



Item 1. Cover Page

Firm Brochure

Form ADV Part 2A

December 31, 2011

Confluence Wealth Management, LLC

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This Brochure provides information about the qualifications and business practices of Confluence Wealth Management, LLC. (hereafter referred to as "Confluence")

Confluence is a registered investment advisor with the United States Securities and Exchange Commission (SEC). Registration of an investment advisor does not imply any level of skill or training.

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

If you have any questions or would like a full copy of this ADV Brochure, it is available on the SEC's website at www.advisorinfo.sec.gov or you may contact Confluence's Compliance Department at 503-221-7595 or email them at confluence@confluencewealth.com. It will be provided to you without charge.

Item 2. Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated December 1, 2011 is prepared according to the SEC's new rules and requirements.

This Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to our Brochures within 120 days of the close of our business' fiscal year. We may also provide

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other ongoing disclosure information about material changes as necessary, at any time, and without charge.

Material Changes Summary as of December 1, 2011

- As a result of a legal merger of two prior Registered Investment Advisory firms, Confluence Wealth Management began operations on December 1, 2011.
- Our prior Firm Brochure was dated March 31, 2011.
- Our business and legal company name has been changed to Confluence Wealth Management, LLC.
- Our firm has a total of three advisor-partners and two Planners.

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Item 4. Advisory Business

Advisory firm

Confluence Wealth Management, a limited liability company is an independent, fee-only, financial planning and wealth management firm founded in 2011. The firm has one office located in Portland, Oregon, and primarily serves clients in the Pacific Northwest, but also has clients across the country as well as U.S. citizens living abroad.

Confluence is actively managed on a daily basis by three member shareholders. They are: David Morganstern, CFP®, Kathleen Kee, CFP® and Marilyn Bergen, CFP®.

Confluence Wealth Management provides research, analysis, and advice to clients on personal financial planning issues related to estate, investment, retirement, cash-flow, tax, risk management, charitable and education planning. We also provide guidance and advisory services for businesses establishing and maintaining qualified retirement plans as well as business transition planning between owners. The work we perform addresses principles of law, insurance, and accounting; however, Confluence Wealth Management and its staff are not accountants, insurance agents or attorneys. Our scope of business does not include drafting legal documents or preparing income tax returns. While we can recommend certain licensed professionals in these fields, Confluence Wealth Management adheres to the Certified Financial Planning Board standards to not represent ourselves as such. Confluence Wealth Management also does not actively participate in proprietary mutual fund operations, insurance sales, trust services, real estate partnerships, bookkeeping or other financial industry activities.

We do not receive payments from any company for any endorsements or purchase of any particular products or services. Confluence Wealth Management does not participate in wrap fee programs.

As of December 31, 2011, Confluence Wealth Management managed \$327 million. Of that amount \$312,000,000 was discretionary and \$14,747,000 was non-discretionary.

Advisory Services

Confluence provides five levels of service to clients:

1. Consulting services
2. Wealth Management
3. Retainer
4. Annual Review
5. Employer Retirement Plan Management

Consulting Services- These services offer a limited or narrowly defined scope of analysis. Clients requesting these services typically want a financial planning project to have several questions or issues reviewed, rather than having an on-going consulting relationship with Confluence. Financial Planning services include but are not limited to: cash flow management, investment, retirement, estate, education, insurance, charitable and tax planning strategies to provide comprehensive solutions for individuals and families. Our process is designed to assess an individual's current financial position and provide the strategy, context and insight required to

actualize these goals. Some examples of consulting services include analyzing / advising on asset classes and allocation, reviewing qualified plans or analyzing several issues and providing objective, unbiased feedback on the applicability for meeting client objectives. The scope and frequency of consulting services will be defined in the written agreement between the client and Confluence Wealth Management.

Wealth Management. Services include ongoing and continuous coordination of financial planning and investment management. Under the Wealth Management services agreement, Confluence assists clients to determine their life goals, investment objectives, risk tolerance and time horizons in managing their various accounts. We coordinate between and advocate for our client with other advisors regarding complex issues pertaining to taxes, estate, insurance or charitable gifting matters. We develop and recommend a customized Portfolio Plan Design (PPD) and written Investment Policy Statement (IPS) for each account. The Investment Policy Statement outlines the investment allocation that will be adhered to and the policies and procedures that we can follow in managing a specific account on a discretionary basis. If a client has reason to place a restriction on investing in certain securities or types of securities, this will be included in the IPS, financial plan, or wealth management agreement. Regular and ongoing meetings are scheduled with the client, who has access to two planners (primary and secondary) to serve their needs.

Confluence will recommend and make investment changes on an ongoing basis, will provide the Client with reports or other information and periodically review the suitability of the investment(s). In addition to the required statements provided by the custodian of the client's account(s), Confluence will provide clients with quarterly reports which may include: a list of investment values, transactions, and quarterly performance measures. We monitor, manage and review portfolios in response to developments in the capital markets and changes in the client's financial situation.

Primary investments used for constructing client portfolios are no-load, institutional share class mutual funds; municipal, US Government, and corporate, bonds; certificates of deposit, exchange-traded funds, separately managed accounts and no-load variable annuities. Confluence provides general advice on but does not recommend specific equity securities.

Retainer (including non-investment-related services). A Retainer Agreement is appropriate for a client with various issues, who is in need of personal organization and getting their financial matters, coordinated and aligned. The client and Confluence define each year, the scope of services that the client wants examined, analyzed and assistance with. A set annual fee is determined based upon that scope of work at the beginning of each year. The fee for this service is paid quarterly either by allowing Confluence to debit fees from the client's investment account(s) or by sending a bill to the client directly. Regular meetings throughout the year are included in this service.

Annual Review. The clients currently receiving this level of service will be continued. However, no new Annual Review client relationships will be offered. This service involves meeting with the client once a year to review their investments and to provide guidance on how to rebalance their portfolio. There is no ongoing management, review or oversight of the portfolio. This

service requires the client to do most of the account trading and administration on their own. Confluence does not assume any discretion to make trading decisions or to perform any trades of the investments. The client assumes all responsibility to perform all the trades of their investments on their own. The fee for this service is determined at the beginning of each year and is paid quarterly, in arrears.

Employer Retirement Plan Management. Confluence Wealth Management helps employers who want to improve their current plan or are considering starting a new group retirement plan. Confluence evaluates the business needs, employee demographics and recommends the most appropriate type of retirement plan. We work to transition the plan from the prior custodian, investment consultant, record-keeper and/or plan administrator to those recommended by our company. Services include providing required employee education on plan investments, trustee training on their fiduciary duties, and recommending changes to the investments in the plan as appropriate. We recommend and work with other plan administration and recordkeeping firms to set up and maintain proper compliance documentation as required by the IRS and Department of Labor. We closely monitor plan investments and recommend changes annually to improve the plan. All employees receive statements at least annually, on their account values and activity.

Item 5. Fees and Compensation

Confluence does not receive compensation in the form of commissions, rebates, revenue-sharing, or participation-based arrangements. We receive no payments from any third party. We are paid only by our clients for services we perform and all fees are disclosed to them. In addition to the management fees charged by Confluence, clients may incur brokerage and/or custodial fees in the form of transaction fees, asset-based pricing fees, and regulatory fees in connection with services provided by the client's account custodian.

Wealth Management Fees and Compensation

Confluence Wealth Management will bill and collect management fees based on a percentage of assets under management, a negotiated fixed amount, or combination thereof written in the Wealth Management Advisory Agreement. Our standard fee schedule is as follows:

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$0 to \$1.0 million	1.00%
Next \$2.0 million	0.75%
Next \$2.0 million	0.55%
Above \$5.0 million	0.45%

Confluence will bill and collect fees quarterly and for services most recently provided (in arrears). The management fee will be the applicable percentage rate multiplied by the market value of the Account on the last trading day of the previous quarter. Fees for partial quarters at the start or termination of this Agreement will be adjusted based on the number of days the Account was open during the quarter. During the term of this Agreement, quarterly fee adjustments will be made for additions or withdrawals based on the number of days the assets were held in the account.

For purposes of determining market value, securities and other instruments traded on an exchange for which actual transaction prices are publicly reported will be valued at the last reported sale price on the principal exchange in which they are traded. If a price is not available, assets will be priced using a pricing service or through quotations from one or more dealers. Confluence pricing determination shall be conclusive. We may modify these terms with at least 30 days prior written notice.

In some cases, depending upon the complexity and time demands of client issues, an hourly fee may be charged in addition to the fees associated with Wealth Management services. Some examples where an additional hourly fee would be charged could include, but not be limited to: work involving the settlement of decedent estates and working with the executor and custodians, client divorce to work with attorneys and the court, life planning, legacy planning assessments, business transition or strategic planning, or other extraordinary life events. These would be billed at the rate of our Consulting services and billed under a separate Retainer Agreement. Prior to engaging in a complex project, Confluence will provide the client with a cost estimate for the additional services.

Consulting Services

Confluence charges \$150.00 to \$325.00 per hour depending upon staff expertise, for planning and consulting services which are reflected in the Consulting Services Agreement. Hourly Consulting Services Agreements remain in effect until notified of changes by the client and are charged the current hourly rates at that time. An estimate of fees for the project is presented to the client before any work is commenced. These projects are billed based upon the estimated number of hours to complete the analysis, to write a customized report addressing the client's specific questions or issues and all meetings with the client to explain our findings and recommendations. A deposit of 35% of the estimated fee is required when the Client signs a Consulting Services Agreement. There is no minimum net worth or portfolio size for Consulting services.

Retainer Services

This Agreement is appropriate and designed for a client with increasingly complex issues, but doesn't necessarily have a large investment portfolio. The client and Confluence define each year, the scope of the services that the client wants and needs and mutually determine a set fee to be debited from their managed accounts or billed via invoice. We reserve the right to change both a Retainer fee for guidance on other planning issues and a separate portfolio management fee as the portfolio grows in size. The minimum annual Retainer fee is \$5,000 and utilizes our financial planning staff hourly rates.

Annual Review

This service model and fee structure agreement is no longer available to new clients, but exists with a few current clients. Annual Review clients are met with once per year to review their investments and for Confluence to provide guidance on how to rebalance their portfolio. The client does all trading on their own. The fee for this service is 0.70% of the assets under management with a minimum fee of \$1,400.

Employer Retirement Plan Setup & Management

For companies without an existing retirement plan, Confluence will charge a minimum of \$1,500 for plan setup which includes multiple meetings with: trustees to propose and discuss design features and for fiduciary education, plan administrators and record keepers to organize the payroll and legal reporting requirements, and with employees to conduct plan enrollment. For plans less than \$3,000,000, Confluence Wealth Management will charge 0.75% on assets under management. For plans with assets in excess of \$3,000,000 the percentage will be 0.50% annually. Special fee arrangements may be offered at the discretion of the firm.

Contract Termination

Contract termination may be initiated at any time by either the Client or Confluence Wealth Management by providing written notice to the other party. Client is responsible for any prorated, unpaid management fee or unbilled financial planning fees incurred until the date of notification.

Frequency and Method of Payment

Confluence will bill its fees on a calendar quarter and for services most recently provided (in arrears). Wealth Management, Retainer and on-going Consulting clients generally authorize Confluence to debit fees directly from their accounts. Consulting Services clients may be billed monthly or upon project completion and they must pay for their services by personal or company check. With the exception of Consulting Services projects, Confluence does not accept advance payment for services.

Fee Deduction: Confluence will submit fees to the custodian holding the investments, requesting fee deduction directly from client's account. Payment of fees may result in a partial liquidation of client's securities if there is insufficient cash in the account. The custodian is not responsible for verifying the accuracy of the fee calculation. You may wish to independently verify the fee calculation. Copies of the fee statements will be delivered to client as required or as stated in the Wealth Management Agreement. For additional discussion, please refer to Item 15 Custody of Assets.

Payment by Check: Confluence will provide the client a statement of fees payable. Payment is due within 10 days from the date of the fee statement.

Other Types of Costs

Clients may incur other charges imposed by custodians, brokers, third party investment management and other third parties. Confluence does not receive any portion of these fees. These other costs may include, but not limited to, custodial fees in the form of transaction fees or based on assets under management, deferred sales charges, odd-lot differentials, transfer or termination fees, taxes, mortality or expense charges (charged by annuities) wire transfer fees, electronic fund fees, or postage and delivery fees. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus and are separate and in addition to the Confluence fee.

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

Confluence does not charge any performance-based or side-by-side management fees.

Item 7. Types of Clients

Confluence generally provides services to high net worth individuals, defined benefit and defined contribution employer plans, private trusts, estates, foundations and charitable organizations. Many of our clients are specialty physicians, small business owners and executives. Our minimum account size for Wealth Management services is typically \$1,000,000 or \$10,000 per year in fees for new clients. For Retainer clients, there is no required portfolio size; however the minimum fee is \$5,000 per year.

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

Risk of Loss

Past performance is no guarantee of future performance. Investing in securities involves risk of loss that clients should be prepared to bear. Confluence will use its best judgment and good faith efforts in rendering services to the client. We do not warranty or guarantee any particular level of account performance, or that the account will be profitable over time. Client assumes all risk involved in the investment of account assets under the Wealth Management Agreement and understands that investment decisions made for this account are subject to multiple risk factors such as market, inflation, interest rate, reinvestment, liquidity, currency, systematic, political, and business risks. Except as provided by law, we will not be liable to client for:

- Any loss that client may suffer due to investment decisions made, other action taken, or actions omitted. Confluence will provide services in good faith with the care, skill and diligence that a prudent person acting in a fiduciary capacity would use;
- any loss arising from our adherence to client's instructions;
- Any act or failure to act by a qualified custodian of client's account.
- Nothing in this disclosure or our Wealth Management Agreement shall relieve us from any responsibility or liability we may have under state or federal statutes.
- There are many risks to consider carefully before committing to investment in the market place. We are not able to define every risk involved with investing within this document. Below is a representative sample of risks that should be considered:
- Market Risk: The day-to-day potential for an investor to experience losses from fluctuations in securities prices.
- Inflation Risk: The risk that asset appreciation does not keep pace with the cost of everyday living.
- Reinvestment Risk: Where maturing fixed rate securities are unable to secure the same coupon or interest rate as previously owned.
- Liquidity Risk: The risk that an issue may be thinly traded and therefore cannot be exited in a timely or price advantageous manner.
- Interest Rate Risk: The risk of an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, or in the shape of the yield curve.
- Currency Risk: A form of risk that arises from the change in price of one currency against another.

- Systematic Risk: Changes in interest rates, recessions and wars represent examples systematic risk because they affect the entire financial market and cannot be avoided through diversification.
- Political Risk: The risk that an investment's returns could suffer as a result of political changes or instability in a country.
- Business Risk: The risk that a company will not have adequate resources to meet its operating expenses.

Method of Analysis

Investment analysis is performed by the Confluence Investment Committee. Chaired by Marilyn Bergen, CFP®, the Committee meets regularly to review the investments recommended for client portfolios. We adhere to the principles of diversification and Modern Portfolio Theory (MPT) and the use of strategic asset allocation. The Committee examines many different factors in determining the funds within an asset category including expenses, management tenure, peer standing, performance and volatility to name a few.

Initial category screens reduce the fund universe down to a select few that are then analyzed specifically for their strengths and weaknesses. Credit quality, market capitalization and sector weighting, yields and portfolio turnover are just a few of the criteria the Committee evaluates. We also communicate with the fund companies or fund managers directly to determine that their philosophies and strategies are consistent with the Committee's criteria.

Once fund selection is complete, the Committee examines historic asset category risk and return data to then determine allocation for a particular client risk portfolio. We consider new asset categories that will reasonably meet the Committee's future economic assumptions. The Investment Committee reviews investments during the year and reserves the right to change investments at any time.

Investment Strategies

Confluence is a strategic asset allocator. We construct portfolios based upon client risk tolerance, tax sensitivity, fees and socially responsible guidelines. Our strategies vary based upon client investment experience, cash flow needs and time horizons among other factors. We believe in diversification, asset allocation, and a long-term approach to investing. Our investment strategy blends both passive and active management styles. Portfolios are broadly diversified across sub-asset categories including short and intermediate term U.S. and international bonds, high yield bonds, U.S., International and Emerging Market equities, Real Estate Investment Trusts (REITS) and other less correlated asset classes like commodities and currencies, to name a few. Most investments are institutional share class, no-load mutual funds and exchange traded funds (ETFs) which are either passive or actively managed. For high net worth investors, we use separately managed accounts to offer a higher level of tax-efficient investing and more portfolio customization.

Item 9. Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Confluence or our integrity. Confluence has no legal or disciplinary items to report.

Item 10. Other Financial Industry Activities and Affiliation

Confluence is a limited liability company which counts among its shareholders; three active shareholders mentioned earlier (Morganstern, Kee and Bergen), Perkins & Company, an Oregon based Certified Public Accountant firm and certain shareholders of Perkins & Co, as individuals. Neither Perkins & Company nor its shareholders participate in the day to day activities of Confluence.

In the past and currently, the professional staff members have served on charitable boards and professional organization committees. We have been active in volunteer leadership positions in local, regional and national financial services associations.

Some of these organizations include the Financial Planning Association (FPA) and its predecessor organizations, the National Association of Personal Financial Advisors (NAPFA), The Royal Rosarians of Portland, OR., Rotary Club, the Portland Estate Planning Council, and the Greater Portland Compliance Association, to name a few.

Item 11. Code of Ethics

Confluence has adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct and fiduciary duty to its clients. The Code of Ethics addresses such issues as confidentiality of client information, a prohibition on insider trading, restrictions on acceptance of significant gifts, personal securities trading policies, and disciplinary action for fraudulent activity among other provisions. All supervised persons at Confluence must acknowledge the terms of the Code of Ethics annually along with a Confidentiality of Proprietary Information.

Confluence may recommend to its clients or prospective clients the purchase or sale of securities in which its officers, shareholders, principals, or employees also invest. All employees of Confluence are required to submit disclosures regarding personal securities transactions for review on a quarterly basis and household security holdings on an annual basis to prevent any conflict of interest.

Principal trading by the owners of the firm is acceptable. They can and do purchase the same or different investments that they recommend to their clients. Principal trading is subject to review by other principals to ensure no Code of Ethics violations are occurring.

You may obtain a complete copy of our Code of Ethics by contacting us at the address, telephone or email on the cover page of this document: Attention: Chief Compliance Officer.

Item 12. Brokerage Practices

Custodial Relationships

Client assets must be maintained in an account at a “qualified custodian,” which generally is an institutional brokerage firm, a trust company or a bank. We have established working relationships with Charles Schwab, Fidelity Institutional, TD Ameritrade and SEI Trust Company, and recommend these qualified custodians to our clients or prospective clients. When appropriate, Confluence may recommend other qualified custodians. We are not part of or associated with any qualified custodian. The account agreement a client effects with a qualified custodian is separate and independent from Confluence.

We research and recommend a qualified custodian who will hold client assets and execute transactions on terms that are, most advantageous when compared to other available providers. Factors that we consider, include, but are not limited to:

- Combination of transaction execution services and asset custody services
- Capability to execute, clear and settle trades
- Capability to facilitate transfers and payments to and from accounts
- Breadth of available investment products
- Quality control of services
- Price competitiveness
- Reputation, financial strength, and stability
- Professional training and supervision of custodial staff
- Technology-website interface, functionality, ease of access and navigation

Research and Other Soft Dollar Benefits

Custodians offer other services intended to help us manage client assets and further develop our business practices. These services are referred to as “soft dollar” benefits and are a highly regulated focus of the SEC. Benefits received may depend on a minimum level of client assets placed by our firm at a specific custodial firm. As required, we must disclose this potential conflict of interest. Soft Dollar benefits received may directly benefit the client, indirectly benefit the client, or benefit only the advisor. Custodians may not provide these services itself. In some cases, it will arrange for third-party vendors to provide service to us. These services may include:

- educational conferences and events
- consulting on technology, compliance, legal, and business opportunities
- publications and conferences on practice management and business succession
- access to employee benefit providers, industry consultants and insurance providers
- occasional business entertainment for our personnel
- provide access to client account data; such as duplicate account statements or tax reports
- facilitate trade execution and allocate aggregated trade order for multiple client accounts
- provide pricing and other market data
- facilitate payment of our fees from our clients’ accounts
- assist with back-office functions, recordkeeping, and client reporting

Directed Brokerage

Confluence does not selectively place transactions across multiple brokerage platforms that could generate conflicts of interest. It is our policy to execute transactions at the custodian recommended to and chosen by the client, unless there is a direct client benefit to do otherwise.

Item 13. Review of Accounts

Confluence policies provide that only Certified Financial Planners® or other designated professional staff may give investment advice. All communications with clients, including financial plans and other reports, will be reviewed by a designated planner.

The frequency and level of reviews are determined based on the client's investment objectives. Wealth Management client reviews are conducted on a quarterly basis. Reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large sales or purchases, or changes in the macro-economic climate.

All investment advisory clients receive detailed quarterly reviews which may include a statement of portfolio holdings, cost basis, asset allocation, portfolio performance, performance of specific securities, and investment manager (mutual fund) performance.

Wealth Management clients also receive transaction confirmation notices and monthly account statements directly from the custodian. Included in this reporting will be an accounting of portfolio positions, trade dates, account value, investment value, asset allocation and other related information. We make every effort to verify that the information you receive from us is consistent with the reports sent by the account custodian.

Item 14. Payment for Client Referrals and Other Compensation

Confluence does not currently participate in any client referral programs. In the past, we received client referrals from Charles Schwab & Co. Inc. and TD Ameritrade. For clients referred to us during participation in those programs in the past, we are still obligated to continue paying participation fees to Charles Schwab and TD Ameritrade.

Item 15. Custody of Assets

Confluence never maintains physical custody of client assets. We do not accept or hold, directly or indirectly, client funds or securities, or have any authority to obtain possession of them. All client deposits are made payable to their respective custodians and sent directly to the custodian; therefore Confluence is not deemed to have custody. Clients grant us written permission to directly debit their fees from their accounts, but this does not constitute custody. In addition, Confluence prohibits the following practices:

- Any employee, officer, and/or the firm from having signatory power over any client's checking account;
- Any employee, officer, and/or the firm from having power to unilaterally wire funds from a client's account;
- Any employee, officer, and/or the firm from holding any client's securities or funds in Confluence's name at any financial institution.
- Any employee, officer, and/or the firm from physically holding cash or securities owned

- by any clients.
- Any employee, officer, and/or the firm from having general power of attorney over a client's account;
- Any employee, officer, and/or the firm from holding client's assets through an affiliate of Confluence where the firm, its employees or officers have access to advisory client assets;
- Any employee, officer, and/or the firm from receiving the proceeds from the sale of client securities or interest or dividend payments made on a client's securities or check payable to the firm except for advisory fees; Any employee, officer, and/or the firm from acting as a trustee or executor for any advisory client trust or estate; and
- Any employee, officer, and/or the firm from acting as general partner and investment adviser to any investment partnership

Item 16. Investment Discretion

Upon execution and signing of the Investment Advisory Agreement, client grants Confluence **discretionary authority, unless other mutually agreeable arrangement is reached, to execute its** investment recommendations in accordance with the client's Investment Policy Statement or a similar document setting forth the client's objectives. Under discretionary authority, Confluence may determine which securities, the amount of securities, and when to purchase and sell securities within the client's account at a qualified custodian. Further, Confluence has authority to act on behalf of the client in all matters necessary to complete purchase and sell instructions provided to client's qualified custodian. The qualified custodian of the client's account will require the client to authorize Confluence to provide these services.

All transactions outside the discretionary purchase and sale transactions described above shall be made in accordance with the directions provided by the client. We are able to assist clients in transmitting instructions to the qualified custodian, but cannot take any action without specific client instructions. Transactions outside discretionary authority may include but are not limited to; deposits, withdrawals, transfer of assets, and changes of address.

Item 17. Voting Client Securities

As a matter of firm policy and practice, Confluence does not have the authority and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios.

Item 18. Financial Information

Registered investment advisors are required to provide certain financial information or disclosures about Confluence's financial condition. Confluence has no financial commitment that impairs its ability to meet contractual and fiduciary commitment to clients, and has not been the subject of a bankruptcy proceeding.

In addition to the three active managing shareholders, there are also other shareholders of Perkins & Company, an Oregon based Certified Public Accounting firm. Neither Perkins & Company nor its shareholders participate in the day to day activities of Confluence Wealth Management.

Item 19. Privacy Notice

Confluence is an investment advisory firm is committed to safeguarding the confidential information of its clients. We do collect nonpublic personal information in order to open and administer client accounts and to provide clients with accurate and pertinent advice. We hold all nonpublic personal information provided to us in the strictest confidence. If we were to change that Firm policy, we would be prohibited under the law from doing so without advising you first.

Confluence collects personal information from the following sources:

- Applications or other forms.
- Discussions with unaffiliated third parties.
- Information about client transactions with us or others.
- Questionnaires.
- Tax Returns.
- Estate Planning Documents.

Confluence uses your personal information in the following manner:

- We do not sell your personal information to anyone.
- We will provide notice of changes in our information sharing practices. If, at any time in the future, it is necessary to disclose any personal client information in a way that is inconsistent with this policy, we will give clients advance notice of the proposed change to enable them to opt out of such disclosure.
- We maintain a secure office and computer environment to ensure that client information is not placed at unreasonable risk.
- For unaffiliated third parties that require access to client personal information, including, attorneys, accountants, insurance agents and brokers, we require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators may also review Firm records as permitted under law.
- We do not provide personally identifiable client information to mailing list vendors or solicitors for any purpose.

Identifiable information will be maintained during the time clients have a business relationship with Confluence and will be retained for a period of five years thereafter. After this required period of record retention, all such information will be destroyed.

**Part 2B of Form ADV:
Brochure Supplement**

Item 1 Cover Page

This brochure supplement is provided on our three Principals, David Morganstern, Marilyn Bergen and Kathleen Kee. It also provides background information for two of the firm's Planners: Christopher Winn and Erik Miller and the firm's Portfolio Manager, Philip Schmitt.

David Morganstern is the Chief Compliance Officer for the firm. His contact information is:

David Morganstern, CFP®
Confluence Wealth Management, LLC
1211 S.W. Fifth Avenue, suite 1160
Portland, OR. 97204-3710
dmorganstern@confluencewealth.com
www.confluencewealth.com
(503) 221-7595

December 31, 2011

This brochure supplement provides information about our employees that supplements our Form ADV, Part 2 (brochure, attached). You should have received a copy of that brochure as we include this supplement with all copies. Please contact the Chief Compliance Officer if you did not receive OUR BROCHURE or if you have any questions related to the brochure or this supplement.

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. None of the employees in this supplement are subject to any such actions.

Item 2 Educational Background and Business Experience

Confluence Wealth Management LLC requires that any employee who is involved in determining or giving investment advice to clients must:

- Be a graduate of a four year accredited college or university;
- Possess at least 3 years of professional experience in the Investment, Accounting, Insurance or Financial Services field;
- Hold a professional designation as a Certified Financial Planner™ (CFP®), Certified Public Accountant (CPA) Certified Financial Analyst (CFA), Chartered Financial Consultant (ChFC®) or Master's degree in Business Administration (MBA)
- Hold themselves accountable and agree to abide by the Codes of Conduct of NAPFA (National Association of Personal Financial Advisors) or the CFP® Board of Standards

Item 3 Management & Supervised Persons

David Morganstern, 1950

Certified Financial Planner designation, CFP Board of Standards, Denver, Colorado, July 1988
AIF (Accredited Investment Fiduciary) Certificate, Institute for Fiduciary Studies, Sewickley, PA., April 2005

Confluence Wealth Management- Partner, 2011 to present

CMC Advisers, LLC – Partner and Co-President 1996 to 2011

M.S. Counseling, University of Oregon, 1975

B.A. in Psychology, University of Connecticut, Storrs, CT., 1972

Marilyn R. Bergen, 1950

Certified Financial Planner designation, CFP Board of Standards, Denver, Colorado, September 1987

Confluence Wealth Management- Partner, 2011-present

CMC Advisers, LLC – Partner and Co-President 1996 to 2011

NASD Licensed since 1982

Master's Degree in Education, Portland State University, Portland Oregon, 1974 to 1979

Teacher's Certificate, CA. State University, Sacramento California, 1972 to 1973

B.A. in History, CA State University, Sacramento, California, 1972

Kathleen Kee, 1961

Certified Financial Planner designation, CFP Board of Standards, Denver, Colorado, 1987

Confluence Wealth Management – Partner, 2011 to Present

Pacific Investment Advisors, Partner and President 1997 to 2011

B.S. in Finance, Oregon State University, Corvallis, OR. 1983

Christopher K. Winn, 1964

Certified Financial Planner designation, College for Financial Planning, Denver, Colorado, September 2003

CDFA (Certified Divorce Financial Analyst), Institute for Divorce Financial Analysts, Chicago, Illinois, January 2010

Confluence Wealth Management- Planner, 2011-present

CMC Advisers, LLC Planner, 2011

Ameriprise Financial - CFP and Investment Adviser, 2005 to 2011

CUSO Financial Services --CFP and Investment Adviser, 2000 to 2005

NASD Licensed since 1997

B.S. Business Administration, Portland State University, Portland, OR, 1988

Erik F. Miller, 1965

Certified Financial Planner designation, CFP Board of Standards, September 2008

Chartered Advisor for Senior Living, American College, Bryn Mawr, PA, Sept. 2007

Confluence Wealth Management- Planner, 2011-present

CMC Advisers LLC Planner, Portland, OR, 2005 to 2011

ATPA- Pension Analyst, Portland, OR. 2001 to 2005

Chartered Financial Consultant, American College, Bryn Mawr, PA, May 1993

B.A., Economics & Political Science, Claremont McKenna College, Claremont, CA, 1987

Philip Schmitt, 1973

Confluence Wealth Management- Portfolio Manager, 2011-present

Nike- Sr. Financial Manager, 2007 to 2011

Cisco Systems, Inc. Treasury Investment Analyst, 2005 to 2007

UBS Financial Services, Inc.- Financial Advisor, 2004 to 2005

Seattle NW Securities- Taxable Trading Analyst, 2001 to 2003

Master's Degree in Business Administration, University of Portland, Portland, OR. 2003

B.S. in Economics, Portland State University, Portland, OR. 1997

Certified Financial Planner

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

(Rev 12/31/11).