



**Item 1 – Cover Page**

# **3D ASSET MANAGEMENT, INC.**

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**Date: March 21, 2013**

This Brochure provides information about the qualifications and business practices of 3D Asset Management, Inc. (hereinafter “3D”). If you have any questions about the contents of this Brochure, please contact us at (860) 291-1998 or [Info@3DAdvisor.com](mailto:Info@3DAdvisor.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

3D is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about 3D also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for 3D is 139595.

## Item 2 – Material Changes

The following materials changes have been made to this document since the last annual update of this brochure of March 27, 2012:

- ❖ Item 4 has been updated to address 3D's offering of ERISA Section 3(38) investment management services to retirement plan sponsors and the offering of Investment Only ("DCIO") services in the retirement plan market.
- ❖ Item 5 and Item 14 has been updated for disclosure of the Marketing/Solicitation Fee for the 3D Global Portfolio Fund.
- ❖ Item 12 has been updated to address 3D's practice of aggregating trades, directed brokerage, and equitable trade rotation policy.
- ❖ Item 17 has been updated to address 3D's change in Proxy Voting policy. 3D will vote proxies on securities held in 3D models for clients that affirmatively authorize 3D to do so.
- ❖ Disclosure has been added throughout the document of 3D's addition to the Placemark platform, making 3D Global ETF Portfolios available through a sub advisory arrangement to advisors and firms using Placemark as their investment management platform.

Currently, our Brochure may be requested by contacting John O'Connor, Chief Compliance Officer at (860) 291-1998 or [joconnor@3dadvisor.com](mailto:joconnor@3dadvisor.com).

Additional information about 3D 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 3D who are registered, or are required to be registered, as investment adviser representatives of 3D.

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## Item 4 – Advisory Business

3D Asset Management, Inc. is registered with the Securities and Exchange Commission as a registered investment advisor. The majority of 3D's business involves providing investment management services, as described in detail below, as well as providing investment supervisory services as defined in Section 202(a)(13) of the Investment Advisers Act of 1940 (hereinafter "The Act").

The firm was founded in March 2006 by seasoned investment professionals who have been managing retirement plan assets as far back as the early 1970's. The founders of the firm include John O'Connor, Sheryl O'Connor and Wayne Connors, who are also the principal owners of the firm. As of December 31, 2012, 3D managed \$389,884,429 of discretionary regulatory assets under management. In addition, 3D provides advisory services to an additional \$167,610,018 in participant-directed defined contribution plans, through sub-advisory arrangements on investment platforms and in collective trusts.

3D manages investment portfolios for individuals, qualified retirement plans, trusts, and businesses. 3D will create a portfolio of no-load mutual funds and/or Exchange Traded Funds or Exchange Traded Notes (herein after collectively, "ETFs"), and may use model portfolios if the models match the client's investment policy. 3D will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. 3D recommends portfolios consisting primarily of passively managed asset class and/or index mutual funds and ETFs.

Client portfolios may also include some individual equity securities, typically resulting from pre-existing client holdings prior to becoming a 3D client. 3D manages portfolios on a discretionary basis only. 3D offers its services primarily through other properly registered financial service intermediaries. These services may also be offered on a sub-advisory basis by 3D as is the case with PlaceMark™, Envestnet™ and several intermediary-specific managed account platforms. Additionally, 3D offers its portfolio modeling and other services to retirement plan sponsors through several custodians and on several retirement plan platforms including, but not limited to: Ascensus; MidAtlantic Trust's ModelxChange; Verisight; Professional Capital Services (PCS); The Retirement Plan Company (TRPC); and others.

### INVESTMENT MANAGEMENT SERVICES

*Advisory Services available through a Solicitor Arrangement:* Advisors who may introduce customers to 3D in return for a portion of the fee charged by 3D under a Solicitor Agreement are referred to as Solicitors. Solicitors are independent contractors and are not employees of 3D. The solicitation services provided by the Solicitors will include, but are not limited to: assisting the prospective client in understanding the services provided by 3D; assisting the client in determining the custodian that will be used for a particular account (Charles Schwab & Co. or Trust Company of America); assisting the prospective client in the suitability assessment process by distributing 3D's Investment Policy Questionnaire and providing guidance as to its completion; assisting the prospective client in the completion of all new account paperwork; introducing the prospective client to 3D; maintaining ongoing contact with the client so as to maintain current information regarding the client's financial situation and investment objectives; conveying any changes in the

clients information, financial status, and/or financial objectives to 3D; communicating any concerns of the client to 3D; and, serving as the clients primary liaison with 3D.

Upon signing an Investment Advisory Agreement, 3D will provide solicited clients ongoing discretionary investment management services. Consequently, the client will appoint 3D as agent and attorney-in-fact with full power and authority to act for and on behalf of the Client to buy, sell and trade securities for the client's investment account. 3D may periodically revise the utilized investments, adjust the strategic asset allocation, and/or rebalance the investment portfolio. 3D is required to act within the parameters of the Investment Policy Statement and in accordance with any restrictions specified by the client. 3D will respond to inquiries directly from each client, however in most circumstances the soliciting advisor will be the primary liaison between the client and 3D.

*Advisory Services available through a Separate Account Management Arrangement:* The firm also acts as a Separate Account Manager on the Managed Account Marketplace Program sponsored by Charles Schwab & Company, Inc. ("Schwab MAM"). Under this arrangement, the client is a client of both the introducing advisor and of 3D under a "Dual Contract" arrangement. 3D provides the introducing advisor sufficient information and documentation to evaluate 3D's services and recommend a particular strategy to his/her client. When 3D is contracted for management by the client/introducing advisor, 3D manages the account based on the terms of the contract and direction from the introducing advisor. 3D only bills the client account for 3D's investment management fee and does not share any of its fee with the introducing advisor.

*Advisory Services available through a Direct Arrangement:* 3D will take on clients through a direct arrangement where the client contracts with 3D directly. The principals of the firm do not solicit new clients however and will typically only take on new clients directly if they are considered friends or family. The firm also has a small group of Investment Advisor Representatives ("IAR's")(less than 10) who exclusively use the investment advisory services of 3D. Direct clients and clients of these IAR's are provided with the same portfolios models and services as clients introduced under the first two arrangements.

The above three arrangements are part of 3D's Retail Investment Management business. Under the Solicitor and Direct arrangements, clients complete an Investment Policy Questionnaire ("IPQ") which describes the prospective client's investment objectives, time horizon, tax considerations, income needs, and risk tolerance. Based upon the information supplied by the prospective client through the completion of the IPQ and/or through additional information supplied by the prospective client, 3D will produce an Investment Policy Statement, typically through an online application and printed by the introducing or soliciting advisor. The Investment Policy Statement will assist in defining the criteria and in outlining the appropriate investment guidelines upon which 3D will base suitable investment account or model portfolio recommendations. Additionally, 3D will construct a strategic investment asset allocation and make specific investment recommendations that are designed to conform with the client's Investment Policy Statement.

Under the Separate Account Management arrangement, the introducing advisor selects the appropriate 3D Model based on his/her knowledge of the client's objectives and risk tolerances. The Introducing Advisor, as a fiduciary working on the client's behalf, is able to instruct 3D to change models on behalf of the client.

3D may periodically revise the utilized investments, adjust the strategic asset allocation, and/or rebalance the investment portfolio as needed. 3D is required to act within the parameters of the Investment Policy Statement and in accordance with any restrictions specified by the client.

For retail Investment Management client accounts, 3D will ensure that the following conditions are met and maintained:

1. 3D will manage each client's account on the basis of the client's financial situation and investment objectives and any reasonable investment restrictions the client may impose;
2. For Direct and Solicited Clients, 3D will obtain sufficient client information to be able to provide individualized investment advice to the client. For Schwab MAM Clients, 3D will manage to the objectives specified by the Client's Investment Advisor. At least annually, 3D, the client's Solicitor or the Client's Investment Advisor will contact the client to determine whether there have been any changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions. For Direct and Solicited Clients, 3D will request on a quarterly basis that clients notify them in writing if there have been changes in the client's financial situation or investment objectives and/or if the client wishes to impose investment restrictions or modify existing restrictions. These quarterly notifications will include the means through which contact shall be made to 3D;
3. Each Client is able to impose reasonable investment restrictions on the management of the account;
4. Each Client will receive custodial statements, at least quarterly, with a description of all account activity; and,
5. Each client will retain certain indicia of ownership of the securities and funds in the account, e.g., the ability to withdraw securities, vote proxies (at client's discretion), among others.

*Platform Advisory Services (Sub-Advisory Services):* 3D offers its investment strategy and portfolio modeling services through other investment advisors on a sub-advisory basis. In these cases, the other advisor is contracted by the client for investment management services and uses 3D's investment models, asset allocation strategies and buy/sell signals to manage the contracted investors' accounts. As a sub-advisor, 3D's roll is limited to providing the investment manager 3D's proprietary investment strategies, training on those strategies, any updates to the strategies and marketing and sales support to promote the use of the strategies by advisors using the investment managers suite of services. Such investment managers and service providers include PlaceMark Investments (PlaceMark) and Envestnet Asset Management, Inc. ("Envestnet") among others. PlaceMark and Envestnet may further offer 3D's strategies to other brokerage firms and investment advisory firms via their private-labeled "Investment Manager Marketplace" services. 3D retains the right to approve or decline being included on any additional platforms through PlaceMark or Envestnet.

*Group Trust Advisory Services (Sub-Advisory Services):* Reliance Trust Company ("Reliance Trust") has selected and retained 3D to provide investment advisory services with respect to Series Four of the Group Trust designated as the "Reliance Trust Company Advisors Portfolios Programs

Collective Investment Trust” (herein referred to as the “Collective Trust”) to be offered exclusively to plan sponsors of tax-qualified employee retirement plans held in employee benefit trust and agency accounts by Reliance Trust. 3D shall monitor and make recommendations regarding the purchase and sales of securities within the 3D Global Portfolios Fund account managed by Reliance Trust. The Collective Trust is designed primarily for defined contribution plans, including 401(k), money purchase and traditional profit sharing plans. Acting as a non-discretionary sub-advisor, 3D will periodically make recommendations for investment changes in the portfolios when such changes are deemed advisable. 3D shall propose such specific investment recommendations to Reliance Trust, however, Reliance Trust shall make the final decision as to the specific securities, funds or assets and mix thereof that will comprise the Collective Trust. Clients should refer to the Offering Statement for further details and the terms of this investment product.

*Full Service Retirement Plan Services:* 3D offers investment advisory services to defined contribution (“DC”) retirement plan sponsors. The firm provides two types of advisory services to DC plan sponsors as outlined below.

**ERISA Section 3(38) Investment Management Services:**

*For Solicitor Introduced Plans:* For DC Plans introduced to 3D by Solicitors, 3D coordinates the efforts of a record keeper, custodian and TPA, if needed, (collectively “Service Providers”) and helps the Solicitor introduce the various parties and roles to the Plan Sponsor client. 3D acts as an ERISA Section 3(38) fiduciary and selects the investment options for the plan, produces an Investment Policy Statement (“IPS”) for the plan and assists the Service Providers in coordinating a plan conversion. On an ongoing basis, 3D manages the risk-based or target-date model portfolios within the plan and monitors the additional investment options (“Stand-alone”) selected for inclusion within the plan. The monitoring of the Stand-alone investments is managed in part through the use of the Retirement Plan Advisory Group (“RPAG”) system which uses an investment screening and evaluation process developed especially for fiduciary retirement plan investors. The fee charged to the plan, or directly to the plan sponsor if requested, is typically billed quarterly, in arrears and is based on total assets within the plan. Part of the fee is paid to the solicitor based on the details specified in the Solicitor Disclosure document approved and signed by the plan sponsor.

*For Adviser Introduced Plans:* The same suite of services is provided to the plan sponsor as described in the preceding paragraph except that 3D does not share its fee with the introducing advisor. Under this scenario, the introducing advisor bills the plan or plan sponsor directly and typically acts as an ERISA Section 3(21) fiduciary.

A sub-set of adviser introduced plans are plans introduced by advisers affiliated with Cambridge Investment Research, Inc. (“CIR”) and administered by Cambridge Retirement Plan Services (“RPS”). 3D will act as 3(38) fiduciary on these plans, if contracted by the plan sponsor however, 3D’s model portfolios will be managed by CIR with 3D acting as sub-adviser to CIR.

**Defined Contribution Investment Only (“DCIO”):**

*DCIO Managed Models:* These services include 3D’s construction and management of portfolio models that are then made available to retirement plans either through the management of the model portfolios in a retirement plan record keeping system or through a unitization system such as Mid Atlantic Trust’s ModelXchange™ system. In both cases 3D acts as a 3(38) fiduciary for the

management of the model portfolios only. 3D is paid a fee only on the assets within the model portfolios. The model portfolios may be risk-based, target-date or both.

As mentioned above, 3D provides serviced through advisers affiliated with CIR. 3D will offer portfolio models through CIR and RPS on an investment-only basis as well. In this case 3D will act as sub-adviser to CIR who will act as investment manager for the portfolio models.

*DCIO through Collective Investment Trusts ("CIT's"):* 3D's risk-based models are also available to retirement plan sponsors through the use of CIT's sub advised by 3D and managed and distributed by Reliance Trust. These CIT's are priced daily, trade in full and fractional shares and are available to retirement plans whose service providers trade and settle through NSCC.

The above DC Retirement Plan Services are available through several different record-keepers including, but not limited to: Acsensus, Inc.; Verisight Group; Professional Capital Services, LLC; Retirement Alliance, Inc., TRPC and others.

In all cases above, except with the CIT's, written agreements are executed between 3D and plan sponsors for the above services which spell out the level of service provided by 3D. 3D's investment advisory services are provided to the plan sponsor only and not to individual plan participants.

#### Institutional Investment Advisory Business

We offer our services directly to municipal, Taft Hartley and other retirement plan clients in both a full service investment advisory capacity and as an investment-only offering. The investment strategies employed to fill the needs of these institutional investors are typically designed specifically for that institution and may not employ 3D's model-based investment implementation methodology.

3D personnel or IAR's will meet with these institutional clients on a periodic basis as required and will also meet with the client's consultant or advisor if they utilize one.

#### **Item 5 – Fees and Compensation**

The annual fee for 3D's Portfolio Management services will be charged as a percentage of assets under management and billed either monthly or quarterly depending on the platform, according to the schedules below:

##### ***For Solicited Clients (Non DC Retirement Plan):***

Account Size	Annual Fee for 3D's Global Strategies
Up to \$1,000,000	0.50%, + Solicitors negotiated fee (up to a maximum of 1.5%)
\$1,000,001 to \$2,500,000	0.45%, + Solicitors negotiated fee (up to a maximum of 1.50%)
\$2,500,001 to \$5,000,000	0.40%, + Solicitors negotiated fee (up to a maximum of 1.50%)
\$5,000,001 to \$10,000,000	0.35%, + Solicitors negotiated fee (up to a maximum of 1.50%)
\$10,000,001 and over	Negotiated fee + Solicitors negotiated fee (up to a max 1.50%)



The asset-based investment advisory fee is generally billed either monthly or quarterly in arrears as agreed upon with the client, and is based upon the period-end investment value during the previous period prorated for capital inflows and outflows.

A minimum of \$100,000 of assets under management is required for this service.

All accounts for members of the client's family (husband, wife and dependent children) or related businesses may be assessed fees based on the total balance of all accounts. The above 3D fees are the same regardless of whether the client chooses Schwab or Trust Company of America as their custodian.

***For Direct Clients (no Solicitor relationship):***

Account Size	Annual Fee for 3D's Global Strategies
Up to \$400,000	1.50%
\$400,000 but < \$1,000,000	1.25%
\$1,000,000 but < \$2,000,000	1.00%
\$2,000,000 but < \$3,000,000	0.75%
\$3,000,000 and over	0.60%

All accounts for members of the client's family (husband, wife and dependent children) or related businesses may be assessed fees based on the total balance of all accounts. The above 3D fees are the same regardless of whether the client chooses Schwab or Trust Company of America as their custodian.

***For Clients through a Separate Account Management Arrangement such as Schwab's Managed Account Marketplace:***

All Separate Account Management Clients will be charged an annual fee of 0.25%

***For Clients through PlaceMark and Envestnet:***

All PlaceMark and Envestnet Clients will be charged an annual fee of 0.30%

***For Sub-Advisory Services through 3D Global Portfolios Fund:***

3D receives a fee of .23% for the sub-advisory services performed for Reliance Trust, in addition to the Marketing/Solicitation Fee which is further discussed in Item 14 below. The minimum size to participate in the Collective Trust plan is \$1,000,000. The Trustee may waive this minimum in its sole discretion.

***For Retirement Plan Services (except CIT's):***

Fees charged to Retirement Plan Sponsor clients are based on the level of services provided by 3D. 3(38) services are provided to Plans for a fee of 0.40% on Plan assets annually. DCIO services are provided at 0.40% on assets under management within the 3D managed portfolios.

***For ModelxChange***

Fees charged by 3D for services on Mid Atlantic Trust's *ModelxChange* platform are typically 0.40% annually, accrued daily.

3D may use the technology services of ModelxChange to provide the Level 1 and Level 2 services described above. Under this arrangement, ModelxChange will charge 0.0% (zero basis points) for management fees at the model-level. Instead, 3D will be paid by either the plan recordkeeper or plan sponsor as described under the preceding section.

**For DC Plans through Cambridge Retirement Plan Services**

Fees for 3(38) services provided through RPS are assessed at the plan level and may be billed to the plan itself or invoiced to the plan sponsor, depending on the plan administrator's direction and will be 0.50% per year, billed quarterly in arrears. In this case, 3D will charge zero sub-advisor fee for model portfolio management. For plans where 3D is not acting as a 3(38) fiduciary 3D will only be compensated for assets invested in the 3D model portfolios. In its capacity as sub-adviser to the model portfolios 3D will charge 0.50% on assets in the portfolios, half of which (0.25%) will be paid to CIR for back office and platform services relating the management of the 3D model portfolios.

**GENERAL INFORMATION ON FEES**

Negotiability of Fees: In certain circumstances, 3D's fees may be negotiable.

Fee Calculation: The fee is not charged on the basis of a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

Termination of Advisory Relationship: An advisory agreement may be canceled at any time, by the client, for any reason upon receipt of written notice and by 3D, for any reason, upon 10 days prior written notice. Upon termination of any account, any unpaid earned fees will be due and payable and may be billed to the client through the mail.

Mutual Fund and ETF Fees and Expenses: All fees paid to 3D for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or ETF's to their shareholders. These fees and expenses are described in each investment product's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee although 3D endeavors, whenever possible, to use no-load mutual funds with no 12b-1 or other similar fees. A client could invest in a mutual fund or ETF directly, without the services of 3D. In that case, the client would not receive the services provided by 3D which are designed, among other things, to assist the client in determining which mutual fund or funds or ETF's are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the investment products and the fees charged by 3D to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Clients may also elect to be billed directly for fees or to authorize 3D to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar month (with the exception of de minimis contributions and withdrawals).

Item 12 further describes the factors that 3D considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

3D does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

3D provides portfolio management services to individuals, high-net worth individuals, qualified retirement plans, trusts, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, and other U.S. businesses. 3D offers its portfolio modeling and other services to retirement plan sponsors through several custodians and on several record-keeping platforms.

Refer to Item 5 for a discussion of account minimums requirements.

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

*Investing in securities involves risk of loss that clients should be prepared to bear.*

3D believes in efficient markets and passive fund management as a means of taking advantage of those efficiencies. 3D typically looks for pure asset-class investment vehicles with which to build efficient and low cost portfolios. 3D uses low cost asset-class and/or index mutual funds to structure certain portfolios. Exchange Traded Funds ("ETF's") and Exchange Traded Notes ("ETN's") (referred to collectively herein as "ETF's") also provide such investment vehicles. 3D will use certain ETF's to construct certain portfolios. 3D will typically limit its use of "Exchange Listed Securities" to ETF's and closed end, passively managed funds.

Client portfolios may also include some individual securities, but usually resulting from pre-existing client holdings prior to becoming a 3D client. As a result 3D may provide advice to clients on when to sell out of existing holdings, but will typically not recommend the purchase of individual equities or bonds to advisory clients.

3D may, from time to time, ladder Certificates of Deposit or US Government Securities for some clients as a means of protecting principal in order to make capital available for future purchases in dollar cost averaging strategies or the like. 3D may also, in limited circumstances, allow a client to purchase non-index funds within a separate portfolio sleeve. 3D will monitor and report on these non-index funds and include these funds in the clients' assets for billing purposes.

3D utilizes mainstream investment theories, principles, and modeling techniques. These include, but are not limited to Modern Portfolio Theory, Efficient Markets Hypothesis and the Fama-French Three Factor Model. We believe asset allocation is the primary driver of investment portfolio performance; that risk and expected return are correlated; and, that diversification is essential in managing risk. We monitor macro-economic data and interpretive data related to investors' current appetite to take on or reduce investment risk. These factors are used to fine tune strategic asset allocation models and increase or decrease slightly our portfolios' exposures to asset classes that we feel will be affected by current economic or market conditions. We will never try to time the market and we normally do not go to cash; rather will stay fully invested in equities and alternatives via ETFs and mutual fund positions as set out in that model's investment policy.

Active asset allocation and an investment in the model portfolio involve market risk and an investment in a model portfolio could lose money over short or even long periods. Trading can affect investment performance, particularly through increased brokerage costs and taxes.

The ETFs utilized by 3D may include ETFs invested in domestic and international equities, including preferred equities and Real Estate Investment Trust (REITs), corporate and government fixed income securities and commodities. Equity securities may include large capitalization, medium capitalization and small capitalization stocks.

*Risk of loss:* the prices of the common stocks, other securities or commodities held by the ETFs may decline (and the ETF price may in turn decline) in response to certain events taking place around the world, including those directly involving the issuers whose securities are owned by the ETF; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate and commodity price fluctuations.

Certain ETFs utilized by 3D may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility, as more fully described in the respective ETF prospectus. These risks may be greater with investments in developing countries, commonly referred to as Emerging Markets.

Certain ETFs utilized by 3D may invest in lower rated fixed income securities. ETFs invested in lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds. The return of principal for the bond holdings in ETFs is not guaranteed. ETF shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

ETFs are subject to market fluctuations and involve the risk of loss that clients should be prepared to bear. Clients should carefully consider the investment objectives, risks and expenses of the various ETFs utilized by 3D. This and other important information is contained in each ETFs summary prospectus and prospectus, which can be obtained directly from your account custodian, the ETF manager or from the Disclosures page on 3D's website. Please contact 3D's Operations Department if you need assistance in obtaining additional information.

3D uses research and analytical tools purchased from Bloomberg, Morningstar, Opturo, internally produced proprietary programs, web-based analytical tools and various industry publications. Portfolio model construction is based on academic research and regression analysis. Certain index and other data are obtained through Bloomberg, Morningstar, Adhesion Technologies and other subscription data providers. 3D primarily utilizes the concepts put forth by Modern Portfolio Theory and the Fama/French Three Factor Model.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of 3D or the integrity of 3D's management. 3D has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

3D only provides portfolio management services to its advisory clients and is not an insurance agency or broker-dealer. 3D does not receive insurance commissions or brokerage revenue of any kind.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

3D has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at 3D must acknowledge the terms of the Code of Ethics annually, or as amended.

3D anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which 3D has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which 3D and/or clients, directly or indirectly, have a position of interest. 3D's employees and persons associated with 3D are required to follow 3D's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of 3D may trade for their own accounts in securities which are recommended to and/or purchased for 3D's clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of 3D will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of 3D's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between 3D and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with 3D's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. 3D will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Related persons of 3D may invest their own money in funds recommended to clients, specifically in model portfolios of funds and/or ETF's.

It is 3D's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. 3D will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

3D's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting John O'Connor at (860) 291-1998.

## **Item 12 – Brokerage Practices**

Except in those instances where a client wishes to retain discretion over broker selection and commission rates, 3D accepts discretionary authority to determine the brokers used and the commission paid by clients for securities transactions.

Occasionally a client may direct the use of a particular broker-dealer to execute portfolio transactions and/or have a prior custodial arrangement with a broker-dealer. In such circumstances the broker may have a commission-recapture program utilized by the client. 3D does not use soft dollar or commission recapture programs for itself but will take direction if an institutional investor has an established commission recapture agreement with a broker. 3D will accept such accounts to the extent that the custodian has access to the EFTs invested in by 3D. In those cases where the client has directed a particular broker-dealer, it should be understood that 3D will not have authority to negotiate commissions or obtain volume discounts and best execution may not be achieved.

Under certain circumstances 3D may offer to manage accounts maintained by clients at certain custodians other than as indicated above. However, such custodians must have contractual arrangements with fund companies used by 3D in the model portfolios that 3D offers. 3D reserves the right to decline acceptance of any client account that directs the use of a broker/dealer other than Schwab.

In the absence of any client direction to utilize a particular broker or dealer for the execution of transactions in any client accounts, 3D's overriding objective in the selection of broker-dealers is to obtain the best combination of price and execution. When possible, 3D will block, or, aggregate multiple client orders. This practice could facilitate execution of the order and may result in a better execution price and lower commission cost. Best price is normally an important factor in this decision, but the selection also takes into account the quality of brokerage services, including such factors as execution capability, financial stability, and clearance and settlement capability. Accordingly, transactions will not always be executed at the lowest available commission. In our attempt to give equitable treatment to clients' orders, orders are entered on a rotation basis.

As indicate above, when it is appropriate, 3D may aggregate or “block” client orders to achieve more efficient execution. In such instances, client accounts participating in the aggregated transaction will be charged the average price per unit for the security and transaction costs will be allocated pro rata among clients. 3D may utilize an unaffiliated broker-dealer, Knight Capital, for aggregating ETF execution of block orders, when consistent with 3D’s obligation of best execution.

3D participates in the following programs for brokerage services:

Schwab Institutional (“Schwab”) services program offered to independent investment advisers by Charles Schwab & Company, Inc., a FINRA registered broker/dealer. Clients are typically required to custody their assets at Charles Schwab & Company. Not all advisers require their clients to direct brokerage. In lieu of transactional charges, Schwab customarily charges clients of 3D an asset based tiered custody fee. The minimum annual fee charged by Schwab is \$200.

Knight Capital Markets, LLC, (herein “Knight”), and ConvergeX Execution Solutions, LLC (herein “ConvergeX”) both FINRA registered broker/dealers, have been contracted to provide step-out execution and clearing services to 3D. Knight and ConvergeX specialize in providing trading and liquidity services to many market participants including firms like 3D. 3D may use Knight and/or ConvergeX to execute large ETF transactions due to their ability to provide a risk market whereby 3D can trade a large block without affecting the market price of the ETF the way a series of market or limit orders might. Fees charged by Knight or ConvergeX will vary from trade to trade and will typically be reflected in the transaction price per share. 3D will use Knight or ConvergeX for large block transactions when, in 3D’s opinion, they can provide a better execution quality for clients. Additionally, ConvergeX is used from time to time for executions through its commission recapture program as described above at the direction of institutional clients.

In directing the use of Schwab it should be understood that best execution may not be achieved, and this practice may cost clients more money. In addition, a disparity in custody charges may exist between the custody fees charged to other clients. When 3D recommends open-end investment company shares on a no-load basis, typical trading issues such as blocking trades, volume discounts, price negotiation and commissions do not apply to these transactions. When 3D recommends ETF’s, 3D will endeavor to block and allocate trades.

Should a client’s portfolio include ETF’s, individual stocks or bonds; 3D has evaluated Schwab and believes that they will provide 3D clients with a blend of execution services, transaction costs and professionalism that will assist 3D in obtaining best execution for these transactions. The use of Schwab is essential to 3D’s service arrangements and capabilities, and 3D may not accept clients who direct the use of other brokers. As part of Schwab’s program, 3D receives benefits that it would not receive if it did not offer investment advice. Trading client accounts through other brokers may result in fees (including mark-ups and mark-downs) being charged by the custodial broker and an additional broker.

For certain institutional clients and retirement plans 3D may use a custodian and/or broker dealer other than as indicated above to facilitate trust accounting, recordkeeping or other services necessary for each specific client account. Any custodian or broker dealer used will have a contractual arrangement with mutual funds used in the 3D Portfolios. However, 3D reserves the right to decline acceptance of any client account that directs the use of a broker other than Schwab or Folio Institutional.

Schwab also makes available to 3D other products and services that benefit 3D but may not benefit its clients' accounts. Some of these other products and services assist 3D in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of 3D's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of 3D's accounts.

Schwab also may make available to 3D other services intended to help 3D manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. 3D does not, however, enter into any commitments with the brokers for transaction levels in exchange for any services or products from brokers. While as a fiduciary, 3D endeavors to act in its clients' best interests, 3D's preference that clients maintain their assets in accounts at Schwab may be based in part on the benefit to 3D of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the brokers, which may create a potential conflict of interest.

### **Item 13 – Review of Accounts**

While the underlying securities within Investment Management Services and Investment Supervisory Services accounts are continuously monitored, these accounts will be formally reviewed at least quarterly by a principal of 3D. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Clients will receive at least quarterly statements and confirmations from their broker dealer or custodian. In addition, for Direct and Solicited Clients, 3D provides quarterly performance reports. For Clients on Schwab MAM, Envestnet and PlaceMark, quarterly performance reports are provided by the platform sponsor or investment advisor.

### **Item 14 – Client Referrals and Other Compensation**

As disclosed in Item 12, 3D recommends that clients establish brokerage accounts with the institutional division of Charles Schwab & Co., Inc. or and Trust Company of America to maintain custody of clients' assets and to effect trades for their accounts.

Schwab provides 3D with access to its institutional trading and operations services, which are typically not available to retail investors. These services generally are available to independent investment advisers at no charge to them so long as 3D maintains a certain level of client assets at each custodian. As discussed fully in Item 12 above, services provided by Schwab include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab also makes available to 3D other products and services that benefit 3D, such as software and other technology that provide access to client account data, facilitation and aggregation of trade



execution, pricing information and other market data. Schwab facilitates payment of 3D's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. As well, they may provide 3D with other services intended to help 3D manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to 3D.

Solicitors, through their licensed and registered investment advisory representatives, may introduce customers to 3D in return for a portion of the fee charged by 3D. Solicitors are independent contractors and are not employees of 3D. The Solicitor receives a portion of the total fee charged by 3D for the solicitation services that the Solicitor provides to the client.

Since the Solicitor's portion of the total fee charged is negotiated between the Solicitor and the prospective client, a solicited client may pay more or less than another solicited client for the same services. The Solicitor's portion of the total investment advisory fee is separate and distinct from 3D's portion of the total investment advisory fee.

Since investment advisory fees are negotiable, whether or not a Solicitor is involved in the advisory client relationship, the total investment advisory fee charged to an advisory client may be more or less than the total investment advisory fee charged to another advisory client for the same services.

Such solicitor arrangements will comply with the requirements set forth in Rule 206(4)-3 under The Act. Solicited Clients will receive and sign a document (i.e., Solicitors Disclosure Statement) that discloses the solicitation relationship and defines the compensation arrangement between 3D and the Solicitor. Refer to Item 4 for a discussion on the services provided by Solicitors.

In addition to the above noted solicitation agreements, 3D has been retained by Reliance Trust to provide certain marketing and client relations services to Reliance in connection with the Collective Trust product detailed in Item 4 above. 3D is paid .02% of the assets under management which are introduced to Reliance for inclusion in the Collective Trust account.

## **Item 15 – Custody**

Clients should receive at least quarterly statements (paper or electronic) from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. 3D urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

3D usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing. When selecting securities and determining amounts, 3D

observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to 3D in writing.

### **Item 17 – Voting Client Securities**

3D invests primarily in mutual funds and ETF's. As such, proxy votes may not have a direct effect on corporate decision making in underlying companies. As a general policy, 3D will retain proxy voting authority for clients that have assigned 3D the authority to do so. In such cases, 3D will follow proxy voting guidelines outlined in the Firm's Proxy Voting Policies.

When a client's account is initially transferred into a custodian used by 3D, often legacy stock positions may be included in the account. If the timing is such that 3D is deemed the advisor of record when a proxy vote is solicited, 3D may receive a request to vote. In cases of this nature, where the short term holding of a stock is incidental to the account transfer and investment into a 3D portfolio model, 3D will not vote this proxy.

Regarding securities held in 3D portfolio models in Taft-Hartley or other benefits accounts for organized-labor clients, 3D will endeavor to vote any proxy according to the guidelines establish in the AFL-CIO Proxy Voting Guidelines.

Clients may obtain a copy of 3D's complete proxy voting policies and procedures or record of client's ballots voted upon request.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about 3D's financial condition. 3D has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.