account. If you do not have a Financial Advisor, our minimum requirement for individuals, trusts or estates is \$1,000,000. The minimum for charitable organizations and corporations is \$3,000,000 and pension and profit sharing plans are \$5,000,000.

We may waive this requirement if, for example, you have additional or related accounts that together exceed the minimum requirements.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis**

We start with a qualitative, top down analysis of global themes focused around social, political and economic trends with both historical and future perspectives. The trends are interpreted as to their “future” impact on various financial assets (asset classes). These financial forecasts are tested through various quantitative calculations and technical analysis.

We utilize our proprietary system to monitor various lagging, coincident, and leading macro and micro economic statistics and to calculate various valuation metrics. We utilize research data from numerous independent research firms and the public domain.

There are risks involved with this method, including the risk that the social, political and economic trends will change unpredictably, which is why we test our interpretations using various methods and obtain information from a variety of sources.

### **Investment Strategies**

We use tactical asset allocation, a dynamic investment management style, adjusting asset allocations to our forward view of the relative risk and returns of various asset classes. This is distinguished from strategic asset allocation, a passive process, which rebalances portfolios back to their original static allocations. Our strategy is further distinguished from market timing, a strategy where portfolios are often invested in or out of the equity markets, by the degree and frequency of portfolio adjustments. We invest in asset class positions with a one-year or longer outlook, whereas market timing often trades on a less than one-year frequency. At any given time, our portfolios are invested in a blend of cash, equities, or fixed income positions according to their respective strategic risk parameters.

The portfolios utilize a “fund of funds” strategy, investing exclusively with asset class specific ETFs and ETNs versus investing directly in individual stocks and bonds. We construct our core portfolios, (e.g., Tactical Growth, Tactical Moderate and Tactical Conservative) using the following five integrated levels of risk management and toward a different targeted time, risk and return objectives. We integrate two of the risk levels, passive indexes and tactical overlay, to manage risk for the Tactical Equity and Tactical Income portfolios.

1. Target Allocation: Establish Equity Risk - We set the minimum to maximum target equity exposure for each portfolio.
2. Wide Diversification: Protect Allocation Risk
  - a. We start with an investable universe of more than 30 asset classes that can be used to build each of the portfolios. Each portfolio will generally hold 8 to 15 ETPs with each representing a different asset class.
  - b. We use diversification to attempt to reduce volatility while retaining the flexibility to avoid asset classes that appear to have below average return potential in the coming years.
3. Position Limits: Reduce Concentration Risk
  - a. The maximum concentration in any given ETP is 15% (at cost). The lone exception to this rule is cash.
  - b. We believe an ETP maximum allocation of 15% can contribute to performance if the position appreciates in value while at the same time avoid doing significant damage to the portfolio if the position should decline in value.
4. Passive Indexes: Minimize Security Risk - We use ETPs in an attempt to minimize security selection risk associated with individual securities or mutual funds.

5. Tactical Overlay: Manage Event Risk - Our tactical process proactively modifies the portfolios. Our core belief is that asset classes move in synchronization with global economic cycles. The tactical overlay allows the investment team to select asset classes that should benefit from the forward changes in economic cycles and avoid those asset classes that could face headwinds from those changes.

We use a proactive investment management process globally across multiple asset classes in our portfolios. While the number and weighting of asset classes in the portfolios vary according to their objectives, all portfolios are consistent in our thematic diversification. Diversification does not ensure a profit and may not protect against loss in declining markets.

### **Types of Investments and Risk of Loss**

Investing in securities such as ETPs involves risk of loss that you should be prepared to bear. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. Your Financial Advisor will work with you to identify the balance of risks and rewards that is appropriate and comfortable for you. However, it is still your responsibility to ask questions if you do not understand fully the risks associated with any investment or investment strategy.

Also, while we strive to render our best judgment on your behalf, many economic and market variables beyond our control can affect the performance of your investments and we cannot assure you that your investments will be profitable or assure you that no losses will occur in your investment portfolio. Past performance is one consideration with respect to any investment or investment advisor, but it is not a predictor of future performance.

Your Financial Advisor will discuss with you the investment risks of ETPs to determine the investment objectives that will guide your portfolio selection. Your Financial Advisor will explain and answer any questions you have about these kinds of investments, which present special considerations.

Exchange-traded products are types of securities that derive their value from a basket of securities such as stocks, bonds, commodities or indices and trade on exchanges during the day like individual stocks, while traditional mutual funds are priced once a day at the close. The value of our portfolio will fluctuate with the value of the underlying securities. ETPs trade like a stock, and there will be brokerage commissions associated with the buying and selling of the ETPs unless, trading occurs in a wrap fee program.

We primarily invest in passively managed funds designed to seek the investment results that correspond generally to the price and yield of an index however; we may invest in actively managed ETPs. ETPs that are actively managed do not merely seek to passively track an index; instead they seek to achieve a specified investment objective using an active investment strategy.

Equity-based ETFs have a similar risk profile to those of equity mutual funds, while fixed income-based ETNs have a risk profile that approximates bond mutual funds. You should anticipate that the value of an ETP's shares would decline, more or less, in correlation with any decline in the value of its corresponding index. An ETP's return may not match the return of the

index. Sometimes referred to as a “tracking error,” expenses and other factors may affect the performance of an ETP so that the ETP’s performance will not exactly match the performance of their respective underlying indexes. The ETP may invest in small capitalization, mid-capitalization, emerging markets and international companies. Such companies may experience greater price volatility than larger, more established companies.

We also provide what we believe are the primary risks for you to review as listed below.

- **Market Risk.** ETPs are largely influenced by the value of the index it tracks. As the index value changes in response to news and general economic conditions of domestic and international markets, in general, so will the value of the ETP, which can result in a loss of principal to investors.
- **International Investment Risk.** International investments may involve risk of capital loss from unfavorable fluctuations in currency exchange rates, differences in generally accepted accounting principles, or economic or political instability in other nations.
- **Emerging Markets Risk.** Investments in emerging markets may be subject to a greater risk of loss than investments in more developed markets. Emerging markets may be more likely to experience inflation risk, political turmoil and rapid changes in economic conditions than more developed markets. Emerging markets often have less uniformity in accounting and reporting requirements, unreliable securities valuation and greater risk associated with custody of securities.
- **Income Risk.** The ETPs income may decline when interest rates fall. This decline can occur because the ETP must invest in lower-yielding bonds as bonds in its portfolio mature, bonds in the underlying index are substituted or the ETP otherwise needs to purchase additional bonds.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Liquidity Risk.** Markets can also experience a decline in liquidity which can negatively impact ETP prices while increasing the difficulty to exit a position. The ability to purchase or sell large positions of ETP securities, due to possible low trade volume, may take time (i.e. days).

## **ITEM 9: DISCIPLINARY INFORMATION**

As a registered investment adviser, we must inform you of all material facts regarding any legal or disciplinary events that would be material to a client’s evaluation of our firm or the integrity of our management. We have no legal or disciplinary events to disclose.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Registered investment advisers are required to disclose information regarding its business activities, other than giving investment advice, its other activities in the financial industry, and any arrangements with related persons that are material to its advisory business or clients. We must inform you if we receive cash or other economic benefits from a third-party in connection with advising our clients. We have no information to disclose.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

We have adopted and have subsequently amended a Code of Ethics (the “Code”) describing the standards of business conduct we expect all officers, directors, employees, and advisory representatives to follow. The Code also describes certain reporting requirements with which particular individuals associated with or employed by us must comply. We will provide a copy of the Code to you upon request at no charge.

Our principals and representatives will often own the same securities recommended to you. Our employees, related persons or we may invest in one or more of our portfolios. These accounts are traded concurrently with our other clients in our portfolios. Records are maintained of all such transactions. Orders for clients and orders for our own accounts may sometimes be aggregated or “batched” into one large order in accordance with our trade aggregation and allocation policy as described in “**ITEM 12: BROKERAGE PRACTICES**” beginning on page 10. Aggregated orders may achieve better execution for all participating accounts and those benefits will be fairly allocated among all participating accounts.

You may request a copy of our Code by contacting us at (800) 780-4TAG or [info@tagllc.net](mailto:info@tagllc.net).

## **ITEM 12: BROKERAGE PRACTICES**

### **Directed Brokerage**

Unless you participate in our wrap fee program, you may direct us to utilize a specified broker-dealer of your choice to effect transactions for or with your account. As described in “**ITEM 4: ADVISORY BUSINESS**” beginning on page 1, your agreement with your Financial Advisor will direct the broker-dealer to affect transactions for or with your account.

You should understand that, in the case of such a directed brokerage arrangement:

- you will be solely responsible for negotiating the terms and arrangements on which those brokers and dealers are engaged, and we will have no responsibility for reviewing the fairness of those terms and arrangements;

- we will not seek better execution services or prices from other brokers and dealers in connection with transactions for your account;
- we will not be able to “batch” or “aggregate” transactions for your account with transactions for our other clients not subject to a similar such arrangement;
- we will not monitor the performance of or the services provided by the brokers and dealers so designated; and
- you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

However, we may seek better execution services or prices from other brokers or dealers or “batch” your transactions for execution if such action is required by law or fiduciary duties, including but not limited to, the fiduciary duty provisions under the Employee Retirement Income Security Act of 1974, as amended (ERISA), if the client is a plan subject to ERISA, or if the designated broker or dealer is unable or unwilling to effect a particular transaction or transactions.

### **Directed Brokerage in our Wrap Fee Program**

For clients in our program, we utilize Fidelity Institutional Wealth Services and Charles Schwab & Co., Inc., registered broker-dealers, for custodian and brokerage services. As part of these programs, we receive benefits from Fidelity and Schwab that we would not receive if we were not on their institutional platform. As an example, we participate in the back office and support programs sponsored by Fidelity and Schwab. Neither pays us any compensation for the introduction of their services, nor is there any affiliation between Fidelity or Schwab and us.

The services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support us in conducting business and in serving your best interests. These programs and services are essential to our service arrangements and capabilities, and we may not accept clients who utilize other brokers in our program. The availability of these services from Fidelity and Schwab benefits us because we do not have to produce or purchase them. This is a potential conflict of interest. We believe, however, that our selection of Fidelity and Schwab is in your best interest. Our selection is primarily supported by the scope, quality, and price of Fidelity and Schwab’s services and not Fidelity and Schwab’s services that benefit only us.

Because we absorb all of the transaction costs in our program, we have a financial incentive to infrequently trade our program client accounts because infrequent trades will increase our net fee. To mitigate this conflict of interest in our program, we monitor the trading frequency. If you don’t participate in the program, you may direct your brokerage to another unaffiliated broker-dealer. Although investment advisers may allow clients to direct their transactions to their own preferred broker-dealer, this is generally not done with Wrap Fee Programs.

## **Research & Other Soft Dollar Benefits**

We have not and do not intend to enter into any contractual third-party soft-dollar arrangements, such as where we commit to place a specific level of brokerage with a specific firm in return for which the brokerage firm will pay for various research related products or services for us, such as Bloomberg terminals or other communications links or services, computer hardware or software, investment publication subscriptions or other research related products or services that are generally available for cash purchase.

## **Trade Aggregation, Allocation Policy and Partial Fills**

We have adopted a trade allocation policy to govern how we aggregate orders for securities transactions on a portfolio basis. In doing so, we strive to treat each client fairly and will not favor one client over another client. Each account that participates in an aggregated order will participate at the average share price for all transactions ordered by us in that security on a given business day. If an aggregated order is not filled in its entirety, it may be allocated among participating accounts on a pro rata basis. However, if the partial fill is determined to be inappropriate for an account such that the number of shares for a particular account would be too few to warrant the investment or result in partial shares, then the shares will not be allocated to that account. If the security is so thinly traded that we are unable to obtain sufficient shares for all clients, it is possible that the entire trade would be busted.

We will not aggregate trades for your accounts if you have placed restrictions on your accounts or when your account is subject to customized management. We have some accounts where the clients have required that we implement exceptions to trading the account in accordance with our model portfolios and those accounts are not subject to block trading. We are unable to include these accounts in our block trade because the restrictions placed on the account by the client require individual review before we make any trades. Thus, if you place restrictions on your account, we will not aggregate your trades with that of our other clients. We do not aggregate trades for delivery versus payment accounts processed through The Depository Trust & Clearing Corporation rather than the custodian, assets held outside of the custodian or for mutual fund orders because mutual funds trade at the close of business.

## **Tax Harvesting Policies**

We utilize the tax efficiency of exchange-traded products in our portfolios. However, Financial Advisers working with their clients may decide to utilize tax loss harvesting to customize trade decisions to try to improve the client's after-tax return.

Each year the Financial Adviser must provide us with a "Gain/Loss Harvesting" form, no later than November 15 authorizing us to sell specific holdings that do not violate the IRS 30-day wash rule. Unless specified by the Financial Adviser, individual tax lots will be sold using the cost basis method as documented on the client's account held at their custodian. Tax loss harvesting proceeds will be held in cash in the client's account at their qualified custodian until we may buy back into the current portfolio model without violating the wash-sale rule.

## **Liquidity Analysis**

As described in “**ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**” beginning on page 6, ETPs are designed to provide exposure in an underlying basket of securities that reflects a specific market index. The underlying securities held in the fund plus any undistributed net income, should be the approximate value of the price of the ETP. While closed-ended funds and stocks have a constant number of shares outstanding, ETPs use a creation/redemption process. This process allows, on a daily basis, the issuer of the ETP, to increase or decrease the shares based on investor demand. Therefore, it is a combination of the average daily volume of the ETP and the average daily volume of the underlying securities that determines the total liquidity of the ETP.

When we have discretion to affect an order, we may utilize a third-party trading solution to receive limit order guidance and achieve a better execution. We may use this information when we aggregate trades. Limit order guidance may be particularly helpful when the security is illiquid. A security is considered illiquid when the position to be traded is large relative to the market liquidity.

## **Trade Rotation Policy**

We have instituted a trade rotation policy to ensure each client is treated fairly in the execution of tactical reallocation. We segregate the accounts into three sections: 1) trade signal accounts; 2) discretionary tactical portfolios; 3) custom accounts. This numbering determines the order in which your account is traded. Trades are then executed in the order of rotation number. With each tactical change, the three sections rotate one turn so that no one group of clients benefit to the detriment of another group of clients. If there is a new client, it enters the last position for rotation purposes.

The trade rotation does not include client accounts that required individual account log-ins to affect trades. These accounts, referred to as outside assets, represent individually traded 401(k) plan participant accounts, 403(b) plan participant accounts, and fixed and/or variable annuities. While we removed these accounts from the trade rotation, we simultaneously instituted a new procedure to manage, review, and rebalance these outside assets on a quarterly basis.

## **Trade Error Policy**

We have the responsibility to effect orders correctly, promptly and in the best interests of our clients. We have established an error correction policy, to identify and correct any errors as promptly as possible without disadvantaging you or benefiting us in any way.

We have defined a “trade error” to mean when we have purchased or sold a financial instrument for a client account and that action is then determined to have been a mistake and the error results in a financial gain or loss for the client. Examples of errors may include:



- Purchases or sales of an incorrect or unintended ETP or number of ETPs for a client account;
- Purchases or sales of ETP for the incorrect or unintended client account;
- Purchases or sales of ETP that are not authorized by the client's investment guidelines or applicable law or regulations (e.g. prohibited transaction under ERISA);
- Purchase or sale transpositions (where an intended purchase is entered as a sale, or vice versa); and
- Trade misallocations.

If the error is our responsibility, your transaction will be corrected and we will reimburse you for any loss resulting from an inaccurate or erroneous order. If your account is custodied at Schwab, Schwab will reimburse you for any loss less than \$100. If a trade error occurs and it results in a gain, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain or it is not permissible for you to retain the gain.

If the gain does not remain in your account and Schwab is the custodian, Schwab will donate the amount of any gain of \$100 or over to charity. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

If Merrill Lynch is the custodian, the gains are not paid to us; instead, they are tracked by the custodian and may be used to offset future losses in the calendar year. On an annual basis, Merrill Lynch donates any net gains associated with our trading account to charity.

With respect to accounts held at other custodians, such as but not limited to Fidelity, we will retain the gain in a proprietary account to be used to offset future losses. The balance of the error trading account will be recorded in our accounting records as required.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **Review and Reports of Accounts**

Our investment committee reviews the securities that we recommend for investment in the portfolios on an ongoing basis and determines any tactical changes.

### **Client Reports**

You will receive a confirmation of each transaction that occurs in your account; and a statement, at least quarterly, describing activity, including the withdrawal of our fee and values from your custodian. As described in more detail in “**ITEM 15: CUSTODY**” beginning on

page 17, we urge you to review carefully your statements. We prepare a quarterly Tactical Portfolio performance report, which is not specific to your account. Clients that are invested in one of our portfolios will receive the quarterly Tactical Portfolio performance report and unless you are our direct client, your Financial Advisor will distribute the report to you. Your Financial Advisor may also provide you with an account specific performance summary report which they prepare.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **Other Third Party Solicitors**

We may engage solicitors to market our services. If you become our client as a result of the solicitor's efforts, you will receive a separate solicitor's disclosure brochure describing our solicitation arrangements, the compensation we pay to the solicitor, and the terms of that relationship. You will also receive a copy of this Brochure. Generally, any such agreement will provide for payment to the solicitor of a percentage of the advisory fees we collect from you. Solicitor compensation will be based upon the advisory fees we collect from you, and may be paid during a specified time period after we begin providing advisory services to you or for the entire time that you remain one of our clients. The solicitor may therefore have a financial incentive to recommend our advisory services over other programs or services. The amount of this compensation may be more than the amount the solicitor would receive if you participated in other programs or paid separately for investment advice, brokerage and other services. Generally, we would not charge clients introduced by such solicitors any higher advisory fee as a result of our obligation to pay for such solicitation services.

### **Employees**

New business brought to us by an employee may increase the employee's total compensation. A portion of the compensation we pay to our sales employees is based upon a percentage of new assets brought to our firm. If one of our sales employees refers you to us, they will disclose to you their affiliation with our firm at the time of the solicitation or referral. However, we do not employ individuals whose sole compensation is based upon the amount of business brought to us. Certain professionals who are our associated persons are eligible to receive a bonus based on the revenue collected. This additional compensation is paid by us out of our own assets, and is not directly paid by the client.

### **Schwab Advisor Network®**

We receive client referrals from Charles Schwab & Co., Inc. through our participation in Schwab Advisor Network®. The Schwab Network is designed to help investors find an independent investment adviser. Schwab is a broker-dealer independent of and unaffiliated with us. Schwab does not supervise us and has no responsibility for the management of our clients' portfolios or our other advice or services. We pay Schwab fees to receive client referrals through the

Schwab Network. Our participation in the Schwab Network may raise potential conflicts of interest described below.

We pay Schwab a participation fee on all referred clients' accounts that are maintained in custody at Schwab and a custody fee on all accounts that are maintained at, or transferred to a custodian other than Schwab. The participation fee paid by us is a percentage of the fees the client owes to us or a percentage of the value of the assets in the client's account, subject to a minimum participation fee. We pay Schwab the participation fee for so long as the referred client's account remains in custody at Schwab. The participation fee is billed to us quarterly and may be increased, decreased or waived by Schwab from time to time. The participation fee is paid by us and not by the client. We have agreed not to charge clients referred through the Schwab Network fees or costs greater than the fees or costs we charge clients with similar portfolios who were not referred through the Schwab Network.

We generally pay Schwab a custody fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision to move the assets away from Schwab. The custody fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The custody fee is higher than the participation fees we generally would pay in a single year. Thus, we will have an incentive to recommend that clients referred to us by Schwab use Schwab for custodial services.

Both the participation and custody fees will be based on assets in accounts of our clients who were referred by Schwab as well as the accounts of family members living in the same household. Thus, we will have an incentive to encourage household members of clients referred through the Schwab Network to maintain custody of their accounts and execute transactions at Schwab.

For accounts of our clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from us in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, we may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. We nevertheless, acknowledge our duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for our other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

## **ITEM 15: CUSTODY**

Some of our clients provide us with personal identification numbers and passwords so that we can access their retirement or annuity accounts, at a qualified custodian, for trading purposes. While having access to this information for retirement and annuity accounts would not normally deem us to have “custody” of these clients’ assets under Rule 206(4)-2 of the Investment Advisors Act of 1940, we may be deemed to have “custody” of the clients’ non-retirement assets when their accounts are custodied at Fidelity. As required by the custody rule, we have engaged an independent public accounting firm registered with the Public Company Accounting Oversight Board to conduct surprise examinations of these accounts. The accounting firm will conduct these audits each year at a time chosen by the accounting firm without prior notice to us, and that is irregular from year to year.

You should receive statements from your qualified custodian that holds and maintains your investment assets at least quarterly. We urge you to review such statements carefully for any discrepancies.

Important: If you do not receive your account statements directly from your custodian, please contact your custodian and/or us. It is important that you receive your account statements directly from your independent, third party qualified custodian.

## **ITEM 16: INVESTMENT DISCRETION**

We receive discretionary authority in writing from you at the outset of an advisory relationship in the agreement. Discretionary authority grants us the ability to determine, without obtaining your specific consent, the securities to be bought or sold for your portfolio and the amount of securities to be bought or sold. We exercise discretion in a manner consistent with your stated investment objectives for your account. As described in more detail in “**ITEM 4: ADVISORY BUSINESS**” beginning on page 1, you may establish written investment guidelines and restrictions using the portfolio selection questionnaire. Unless a client is in our program, we do not have discretionary authority to determine the broker, dealer or the commission rates paid for a client’s transactions.

Also, you will sign an agreement with your custodian which generally includes a limited power of attorney granting us authority to direct and implement the investment and reinvestment of your assets within your account but restricts our ability to direct the assets outside of your account.

When we provide traditional sub-advisory services, we receive discretionary authority in our sub-advisory agreement with the Financial Advisor.

## **ITEM 17: VOTING CLIENT SECURITIES**

In general, we do not vote proxies. Your custodian will forward the proxy solicitation materials directly to you.

On occasion, and only when agreed upon in the agreement, we may vote proxies. Rule 206(4)-6 under the Advisors Act addresses our fiduciary obligation to vote proxies in the best interest of our clients and to provide you with information about how your proxies are voted. Pursuant to Rule 206(4)-6, we have adopted written policies and procedures to ensure that your securities are voted in your best interests.

You may obtain a copy of our Proxy Voting Policy and information about how we voted proxies with respect to your securities by contacting us at (800) 780-4TAG or by email at [info@tagllc.net](mailto:info@tagllc.net).

## **ITEM 18: FINANCIAL INFORMATION**

As a registered investment adviser, we are required to provide clients with certain financial information or disclosures about our financial condition if we have financial commitments that impair our ability to meet contractual and fiduciary commitments to our clients. We have not been the subject of a bankruptcy proceeding and do not have any financial commitments that would impair our ability to meet any contractual or fiduciary commitments to you.

## **PRIVACY POLICY**

We are committed to safeguarding the confidential information of our clients because mutual trust is essential to the advisor-client relationship. This notice is our policy describing how we treat your nonpublic personal information.

“Nonpublic personal information” is nonpublic information about you that we obtain in connection with providing a financial service to you for personal, family, or household purposes. It does not include information available from government records, widely distributed media (like telephone directories), or government mandated disclosures.

### ***INFORMATION WE COLLECT FROM YOU***

We receive nonpublic personal information about you, our client, in the normal course of providing our investment management services. This information is usually communicated to us by you or your independent financial advisor to assist us in managing your investments.

The categories of nonpublic information that we collect from each client depends upon the scope of the client engagement. We collect nonpublic personal information about you from the following sources:

- Information we receive from you on your applications or other forms, such as your name, address, social security number, telephone number, assets, and income.
- Information about your transactions for your account, including such matters as your account balance, investment portfolio, investment cost, investment distributions, investment gain or loss.

### ***THIRD PARTIES WITH WHOM WE MAY SHARE INFORMATION***

We do not disclose nonpublic personal information about our clients or former clients to anyone except as otherwise permitted by law. For example, we are permitted by law to share information about you with:

- Our investment advisory representatives, employees, and the independent financial advisors who may have referred you to our firm and with whom you continue to work.
- Your accountant, tax preparer, or lawyer, with your prior consent.
- Companies that assist us in processing your transactions and servicing your account, such as introducing and clearing brokerage firms, mutual fund companies, and other account custodians.
- Our lawyers, accountants, and compliance professionals who assist us in complying with applicable laws, rules, and regulations.
- Federal and state regulators who regulate our firm and its representatives.

We do not provide your personally identifiable information to direct marketers or independent solicitors (for other companies) for any purpose.

### ***DISCLOSURE OF INFORMATION ABOUT FORMER CLIENTS***

If you decide to close your account(s), we will continue to adhere to the privacy practices described in this notice when you become a former client. You become a former client when your investment advisory agreement with us (or your independent financial advisor) is terminated. We will maintain nonpublic personal information about you as required by federal and state securities laws. After the required period of record retention, all of your information will normally be destroyed.

### ***OUR SECURITY POLICIES AND PRACTICES***

We take reasonable steps to assure the privacy of client information. We restrict access to nonpublic personal information about you except to the extent necessary to provide our services, as permitted by law.

We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

### ***CHANGES IN OUR PRIVACY POLICY***

If, at any time in the future, it is necessary for us to change our privacy policy to allow for disclosure of a client's nonpublic personal information which is inconsistent with this policy, we will give you advance notice of the proposed change, to allow you the opportunity to opt-out of such disclosure.

If you have questions regarding our Privacy Policy, please call TAG at (800) 780-4TAG.

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## **SUMMARY OF MATERIAL CHANGES**

Under the Amendments to the Form ADV that was published by the SEC on July 28, 2010, Tactical Allocation Group, LLC (TAG) may provide you with this Summary of Material Changes detailing any material changes that we made to our Brochure since the last annual update March 28, 2014, in lieu of sending a full copy of our Brochure to all our clients.

### ***ETF Portfolio - Tactical Equity***

We have established the ETF portfolio *Tactical Equity*. The fee schedule, described in “Investment Management Fee Schedule”, reflects the ETF portfolio.

### ***Fee Schedule***

As described in detail “Fees and Compensation”, we have revised our fee schedule for the Tactical Income portfolio and updated our Brochure to include additional disclosures regarding our billing practices for current or former employees and/or members of their immediate family.

Our fee will be calculated as of the end of each calendar quarter using the ending balance of assets in your account as reported by your custodian or as reconciled within our portfolio accounting software rounded (up or down as applicable) to the nearest whole dollar.

### ***Additional Information***

Currently, our Brochure is available free of charge to any interested party by contacting TAG at (800) 780-4TAG or [info@tagllc.net](mailto:info@tagllc.net).

Additional information about us is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with us who are registered, or are required to be registered, as one of our investment adviser representatives of our firm.