

# **MRD, Inc.**

(CRD # 111227)

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## **Form ADV, Part 2A Brochure**

February 8, 2024

This brochure provides information about the qualifications and business practices of MRD, Inc. If you have any questions about the contents of this brochure, please contact us at (949) 365-0598 or [michael@dekovner.com](mailto:michael@dekovner.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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that MRD, Inc. or any person associated with MRD, Inc. has achieved a certain level of skill or training. Additional information about MRD, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - MATERIAL CHANGES

The purpose of this page is to inform you of any material changes to our brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

MRD, Inc. (“MRD”) reviews and updates our brochure at least annually to confirm that it remains current. MRD has not made any material changes since the previous annual update to our brochure, dated February 8, 2024.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

MRD, Inc. (“MRD,” “we,” “our,” or “us”) is a privately-owned corporation headquartered in Irvine, CA. MRD is registered as an investment adviser with the California Department of Financial Protection and Innovation. Michael R. DeKovner, President & principal owner (formerly Michael R. DeKovner, Sole Proprietor), founded MRD in 2000.

#### Fiduciary Duty

Registered investment advisers are considered fiduciaries under federal law. Our fiduciary duty carries with it an obligation to act in the best interest of our clients pursuant to a relationship of trust and confidence. It encompasses a *duty of care* and a *duty of loyalty*.

#### ***Duty of Care***

The duty of care includes, among other things,

1. the duty to provide advice that is in the best interest of the client;
2. the duty to seek best execution of a client’s transactions where the adviser has the responsibility to select broker-dealers to execute client trades; and
3. the duty to provide advice and monitoring over the course of the relationship.

The duty to provide advice suitable to each client based on a reasonable understanding of the client’s objectives is a critical component of the duty of care. Providing suitable advice includes making a reasonable inquiry into the client’s financial situation, investment experience, and financial goals and then updating this information as necessary throughout the course of the relationship to reflect the client’s changing objectives over time and adjusting the advice we provide to reflect any changed circumstances.

When MRD has the responsibility to select broker-dealers to execute client trades in discretionary accounts, we seek to trade such that the client’s total cost or proceeds in each transaction are the most favorable under the circumstances. In doing so, we consider the full range and quality of a broker’s services and so the determinative factor is not necessarily the lowest possible commission cost but whether the transaction represents the best qualitative execution. Moreover, we periodically and systematically evaluate the execution we receive on behalf of our clients.

Our duty of care includes an obligation to provide advice and monitoring at a frequency that is in the best interest of the client, taking into account the scope of the agreed relationship. This scope is indicated by the duration and nature of the services as outlined in each client’s advisory arrangement and extends to all personalized advice provided to clients.

#### ***Duty of Loyalty***

MRD adheres to a duty of loyalty where we seek to serve the best interests of our clients and never subordinate the interests of our clients to our own. Simply put, MRD cannot place its own interests ahead of the interests of our clients. In observance of this duty, we must make full and fair disclosure to clients of all material facts relating to the advisory relationship. Further, we also seek to eliminate or at

least expose through full and fair disclosure all conflicts of interest which might incline MRD, consciously or unconsciously, to render advice that is not disinterested. We believe that in order for disclosure to be full and fair, it should be sufficiently specific so that each client is able to understand the material fact or conflict of interest and make an informed decision whether to provide consent. Consequently, we provide this ADV 2A brochure to all prospective clients at or before entering into a contract so that they can use the information within to decide whether or not to enter into an advisory relationship.

## **Advisory Services Offered**

### *Investment Management Services*

MRD provides continuous and regular investment supervisory services on a discretionary basis. Michael DeKovner works with clients and has the ongoing responsibility to select and make recommendations, based upon the objectives of the client, as to specific securities or other investments held in client accounts. MRD may offer investment advice on any investment held by the client at the start of the advisory relationship. Recommendations for new investments typically include diversified mutual fund and exchange traded fund (ETF) portfolios. Additionally, MRD's investment recommendations, depending on the individual investment objectives and needs of the client sometimes include but are not limited to:

1. U.S. government securities
2. Certificates of deposit (CDs)
3. Private placements, including non-traded real estate investment trusts (REITs)
4. Fee-only annuities
5. Closed-end funds

We may also occasionally offer advice regarding additional types of investments if we believe that they are appropriate to address the individual needs, goals, and objectives of the client, or in response to client inquiry. We discuss our discretionary authority below under ***Item 16 - Investment Discretion***. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this item below. We describe the Fees charged for investment management services below under ***Item 5 - Fees and Compensation***.

MRD has a relationship with DPL Financial Partners, LLC ("DPL"), a third-party service provider that offers insurance consultancy services to firms like ours to assist in providing insurance solutions to our clients. DPL's services include providing its members with analyses of their current methodology for evaluating client insurance needs, educating members regarding insurance products in general, providing analysis of specific insurance products owned or being considered by members' clients, and providing marketing support for fee-based products that insurers have agreed to offer to members' clients through DPL's platform. DPL is licensed as an insurance producer in Kentucky and other jurisdictions where required to perform its platform services. Its representatives are also licensed as insurance producers and appointed as insurance agents of the insurers offering their products through the platform.

Clients have no obligation to act upon insurance-related recommendations made by MRD and/or DPL, and if clients elect to act on any such recommendations, there is no obligation to effect the transaction

through MRD or DPL. MRD pays DPL a service fee to be on its member platform. Clients are not responsible for paying DPL any additional fees. However, MRD will charge management fees described below under **Item 5 – Fees and Compensation** for fee-based insurance products utilized through DPL.

### *Our Fiduciary Duties to Clients with Retirement Plans*

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

### *Limitations on Investments*

#### ***Limitation by Security Type***

##### Limitation on Equities

MRD does not generally invest in individual equity securities. However, we do hold individual positions as an accommodation to clients. MRD does not monitor or provide advice pertaining to any client-directed position held as an accommodation. We will only transact in individual equities when selling existing holdings of new accounts and/or at the client's request.

##### Limitation on Fixed Income

MRD generally utilizes debt-related mutual funds for the fixed-income allocation of portfolios. We typically do not conduct individual fixed income securities transactions except when we deem it to be suitable for a client's specific circumstances, at a client's request, and/or when liquidating existing positions in new client accounts. On occasion, we may hold individual fixed-income securities contained in new accounts. The holding period may be temporary or until maturity based on the individual needs of the client.

##### Mutual Fund Limitations

#### ***DFA Mutual Funds***

For passive mutual fund portfolios, MRD often uses various DFA Funds, which are mutual funds managed by Dimensional Fund Advisors. DFA mutual funds have asset class strategies that include, but are not limited to, U.S. and non-U.S. equities, fixed income, global, and real estate through real estate



investment trusts (REITS). DFA offers professionally managed mutual funds at relatively low expense ratios. MRD is unaffiliated with DFA.

#### *No Load Mutual Funds*

MRD generally limits recommendations of mutual funds to no load funds or equivalent investment products.

#### *TIPS Funds*

Treasury Inflation Protection Securities (TIPS) are inflation-indexed securities structured to remove inflation risk. MRD does not recommend individual TIPS but may recommend mutual funds that include TIPS within the underlying fund holdings.

#### ***Limitation by Custodian***

There may also be limitations on the mutual funds that we recommend. For clients with accounts held at certain custodians, MRD is limited to the mutual funds available through the custodian. The custodians we recommend to clients include Schwab Institutional®, a division of Charles Schwab & Co., Inc. ("Schwab"), and Fidelity Institutional Wealth Services, a division of Fidelity Brokerage Services, Inc. ("Fidelity"), registered broker-dealers, Members SIPC.

#### ***Limitation by Client***

MRD may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** below.

### **Tailored Services and Client Imposed Restrictions**

MRD manages client accounts based on the investment strategy discussed below under ***Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss***. MRD applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may be limited if the client does not provide us with accurate and complete information. It is the client's responsibility to keep MRD informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want MRD to buy or sell certain specific securities or security types in the account. MRD reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

### **Wrap Fee Programs**

MRD does not manage accounts as part of a wrap or bundled fee program.

## Assets Under Management

MRD manages client assets in discretionary accounts on a continuous and regular basis. As of December 31, 2023, the total amount of discretionary assets under our management was \$136,172,127.

## ITEM 5 – FEES AND COMPENSATION

### Fee Schedule

#### Investment Management Services

MRD charges advisory fees for investment management services. We charge advisory fees at a rate not to exceed 1.00% annually based on the market value of the portfolio. This rate is negotiable at the discretion of MRD. We determine each client's rate according to the size of the account and the scope & complexity of the contracted management services. Some accounts are under different fee arrangements honoring prior agreements. Generally, Michael DeKovner only waives fees for his own accounts. In addition, MRD may also occasionally waive advisory fees for client-directed positions held in accounts, solely at the firm's discretion. Lower fees for comparable services may be available from other sources.

### Billing Method

MRD's advisory fees are payable quarterly in arrears based on the account market value on the last business day of the calendar quarter. The first payment is due after the first quarter under management. The formula used for the calculation is as follows:  $(Annual\ Rate) \times (Total\ Assets\ Under\ Management\ at\ Quarter-End) / 4$ . When applicable, "tiered rates" are applied to each quarterly billing as agreed to by MRD and the client in accordance with prior agreements. Fees billed on assets held in client accounts that receive valuations less than quarterly will be calculated using the most recent pricing data available through the Investment Sponsor and/or the client's custodian. We make pro-rata fee adjustments for additions or withdrawals during a quarter. The client's quarterly fee calculation will reflect any pro-rated additions and/or reductions.

For advisory fee calculation purposes, a calendar quarter is a period beginning on January 1, April 1, July 1, or October 1 and ending on the day before the next quarter. A day is any calendar day including weekends and holidays. For new accounts and terminations, the number of days remaining in the quarter is the number of calendar days following the date a new account is funded or the date MRD receives a termination notification.

With client authorization, MRD will automatically withdraw MRD's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on MRD's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee. Clients cannot elect to have fees invoiced separately.

MRD will send an invoice to each client who authorizes MRD to withdrawal fees directly from the custodian. The invoice will include the value of the account upon which we calculated the fee, the fee

calculation, and the fee amount debited. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

## **Other Fees and Expenses**

MRD's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the account, which are in addition to the fees client pays to MRD. See **Item 12 - Brokerage Practices** below for more information.

In addition, any mutual fund shares held in a client's account are subject to fund-related expenses and, if applicable, early redemption fees. The fund's prospectus fully describes the fees and expenses. All fees paid to MRD for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds also pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares.

## **Termination**

Either party may terminate the advisory engagement at any time by providing written notice to the other party. The client may terminate the engagement at any time by writing MRD at our office. Upon termination of the engagement, any earned, unpaid advisory fees will be due and payable. The client will receive an invoice showing the advisory fees due for services rendered and not yet paid.

## **Other Compensation**

MRD does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

MRD does not charge performance-based fees or other fees based on a share of capital gains or capital appreciation of the assets of a client.

## **ITEM 7 - TYPES OF CLIENTS**

MRD offers discretionary investment advisory services to individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. In addition, we offer advisory services to owners of single-participant 401k plans and 403b plans, charitable organizations, and businesses. Generally, MRD requires clients to maintain a minimum account size of \$1,000,000. Withdrawal of significant funds may result in a request for additional fund deposits to continue with management of accounts. At our discretion, we may combine family accounts to meet the account size minimum or reduce or waive the account minimum requirements.

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

### Methods of Analysis and Investment Strategies

#### General Investment Strategies

MRD generally uses diversification in an effort to minimize risk and optimize the potential return of a portfolio. More specifically, within our mutual fund portfolios, we utilize multiple asset classes, investment styles, market capitalizations, sectors, and regions to provide diversification. Each portfolio composition is determined in accordance with the clients' investment objectives, risk tolerance, and time horizon. We utilize both passive and active investment management strategies in an effort to optimize portfolios.

Each portfolio maintains a target asset allocation. Generally, MRD reviews each portfolio every quarter to evaluate the extent to which the actual allocation matches the target allocation. Where the variance is considered excessive, MRD takes appropriate actions (buys and sells) in order to bring the actual allocation within acceptable range of the target allocation. We refer to this process as "rebalancing." Since we believe that all investments are subject to cycles, this process of rebalancing offers a systematic process to help us sell when investment categories have been in favor and to buy when they have been out of favor.

For passive mutual fund portfolios, MRD primarily uses various funds offered by Dimensional Fund Advisors ("DFA"). We select DFA funds for their relatively low internal expenses, broad diversification, and consistency of exposure to a specific asset class. MRD generally relies on research materials provided by Dimensional Fund Advisors when determining investment recommendations for client accounts. We also subscribe to/access additional information from other sources that inform our general macro-economic view.

#### Methods of Analysis for Selecting Securities

In analyzing and selecting mutual funds, MRD uses public and private research sources, fund reporting, and fund conference calls. Regarding equity mutual funds, MRD reviews key characteristics such as historical performance, consistency of returns, risk level, size of fund, etc. Expense ratio and other costs are also significant factors in fund selection.

#### Investment Strategies for Managing Portfolios

MRD may utilize passive or active fund managers and generally applies long-term holding strategies in the construction and management of client portfolios. In addition, we may recommend funds with flexible mandates to our clients with active strategy portfolios. These fund managers may provide defensive, hedging, leveraging, margin, and/or concentrated portfolio strategies within the funds they manage.

### ***Active Management***

Actively managed funds seek to outperform the market, or more specifically a pre-determined benchmark. Managers are chosen that select underlying fund investments based on what they perceive to be discounts to each security's intrinsic value.

### ***Passive Management***

Passive funds generally track a prescribed index or benchmark and keep a flexible trading approach in order to maintain the characteristics of that index or benchmark.

### ***Long-term Holding***

MRD does not generally purchase securities for clients with the intent to sell the securities within 30 days of purchase, as MRD does not use short-term trading as an investment strategy. However, there may be times when MRD will sell a security for a client when the client has held the position for less than 30 days.

## **General Risk of Loss Statement**

Prior to entering into an engagement with MRD, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are available to MRD for investment on a long-term basis. This is typically a minimum of five to seven years.

## **Risks**

### **General Risks of Owning Securities**

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

Mutual funds that hold securities issued by entities based outside the United States may be subject to increased levels of the risks described above. Currency fluctuations and controls, different accounting, auditing, financial reporting, disclosure, regulatory and legal standards, and practices could also affect investments in securities of foreign issuers. Additional factors may include expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions,

or in receiving payment of dividends can increase risk. Finally, investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

### *Mutual Funds (Open-end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any transaction fees that the custodian imposes at the time of purchase.

The benefits of investing through mutual funds include:

#### ***Professionally Managed***

Mutual funds are professionally managed by investment advisers who research, select, and monitor the performance of the securities the fund purchases.

#### ***Diversification***

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

#### ***Affordability***

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

#### ***Liquidity***

At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages:

#### ***Lack of Control***

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

#### ***Price Uncertainty***

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on

the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

### ***Tax Consequences of Mutual Funds***

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor may have to pay taxes each year on *the fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

### **Exchange-Traded Funds (ETFs)**

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of equity and/or fixed income investments that usually tracks a specific index or sector. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market index or that fall into a particular sector. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

### **Obligations Backed by the "Full Faith and Credit" of the U.S. Government**

#### **U.S. Treasury Securities**

U.S. Treasury securities include direct obligations of the U.S. Treasury, such as Treasury bills, notes, and bonds. For these securities, the U.S. government unconditionally guarantees the payment of principal and interest, resulting in the highest possible credit quality. Fluctuations in interest rates subject U.S. Treasury securities to variations in market value. However, they are paid in full when held to maturity.

#### **Certificates of Deposit (CDs)**

MRD may recommend the purchase of certificates of deposit (CDs) when clients are searching for relatively low-risk investments. A CD is a special type of deposit account with a bank or thrift institution that typically offers a higher rate of interest than a regular savings account. CDs have set maturity dates and, like other deposits held at FDIC member institutions, feature federal deposit insurance up to \$250,000.

### **Private Placements**

MRD may recommend limited partnerships and/or private offerings to clients based on factors that include but are not limited to accreditation status, the level of interest clients express during meetings with MRD, and whether the program would offer diversification to the client. We consider these types of investments to carry a higher degree of risk than mutual funds. These securities are only available to accredited investors. Investments in such limited offerings will only occur after conducting additional

consultation with the client and after the client has approved of the investment and strategy for his/her portfolio.

Generally, there is no ready market for private placement purchases and sales. Therefore, private placements are less liquid than market-based securities and considered risky investments. Consequently, investments in private placements are limited to persons who meet certain income and/or net worth requirements. MRD will recommend such securities only to clients who meet the necessary income and/or net worth requirements and where MRD believes the investment is appropriate for the client based on the client's ability to accept the risk. At the time of recommendation, MRD will disclose to the client any co-investment interest in the offering.

### *Cash and Cash Equivalents*

Client accounts may hold cash or invest in cash equivalents, which are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments, meaning there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

## **ITEM 9 - DISCIPLINARY INFORMATION**

MRD and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. In this Item, we are required to disclose legal or disciplinary events that are material to your evaluation of our advisory business and the integrity of our management, and to disclose all material facts regarding those events. Neither MRD or any affiliated person has been involved in a criminal or civil action in a domestic, foreign, or military court of competent jurisdiction, or an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority, or in a self-regulatory organization proceeding.

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

MRD does not offer any other services or have any affiliates in the financial industry. No management persons are registered, or have an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or as an associated person of the foregoing entities. MRD does not recommend or select other investment advisers.

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

### **Code of Ethics**

MRD believes that we owe clients the highest level of trust and fair dealing. Further, as part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. MRD's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.



MRD's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. MRD's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment and adherence to applicable state and federal securities laws. All personnel receive a copy of each amendment of the Code of Ethics, which they acknowledge in writing. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics (see below).

MRD will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### *Personal Trading Practices*

MRD's personnel are subject to personal trading policies governed by the Code of Ethics. MRD and our personnel may invest in securities that we also recommend to clients.

### ***Open-End Mutual Funds***

Securities transactions on behalf of clients primarily consist of mutual funds, which do not trade but are issued and redeemed once daily at the fund's net asset value ("NAV"). Therefore, we believe that personal transactions in mutual funds do not present a conflict of interest to our clients. The Code of Ethics includes additional restrictions for our personnel in the event that we make non-mutual fund purchases or sales in our personal accounts.

### ***Closed-End Funds/ETFs***

Same-day personal trades in positions also held by clients take place only after all transactions in clients' accounts have been effected.

### ***Limited Offerings***

When recommendations in limited offerings are made to an adviser's clients, conflicts may arise when associated persons of that adviser also hold a financial interest in the same offerings. Common conflicts for advisers that recommend such investments could potentially include recommendation of additional client purchases to help reach a minimum subscription amount necessary to fund the offering, lowering potential cash calls to the associated person with increased client holdings, and helping to reach investment minimums by combining purchasing power.

We believe that the above conflicts do not apply to the limited offerings we recommend, as MRD only invests in a small percentage of the total offering amount and such offerings have never relied on investments from MRD's associated persons or clients to meet any minimum raise. Further, historical offerings by MRD for itself and clients have never issued subsequent calls for additional investment beyond the investor's original commitment. Finally, each accredited investor is responsible for meeting any required investment minimum for an offering; proprietary and client funds are never comingled.

In the event that MRD becomes aware of new conflicts in future offerings, appropriate disclosure will be made to affected clients at that time. Further, clients that invest in limited offerings are provided with an offering memorandum and subscription documents, which include the issuer's summary of all known conflicts.

## ITEM 12 - BROKERAGE PRACTICES

### Factors Considered in Selecting Broker-Dealers for Client Transactions

MRD generally requires clients to open one or more custodian accounts in their own name at Schwab Advisor Services™, a division of Charles Schwab & Co., Inc. ("Schwab"), and/or Fidelity Institutional Wealth Services, a division of Fidelity Brokerage Services, Inc. ("Fidelity"), registered broker-dealers, Members SIPC. The client will enter into a separate agreement with Fidelity or Schwab to custody the assets. MRD is independently owned and operated, and unaffiliated with any broker-dealer/custodian.

Fidelity and Schwab may charge commissions (ticket charges) for executing our transactions. We do not receive any part of these separate charges. We generally recommend that clients establish accounts with Fidelity and Schwab to maintain custody of clients' assets and to effect trades for their accounts. Fidelity and Schwab provide us access to their institutional trading and custody services, which are typically not available to Fidelity and Schwab retail investors. Fidelity and Schwab's services include brokerage custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Fidelity and Schwab do not charge separately for custody of client assets, but they do receive compensation from account holders through commissions or other transaction-related fees, or from securities trades that execute through or settle into Fidelity or Schwab.

MRD considers several factors in recommending Fidelity and Schwab to a client. Factors that MRD may consider when recommending a Fidelity and Schwab may include availability of funds, ease of use, reputation, service execution, pricing, and financial strength. MRD may also take into consideration the availability of the products and services received or offered (detailed below) by Fidelity and Schwab.

### Research and Other Benefits

#### Schwab/Fidelity Support Products and Services

MRD does not receive research or other products or services ("soft dollar benefits") other than execution from a broker-dealer or a third party in connection with client securities transactions. The execution we receive is not based on commission volume or soft dollar credits and is generally provided to all institutional advisers that recommend Schwab/Fidelity to their clients.

#### ***Fidelity***

Fidelity makes available to us other products and services that may benefit MRD but may not directly benefit our clients' accounts. These types of services will help us in managing and administering client accounts. These include software and other technology that provide access to client account data (i.e., trade confirmations and account statements); facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of our fees from clients' accounts; and assist with back-office functions, record keeping, and client reporting. Many of these services may be used to service all or a substantial number of our accounts. We place trades for our clients' accounts through their custodian subject to our duty to seek best execution. Transactions in limited offerings are generally not available through Fidelity and are instead placed directly through the investment sponsor. Fidelity's execution quality may be different from other broker-dealers.

Fidelity may also provide other benefits such as educational events, conferences on practice management, regulatory compliance, information technology, and business success. Fidelity 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 MRD.

### ***Schwab***

MRD may receive from Schwab, without cost (or at a discount), support services and/or products that benefit MRD but may not directly benefit our clients' accounts. Schwab makes available products and services that we may use to service all or some substantial number of our accounts, including accounts not maintained with Schwab. Schwab makes these products and services available to us on an unsolicited basis, at no charge to us, so long as MRD maintains a total of at least \$10 million of our clients' assets in accounts at Schwab.

Schwab makes available products and services that assist MRD in managing and administering clients' accounts including software and other technology that:

1. provide access to client account data (such as trade confirmations and account statements);
2. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
3. provide research, pricing, and other market data;
4. facilitate payment of MRD's fees from our clients' accounts; and
5. assist with back-office functions, recordkeeping, and client reporting.

Schwab also offers other services intended to help MRD manage and further develop our business enterprise. These services may include:

1. compliance, legal and business consulting;
2. publications and conferences on practice management and business succession; and
3. access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may make available, arrange, and/or pay third-party vendors for the types of services provided to MRD. 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 MRD.

### **Summary**

As part of our fiduciary duty to clients, MRD endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by MRD or our personnel in and of itself creates a potential conflict of interest and may indirectly influence MRD's recommendation of Fidelity or Schwab for custody and brokerage services.

### Brokerage for Client Referrals

MRD does not receive client referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

### Directed Brokerage

Except when providing advice to retirement plans or plan participants, MRD does not allow clients to direct us to use a specific broker-dealer to execute transactions. Clients must use the broker-dealers that MRD recommends. Not all investment advisers require their clients to use specific brokers. Since we require clients to maintain their accounts with Fidelity or Schwab, it is also important for clients to consider and compare the significant differences between having assets custodied at another broker-dealer, bank, or other custodian prior to opening an account with us. Some of these differences include, but are not limited to; total account costs, trading freedom, transaction fees/commission rates, and security and technology services. By requiring clients to use Fidelity or Schwab, MRD believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio.

Retirement plan and plan participant clients that require MRD to use a particular broker-dealer for all trading may pay higher commission charges. Under these circumstances, MRD may not have authority to negotiate commissions, obtain volume discounts, or seek best execution. Retirement plan and plan participant clients should further understand that a disparity in transaction charges might exist between the transaction costs charged to other clients.

## **Aggregation and Allocation of Transactions**

MRD enters transactions for each client independently and does not aggregate (combine) client orders. Aggregating trades may benefit clients by purchasing or selling in larger blocks in an attempt to take advantage of better pricing or lower trading costs. We do not feel that clients are at a disadvantage because we do not aggregate client orders. MRD primarily uses mutual funds to manage client accounts. Mutual funds are priced once daily. As the daily price is the same for each investor, we have no opportunity to obtain better pricing through aggregating. Additionally, the broker-dealer/custodians charge each account an individual transaction fee regardless of whether we aggregate or not, so we are unable to lower trading costs through aggregation.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Managed Account Reviews**

MRD seeks to meet client objectives by monitoring clients' investment portfolios on a regular basis. Each individual client and MRD determines the frequency of review, which may be at any chosen interval. MRD may request more immediate reviews if we determine that special circumstances or material factors warrant additional attention. Michael DeKovner, President, conducts all client account reviews.

### **Account Reporting**

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, MRD provides written reports

detailing performance on a quarterly basis. MRD may also provide additional reporting as agreed upon by MRD and the client on a case-by-case basis.

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

### *Solicitors*

MRD does not utilize solicitors or pay referral fees.

### *Outside Referrals*

MRD may refer clients to unaffiliated professionals for specific needs, such as accounting and tax preparation services. In turn, these professionals may refer clients to MRD for advisory services. We do not have any agreements with any individual or company that we refer clients to, and we do not receive any compensation for these referrals. However, it could be concluded that MRD is receiving an indirect economic benefit from the arrangement if we receive a reciprocal referral.

MRD only refers clients to professionals we believe are competent and qualified in their field. However, it is ultimately the client's responsibility to evaluate the provider. It is solely the client's decision whether to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and MRD has no control over the services provided by another firm. Clients who choose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by MRD.

If the client desires, MRD will work with these professionals or the client's other advisers (such as an accountant or attorney) to help ensure that the provider understands the client's investments and to coordinate services for the client. MRD will never share information with an unaffiliated professional unless first authorized by the client.

## **ITEM 15 - CUSTODY**

MRD does not take physical custody of client funds or securities. MRD has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients' funds and securities. Clients will receive statements directly from your qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of MRD's fee.

Each billing period we send the amount of our fee to the custodian, and we send clients a statement showing the value of the client's assets upon which we based the fee, the amount of the fee, and how we calculated the fee.

Clients should carefully review the account statements you receive from your qualified custodian. When clients receive statements from MRD as well as from the qualified custodian, clients should compare these two reports carefully. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated. Clients with any questions

about your statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from your qualified custodian at least quarterly should also notify us.

MRD is also deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and under that SLOA authorize us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow.

## ITEM 16 - INVESTMENT DISCRETION

### Discretionary Management

MRD has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. MRD will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions may limit MRD's discretionary authority, such as where the client prohibits transactions in specific security types or directs MRD to execute transactions through specific broker-dealers. See also **Item 4 - Tailored Services and Client Imposed Restrictions** and **Item – 12 Brokerage Practices**, above.

## ITEM 17 - VOTING CLIENT SECURITIES

### Proxy Voting

MRD does not accept or have the authority to vote client securities. Clients cannot contact us with questions about a particular solicitation. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

### **ERISA**

For accounts subject to ERISA, an authorized plan fiduciary other than MRD will retain proxy voting authority. Our engagement letter and/or the plan's written documents will evidence and outline this authority.

### **Mutual Funds**

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

### Class Actions

MRD does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us

that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. MRD does not require the prepayment of more than \$500 in fees per client, six months or more in advance, does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.

# **Form ADV, Part 2B Brochure Supplement**

**Michael R. DeKovner, CFP**  
(CRD # 2134948)

**MRD, Inc.**  
2555 Main St., #3009  
Irvine, CA 92614  
949-365-0598

**October 24, 2023**

This brochure supplement provides information about Michael DeKovner that supplements the MRD, Inc. brochure. You should have already received a copy of that brochure. Please contact Michael DeKovner if you did not receive our brochure or if you have any questions about the contents of this supplement. Additional information about Michael R. DeKovner is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

**Michael R. DeKovner**, President, b. 1961

### *Education:*

- Certified Financial Planner, 1992
- M.B.A., Northwestern University, Evanston, IL, Finance, 1985
- B.A., University of California, Los Angeles, CA, Economics, 1983

### *Business Background:*

- MRD, Inc. (formerly Michael R. DeKovner, Sole Proprietor), President, 07/2000 to Present
- Pepperdine University, Adjunct Professor, 05/2000 to 10/2004

### Professional Designations

#### ***CERTIFIED FINANCIAL PLANNER™ professional***

I am certified for financial planning services in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board"). Therefore, I may refer to myself as a CERTIFIED FINANCIAL PLANNER™ professional or a CFP® professional, and I may use these and CFP Board's other certification marks (the "CFP Board Certification Marks"). The CFP® certification is voluntary. No federal or state law or regulation requires financial planners to hold the CFP® certification. You may find more information about the CFP® certification at [www.CFP.net](http://www.CFP.net).

CFP® professionals have met CFP Board's high standards for education, examination, experience, and ethics. To become a CFP® professional, an individual must fulfill the following requirements:

- Education – Earn a bachelor's degree or higher from an accredited college or university and complete CFP Board-approved coursework at a college or university through a CFP Board Registered Program. The coursework covers the financial planning subject areas CFP Board has determined are necessary for the competent and professional delivery of financial planning services, as well as a comprehensive financial plan development capstone course. A candidate may satisfy some of the coursework requirement through other qualifying credentials. CFP Board implemented the bachelor's degree or higher requirement in 2007 and the financial planning development capstone course requirement in March 2012. Therefore, a CFP® professional who first became certified before those dates may not have earned a bachelor's or higher degree or completed a financial planning development capstone course.
- Examination – Pass the comprehensive CFP® Certification Examination. The examination is designed to assess an individual's ability to integrate and apply a broad base of financial planning knowledge in the context of real-life financial planning situations.
- Experience – Complete 6,000 hours of professional experience related to the personal financial planning process, or 4,000 hours of apprenticeship experience that meets additional requirements.
- Ethics – Satisfy the Fitness Standards for Candidates for CFP® Certification and Former CFP® Professionals Seeking Reinstatement and agree to be bound by CFP Board's Code of Ethics and Standards of Conduct ("Code and Standards"), which sets forth the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements to remain certified and maintain the right to continue to use the CFP Board Certification Marks:

- Ethics – Commit to complying with CFP Board’s Code and Standards. This includes a commitment to CFP Board, as part of the certification, to act as a fiduciary, and therefore, act in the best interests of the client, at all times when providing financial advice and financial planning. CFP Board may sanction a CFP® professional who does not abide by this commitment, but CFP Board does not guarantee a CFP® professional's services. A client who seeks a similar commitment should obtain a written engagement that includes a fiduciary obligation to the client.
- Continuing Education – Complete 30 hours of continuing education every two years to maintain competence, demonstrate specified levels of knowledge, skills, and abilities, and keep up with developments in financial planning. Two of the hours must address the Code and Standards.

### **ITEM 3 - DISCIPLINARY INFORMATION**

Mr. DeKovner has not been found liable in any arbitration claim, or civil, self-regulatory organization, or administrative proceeding nor has he been the subject of a bankruptcy petition.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

Mr. DeKovner’s only business is providing investment advice through MRD.

### **ITEM 5 - ADDITIONAL COMPENSATION**

Mr. DeKovner’s only compensation comes from his regular salary and ownership of MRD.

### **ITEM 6 - SUPERVISION**

Mr. DeKovner, President, is the principal of MRD and supervises all employees. As the firm’s sole portfolio manager, Mr. DeKovner is responsible for monitoring his own advice to clients. He can be reached at (949) 365-0598.

## FACTS

### WHAT DOES MRD, INC. ("MRD") DO WITH YOUR PERSONAL INFORMATION?

#### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income
- account balances and transaction history
- assets and risk tolerance

When you are *no longer* our customer, we continue to share your information as described in this notice.

#### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MRD chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MRD share?	Can you limit this sharing?
<b>For our everyday business purposes -</b> as permitted by law	YES	NO
<b>For our marketing purposes -</b> to offer our products and services to you	NO	We Don't Share
<b>For joint marketing with other financial companies</b>	NO	We Don't Share
<b>For our affiliates' everyday business purposes -</b> information about your transactions and experiences	NO	We Don't Share
<b>For our affiliates' everyday business purposes -</b> information about your creditworthiness	NO	We Don't Share
<b>For nonaffiliates to market to you</b>	NO	We Don't Share
<b>Questions?</b>	Call (949) 365-0598	

## WHO WE ARE

Who is providing this notice?	MRD, Inc.
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## WHAT WE DO

How does MRD protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secure files and buildings.
How does MRD collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>• seek advice about your investments</li> <li>• enter into an investment advisory contract</li> <li>• tell us about your investment or retirement portfolio</li> <li>• tell us about your investment or retirement earnings</li> <li>• give us your contact information</li> </ul> <p>We also collect your personal information from other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> <li>• sharing for affiliates' everyday business purposes - information about your creditworthiness</li> <li>• affiliates from using your information to market to you</li> <li>• sharing for nonaffiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>

## DEFINITIONS

<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>MRD, Inc. has no affiliates</i></li> </ul>
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"> <li>• <i>MRD, Inc. does not share with nonaffiliates so they can market to you</i></li> </ul>
<b>Joint Marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>• <i>MRD, Inc. does not jointly market</i></li> </ul>

