

Part 2A of Form ADV: *Firm Brochure*

Item 1 Cover Page

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This brochure provides information about the qualifications and business practices of Madrona Financial Services, LLC. If you have any questions about the contents of this brochure, please contact us at 425-212-3777 or info@madronafinancial.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.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Madrona Financial Services, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 115753.

Item 2 Material Changes

This Firm Brochure provides you with a summary of Madrona Financial Services, LLC's, advisory services and fees, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This item is used to provide our clients with a summary of material changes from our last annual update.

Since our March 2023 annual updating amendment, we have made the following material changes to this Brochure:

- Schwab completed its planned acquisition of TD Ameritrade. Accordingly, we have removed references to TD Ameritrade in Item 12: Brokerage Practices.
- We now use third-party sub-advisors available to us through the Fidelity® custodial platform. Where authorized by the client agreement, we retain discretionary authority to select and terminate other managers to manage all or a portion of a client's assets. In some cases, clients will pay additional advisory fees for the sub-adviser and in other cases Madrona will reduce its agreed fees to cover those charged by the third-party. If the client is subject to higher fees, that will be disclosed in advance and in accordance with the terms of the client's investment advisory agreement. We will deliver the applicable sub-adviser's Form ADV Part 3 and Form CRS, which provides additional information on the sub-adviser's practices, fees, conflicts, and proxy voting policies. See Items 4, 5, 8, and 10 for additional information concerning this structure, its costs, risks, and potential conflicts of interest created by the fee arrangements.
- We have provided additional detail about insurance recommendations made by our insurance-licensed advisory representatives, typical commission percentages on insurance products, and the conflicts inherent in earning commissions in connection with recommendations to advisory clients. In no event are advisory clients required to accept our insurance recommendations or to purchase recommended insurance through Madrona-related individuals or entities. See Item 5, Fees and Compensation, for more information.
- We have updated Item 8, Methods of Analysis, Investment Strategies, and Risk of Loss to reflect additional information on the risks of exchange-traded funds (ETFs) generally, as well as ETFs and funds that use alternative strategies.
- We have a new consulting services affiliate, Madrona Advisory Group, LLC ("Madrona Advisory") that works with business owner transitions. Where appropriate Madrona Advisory will refer consulting clients to Madrona Financial for investment management or financial planning services. Similarly, Madrona Financial may refer investment advisory clients to Madrona Advisory. Clients are not required to use the services of the affiliate. See Item 10, Other Financial Industry Activities and Affiliations for more information.

Item 3 Table of Contents

Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents.....	3
Item 4	Advisory Business.....	4
Item 5	Fees and Compensation.....	9
Item 6	Performance-Based Fees and Side-By-Side Management.....	14
Item 7	Types of Clients.....	14
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	15
Item 9	Disciplinary Information	23
Item 10	Other Financial Industry Activities and Affiliations	23
Item 11	Code of Ethics, Participation or Interest in Client Transactions and	25
	Personal Trading.....	25
Item 12	Brokerage Practices	27
Item 13	Review of Accounts	31
Item 14	Client Referrals and Other Compensation	32
Item 15	Custody.....	33
Item 16	Investment Discretion.....	34
Item 17	Voting Client Securities	34
Item 18	Financial Information	34

Item 4 Advisory Business

Madrona Financial Services, LLC ("Madrona") is an SEC-registered investment adviser with its principal place of business located in Washington. We began conducting business in 1999.

Brian Evans is Madrona's majority member, as well as its Manager and Chief Compliance Officer.

Madrona offers the following advisory services to our clients:

INVESTMENT SUPERVISORY SERVICES ("ISS") MODEL PORTFOLIO MANAGEMENT

Our firm provides portfolio management services to clients using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal, primarily through the selection of exchange traded funds (ETFs).

Conservative: This target asset mix may be appropriate for individuals who seek to minimize fluctuations in market value by taking an income-oriented approach with some potential for capital appreciation, accepting lower returns in exchange for price stability.

Moderate: This target asset mix may be appropriate for individuals who seek potential for capital appreciation and some growth and can withstand moderate fluctuations in market value. This portfolio should provide a well-balanced diversification.

Growth: This target asset mix may be appropriate for individuals who have a preference for growth and can withstand significant fluctuations in market value, especially over the short term. This model is designed for longer-term investors.

Aggressive: This target asset mix may be appropriate for individuals who seek aggressive growth and can tolerate wide fluctuations in market values, especially over the short term. This portfolio is for long-term investors with many years before they intend to withdraw income.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Through personal discussions with the client in which the client's goals and objectives are established, we determine if the model portfolio is suitable to the client's circumstances. Once we determine the suitability of the portfolio, the portfolio is managed based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account.

Clients retain individual ownership of all securities.

We do not limit our investment advice to specific types of securities. Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. Regularly contact clients to confirm whether there have been any changes in the client's financial situation or investment objectives;
2. be reasonably available to consult with the client; and
3. maintain client suitability information in each client's file.

PENSION AND PROFIT-SHARING PLAN CONSULTING SERVICES

We also provide several advisory services separately or in combination. While the primary clients for these services will be pension, profit-sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension and Profit-Sharing Plan Consulting Services are comprised of three distinct services. Clients may choose to use any or all of these services.

Investment Policy Statement ("IPS") Preparation:

We may meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm may then prepare a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS would also list the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

Selection of Investment Vehicles:

We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds and/or exchange-traded funds (both index and managed) to determine which investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS.

Employee Communications:

For pension, profit-sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we also provide quarterly educational support and may provide investment workshops designed for the plan participants when the plan sponsor engages our firm to provide these services. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

FINANCIAL PLANNING

For investors with at least \$500,000 in investable assets, we commonly provide free financial planning services. We hope this will be the first step in a longer-term investment management relationship. We also make financial planning services available to clients as a stand-alone service for a fee. We enter into an Engagement Letter, rather than an advisory agreement, with clients to whom we provide free planning. The Engagement Letter describes the planning services provided, as well as limitations on the free services.

For investors with less than \$500,000 in investable assets, our typical financial planning fee is \$2,500 but that fee can be negotiated. Clients are not required to obtain a financial plan from us.

Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client to achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We can review budgeting, personal liability, estate information and financial goals.
- **TAX AND CASH FLOW:** We can analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We can analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We can review existing policies to address proper coverage for life, long-term care and liability.
- **RETIREMENT:** We can analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH AND DISABILITY:** We can review the client's cash needs at death, income needs of surviving dependents, estate planning and long-term care.
- **ESTATE:** We can assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans and nursing homes.

We typically gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, return objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire we supply, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker.

If clients choose to implement the plan through Madrona, we will enter into a new investment advisory agreement.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically, the financial plan is presented to the client within three months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

CONSULTING SERVICES

Clients can also receive investment advice on a more focused basis, in tandem with other services. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature. Our affiliate Madrona Advisory Group, LLC, provides succession-related consulting, as opposed to investment and financial planning-related consulting. Please see Item 10 for additional information.

MADRONA “ROOTED WEALTH”

For investors with more than \$500,000 in investable assets, we offer the following additional services. We refer to this as our “Rooted Wealth” services, and is made available to clients who select Madrona as the primary investment adviser for their investable assets, or who purchase an insurance product (e.g., an annuity or life insurance policy) through our insurance affiliate. The following services are made available in the Rooted Wealth services for no additional charge, and include some services that may be provided to us by our CPA affiliate, Bauer Evans. Clients with less than \$500,000 in investable assets may request these services pursuant to a separate service agreement and the payment of additional fees.

- Reviewing and prioritizing client goals and objectives
- Developing a risk assessment and asset management strategy
- Reviewing client’s current investment portfolio
- Identifying tax planning strategies to optimize financial position
- Developing an action plan to implement the agreed-upon recommendations
- Assisting client with the implementation of the recommendations
- Making requested adjustments to the original financial projection
- Consulting related to:
 - making financial decisions
 - assessing tax consequences of future transactions
 - comparing and explaining alternative investments or financial products
 - reviewing estate planning documents which may include checking for proper

- beneficiary designations and/or a basic assessment of existing estate documents
 - assessing life insurance needs
- Referral to other professionals, as required, to assist with implementation of the action plan

The services above will be performed based on the information the client provides. We will not verify the accuracy or completeness of the information provided to us or otherwise gather evidence for the purpose of performing the services.

We do not prepare tax returns, business financial statements, or business valuations. We may refer you to a related party, Bauer Evans, Inc. P.S. to have these services performed as part of a separate engagement. Fees associated with those services would be communicated by Bauer Evans.

We do not draft legal documents or provide legal advice. We may refer clients to an attorney for these services or to review questions that we believe extend beyond our expertise. Clients should consult an attorney for all legal advice.

We do not analyze or provide recommendations related to personal insurance, such as home and auto insurance. For questions related to this, we recommend clients consult with their personal insurance agent.

SUB-ADVISORY SERVICES TO OTHER INVESTMENT ADVISERS

We maintain various agreements with unaffiliated investment advisers to provide sub-advisory services related to DST and other real-estate-focused investments. These services are provided directly to the adviser, not to the clients of that adviser. On occasion, and at the request of the adviser, we will consult directly with adviser's client on technical DST questions. The adviser will remain responsible for our fees and for overseeing the application of our recommendations to the adviser's client's personal circumstances. Our services include any of the following, with the actual services identified in the agreement between Madrona and the other adviser:

- Providing education on real estate topics
- Providing recommendations for initial and rollover DST allocations
- Marketing consulting
- Providing consulting services related to DST sales
- Analysis of "sell versus hold" decisions for current DST holdings being sold to REITs
- Consulting regarding public and private REITs
- Analysis of real estate cash flow from rental properties
- Administrative assistance, including fee billing and disbursal on behalf of the other adviser, and preparation of DST paperwork for end-client signatures
- Providing income tax advice, through our affiliate Bauer Evans, relating to real estate sales and step-up in basis
- Providing consulting services related to reporting of DST transactions on income tax returns, again through our affiliate Bauer Evans. This service expressly excludes tax preparation services

Our fees are negotiated with the adviser but are typically 50% of the advisory fees that adviser is earning on DSTs or similar real investments. In all cases the fee is due to Madrona from the third-party adviser, not from that adviser's end-client. Where Madrona is contracted to provide administrative assistance with fee billing, after deducting fees due to the other adviser(s) from client accounts, we retain our own sub-advisory fees and pay the balance. If amounts charged are not sufficient to cover our fees, we will seek to obtain remaining amounts due from the other advisers, not from the underlying client accounts. Where Bauer Evans is providing accounting or tax services, Bauer Evans will be paid an additional fee, in addition to the advisory fees paid to Madrona.

We have an agreement in place with an unaffiliated adviser to refer other advisers to us that might be interested in DST sub-advisory services. See Item 14 for additional information on this referral relationship.

Important Information for Retirement Investors

When we recommend that you rollover retirement assets or transfer existing retirement assets (such as a 401(k) or an IRA) to our management, we have a conflict of interest. This is because we will generally earn additional revenue when we manage more assets. In making the recommendation, however, we do so only after determining that the recommendation is in your best interest. Further, in making any recommendation to transfer or rollover retirement assets, we do so as a "fiduciary," as that term is defined in ERISA or the Internal Revenue Code, or both. We also acknowledge we are a fiduciary under ERISA or the Internal Revenue Code with respect to our ongoing investment advisory recommendations and discretionary asset management services, as described in the advisory agreement we execute with you. To the extent we provide non-fiduciary services to you, those will be described in the advisory agreement.

AMOUNT OF MANAGED ASSETS

As of 12/31/2023, we were actively managing approximately \$393 million of clients' assets, all on a discretionary basis.

We also had assets under advisement, including illiquid DSTs and non-traded REITS, of approximately \$301 million.

Item 5 Fees and Compensation

Asset-based fees are charged quarterly, in arrears, based on the value of the account assets as of the last business day of the quarter. Madrona relies on the valuations provided by the qualified custodian holding the accounts assets—Madrona does not independently value the securities held in the accounts we advise.

In cases where the account holds unregistered securities (private placements), for which a market value is not available, we value the holdings at original cost for billing purposes. Original cost may be more or less than the actual market value of the security, and may be more or less than the proceeds investors will receive upon liquidation or termination of the security.

Most of our clients' assets are invested in accordance with our models. Where we recommend a private placement, that investment will not be included in the model but its value will be included with other assets and assessed the same annual fee, unless the product was subject to a brokerage commission and recommended by one of our representatives while the representative was previously also registered with a broker-dealer. See below for the range of our asset under management fees.

Also see Item 8 Methods of Analysis, Investment Strategies and Risk of Loss for further information on private placements, including their costs and the impact on fees of Madrona's recommending private placements.

INVESTMENT SUPERVISORY SERVICES MODEL PORTFOLIO AND DST MANAGEMENT FEES

A minimum of \$500,000 of investable assets is generally required for this service, though the minimum is negotiable. Madrona may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. In our discretion, we may accept clients with investable assets of between \$250,000 and \$500,000, but those clients will be offered a separate service and will generally not have access to our Rooted Wealth services without additional fees.

Our annual fees for Model Portfolio Management Services and managing client investments in "standard" assets, such as stock market investments (equities and fixed income), structured notes, and non-traded REITs, are based upon a percentage of assets under management and are generally as follows:

Standard Asset Fee Schedule

Assets Under Management	Annual Fee
0 to \$1,000,000	1.25%
\$1,000,000 to \$5,000,000	1.05%
Assets in excess of \$5,000,000	0.85%

DSTs are subject to a lower fee schedule. The products are available through many brokers for an up-front commission, rather than an ongoing asset management fee, though clients may not receive from brokers all the services provided through Madrona. The ongoing management fee may cost you more or less over the life of the investment than an upfront commission.

Where we select a sub-adviser through Fidelity Institutional Wealth Adviser LLC, an affiliate of Fidelity®, to manage all or a portion of client assets, Madrona is charged additional fees for the aggregate amount of our client assets managed through sub-advisors. The additional fee charged to us ranges from 25 basis points (0.25%) on the first \$25 million of aggregate assets, to 13 basis points (0.13%) on all aggregate assets in excess of \$100 million. We negotiate with clients as to whether we will apply the additional charge to client assets, thereby increasing the overall fee charged to the client, or whether we will absorb the sub-adviser's fees. If the sub-adviser fees are in addition to Madrona's advisory fees, that will be disclosed to the client and prior consent obtained, if required by the advisory agreement. Clients are free to direct us not to use sub-advisors. Please see Item 10 for additional information about our sub-adviser arrangements, the fees involved, and the conflicts of interest the arrangements create.

DST Fee Schedule

DSTs Under Management	Annual Fee
\$100,000 to \$1,000,000	1.00%
\$1,000,000 to \$5,000,000	.80%
Amount in excess of \$5,000,000	.60%

Fees charged on DSTs are calculated and paid to us by the DST sponsor based on the original amount invested. They are deducted from the cash-flow payments due investors rather than from the principal amount of the investment. The fee to be paid is based on the original value of the investment, which may differ materially from the amount an investor could obtain if they attempted to sell the DST, or from the amount the investor may ultimately receive upon exiting the investment. Clients sign a disclosure acknowledging the value and the amount to be charged. The amount of the fee will not vary over the life of the investment, though the underlying value of the DST may fluctuate and at liquidation may be worth more or less than the amount originally invested.

If a client holds both standard assets and a DST:

- the standard assets will be subject to the Standard Asset Fee Schedule based on the combined value of the standard assets and the DST.
- the DST will be subject to the DST Fee Schedule based on the value of the DST.

If a client holding both standard assets and a DST subsequently invests in more standard assets:

- the standard assets will be subject to the Standard Asset Fee Schedule based on the combined value of the standard assets and the DST.
- the fee charged on the DST will remain the same.

If a client holding both standard assets and a DST subsequently invests in one or more additional DSTs:

- the standard assets will be subject to the Standard Asset Fee Schedule based on the combined value of the standard assets and all the DSTs.
- the fee charged on the original DST(s) will remain the same.
- the new DST investment(s) will be subject to the DST Fee Schedule based on the total value of all the DST investments.

Limited Negotiability of Advisory Fees: Although Madrona has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule(s) is identified in the contract between the adviser and each client.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

PENSION AND PROFIT-SHARING PLAN CONSULTING FEES

Our fees for Pension and Profit-Sharing Plan Consulting Services are based on a percentage of the plan's assets under advisement, according to the following schedule:

Our gross annual fees for Pension and Profit-Sharing Plan Consulting Services are based on a percentage of the plan's assets under advisement and generally range from 0.50% to 0.95%.

FINANCIAL PLANNING FEES

Madrona's Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees are calculated and charged on a fixed fee basis, generally \$2,500 depending on the specific arrangement reached with the client.

We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six months. The balance, if any, is due upon completion of the plan.

As discussed in the Services section, above, for marketing purposes, Madrona regularly offers financial planning services free of charge for clients with at least \$500,000 in investable assets. For clients with less than \$500,000 in investable assets, our standard financial planning fees is \$2,500, though this is negotiable.

CONSULTING SERVICES FEES

Any separate fees for Consulting Services, are generally provided only in connection with other services, such as Financial Planning or Investment Management, and will be detailed in a separate Agreement.

INSURANCE RECOMMENDATIONS & IMPLEMENTATION; INSURANCE COMMISSIONS

Madrona Insurance Services, LLC ("Madrona Insurance") is a licensed insurance agency affiliated with Madrona. Management personnel and other related persons of Madrona are also licensed as insurance agents. In their roles as advisory representatives of Madrona, they make recommendations to clients concerning insurance needs and coverage, including life insurance, premium financed life insurance, disability, long-term care, liability, and property & casualty. Representatives may also recommend fixed indexed annuities or related products to meet client cash flow or other needs. Madrona's Representatives make these recommendations only in response to client needs and consistent with our fiduciary duty. Clients may choose whether to implement the recommendations and which insurance agents to use. For some products, such

as life insurance, long-term care, premium financed life insurance, or fixed indexed annuities, the Madrona representative is able to sell the product recommended in his or her dual capacity as both an advisory representative and an insurance agent.

When the Madrona representative recommends an insurance product and then implements the recommendation, both Madrona Insurance and the representative receive additional compensation in the form of insurance commissions earned. While commissions earned are customary for the industry, they can be substantial, especially in the case of premium financed life insurance. Receipt of commissions presents a conflict of interest in that both the representative and the firm have a financial incentive to recommend the product to also earn a commission. Clients are not under any obligation to use their Madrona representative as the insurance agent in implementing advisory recommendations.

Clients should understand that insurance may be used in a number of ways and to fulfill various needs. The Madrona professional recommending specific insurance products to you is available to answer any questions you have. Some insurance products, such as premium financed life insurance, meet specialized needs of high net worth clients and have a number of complex factors to assess. Also see below the portion of Section 8 titled "Margin transactions and other collateralized debt" for more information on the risks of using debt to purchase insurance policies. We encourage you to involve other professional advisers, including estate planning attorneys and tax professionals, in your assessment of whether a given recommendation will likely perform as intended over time and whether it will meet your unique requirements. At your request, your Madrona adviser will work collaboratively with these other professionals to ensure you both understand the recommendations and that they are appropriate for your situation.

Insurance commissions are generally structured as a one-time payment (typically up to 7% of the face amount). This is in contrast to advisory fees, which are usually closer to 1.25% per year, and recur annually rather than being paid once. Your insurance-licensed adviser therefore has a conflict of interest in assessing how to allocate your assets between insurance and investments. The conflict varies depending on how the insurance-licensed adviser values larger, lump-sum revenue versus long-term, recurring revenue.

The implementation of any or all insurance recommendations is solely at the discretion of the client.

GENERAL INFORMATION

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days' written notice. As disclosed above, certain planning fees are paid in advance of services provided. Upon termination, any prepaid fees will be billed based on time spent and the difference refunded. Additional details, if applicable, will be described in the client agreement.

Mutual Fund/ETF Fees: All fees paid to Madrona for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A

client could invest in a mutual fund and/or ETF directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, clients should review both our fees and the fees charged by the funds to fully understand the total amount of fees to be paid and to thereby evaluate the advisory services being provided.

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians, including commissions and service charges. Please refer to the "Brokerage Practices" section (Item 12) of this Brochure for additional information.

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

Advisory Fees in General: Clients should note that similar advisory services may be available from other registered (or unregistered) investment advisers for similar, higher, or lower fees.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees in excess of \$1,200 six or more months in advance of services rendered.

Item 6 Performance-Based Fees and Side-By-Side Management

Madrona does not charge performance-based fees.

Item 7 Types of Clients

Madrona provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit-sharing plans (other than plan participants)
- Corporations or other businesses not listed above

Clients must generally have minimum investable assets of \$500,000, including securities, insurance products, and DSTs or other non-standard assets we advise on. The minimum is negotiable and if we accept clients with investable assets between \$250,000 and \$500,000, those clients will generally not have access to our Rooted Wealth services without additional fees.

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

All investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. No guarantees can be made that a client's financial goals or objectives will be achieved. Further, no guarantees of performance can be offered. Our investment approach keeps the risk of loss in mind.

METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Charting: In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

Fundamental Analysis: We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Quantitative Analysis: We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Asset Allocation: Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Mutual Fund and/or ETF Analysis: We look at the methodology used by the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated a superior value-add proposition. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio. Analysis risk is separate from the risk that the security will not perform as intended, or risks inherent in the specific fund's own investment approach.

Risks for all forms of analysis: Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

GENERAL INVESTMENT RISKS

Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. Conceptually, they carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Certain instruments may have no

readily available market or third-party pricing. Structured notes and interval funds usually have a limited secondary market and are often relatively illiquid. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet cash needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult to obtain market quotations based on actual trades for the purpose of valuing the security. Clients should invest in structured notes, private securities, and other illiquid (or relatively illiquid) assets only to the extent they have adequate other liquid assets available to fund current and ongoing cash requirements.

Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Sectors: When a substantial portion of assets are devoted to a particular market sector or industry, there is potential for greater volatility than with broadly diversified strategies. A market sector or industry may underperform the market as a whole for a variety of reasons. Sectors (e.g., financial services, technology, or health care) may over or under-perform as a group and therefore become a larger or smaller portion of an index or a portfolio based solely on market value. Volatility in a sector may, as a result, have more significance on a portfolio when that sector has become over or under-weighted due to related market performance. Regular rebalancing is one way to help limit some of the volatility risk of over-concentration

Systemic Risk: Risks inherent to the entire market or market segment. Systemic risk is also known as "undiversifiable risk," and affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid.

Third Party Risk: It is not uncommon for companies to maintain myriad third-party relationships in an effort to reduce costs, increase efficiency and focus more intently on core competencies. However, while businesses seek to gain a competitive and operational advantage through these relationships, they are also exposing themselves to an increasing level of risk. At the same time, however, it is becoming increasingly difficult for businesses to maintain the necessary controls for mitigating the risks associated with these relationships. Failure to manage these risks can expose a business to regulatory action, financial loss, litigation, and reputational damage, and may even impair the institution's ability to establish new or service existing customer relationships.

RISKS OF INVESTMENT STRATEGIES & INVESTMENT TYPES

We use the following strategy(ies) and security types in managing client accounts, provided that such strategy(ies) and securities are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases: We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when:

- We believe the securities to be currently undervalued; and/or
- We want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Margin transactions and other collateralized debt: We do not typically recommend that client's trade on margin and we do not use our discretionary authority to establish margin accounts. At your request, we may purchase stocks for your portfolio with money borrowed from your brokerage account (margin). This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings, but involves significant additional risks. In other cases, our insurance-licensed representatives may recommend that clients use margin or other forms of debt, such as custom collateralized loans secured by client securities, to finance the recommended insurance policy. This approach may permit the client to purchase more insurance, with higher cash value and other benefits, and to meet specific estate planning or risk management needs of the client. Margin or other securities collateralization carries risks, which are disclosed by the custodian or lender prior to the client being able to access the credit facility. A key risk is that the value of the portfolio will decline to a level where the custodian holding the assets, or the lender with rights to the collateralized account, sells the securities at a loss to pay down the related debt. This can result in substantial losses, especially in declining markets. In some cases, it's possible the client could sell all securities and still have a debt obligation to the custodian or other lender. In addition, the client will pay interest at fluctuating market rates. The interest may or may not be less than the value of the benefits obtained through the insurance policies. If the client is using margin or other debt to pay for a policy, and the loan is terminated or the securities collateralizing the loan are sold, the client may be forced to rely on other assets to keep the policy in force.

Alternative Investments: For those clients choosing to invest in alternative investments, such securities come with additional substantial risks as they are speculative in nature. They may not be registered or regulated under any laws, should be considered illiquid investments, are not freely transferable, may be highly leveraged, may be volatile, and may involve higher fees and expenses than other types of investments. Alternative investments may not be immediately redeemable. Alternative investments such as hedge funds only permit redemptions at specified time periods and in specified advanced notice. As a result, the client may be required to hold alternative investments in its account after termination of this or the Agreement.

Alternative Strategy Mutual Funds/ETFs: Certain mutual funds or ETFs invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes, and potential illiquidity. There are special risks associated with funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates, and price volatility because of the fund's concentration in the real estate industry.

Buffer ETFs: These are exchange traded funds that use options to track the performance of an index. They don't actually own stocks or bonds. Investors forgo some potential returns for protection against some losses. The expense ratios of these ETFs may be fairly high, which will lower returns over time. Over extended periods, they may not perform much differently than a typical balanced portfolio of 60% equities and 40% fixed income. They also may tend to sacrifice upside more than they protect on the downside. We use our judgment to select buffer ETFs that we think offer the most potential value and we tend to use them for shorter periods of time or during periods of particular uncertainty.

Commodities: Commodity exposure will generally arise only where clients hold mutual funds or ETFs that invest in commodities. Risks include that trading prices will be affected by global supply and demand; domestic and foreign interest rates; political, economic, financial events, or natural disasters; regulatory and exchange position limits; and concentration within a commodity.

Derivatives: Investments in derivatives, or similar instruments, including but not limited to, options, futures, options on futures, forwards, participatory notes, swaps, structured securities, tender-option bonds and derivatives relating to foreign currency transactions, which can be used to hedge a portfolio's investments or to seek to enhance returns, entail specific risks relating to liquidity, leverage and credit that can reduce returns and/or increase volatility. Losses in a portfolio from investments in derivative instruments can result from the potential illiquidity of the markets for derivative instruments, the failure of the counterparty to fulfill its contractual obligations, the portfolio receiving cash collateral under the transactions and some or all of that collateral being invested in the market, or the risks arising from margin posting requirements and related leverage factors associated with such transactions. In addition, many jurisdictions continue to review practices and regulations relating to the use of derivatives, or similar instruments. Such reviews could make such instruments more costly, limiting the availability of, or otherwise adversely affecting the value or performance of such instrument. We generally achieve alternative investment exposure (which can represent a significant part of a client's portfolio where we think it is appropriate) through investments in structured notes and investments in alternative strategy mutual funds.

Equities (stocks): Risks include that their returns and the principal invested in them is not guaranteed and they are subject to changing market conditions. They may decline in price significantly over short or extended periods in relation to overall market movement or due to factors affecting a segment of the market or factors affecting an individual company, such as a poor earnings report. Smaller capitalization stocks are usually more volatile than larger capitalization stocks and are subject to significant price fluctuations and may be thinly traded.

Exchange Traded Funds: Our models are constructed primarily with exchange traded funds (ETFs). ETFs are funds bought and sold on a securities exchange that attempt to track the performance of a specific index (for example, the S&P 500), a commodity, or a basket of assets such as a set of technology-focused, country-specific, or other sector-specific stocks. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in its value being more volatile than the underlying securities. ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying index (tracking error); and (ii) the risk of possible trading halts, and

related illiquidity, due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

Fixed Income Securities (bonds): These securities are usually especially affected by interest rate risk as increases or decreases in interest rates occur, and also by credit risk in that issuers may not make payment on the securities. Because the prices of fixed income securities tend to fall when prevailing interest rates rise, fixed income securities – especially those with longer-term maturities – may drop significantly in value in the event interest rates rise steeply or unexpectedly.

High Yield Fixed Income (Bond) Securities: These securities are considered speculative and are susceptible to default or decline in value due to adverse economic and business developments. These securities often combine some of the risks of the equity markets (business risk, for example), as well as the risks of fixed income securities. For Madrona clients, they are more likely to be found as a holding in mutual funds or ETFs, rather than as a direct individual holding.

Interval Funds: Where we believe it to be suitable for the client, and where the client has adequate liquidity from other investments, we include a 3-5% allocation to certain interval funds in our investment models. Interval funds are closed-end mutual funds that don't offer daily liquidity and have no history of public trading. Instead, the sponsor intends to offer to repurchase fund interests quarterly, at the then-current net asset value, but is not obligated to do so. Further, even if the sponsor makes a quarterly repurchase offer, there's no guarantee that the client will be able to sell as many shares as the investor would like to sell. Accordingly, these should be considered long-term investments. These funds also may invest in underlying debt instruments that have varying degrees of risk, including use of non-investment grade securities, and non-performing loans. Further, the operating and management expenses of the funds may be higher than other income-focused funds. Those expenses are deducted directly from the fund's value and must be paid before an investor receives any return.

Manager Risk: For some clients we recommend or utilize the services of third-party sub-advisors in the management of account assets. ETFs and mutual funds we select are also ultimately managed by third parties. Both Madrona and the other managers charge fees for their services, which results in multiple fees being charged on the same assets. Third-party investment advisors who have been successful in the past may not be successful in the future; they may deviate from their stated investment mandate or strategy; and since we do not control the third-party investment adviser, we may not be able to fully identify internal control weaknesses or fully evaluate the accuracy of representations made by such investment advisors when performing due diligence on them.

Options: These involve leverage and special risk considerations. Use of options entails the potential for significant losses and significantly increased portfolio volatility. Options ultimately expire and incur trading costs that are often higher than the costs of other securities. This means that options positions can increase portfolio costs significantly while also expiring worthless and thereby contributing to overall portfolio losses or reductions in return. Madrona clients are more likely to be exposed to options as a holding in a mutual fund or ETF, rather than as a direct holding.

Private Placements: Where Madrona believes it to be suitable for the client, the firm may occasionally recommend private-placed securities, typically real-estate related. Private placements (unregistered securities) are exempt from registration under federal securities laws, may have limited or no transparency as to the underlying investments, and are generally available only to “accredited” or “qualified investors,” who are assumed to be sophisticated purchasers who have little or no need for liquidity from such investments, and are able to withstand the loss of some or all of their investment. Limitations on withdrawal rights and non-tradability of interests create higher liquidity risk, and such securities should be viewed as long-term investments. Clients using these products and strategies must be able to tolerate this illiquidity by reserving sufficient resources to meet all obligations. Expenses related to private placements may be a higher percentage of net assets than traditional investment strategies. The duration of private fund investments with longer-term securities are more sensitive to interest rates and include the possibility of more volatility than other investments. This is not an exclusive list of potential or actual risks in any particular private placement and additional important information is found in the specific security’s offering materials. Clients must receive and read the offering materials before investing, and execute any required subscriptions documents. The investment sponsor determines whether to accept a specific investment. Madrona is not able to exercise its discretionary authority with respect to private placements.

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

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

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

In recommending a real estate DST, Madrona has a conflict of interest because the firm will charge its agreed investment advisory fee on the amount invested, for as long as clients hold the investment. The conflict arises because Madrona charges advisory fees on securities, not on real estate. By recommending clients move assets from real estate to a security that invests in real estate, Madrona increases its overall compensation. The firm addresses this conflict by recommending real estate DSTs only where it believes the benefits are significant enough to overcome the additional expenses. We encourage investors to carefully consider the potential investment benefit, net of fees, as well as the potential tax benefits, in deciding whether to invest in a real estate DST. Also see Item 5, Fees and Compensation.

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

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

Real estate investing may be subject to a higher degree of market risk because of concentration in a specific industry, sector, or geographic sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrowers.

In general, investing in securities with concentrated exposures to (i) particular asset class(es) and/or (ii) a particular sector and/or (iii) one or a select few markets involves greater risk than investing in investments that have greater diversification.

Structured Notes: These are hybrid securities that involve a debt obligation by the issuing financial institution, as well as an embedded derivative component. They usually have a limited secondary market and are therefore illiquid. This means you may not be able to sell them if you wish to—including if the market price is declining significantly—and may have to hold the security to maturity or sell to the issuer at significantly depressed prices. They should always be considered a long-term investment. Because structured notes are individually developed, they have a range of characteristics, features, and objectives. It is important to understand the specific features of the structured note used in any given portfolio. Some of the general risks of structured notes include the fact that they do not pay interest and do not repay a fixed amount of principal at maturity. Instead, your payment at maturity will depend on the underlying performance metrics established by the issuing company when they create the structured note. For example, a structured note may repay principal based on the relative performance of the S&P 500 index during a particular period when compared to some stated return. In general, returns and losses may be limited to a certain performance band. If this applies, it can limit upside as well as downside, but usually only within specified bands or caps. Once those bands have been exceeded, downside is likely not limited (or less limited), while upside continues to be limited. In general, the issuing company will structure the note to protect itself first. Unlike in a mutual fund that tracks an index, where dividends are typically reinvested, indices used for structured notes often exclude dividends and therefore usually have a lower return than the comparable index that shows dividends reinvested. Structured notes are also subject to credit risk as the financial institution sponsoring the structured note covers the obligations based on their promise to meet them, not subject to collateral or other forms of protection. Some structured notes have call provisions that permit the sponsor to redeem them (buy them back) prior to maturity and regardless of price. Structured notes have built in expenses to pay the issuing company to

compensate them for the financial risk they're taking on, as well as the issuance, hedging, and distribution costs. There are uses for these, based on individual client needs, and the ability to create customized payouts and exposures, and we work with clients to create a good match among needs, risks, and potential rewards.

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

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Certified Public Accounting Firm:

Brian Evans owns the accounting firm Bauer Evans, Inc. P.S. ("Bauer Evans"), where he is a licensed and practicing Certified Public Accountant providing accounting services for separate and typical compensation. Other advisory representatives of Madrona are also licensed CPAs with Bauer Evans. These individuals may spend the majority of their time on their accounting practice.

Bauer Evans typically recommends Madrona to accounting clients in need of advisory services. Similarly, Madrona Financial Services typically recommends Bauer Evans to advisory clients in need of accounting services. Accounting services provided by Bauer Evans are separate and distinct from our advisory services, and are provided for separate and typical compensation. There are no referral fee arrangements between our firms for these recommendations. No Madrona client is obligated to use Bauer Evans for any accounting services and conversely, no accounting client is obligated to use the advisory services provided by us.

Bauer Evans' accounting services do not include the authority to sign checks or otherwise disburse funds on any of our advisory client's behalf.

Affiliated Insurance Agency and Insurance Brokerage

Madrona Insurance Services, LLC, ("Madrona Insurance") is a licensed insurance agency under common control with Madrona. Advisers of our firm, in their individual capacities, are licensed as insurance agents. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by Madrona Insurance and by Madrona's management persons or employees creates a conflict of interest that may impair

the objectivity of our firm and these individuals when making advisory recommendations. Madrona endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Transition/Succession Consulting Services through Affiliate

Madrona Advisory Group, LLC ("Madrona Advisory") provides and coordinates business and personal succession and related consulting services to clients by using affiliated and unaffiliated third-party financial, accounting, insurance, and legal professionals to meet the specific needs of the consulting client. This typically involves advice to client regarding the evaluation and structuring of proposed business transactions, including sale of a business or real property. In many cases, the Madrona Advisory client could benefit from accounting or tax planning services; investment advice and/or asset management; and risk management and insurance consulting. Madrona Advisory may hire its affiliates to assist Madrona Advisory with these services, in which case Madrona Advisory will pay a portion of its consulting fees to one or more of its affiliated companies (see above). In other cases, Madrona Advisory may refer the client directly to the affiliate, in which case the client will pay Madrona Advisory's consulting, and the fees charged by the affiliate. Bauer Evans and Madrona Financial describe their fees in separate agreements or engagement letters entered into directly with the client, and which are subject to negotiation. Any insurance commissions received by Madrona Insurance Services represent standard commissions paid by a given insurance carrier; Madrona Insurance Services is not able to negotiate insurance commissions. Similarly, Madrona Financial, Bauer Evans, or Madrona Insurance Services may refer their clients to Madrona Advisory. In no event are clients required to accept these referrals or to enter into services agreements to pay additional fees, or to purchase insurance products through Madrona Insurance Services or its licensed insurance producers.

Use of Unaffiliate Sub-advisors

As disclosed in Items 4 and 5, above, we may select unaffiliated sub-advisors to manage all or a portion of client assets. Fidelity® charges us a graduated fee schedule starting at 25 basis points on the first \$25 million of assets we place with them; 20 basis points on the next \$25 million; 15 basis points on the next \$50 million; and 13 basis points for assets over \$100 million. Because we

are responsible for the payment of these fees, we have a financial incentive to allocate more assets to Fidelity® in order to realize the lower fees available as our assets increase. We also have the choice to negotiate with clients to charge them additional fees when we allocate their accounts to a sub-adviser. To the extent we charge clients more than we are paying the sub-adviser, the allocation will tend to result in our doing less direct work for the account, and some amount of profit on the difference between what we pay the sub-adviser and what we charge our clients. This creates a financial incentive for us to select a sub-adviser, and charge an additional fee to the client, even though that may not be in the client's interest. Where we choose to include the sub-advisory fees in the fees the client is paying for Madrona's management, we will have increased costs if we allocate to a sub-adviser. This creates a financial disincentive to use a sub-adviser even though that may be in the client's interest. Because the fees Fidelity® charges us vary with total assets allocated to their sub-advisory program, we may not know the exact cost of the services until after we are charged. We mitigate the conflicts of interest by disclosing them and by tailoring our advisory services, including our use of sub-advisors, to the client's needs. We also disclose available fee information. Clients are free to ask us to refrain from using sub-advisors.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Madrona and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Madrona's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to info@madronafinancial.com, or by calling us at 425-212-3777.

Both Madrona and individuals associated with the firm are prohibited from engaging in principal transactions.

Madrona and our affiliates are not restricted from forming investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with Madrona, and/or may involve substantial time and resources of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of

interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of Madrona but could be allocated between the business of Madrona and our other business activities and those of our affiliates. Please refer to "Advisory Business" (Item 4) and "Fees and Compensation" (Item 5) for a detailed explanation of these relationship and important conflict of interest disclosure.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access

person”). These holdings are reviewed on a regular basis by our firm’s Chief Compliance Officer or his/her designee.

6. We have established procedures for the maintenance of all required books and records.
7. All clients are fully informed that related persons receive separate commission compensation when effecting insurance transactions during the implementation process.
8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery to and acknowledgment of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions may be subject to termination.

Item 12 Brokerage Practices

Factors Considered in Selecting or Recommending Broker-Dealers or Custodians

Madrona currently recommends two custodians for traditional, liquid assets: Fidelity Brokerage Services, LLC (“Fidelity”); and Charles Schwab & Co., Inc. (“Schwab.”) The majority of our client assets are held with Fidelity.

Clients must select a custodian and enter into a separate agreement with that firm. We do not have discretionary authority to choose custodians.

We do not have any “soft dollar” arrangements, in which we receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions. We do, however, receive various benefits from our relationships with the custodians we recommend solely because we our clients choose to hold their assets with those firms. These are described more fully below and are generally available to investment advisors.

Factors Considered in Recommending Brokers/Custodians

Our duty to seek best execution is the primary factor we consider in recommending custodians. A client may pay a commission that is higher or lower than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for

specific client account transactions (see “Directed Brokerage,” below). Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client’s account.

We have independently evaluated the services provided by Schwab and Fidelity and determined that each of the custodians satisfies our duty of best execution. We have also determined that the custodial market provides a relatively standard suite of services that offer value to both clients and to Madrona. The following items are of value to both Madrona and our clients when compared to other brokers or custodians:

- Mix of brokerage execution services
- Reasonableness of compensation (generally low commissions and other charges)
- Research availability
- Variety of securities that can be purchased or sold (including the number of mutual funds) on a load waived or no-load basis, with many also on a no-transaction fee basis
- The fact that the firm does not charge for custodial services

Charles Schwab & Co., Inc.

We participate in a program called Schwab Advisor Services™, which is sponsored by Schwab and made available to Madrona and other investment advisers. By participating in this program, and through custody of client assets with Schwab, we receive access to tools and services, such as:

- Software and other technology that provides access to client account data;
- Facilitation of trade execution and the allocation of blocked orders for multiple accounts;
- Research, pricing and other market data;
- Payment of our fees directly from your account, if authorized in your advisory agreement;
- Assistance with back-office functions, recordkeeping and client reporting;
- Services related to the management and development of our business, such as compliance, legal, and business consulting;
- Educational events or occasional business entertainment of our employees.

The software, technology, and account access, as well as the practice management resources Schwab provides, create an operational and compliance benefit for Madrona that does not necessarily translate directly into a client benefit. As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Schwab’s services. We examined this potential conflict of interest when we chose to enter into the relationship with Schwab and have determined that the relationship is in the best interests of our clients and satisfies our client obligations, including our duty to seek best execution.

Fidelity Brokerage Services, LLC

In addition to the services that benefit clients directly, Fidelity also offers other services intended to help our firm manage and further develop its advisory practice. Such services include, but are not limited to:

- Access to client account data, such as trade confirmations and account statements;
- Facilitation of trade execution and allocation of aggregated orders for multiple client accounts;
- Research, pricing, and other market data;
- Payment of our fees directly from your account, if authorized in your advisory agreement;
- Assist with back-office functions, recordkeeping and client reporting;
- Performance reporting;
- Financial planning resources;
- Contact management systems;
- Publications;
- Access to educational conferences, roundtables and webinars;
- Practice management resources;
- Access to consultants and other third-party service providers who provide a wide array of business- related services and technology with whom we may contract directly.

The software, technology, and account access, as well as the practice management resources Fidelity provides create an operational and compliance benefit for Madrona that does not necessarily translate directly into a client benefit. As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of our clients and satisfies our client obligations, including our duty to seek best execution.

Commissions and other Custodian Compensation

The custodians we recommend do not charge for custodial services but instead receive compensation through account holder commissions and other transaction-related fees for securities trades executed by them or settled into your accounts.

In the programs provided to advisers like Madrona, the custodians establish flat commission charges for various types of securities transactions; we generally do not negotiate the commissions you pay on a transaction-by-transaction basis. As a result, the accounts we establish on your behalf with Schwab will be assessed these transaction charges. Commissions you pay to the custodian, if any, are disclosed on the confirmation of each security transaction we place on your behalf. These confirmations are sent directly to you by the custodian and we receive a copy of them.

In some cases the mutual funds or ETFs we purchase or sell for your accounts are made available by the custodian on a no-load or load-waived basis. In addition, certain mutual funds and ETFs are made available for no transaction fee; as a result the confirmation may show "no commission" for a particular transaction. Typically the custodian or a custodian affiliate (but not Madrona) earns additional remuneration from such services as recordkeeping, administration, and platform fees, for the funds and ETFs on their no-transaction fee lists. This additional revenue to the custodian or affiliate that will tend to increase the internal expenses of the fund or ETF. Madrona selects investments based on our assessment of a number of factors, including liquidity, asset exposure, reasonable fees, effective management, and low execution cost.

Directed Brokerage

Because we typically execute your investment transactions through the custodian holding your assets, we are effectively requiring that you “direct” your brokerage to your custodian, absent other specific instructions as discussed below. Because we are not usually choosing brokers on a trade-by-trade basis, we may not be able to achieve the most favorable executions for clients and this may ultimately cost clients more money. Not all investment advisers require directed brokerage.

We do not use, recommend, or direct activity to brokers in exchange for client referrals. Although not a normal business practice for Madrona, we may permit clients to direct us to use brokers other than the custodian (client-directed brokerage). If we agree to accommodate your request to do this, we will likely have little or no ability to negotiate commissions or influence execution price, and you will also not benefit from any trade aggregation we may implement for other clients. This may result in greater costs to you.

Aggregated or Block Transactions

Madrona will use block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Madrona will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day.

We choose to aggregate trades where we believe that doing so provides an overall execution quality advantage, and doing so is consistent with the client’s advisory agreement and our own order allocation policies. In general, we do not favor any account over another when aggregating orders.

When we choose to place a block transaction, we enter the order to purchase or sell a particular number of shares or face amount of a security and all participating clients and their pro-rated shares of the block are known at the time of the transaction. We generally trade in liquid securities and partial allocations are not a concern under normal market conditions. However, should we not receive the full amount of the requested, or if multiple executions are required, the following apply:

- If the full amount we requested is not obtained (and we determine to stop trading), we will pro-rate the purchased shares equally across all participating accounts. However, if employee transactions are included in the block and only a partial fill is completed, employee transactions are excluded until all client trades are completed.
- If multiple fills occur to complete the full block, then all purchases are averaged to price and each participating client receives their full allocation at that average price.

Additional information about our aggregation policies is available upon request.

DSTs and Private Placements

Where we recommend a DST, private placement, or other illiquid security, our core custodians may not permit you to hold the assets with them. In most cases, the issuer will retain a record of your holdings in book-entry form. If needed, we will recommend another third-party custodian able to hold private placements. The fees associated with the arrangement will be disclosed to you at the time you select the custodian.

Trustee/Custodial Services

For clients needing trust services, we recommend National Advisors Trust ("NAT"). The fees and costs are dependent on the services the client obtains from NAT. NAT can operate in all 50 states and is able to act as trustee while keeping client assets with existing custodians. Clients pay separately for trustee services and for trade execution or custody through the current custodian, as discussed above. In some cases, NAT may be able to custody alternative assets that cannot be held with the current custodian. This would be subject to a separate fee schedule related to the specific asset. Madrona's primary owner and CEO, Brian Evans, has a minor ownership position in NAT's parent company, National Advisors Holdings, Inc. Madrona does not obtain any additional benefits by recommending NAT, though if NAT is successful Brian Evans may eventually benefit through his minimal ownership interest in NAT's parent. We recommend clients use NAT only where NAT's services address the client's best interest.

Item 13 Review of Accounts

INVESTMENT SUPERVISORY SERVICES ("ISS") MODEL PORTFOLIO MANAGEMENT SERVICE

REVIEWS: While the underlying securities within Model Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of the investment objectives and guidelines of each model portfolio as well as any investment restrictions provided by the client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by Brian K. Evans and/or a designated individual.

REPORTS: In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings. These reports will also remind the client to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

PENSION AND PROFIT-SHARING CONSULTING SERVICES

REVIEWS: Madrona will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan. Madrona will also review the investment options of the plan according to the agreed upon time intervals established in the IPS.

These accounts are reviewed by Brian K. Evans and/or a designated individual

REPORTS: Clients will receive reports periodically from the third-party administrator.

FINANCIAL PLANNING SERVICES

REVIEWS: While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

REPORTS: Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

CONSULTING SERVICES

REVIEWS: While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

REPORTS: Consulting Services clients will not typically receive reports due to the nature of the service.

Item 14 Client Referrals and Other Compensation

CLIENT REFERRALS

We may enter into referral arrangements with other entities, under which a third-party promoter refers prospective clients to us and receives a referral fee in the form of a share of the advisory fees Madrona charges.

Our primary referral arrangement is with another investment adviser who refers investment advisers (not end clients) to enter into DST sub-advisory relationships with us (see Item 4, above, for more information about our sub-advisory services). Those unaffiliated investment advisers are responsible for any needed disclosures about the relationship to their own clients. Though the split could be negotiated, our standard sub-advisory fee is 50% of what the adviser charges its clients; we then share half of what we earn with the original referring firm. Madrona does not have control over what the other adviser charges its own clients.

As a matter of firm practice, the advisory fees paid to us by clients referred by promoters are not increased as a result of any referral, unless disclosed to the client.

It is Madrona's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

DST sponsors routinely pay for seminars concerning their products and which we are invited to participate in. DST sponsors also occasionally cover the cost of client appreciation events

Madrona provides in the ordinary course of its business. We also sometimes sponsor conferences and other types of events, and DST sponsors occasionally cover these costs. These payments provide a marketing benefit to Madrona and we have an incentive to recommend the sponsors who host seminars and offset the costs of our own events. This creates a conflict of interest which we mitigate by disclosing it and by selecting sponsors based on our assessment of the investment opportunity, not the marketing support that sponsor will provide.

We have a relationship with an insurance marketing organization, Financial Independence Group ("FIG"), that provides us with access to a large number of insurance carriers and preferential payout rates. Insurance commissions, including the costs of insurance and related features borne by the client and built into the contract, are standardized but insurance companies pay out different producers (such as FIG) at higher or lower rates than others. By placing our insurance business with FIG, we maximize our own payout while also gaining access to a broader range of products and support to help our clients. FIG does provide "marketing credits," which increase the payout percentage to Madrona Insurance Services or our individual insurance producers for a set period of time. This acts as an incentive to us to place a greater volume of insurance business during that time period. These payout increases do not favor particular products. We only recommend insurance products to advisory clients where we believe they serve client needs and where the recommendation is consistent with our fiduciary duty. Clients are not required to accept our insurance recommendations and they may also choose to implement our recommendations through an unaffiliated insurance agent.

Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that any account transactions, holdings and values are correct and current.

Except for DST investments (a record of which is maintained by the issuer/sponsor), all client funds and securities are maintained with a qualified custodian; we don't take physical possession of client assets. In addition to "technical" custody due to direct fee deduction, in some cases clients sign standing letters of authorization ("SLOAs") authorizing payment from their custodial accounts to client-designated third parties. Madrona initiates the payments in accordance with client wishes. The SEC has deemed Madrona's authority to facilitate these payments as "custody" and requires that we report we have custody over these account assets on our ADV 1A. To the

extent the SLOAs comply with certain conditions, however, including that clients have the right to terminate the SLOA, and that the qualified custodian will confirm the status of the SLOA annually directly with the client, we are not subject to a surprise custody audit.

As noted above, all DST investments are held by the applicable DST sponsor(s). DST clients sign a letter of direction (“LOD”) directing the DST sponsor to remit the advisory fee directly to Madrona.

Item 16 Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Item 17 Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

To the extent we use a sub-adviser to manage all or a portion of client assets, that sub-adviser usually does have proxy voting authority. The proxy voting policies of sub-adviser's are disclosed generally in that adviser's ADV 2A which we provide to clients, and additional detail about how proxies were voted is available upon request to the sub-adviser.

Item 18 Financial Information

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Madrona has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client six or more months in advance of services rendered. Therefore, we are not required to include a financial statement.

Madrona has not been the subject of a bankruptcy petition at any time.