

## Item 1 – Cover Page



## Form ADV Part 2A Appendix 1

### Wrap Brochure

October 15, 2024

**This Brochure provides information about the qualifications and business practices of MDT Financial Advisors, LLC. You should review this brochure to understand your relationship with our firm and help you determine to hire or retain us as your investment adviser. If you have any questions about the contents of this brochure, please contact us at (281) 938-1111. The information in this Brochure has not been approved or verified by the United States of America Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about MDT Financial Advisors, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by our firm name or by using a unique identifying number, known as a CRD number. The CRD number for MDT Financial Advisors, LLC is 333289.**

**MDT Financial Advisors, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.**

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## **Item 2 – Material Changes**

This section of the brochure discusses specific material changes that have been made to the brochure since the firm's last annual update. This is the firm's initial brochure, so there are no material changes to report.

We will provide you with a Summary of Material Changes made to this brochure annually at no cost. You may receive an updated copy of this brochure at any time by contacting us at (281) 938-1111.

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## Item 4 – Services, Fees and Compensation

### Our Services

MDT Financial Advisors, LLC (“MDT” or “the Firm”) is a registered investment adviser that provides wealth and investment management services to individual and institutional investors to help them achieve their financial needs and goals. MDT was established as a registered investment adviser in 2024 and is co-owned by Chad Taylor and Larry Denson. MDT takes pride in providing personalized service to our clients and acknowledges that it is held to a fiduciary standard of care.

MDT offers portfolio management services through a wrap fee program. A bundled or “wrap fee” program is an advisory fee program under which you pay one bundled fee to compensate our firm for portfolio management, transaction costs and custodial services. A wrap fee program may not be the lowest cost option if you would like to restrict your investments to open-end mutual funds or other long-term investment products.

### Fees and Compensation

Our fees vary among the different types of advisory services we offer, type of account, a client’s relationship with the firm, asset size and complexity and/or investment strategies employed, and may be negotiated at our sole discretion. The specific fees and way fees are charged and calculated are described in your investment advisory agreement. You should carefully review the investment advisory agreement prior to signing it.

MDT offers investment and wealth management for an annual fee based on the amount of assets under the firm’s management/advisement. Fees are generally billed in advance each calendar quarter based on the market value of the assets under management/advisement on the last day of the previous calendar quarter. Advisory fees for the first quarter are prorated for the number of days services will be provided in the quarter and are based on the value of the account at the time advisory services commence. The maximum fee rate for our clients is as follows:

Maximum Annual Advisory Fee
1%

Fees are based on cumulative household assets under advisement, with the exception of corporate plans, which ERISA rules prohibit from inclusion with personal assets for fee reductions. You should refer to your advisory agreement for your specific fee rate(s).

From time to time, MDT provides advice on legacy positions held in client portfolios as part of the client’s overall investment management strategy. In these situations, MDT includes the value of the legacy positions in the assets under management used to determine the client’s advisory fee. For investment and wealth management services MDT provides to certain clients or for specific client

holdings (e.g., held-away assets), we may negotiate a fee rate that differs substantially from our standard fee.

Fees for third-party asset managers are set forth by the manager and are separate and in addition to MDT's advisory fees. You should refer to the third-party manager's Form ADV Part 2A Brochure for information on their fees and compensation.

#### Programs Offered Through Wells Fargo

When utilizing the programs offered by Wells Fargo, investment management services are provided by third-party money managers through the Personalized Unified Managed Account Program, Private Advisor Network Program or Fundsource Program. Wells Fargo requires clients to sign an investment advisory agreement for access to the programs in addition to our investment management agreement.

Fees for advisory programs offered through Wells Fargo are as follows:

<b>Program</b>	<b>Program Type</b>	<b>Maximum MDT Annual Advisory Fee</b>	<b>Maximum Third-Party Manager Fee</b>
Personalized Unified Managed Account	Unified Managed Account	1%	0.60%
Private Advisor Network	Separately Managed Accounts	1%	0.60%
FundSource	Mutual Fund Advisory Program	1%	None

For the Personalized Unified Management Account Program and Private Advisor Network Program, the third-party manager's fee is separate and in addition to MDT's advisory fee. MDT's advisory fee for the Personalized Unified Managed Account Program includes a platform fee that is paid to Wells Fargo for access to the program.

Wells Fargo calculates and directly debits MDT's advisory fees and the third-party managers' fees from clients' accounts. The advisory fee and third-party managers' fees are listed on the account statement provided to you by the custodian. The value of assets held in any Wells Fargo program account are included in the amount of total household assets used to determine MDT's advisory fees for other assets of a client that are managed by MDT. You should refer to your advisory agreement for your specific fee rate(s).

#### **Costs of Our Program**

Fees for our portfolio management services may be higher than fees charged by other advisers who sponsor similar programs, or if you paid separately for investment advice and other services. Fees for our wrap fee program include brokerage, clearing and custodial costs as well as our portfolio management fee. There may be times when another broker-dealer is used to execute fixed-income trades (commonly referred to as "trading away" or "step out trades"). In instances where MDT has

determined it is in the client's best interest to utilize another broker-dealer to execute a transaction, the cost of the transaction will be included in the wrap program fee.

You may be charged different fees than similarly situated clients for the same services based upon the complexity of your needs. Your specific wrap fee is described in your investment management agreement. You should carefully review this brochure to understand the fees and other sources of compensation we receive prior to entering into an investment advisory contract with our firm.

### **Other Types of Fees You May Incur**

Clients may incur other charges imposed by custodians, brokers, third-party asset managers or investments or other third parties, such as custodial fees, odd-lot differentials, ADR service charges, transfer taxes, wire transfer and electronic fund fees, markups or markdowns and other fees and taxes on brokerage accounts and securities transactions. Decisions to reallocate your account assets may result in you incurring a redemption fee imposed by one or more mutual funds held in your account. Mutual funds, exchange traded funds and private funds also charge management fees, which are disclosed in the fund's prospectus or offering documents. Such charges, fees and commissions are exclusive of and in addition to MDT's fee. MDT will not receive any portion of these commissions, fees and costs, including any distribution or "12b-1" fees paid by mutual funds in which your account assets are invested. Private funds may also charge performance-based fees and other fund-level expenses, such as audit and legal fees. These charges, fees and costs reduce the amount of money you make over time.

There may be times when another broker-dealer is used to execute fixed-income trades (commonly referred to as "trading away" or "step out trades"). In instances where MDT has determined it is in the client's best interest to utilize another broker-dealer to execute a transaction, the cost of the transaction will be included in the wrap program fee.

### **Our Compensation for Your Participation in the Program**

MDT generally recommends Trade-PMR, Inc. ("Trade-PMR") for brokerage services. Brokerage and custodial services include, but are not limited to trade processing, collection of management fees, marketing assistance and research. Item 12 – Brokerage Practices further describes the factors that MDT considers in recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

## **Item 5 – Account Requirements and Types of Clients**

MDT caters to a diverse clientele, including individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations and corporations and other businesses.

MDT generally works with clients with a net worth of at least \$1,00,000 but does not have a set minimum initial investment, nor does MDT have an ongoing minimum account size requirement. We will determine whether our advisory services are appropriate for a prospective client based on

the client's particular circumstances.

## **Item 6 – Portfolio Manager Selection and Evaluation**

### **Selection and Review of Portfolio Managers**

MDT generally acts as both the sponsor and portfolio manager of the wrap fee program but may use programs offered by third-party asset managers to manage all or a portion of a client's account.

MDT has the ability to effect a large amount of trades within the wrap program at institutional pricing. We believe this institutional pricing structure mitigates the incentive for our financial advisers to recommend fewer trades in your account to save on trading costs. The cost of trading is not material to our investment recommendations. It is our policy to always act in the best interests of our clients.

### **Types of Advisory Services We Offer**

MDT offers a variety of investment advisory services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations and corporations and other businesses. These services include advice with respect to:

- Wealth and investment management
- Selection of third-party asset managers
- Financial planning and consulting
- Fiduciary and non-fiduciary services for plan sponsors

We work with our clients to determine their investment objectives and risk profile and develop and execute a customized investment plan based on their individual needs and goals. MDT utilizes the financial information provided by clients to analyze and develop strategies and solutions to assist clients in meeting their financial goals.

MDT emphasizes the importance of continuous communication with our clients regarding any significant life events or changes that could impact their financial objectives and, consequently, the advisory services provided by MDT. The firm encourages you to promptly inform us of updates to your personal and financial circumstances, aspirations, and preferences. This information is essential for the accurate tailoring of investment advice and recommendations provided to clients.

It is your responsibility to ensure that the information provided to MDT is current and accurate. This data serves as the cornerstone for any investment and/or wealth management recommendations made by MDT. You must actively provide to MDT all pertinent information you wish to be considered in the development of your investment strategy. You should promptly notify us of any changes in your financial situation or if you wish to place any limitations on the management of your account.

Prior to MDT rendering any of the foregoing services, clients are required to enter into one or more

written advisory agreements with MDT setting forth the relevant terms and conditions of the advisory relationship.

### **Wealth and Investment Management Services**

As part of our wealth and investment management services, we offer:

- Investment policy development
- Wealth management strategies
- Asset allocation analysis
- Product due diligence
- Investment and portfolio monitoring

MDT manages our clients' portfolios on a discretionary and non-discretionary basis and may utilize a third-party asset manager to manage all or a portion of an account. A critical component of MDT's investment and wealth management services is the development of an investment policy statement (IPS) that is based on your specific objectives and needs. The IPS is constructed based on a thorough assessment of your financial situation, investment goals, liquidity needs, risk tolerance, and any specific investment preferences or restrictions you may have. MDT's investment approach incorporates a variety of asset classes including, but not limited to, stocks, bonds, exchange-traded securities, mutual funds, fee-based annuities and alternative private investments, as well as other securities and financial instruments. This procedural framework and methodology are designed to ensure that MDT's advisory services are consistently aligned with the firm's fiduciary duty, ensuring that your interests are placed foremost, and investment recommendations are made based on informed, personalized analyses of your unique financial landscape.

To the extent your assets are invested in a particular fund, those funds will have their own investment practices, which are described in each fund's prospectus or offering or other disclosure documents. In addition, selected funds typically have discretion to determine the type and amount of securities to be purchased or sold for the portion of the assets managed by the fund.

Clients may also engage MDT to manage or provide advice on investment products that are not maintained at the client's primary custodian (held away accounts). You should refer to your advisory agreement for the specific terms of the investment and wealth management services MDT provides for your account(s).

### **Selection of Third-Party Asset Managers**

MDT may select certain separately managed account managers and/or subadvisers (collectively "third-party asset managers") or advise clients with respect to the selection of third-party asset managers, to actively manage all or a portion of clients' assets when it aligns with the best interest of a client. Pursuant to the terms of our investment management agreement, MDT may have the discretion to appoint and terminate these third-party asset managers. The terms and conditions under which MDT or a client engages a third-party asset manager may also be set forth in a separate



written agreement with the independent manager. Certain third-party asset managers require a separate investment advisory agreement directly with the manager, while others do not. In addition to this brochure, clients will also receive written disclosure documents of the third-party asset managers engaged to manage their assets.

In making its recommendations, MDT evaluates a variety of information about third-party asset managers, which may include the manager's public disclosure documents, materials supplied by the manager and other third-party analyses we believe are reputable. To the extent possible, MDT seeks to assess the third-party asset manager's investment strategies, historical performance and risk management practices in relation to its clients' individual portfolio allocations and risk exposure. MDT also takes into consideration each manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

Third-party asset managers utilized by MDT include:

- Advisory programs available through Wells Fargo & Company ("Wells Fargo")

Third-party asset managers are typically granted limited power-of-attorney to trade the assets MDT or the client delegates to a manager for management. These managers are authorized to trade securities within a client's account and provide instructions, within their scope of authority, to the broker-dealer and custodian of record.

Clients with assets managed by a third-party asset manager should carefully review the manager's Form ADV and/or other disclosure documents for detailed information about the manager's fees and investment approach, including any conflicts of interest that exist with clients.

#### Programs Offered Through Wells Fargo

MDT utilizes third-party managers through Wells Fargo Personalized Unified Managed Account Program, Private Advisor Network Program and Fundsources Program. The Wells Fargo programs require clients sign an investment advisory agreement for access to their programs in addition to our investment management agreement.

#### **Financial Planning and Consulting Services**

MDT offers different levels of financial planning and consulting services to help our clients identify, prioritize and work towards their goals and objectives. Our consulting services give our clients the ability to receive a broad range of financial advice and services, including specific security recommendations, for the duration of the advisory agreement.

Our financial planning process starts with an extensive review of a client's family situation, which includes assets and liabilities, as well as estate, tax and insurance needs. We then employ a risk tolerance and risk capacity-focused process to get a detailed cash flow analysis and proposed asset allocation. Together, this information is analyzed to develop a proposed financial plan, which is

designed to be dynamic in nature, evolving overtime to consider life changes, as well as changes in cash flow needs, risk tolerance, time horizon or investment objectives.

MDT's financial planning and consulting services may include any of the following topics:

- Cash Flow Analysis and Forecasting
- Risk Management
- Trust & Estate Planning
- Charitable Giving
- Education Planning
- Business Planning
- Retirement Planning
- Liability Management
- Investment Consulting
- Distribution Planning
- Tax Planning
- Insurance Review
- Family Governance
- Retirement Plan Consulting and Employee Benefits Analysis

While each of these services is available on a stand-alone basis, certain financial planning services are rendered in conjunction with investment and wealth management services. In performing these services, MDT is not required to verify any information received from the client or from the client's other engaged professionals (e.g., from attorneys, accountants, etc.). MDT may recommend clients that engage us for additional related services, or we may recommend other professionals to implement our recommendations. These additional services provided by MDT, or another professional, are provided at an additional cost to you, which is based on the nature, extent, complexity and other needs. The ability to engage MDT for additional advisory services creates a conflict of interest because it provides us with an incentive to recommend additional services based on the compensation to be received by MDT, rather than solely based on your needs, and in some cases, based on the prospect of cross-referrals of advisory clients from the other professional or his or her firm. Implementation of financial planning recommendations is entirely at your discretion. You have complete freedom in selecting another financial adviser to assist you with implementing the recommendations made in your financial plan and are under no obligation to act on the advice of MDT. Financial planning recommendations are of a generic nature and are not limited to any specific product. Should you choose to implement the recommendations contained in the plan, MDT suggests you work closely with your attorney, accountant and/or insurance agent, as needed.

MDT will act solely in our capacity as a registered investment adviser and does not provide any legal, accounting or tax advice. You should seek the counsel of a qualified accountant and/or attorney when necessary. As part of our advisory services, from time to time we assist clients with tax loss harvesting and work with the client's tax specialist to answer any questions related to the client's portfolio. Any incidental tax discussions on topics, such as required minimum distributions, retirement plan contributions, etc., should be verified with your tax advisor.

#### Non-Advisory Assets

It is important for you to understand that MDT is not engaged in providing investment advice, nor

does it hold fiduciary responsibilities, for assets outside of those directly managed or advised by MDT. These other assets, known as "non-advisory assets," may be owned by the client but are not considered part of the assets under MDT's management or advisement. MDT does not, and is not obligated to, independently verify or adjust information on non-advisory assets provided by you or your third-party service providers.

MDT does not consider information regarding non-advisory assets when providing investment advice to clients other than evaluating how the non-advisory assets impact an appropriate asset allocation or investment strategy for a client's account(s) managed or advised by MDT. In such cases, the consideration of the non-advisory assets in the development of an appropriate asset allocation or investment strategy for a client does not imply an advisory relationship with the client for the non-advisory assets.

### **Fiduciary and Non-Fiduciary Services for Plan Sponsors**

Retirement plan sponsors may retain our firm to provide advisory and consulting services for plan assets. Fiduciary services available to plan sponsors include:

- Reviewing and assisting in the establishment of investment policies and objectives on behalf of the plan
- Assistance with development of an Investment Policy Statement
- Recommending core investments to be offered to plan participants for selection by the plan sponsor
- Recommending investment managers, within the meaning of ERISA Section 3(38), on behalf of the plan, to be offered as investment options for plan participants
- Monitoring of the plan's investments or investment managers in accordance with the plan's Investment Policy Statement or other relevant guidelines

Non-fiduciary consulting services available to plan sponsors include:

- Educating plan participants on investment options available within the plan
- Preparation of periodic performance reports for the plan's investments
- Assistance with monitoring the reasonableness of the fees and expenses of the plan's investments or investment managers in accordance with the plan's Investment Policy Statement or other relevant guidelines
- Benchmarking existing plan service providers to industry peers, and where appropriate, conducting a search for new providers for the plan sponsor's consideration and providing our recommendation

### **Portfolio Management Services for Wrap Fee Program**

MDT offers portfolio management services through a wrap fee program. A bundled or "wrap fee" program is an advisory fee program under which you pay one bundled fee to compensate MDT for portfolio management, transaction costs and custodial services. A wrap fee program may not be the

lowest cost option if you would like to restrict your investments to open-end mutual funds or other long-term investment products.

### **Performance-Based Fees and Side-By-Side Management**

MDT does not charge any performance-based fees or participate in side-by-side management, and therefore, are not required to disclose any additional information pursuant to this Item.

### **Methods of Analysis and Investment Strategies**

MDT carefully constructs a risk-adjusted, tax-efficient, and cost-effective asset allocation strategy based on a client's unique cash flow needs, stated return and risk profile. Security selection is based on qualitative, quantitative, technical, and relative strength metrics. Portfolio holdings are monitored on an ongoing basis and adjusted as market conditions and our clients' circumstances dictate. Clients may hold or retain other types of assets as well and MDT may offer advice regarding those assets as part of our services; however, advice regarding such assets generally will not be covered under our investment and wealth management services.

MDT predominantly utilizes a combination of active and passive strategies to allocate client assets primarily among stocks, bonds, ETFs and mutual funds. Individual client circumstances may dictate the use of other types of securities or alternative investments. Depending upon the client's financial needs, strategies implemented might include long-term purchases (securities held at least a year), short term purchases (securities sold within a year), short sales, margin transactions, option writing, including covered options, uncovered options or spreading strategies, and other securities transactions.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. All investments present the risk of loss of principal – the risk that the value of securities (e.g., stocks, mutual funds, ETFs, bonds, etc.), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment. There is no guarantee that investment recommendations made by MDT, or any third-party asset manager recommended by MDT, will be successful. We cannot assure you that your account will increase, preserve capital or generate income, nor can we assure you that your investment objectives will be realized. Although all investments involve risk, our investment advice seeks to limit risk through diversification among various asset classes. Changes in regulations or legislation could adversely affect investment transactions or the securities underlying those transactions, impacting their value.

We may recommend a variety of security types for your account to help you achieve your individual needs and goals. Described below are the material risks associated with investing in the types of securities we generally recommend in client accounts, as well as risks associated with our investment strategies and methods of analysis and other general risks:

## **Product Risks**

### **Equity Securities**

In general, prices of equity securities (common, convertible preferred stocks and other securities whose values are tied to the price of stocks, such as rights, warrants and convertible debt securities) are more volatile than those of fixed-income securities. The prices of equity securities can decline in value if the issuer's financial condition declines or in response to overall market and economic conditions. Investments in smaller companies and mid-size companies may involve greater risk and price volatility than investments in larger, more mature companies. The stock market overall also typically undergoes periods of turbulence and instability.

### **Fixed-Income Securities**

The return and principal value of bonds fluctuate with changes in market conditions. Fixed-income securities are subject to interest rate risk and credit quality risk. The market value of fixed-income securities generally declines when interest rates rise, and an issuer of fixed-income securities can default on its payment obligations. Changes in interest rates generally have a greater effect on bonds with longer maturities than on those with shorter maturities. If bonds are not held to maturity, they may be worth more or less than their original value when purchased or sold. Credit risk refers to the possibility that the issuer of a bond will not be able to make principal and/or interest payments. High yield bonds, also known as "junk bonds," carry higher credit risk than higher rated investment grade bonds.

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

ETFs are typically investment companies that are legally classified as open-end mutual funds or unit investment trusts and invest in a basket of securities or a market index. ETFs differ from traditional mutual funds in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity. It is generally lower if the ETF has high trading volume and market liquidity and higher if the ETF has low trading volume and market liquidity. Liquidity risks are higher for ETFs with a large spread. ETFs may be closed and liquidated at the discretion of the issuing company. An ETF's performance may not perfectly replicate its benchmark index, leading to unexpected results. In addition, recently actively managed ETFs have become available for investment that are subject to the same kinds of risks that apply to actively managed mutual funds (see below).

### **Mutual Funds**

Mutual funds may invest in different types of securities, such as value or growth stocks, real estate investment trusts, corporate bonds or U.S. government bonds. There are risks associated with each asset class. Redemption of a mutual fund's shares is generally effected at current net asset value, which may be more or less than the original cost of the investment.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

Because each mutual fund owns different types of investments, performance will be affected by a variety of factors. Mutual funds may either seek to replicate the results of an index or be “actively managed” in accordance with a described strategy. The value of your investment in a mutual fund will vary from day to day as the values of the underlying investments in a fund vary. Such variations generally reflect changes in interest rates, market conditions and other company and economic news. These risks may become magnified depending on how much a fund invests or uses certain strategies. A fund’s principal market segment(s), such as large-cap, mid-cap or small-cap, or growth or value, stocks may underperform other market segments or the equity markets as a whole. Aggressive growth funds are most suitable for investors willing to accept price per share volatility since many companies that demonstrate high growth potential can also be high risk. Income from tax-free mutual funds may be subject to local, state and/or the alternative minimum tax.

You can find additional information regarding these risks in a mutual fund’s prospectus.

### **International Investing**

The risks of investing in foreign securities include loss of value as a result of political or economic instability; nationalization, expropriation or confiscatory taxation; changes in foreign exchange rates and foreign exchange restrictions; settlement delays; and limited government regulation (including less stringent reporting accounting, and disclosure standards than are required of U.S. companies). These risks may be greater with investments in emerging markets. Certain domestic investments may also expose their owners to international securities.

### **Cash and Cash Equivalents**

A portion of your assets may be invested in cash or cash equivalents to achieve your investment objective, provide ongoing distributions and/or take a defensive position. Cash holdings may result in a loss of market exposure.

### **Alternative Investments**

Alternative investments are illiquid investments and do not trade on a national securities exchange. Alternative investments typically include business development companies, real estate investment trusts and other kinds of funds specializing in investments in real property or debt secured by real property, commodity pools, private equity funds, private debt funds, venture capital funds or hedge funds. Alternative investment funds are subject to various risks depending on the nature of a fund’s investment strategies, as well as significant limitations on redemption and illiquidity that can make it difficult or impossible to sell an investment on a secondary market without incurring significant losses, even in relation to the value of a fund’s investments. Relatedly, secondary market sales of such investments are frequently restricted by securities laws, and may be contractually barred, for a period of

time.

Alternative investments are not suitable for all investors. Investors considering an investment strategy utilizing alternative investments should understand that alternative investments are generally considered speculative in nature and may involve a high degree of risk, particularly if concentrating investments in one or few alternative investments. These risks are potentially greater and substantially different than those associated with traditional equity or fixed income investments. Additional information regarding these risks can be found in a product's prospectus or offering documents.

## **Options**

We may advise you to engage in certain types of option trading in order to generate income or hedge a security held in the account. Using options entails additional risks beyond the risks of investing in the instrument to which the option relates. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. The risks of covered call writing (i.e., selling someone else an option to purchase a security you own) include the potential for the market to rise sharply, which may cause the security to be called away and no longer be held in the account. The risk of buying long puts (i.e., a right to sell a security) is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold. The seller of a put option bears a risk of loss if the value of the underlying interest declines below the exercise price, and such loss could be substantial if the decline is significant. The obligation of a seller of a put that is not cash-secured to meet margin requirements creates additional risks. Combination transactions, such as option spreads, are more complex than buying or writing a single option and carry additional risks.

You can find additional information regarding the risks associated with options trading on the Options Industry Council website, [www.optionseducation.org](http://www.optionseducation.org).

## **Investment Strategies Risks**

### **Third-Party Asset Managers**

MDT may recommend or utilize third-party asset managers to manage all or a portion of certain clients' assets. The success of a third-party manager's strategies heavily relies on the manager's abilities. Billing and valuation methods among third-party managers vary. Managers that utilize concentrated, non-diversified or sector strategies investing more of their assets in a few holdings involve additional risks, including share price fluctuations, because of the increased concentration of investments. The lack of industry diversification may subject investors to increased industry-specific risks. Clients with assets managed by a third-party manager should thoroughly review the manager's Form ADV Brochure or other disclosure document for more information on the manager's risks.

### **Security Recommendations in Opposing Directions**

MDT advises with regard to customized portfolios to meet individual client needs in accordance with the client's IPS. Customization of client portfolios can lead to MDT recommending that certain clients

buy a security and other clients sell the same security, which can result in material differences in account performance between clients.

## **Operational Risks**

### **Business Continuity**

MDT's operations could be disrupted by catastrophic events, such as fires, natural disasters, terrorist attacks, wars or similar emergencies resulting in property damage, network disruptions or prolonged power outages. Despite having contingency plans and conducting regular tests, it's impossible to prepare for every potential event. These risks could significantly impact MDT and its operations.

### **Pandemic Outbreak**

Epidemics or pandemics can introduce market and business uncertainties, including market volatility, business closures, supply chain disruptions, travel restrictions and widespread medical absences. MDT has policies and procedures to manage these situations; however, the unpredictable nature of large outbreaks means not all eventualities can be anticipated or addressed. The COVID-19 pandemic highlighted the importance of having a robust Business Continuity Plan, which allows MDT personnel to work remotely or on a hybrid office-remote basis. Future incidents might impact operations differently, including those of MDT, third-party asset managers recommended or utilized by MDT, product sponsors and key service providers.

### **Economic and Political Conditions**

Economic changes, such as fluctuations in interest rates, inflation, currency values, industry conditions, competition, technological advancements, trade relations, political events and tax laws, can adversely affect investment performance. Economic, political and financial conditions—including military conflicts and sanctions—can cause market volatility, illiquidity and other negative effects. Economic or political instability, diplomatic issues or disasters in regions where client assets are invested could harm many kinds of investments. The potential for recession and its impact on different asset classes is uncertain and beyond MDT's control, with no guarantees that MDT can predict these developments.

### **Cybersecurity**

MDT and its service providers, counterparts and other market participants rely heavily on information technology and communications systems. These systems face numerous cybersecurity threats that can negatively impact clients, despite efforts to mitigate these risks through advanced technologies, processes and practices aimed at protecting system security and the confidentiality, integrity and availability of our clients' information. Unauthorized access, operational disruptions, data theft or inadvertent disclosure of sensitive information could occur, posing significant risks. A breach or security failure could lead to data or financial loss and system inaccessibility for clients and regulatory penalties, reputational damage or additional compliance costs for MDT.



## **Custody**

MDT is obligated to keep client funds and securities over which it has custody with a qualified custodian. There is a risk of loss if a custodian faces insolvency, fraud or mismanagement. Cash and securities held in a brokerage account may exceed Securities Investor Protection Corporation coverage, which generally protects accounts up to \$500,000, including up to \$250,000 in cash. Clients are at risk if a brokerage firm holding their assets fails to fulfill its obligations or faces distress, potentially impacting your ability to access assets or utilize services. While non-cash assets held in custody at a bank are typically outside a failed bank's estate, client accounts could still be impacted by delays in accessing funds, settling trades or delivering securities due to a bank's failure. Diversifying custodial relationships may mitigate such risks.

## **Counterparties**

MDT's clients may face credit and liquidity risks from their dealings with various counterparties. Should a counterparty fail due to financial distress, recovering assets or funds under contractual agreements may be delayed or limited. The absence of independent evaluations of counterparties' financial health and a regulated market can increase potential losses, especially under adverse market conditions.

## **Key Persons**

MDT's investment success heavily relies on the experience of its executives. Losing one or more key individuals could adversely impact investment performance due to diminished strategy development, opportunity sourcing, relationship leveraging and investment expertise.

## **Artificial Intelligence**

Certain service providers utilized by MDT to service client accounts may have artificial intelligence components. The use of artificial intelligence and machine learning includes increased risk of data inaccuracies and security vulnerabilities. Due to the rapid advancement of machine learning technologies, future risks related to artificial intelligence are unpredictable. As a measure to mitigate these risks to our clients, MDT performs periodic due diligence of our service providers for assurance that the service providers have appropriate controls in place to protect our clients' information and to limit data inaccuracies when artificial intelligence is used by the service provider.

## **Voting Client Securities**

As a general policy, MDT will retain proxy voting authority for clients with a discretionary managed account that has given us the authority to do so. We utilize a third-party service provider to assist with voting proxies and follow the proxy voting guidelines outlined in our Proxy Voting Policies and Procedures. You may obtain a copy of our Proxy Voting Policies and Procedures and/or a record of ballots voted for your holdings upon request.

Clients may also elect to have us participate in class action lawsuits and related settlements on their behalf. In such cases, we utilize a third-party service provider to assist the firm with the filing process, who receives 20% of any settlement awarded to the client for their services. These services do not include assistance with Fair Fund recoveries. MDT will assist you with filing any Fair Fund recoveries, at your request.

## **Item 7 – Client Information Provided to Portfolio Managers**

If a third-party asset manager is used to manage all or a portion of your account, MDT will share certain information needed by the third-party manager to effectively manage your account, such as your risk tolerance, investment objectives or other investment policy information.

## **Item 8 – Client Contact with Portfolio Managers**

MDT is your primary contact for account-related questions. You may contact us directly at (281) 938-1111 to discuss your account.

## **Item 9 – Additional information**

### **Disciplinary Information**

As a registered investment adviser, MDT is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our management. MDT has no disciplinary information to report.

### **Other Financial Industry Activities and Affiliations**

MDT has no other financial industry activities or affiliations. Investment Adviser Representatives of MDT are currently registered with Wells Fargo Advisors Financial Network through February 7, 2025, and are not providing any investment advice on behalf of MDT at this time. Beginning on February 10, 2025, our Investment Adviser Representatives will begin providing investment advice on behalf of MDT and will no longer be affiliated with Wells Fargo Advisors Financial Network.

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

### **Our Code of Ethics**

MDT is committed to providing investment advice with the utmost professionalism and integrity. Our firm strives to identify, manage and/or mitigate conflicts of interest and has adopted policies, procedures and oversight mechanisms to address conflicts of interest. We have adopted a Code of Ethics that emphasizes our fiduciary obligation to put client interests first and is designed to ensure

personal securities transactions, activities and interests of employees will not interfere with the responsibilities to make decisions in the best interest of clients. All supervised persons of our firm must acknowledge and comply with our Code of Ethics. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

### **Participation in Client Transactions**

MDT does not effect transactions for client accounts in which MDT acts as a principal or a broker, including agency cross transactions. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys a security from or sells a security to an advisory client. 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, which does not apply to MDT.

### **Employee Personal Trading**

Supervised persons of MDT may purchase or sell certain securities that we recommend for investment in client accounts. This creates a conflict of interest as there is a possibility that supervised persons of our firm might benefit from market activity by a client in a security held by the supervised person. Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our supervised persons will not interfere with making decisions in the best interest of our clients while, at the same time, allowing employees to invest for their own accounts. Under our Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interests of MDT's clients. Our Code of Ethics also places restrictions on our supervised persons' personal trading activities. These restrictions include, but are not limited to, a prohibition on trading based on material, non-public information and pre-clearance requirements for certain types of transactions and securities. Employee trading is monitored to prevent conflicts of interest between MDT and our clients.

On occasion our supervised persons may engage on an aggregated basis in transactions in the same securities at the same time as clients. In such circumstances, supervised persons' and clients' accounts will share commission costs equally and receive securities at a total average price. MDT 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.

### **Review of Accounts**

Accounts at MDT are reviewed on a periodic basis by their wealth adviser. This review includes assessing client goals and objectives, monitoring the account and addressing the need to rebalance, as necessary. Individual securities held in client accounts are periodically monitored by MDT or the third-

party asset manager used to manage the account. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes to a client's individual circumstances, market conditions, tax law changes or the political or economic environment.

MDT may also review tax-planning needs, cash-flow needs charitable giving, insurance and estate planning as part of our ongoing client reviews. Reviews are tailored to the services we provide to you, as well as your individual needs and goals. We encourage you to discuss your needs, goals and objectives with us and keep us informed of any changes. If you engage our firm for ongoing investment advisory services, we will contact you at least annually to determine whether there have been any changes to your financial situation or investment objectives and whether you wish to impose any reasonable restrictions on the management of your account or reasonably modify any existing restrictions. We will advise you of any account changes we feel are necessary to help you stay on track with meeting your financial goals and consider whether the current services provided by MDT continue to be suitable for your needs.

As a convenience to our clients, we offer performance reporting upon a client's request. MDT relies on the qualified custodian to provide valuation information for accounts included in performance reports.

## **Client Referrals and Other Compensation**

### **Other Compensation Arrangements**

MDT receives compensation from the broker-dealer and custodian used for your account in the form of access to electronic systems that assist us in the management of client accounts, as well as research, software and other technology that provide access to client account data (such as trade confirmations and account statements), pricing information and other market data, facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), and client reporting capabilities. Your account custodian also offers us discounts for products and services offered by vendors and third-party service providers, such as software and technology solutions. These economic benefits create a conflict of interest in that it gives our firm an incentive to recommend one broker-dealer or custodian over another that does not provide similar electronic systems, support or services. We address this conflict of interest by disclosing to our clients the types of compensation that our firm receives so clients can consider this when evaluating our firm. It is important that you consider the fees, level of service and investment strategies, among other factors, when selecting an investment adviser.

### **Client Referrals**

MDT does not pay any referral fees to other firms or individuals for referring clients to us.

### **Financial Information**

As a registered investment adviser, MDT is required to provide you with certain financial information about our firm.

**Prepayment of Fees**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

**Our Financial Condition**

We do not have any financial commitment that is reasonably likely to impair our contractual commitments to our clients, nor has our firm ever been the subject of a bankruptcy proceeding.