



Confluence Wealth Management, LLC

Item 1. Cover Page

Firm Brochure

Form ADV Part 2A

June 11, 2014

Confluence Wealth Management, LLC

1211 SW Fifth Avenue, Suite 1160

Portland, OR 97204

Phone: 503-221-7595

Fax: 503-972-4197

Website: www.confluencewealth.com

This brochure provides information about the qualifications and business practices of Confluence Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact Confluence's Compliance Department at 503-221-7595 or by email to confluence@confluencewealth.com. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

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

Additional information about Confluence is available on the SEC's website at www.advisorinfo.sec.gov.

Item 2. Material Changes

On January 30, 2014 we purchased the client accounts of Chinook Capital Management. This transaction did not represent a material change of Confluence's ownership structure, though Chinook's owners, Greg Houser and Lantz Stringham, have joined Confluence as shareholders. Greg now chairs our Investment Committee and Lantz is a committee member.

Gregory J. Houser, CFA

Greg has been a CFA charterholder since 1979
DOB 1948
Confluence Wealth Management, LLC, Partner, 2014
Chinook Capital Management, LLC, Managing Partner, 1997-2014
Chinook Capital Company, LLC, Managing Partner, 1997-2001
Capital Consultants, Inc., President and CIO, 1974-1997
University of California, Los Angeles, MBA Finance, 1971
University of Oregon, BA Business, 1970

Lantz Stringham, CFA

Lantz has been a CFA charterholder since 2000
DOB 1969
Confluence Wealth Management, LLC, Partner, 2014
Chinook Capital Management, LLC, Partner 2002-2014
Red Chip Companies, Senior Equity, 1999-2002
American Express Financial Advisors, Analyst, 1994-1999
University of Utah, Eccles School of Business, BS Finance, 1994

The addition of the former Chinook employees to our staff enhanced our investment offerings, client service, brokerage practices, use of technology and compliance program, including modifications to our proxy voting and soft dollar policies.

Additional information about Confluence is available on the SEC's website at www.advisorinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Confluence who are registered, or are required to be registered, as investment adviser representatives.

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Item 4. Advisory Business

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

Confluence is actively managed on a daily basis by five of its member shareholders: David Morganstern, CFP[®], Kathleen Kee, CFP[®] and Marilyn Bergen, CFP[®], Greg Houser, CFA, and Lantz Stringham, CFA.

The work we perform addresses principles of law, insurance, and accounting; however, we are not accountants, licensed 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, we adhere to the Certified Financial Planning Board standards to not represent ourselves as such. We also do not actively participate in proprietary mutual fund operations, insurance sales, trust services, real estate partnerships, bookkeeping or other financial industry activities.

We require all members of the Investment Committee and all employees providing investment advice to clients to have a relevant college degree or equivalent investment related experience; all required state and federal licenses; and a relevant certification or advanced degree specific to the investment field or more than five years relevant experience.

As of February 28, 2014, we had \$538,600,000 regulatory assets under management. Of that amount, \$538,000,000 was discretionary and \$500,000 was nondiscretionary. Our overall assets under advisement totaled \$622,600,000.

Advisory Services

We provide five levels of service to clients:

1. **Consulting Services.** These services include a limited or narrowly defined scope of analysis. Clients requesting these services typically want specific financial planning questions or issues addressed rather than having an on-going planning relationship with Confluence. 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, duration and frequency of consulting services will be defined in the written agreement between the client and Confluence.
2. **Wealth Management Services.** These services include coordination of financial planning and investment management. Under the Wealth Management services agreement, we assist clients to determine their investment objectives and time horizons and then design a customized portfolio plan and written Investment Policy Statement (IPS). The IPS outlines the investment allocation that we will adhere to in managing the assets on a discretionary basis. We then manage the investment portfolio on an ongoing basis, regularly rebalancing and adjusting the investment holdings based upon our Investment Committee's research. Accounts are managed on an individual basis by their Advisory Team so there may be instances where specific funds or securities selected by the Investment Committee are bought or sold for one client and not offered to or sold from another client. We periodically review the suitability and appropriateness of the investment(s) given client objectives and changing circumstances. For individuals, we also provide advice on personal financial planning issues related to estate and retirement planning, charitable and education planning, cash-flow, taxes, and risk management. We coordinate our efforts with our clients' other advisors, as needed.

In addition to the account statements provided by the custodian, we provide clients whose portfolio is valued in excess of \$50,000, with quarterly reports which may include: a list of investment values, transactions, asset allocation and quarterly performance measures.

Primary investments used for constructing broadly diversified portfolios include: no-load, institutional share class mutual funds; Exchange-Traded Funds (ETFs), individual equities, municipal, US Government, and corporate bonds, and certificates of deposit. In addition, for our high net worth individuals, we may use separate account managers or sub-advisors to offer more portfolio customization, as discussed further in Item 8, investment strategies.

We may file class action settlement claims for some of our clients with individual equities on a best-efforts basis. We are not responsible for the accuracy of the information filed or the determination of any settlement payments due to the clients.

3. Retainer. This service is designed for clients who have increasingly complex issues without necessarily owning a large investment portfolio. Educational and/or analytical services may be included. The client and Confluence will, every two years, define the scope of services to be addressed. Periodic meetings, typically one per quarter, are included in this service. The annual fee is determined based upon that scope of work for the year and is paid quarterly
4. Annual Review. This service is only available to existing Annual Review clients and consists of meeting with the client once a year to review their investments and rebalance their portfolio. There is no ongoing or continuous management, review or oversight of the portfolio.
5. Employer Retirement Plan Management. This service is for employers who want to initiate, revise or replace an employer-sponsored retirement plan. Services include recommending, based on plan size, either a third-party administrator and prototype plan or an actuary or other service provider that bundles all of the necessary plan services; monitoring investments, and recommending changes as needed; and, providing employee education. Account statements are provided by the plan custodian. As a fiduciary to these plans, we act in accordance with Department of Labor standards and ERISA requirements.

Item 5. Fees and Compensation

We do not receive compensation in the form of commissions, rebates, revenue sharing, or participation-based arrangements and do not receive payments from any company for any endorsements or purchase of any particular products or services. In addition to the management fees we charge, 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 account custodian.

Wealth Management Fees and Compensation

We will calculate management fees based on several methods including: a percentage of assets under management, a negotiated fixed amount, or combination thereof written in the Wealth Management Advisory Agreement. Our fee schedule for new clients contracting with the firm after March 31, 2014 is as follows:

| <u>Assets Under Agreement</u> | | <u>Annual Fee</u> |
|-------------------------------|--------------------|-------------------|
| First \$1 million | \$0 to \$1 million | 1.00% |
| Next \$2 million | \$1 to \$3 million | 0.80% |
| Next \$2 million | \$3 to \$5 million | 0.60% |
| Above \$5 million | | Negotiable |

A minimum annual fee is \$10,000. Minimum fees may be waived under certain circumstances.

Investment management fees are calculated on the market value of the assets on the last trading day of the previous quarter. Securities 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 transaction-based price is not available, assets will be priced using a pricing service or through quotations from one or more dealers. All other securities, if included in performance or management fee calculations, will be fair-market valued on the last day of each quarter. Due to differing sources, portfolio statements may not exactly match statements issued by custodians.

Fees for partial quarters at the start or termination of the Agreement will be adjusted based on the number of days the account was open or that services were being provided, during the quarter. Quarterly fee adjustments may be made for additions or withdrawals based on the number of days the assets were held in the portfolio.

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, Consulting or Retainer services are needed in addition to Wealth Management services. Some examples of complex issues that could require an additional hourly fee include: settlement of decedent estates, divorce cases requiring extensive work with attorneys and/or court appearances, business transitions or other extraordinary life events. Prior to engaging in a complex project, we will provide the client with a cost estimate for the additional services based on our Consulting services rate and a separate Retainer or Consulting Agreement will be executed.

Consulting Service Fees

Our fees range from \$150.00 to \$325.00 per hour depending upon staff expertise, for planning and consulting services which are reflected in the Consulting Services Agreement. An estimate of fees for the project will be presented to the client before any work is commenced. The estimate is based on the projected number of hours to: review documents, complete the analysis, create a customized findings' report and present the findings and recommendations to the client. A deposit of 35% of the estimated fee is required when the client signs a Consulting Services Agreement, with the balance due on completion. There is no minimum net worth or portfolio size for Consulting services.

Retainer Service Fees

The client and Confluence annually determine the scope of the service and the fee to be debited from their managed accounts or billed via invoice. The fee rate is based on our financial planning hourly rates, with a minimum annual Retainer fee of \$5,000.

Annual Review. The fee for this service is 0.70% of the value of reviewed assets, with a minimum annual fee of \$1,200.

Employer Retirement Plan Setup & Management Fees.

| <u>Assets Under Agreement</u> | <u>Annual Fee</u> |
|-------------------------------|-------------------|
| \$0 - \$5,000,000 | 0.75% |
| \$5,000,000 and up | 0.50% |

The minimum fee for plan setup, fiduciary education and investment recommendations is \$1,500. Fee arrangements may be negotiated at the discretion of the firm.

Agreement Termination

Agreements may be terminated at any time by written notice from either the client or Confluence. Clients are responsible for any prorated, unpaid management fee or unbilled financial planning fees incurred until the date of notification.

Frequency and Method of Payment

We bill management and service fees in arrears at the end of the most recent quarter. Wealth Management, Retainer, Annual Review and on-going Consulting clients generally authorize us to debit fees directly from their investment accounts. Consulting Services clients may be billed monthly or upon project completion and pay by personal or company check. With the exception of Consulting Services' projects, we do not accept advance payment for services. In no circumstance will fees be charged or kept for more than 6 months in advance of services.

Fee Deduction: We submit fee requests to the custodian firm for debiting from client accounts. Payment of fees may result in a partial liquidation of securities if there is insufficient cash in the account. The custodian is not responsible for verifying the accuracy of the fee calculation so it is recommended that clients independently verify the fee calculation. Copies of the fee statements will be delivered to clients.

Payment by check: We provide a fee statement to invoiced clients. Payment is due within 10 days from the date of the fee statement.

Other Types of Costs

Clients may incur other charges, charged by custodians, brokers, third party investment management and other third parties. These other costs may include, but are not limited to, custodian transaction or asset-based fees, brokerage commissions, deferred sales charges, odd-lot differentials, transfer or termination fees, taxes, mortality or expense charges (charged by annuities) wire transfer fees, electronic fund fees, postage and delivery fees. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in each fund's prospectus. We do not receive any portion of these fees, charges or commissions. See Item 12 for additional information about brokerage services and costs.

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

We do not charge any performance-based, side-by-side management fees or any wrap fees.

Item 7. Types of Clients

We generally provides services to high net worth individuals, private trusts, estates, endowments, foundations, charitable organizations and employer retirement plans. For new Wealth Management clients, our minimum account size is generally \$1,000,000 or a minimum annual fee of \$10,000. For Retainer clients, there is no minimum portfolio size; the minimum annual fee is \$5,000.

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

Method of Analysis

Investment analysis is performed by the Investment Committee. Chaired by Greg Houser, CFA. The Committee meets regularly to review the investments recommended for client portfolios. The Committee conducts ongoing economic assessments/research as well as individual company and mutual fund analysis by examining factors such as performance, management tenure, peer comparisons, volatility and expenses. The Committee also examines historic asset category risk and return data to determine allocation for a particular client risk portfolio.

Investment Strategies

As a strategic asset allocator, we construct customized portfolios based upon client risk tolerance, tax sensitivity, growth or capital preservation objectives, and socially responsible preferences. Our strategies vary based upon client investment experience, cash flow needs and time horizons, among other factors. We believe in global diversification, asset allocation, and a long-term approach to investing. Our investment strategy blends both passive (Index) 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 bonds and equities; Real Estate Investment Trusts (REITS); and less correlated asset classes, such as commodities and currencies. Some strategies primarily invest in institutional share class, no-load mutual funds and Exchange Traded Funds (ETFs) which are either active or passively managed. Other strategies utilize individual equities, individual bonds or a combination of equities, bonds, ETFs and no-load mutual funds.

For high net worth investors, we may use separate account managers or a sub-advisor to offer a higher level of tax-efficient investing and more portfolio customization. Sub-advisors and separate account managers are subjected to a due-diligence process to verify their investment knowledge and experience, disciplinary history, credentials/expertise of the analytical team and performance track record prior to approval by the Investment Committee. Similar to mutual fund internal expenses, Sub-advisory and separate account management fees are authorized and paid by clients, in addition to Confluence's management fees.

Some of our investment strategies include:

1. Core Growth Investment Strategy. The investment objective of the Core strategy is to provide long-term capital appreciation. The Core strategy portfolio consists of U.S. large and mid-cap common stock investments with a bias toward growth. We will generally invest at least 90% of the assets in equity securities, with the remaining 10% held in money market funds and other cash equivalents. The benchmark is the S&P 500 Index.
2. Enhanced Income Strategy. The Enhanced Income strategy is a current income approach, primarily focused on dividend paying stocks; positions in broad-based ETFs or mutual funds (open and closed end); covered call funds; high-yield funds; and international bond funds, among other income producing strategies. The primary objective of the Enhanced Income strategy is to generate current income and preserve long-term purchasing power while minimizing volatility.
3. Stable Return Strategy. The Stable Return strategy is designed as a relatively low volatility approach, primarily using mutual funds to invest in a variety of alternative investments that have low correlations to U.S. equity benchmarks such as the S&P 500. Examples of investment categories can include commodities and managed futures, long/short strategies, currencies, natural resources, and alternative credit strategies. The primary objectives of the Stable Return strategy are to limit volatility while seeking long-term returns that exceed the rate of inflation.
4. Conservative Allocation portfolio. This portfolio is designed for a more risk adverse investor whose primary objective is for current income with a secondary objective on a minimum amount of growth potential. This portfolio has an allocation of approximately 30% in equities and 70% in fixed income no load mutual funds or ETF's. Income is derived from interest and dividends. This portfolio will incur more interest rate risk, especially during periods when interest rates are rising.
5. Conservative- Moderate Allocation portfolio. This portfolio is for investors with a 4-8 year or longer time horizon and is designed to provide current income with a modest amount of growth. The asset allocation is 40% equities and 60% fixed income, comprised of both U.S. and international asset categories invested in no load mutual funds or ETF's. This will incur both market volatility from equities and interest rate risk from the fixed income.
6. Moderate Allocation portfolio. The Moderate Allocation portfolio is designed for investors with a 5-10 year or longer time horizon and provides total return derived from interest in the fixed income assets and a modest amount of appreciation from the equities. The asset allocation is

50% equities and 50% fixed income, comprised of both U.S. and international asset categories, invested in no load mutual funds or ETF's and will incur both market volatility from equities and interest rate risk from the fixed income in shorter periods.

7. Balanced Allocation Portfolio- The Balanced Allocation portfolio is designed for investors with a 5-10 year or longer time horizon and provides total return derived from interest in the fixed income assets and a modest amount of appreciation from the equities. The asset allocation is 60% equities and 40% fixed income, comprised of both U.S. and international asset categories invested in no load mutual funds or ETF's. Given the allocation, this will incur more market volatility from equities and interest rate risk from the fixed income in shorter periods.
8. Growth Allocation portfolio. The Growth portfolio is designed for a risk tolerant investor with a time horizon greater than 10 years whose objectives are primarily for market appreciation with minimal emphasis on current income. The asset allocation of this portfolio is 70% equities and 30% fixed income; with multiple asset categories that may include: U.S. and international developed markets, emerging market equities, REITs, as well as high yield and emerging market bonds. This is invested in no load mutual funds and ETF's.

Risk of Loss

Clients should understand that investing in securities involves risk of loss and that ***past performance is no guarantee of future performance***. We will act in good faith, with the care, skill and diligence that a prudent person acting in a fiduciary capacity would use, in rendering services to the client but do not guarantee any particular level of account performance or that the account will be profitable over time. Except as provided by law, we are not liable for any loss the client may suffer due to investment decisions, action taken, or actions omitted. Losses and risks may occur from our adherence to client instructions or from acts or failure to act by the custodian. Nothing in this disclosure or our service agreements shall relieve us from any responsibility or liability we may have under state or federal statutes.

Our clients understand that investment decisions are subject to multiple risk factors. The following is a representative sample of some of the risks that should be considered. This supplements a mutual fund or ETF prospectus, which clients should read before investing:

- **Market Risk:** The day-to-day potential for an investor to experience losses from fluctuations in securities prices.
- **Common stock investments** are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.
- **Sector Risk:** Investments in one or more market sectors will have economic factors affecting those sectors that could affect performance.
- **Volatility Risk:** Equity securities tend to be more volatile than other investment choices. The value of an individual company can be more volatile than the market as a whole.
- **Inflation Risk:** The risk that asset appreciation does not keep pace with the rising cost of everyday living expenses.
- **Default risk:** The risk that the underlying corporate or government lenders may default on their obligation to repay principal.
- **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. This is an issue when investing in international investments.

The Stable Return and Enhanced Income have additional risks that are disclosed to prospective investors prior to allocating assets into those Strategies.

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 our firm or our employees. We have no legal or disciplinary items to report.

Item 10. Other Financial Industry Activities and Affiliation

See Item 8, Investment Strategies for information about our use of sub-advisors and separate account managers.

In addition to the five members previously mentioned, Perkins & Company, an Oregon-based Certified Public Accountant firm, and certain of its shareholders as individuals, are Confluence shareholders. Neither Perkins & Company nor the individuals participate in the day-to-day activities of Confluence, though they are represented on the Board of Directors.

Our advisors have served as committee members for industry-related organizations and been active in volunteer leadership positions in local, regional and national financial services associations. These organizations include: the Financial Planning Association (FPA) and its predecessor organizations; the National Association of Personal Financial Advisors (NAPFA); the Portland Estate Planning Council; and the Greater Portland Compliance Association.

Item 11. Code of Ethics

We have adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct and fiduciary duty to our clients. The Code of Ethics addresses issues such as confidentiality of client information, a prohibition on insider trading, restrictions on acceptance of significant gifts, personal securities trading, a prohibition against rumor mongering about publicly traded companies; and disciplinary action for fraudulent activity. All employees must acknowledge the terms of the Code of Ethics at the time of hire, annually, and as the Code is amended. A copy of the current Code of Ethics is available upon a written or verbal request directed to Roberta Monroe at 503-221-7595, by email at rmonroe@confluencewealth.com or by mail at 1211 SW Fifth Avenue, Suite 1160, Portland, OR 97204.

We may recommend to our clients the purchase or sale of securities in which our employees also invest. All employees are required to submit disclosures regarding personal securities transactions for review on a quarterly basis and household security holdings on an annual basis to identify and address any conflicts of interest.

Subject to satisfying this Code and applicable laws, employees may trade for their own accounts in securities which are recommended to and/or purchased for clients. The Code 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.

Under the Code, certain classes of securities have been designated as exempt transactions based on a determination that the transactions would not materially interfere with the best interest of our clients. In addition, the Code requires pre-clearance of some transactions, restricts trading in close proximity to client trading activity, and requires continual monitoring of employee personal trading. Nonetheless, because the Code of Ethics permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee.

Employees may trade in the same securities along with trading in client accounts on an aggregated basis when consistent with our obligation of best execution. In such circumstances, the employee and client accounts will share commission costs equally and receive securities at a total average price. We will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated according to our allocation policy. Any exceptions will be explained on the trade order.

We do not maintain any principal investment accounts and we are not a broker-dealer nor does Confluence have any affiliations with broker-dealers so there is no risk of principal or agency cross securities transactions for client accounts or cross trades between client accounts.

Item 12. Brokerage Practices

Our Investment Committee determines the guidelines for brokerage practices. In general, trades will be executed through the custodial firm holding the client assets.

Brokerage Committee

The Brokerage Committee (comprised of the trader, a member of the Investment Committee, and a member of the compliance staff) monitors and evaluates execution quality, the selection of executing broker/dealers and approves all purchases made from our existing soft dollar balance.

Best Execution

In selecting or recommending a broker-dealer custodian, we will comply with our fiduciary duty to seek best execution. Best execution is defined as the best total cost in trading a security, not the lowest price or commission rate. We maintain list of approved broker-dealers/custodians in order to facilitate best execution.

We do not participate in 1) client-direct brokerage for commission recapture; 2) underwriting syndicates; or 3) initial public offerings so these elements do not factor in to our assessment of broker-dealers.

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. We are not owned by or associated with any qualified custodian. We research and recommend a qualified custodian who will hold client assets and execute transactions on terms that are more 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

Trade Aggregation

We are authorized to aggregate purchases, sales and other transactions of the same securities for all clients. When transactions are aggregated, the transaction prices will be averaged and each account will purchase or sell its proportionate share of the security at the average price. Partially executed aggregate trades will be allocated according to our Allocation Policy to prevent favoritism to any accounts. Stock exchange regulations may prevent the executing broker-dealer from delivering a confirmation notice to individual account owners participating in aggregated transactions. Except to the extent directed otherwise through client custodial agreements or as required by law, we will not be responsible for forwarding confirmation notices of any transactions effected for client accounts.

Research and Soft Dollar Benefits

We no longer accumulate commission-based revenues known as “soft dollars.” Our existing soft dollar balance will be used to purchase research created or developed by third party firms that qualify for the safe harbor in section 28(e) of the Securities Exchange Act of 1934.

The research consists of information services, software, and a proxy voting research service that could otherwise be obtained at our expense. The research obtained through soft dollar payments and trade allocations benefit many clients, not just those who participated in commission generating trades.

Item 13. Review of Accounts

Our Investment Committee is responsible for overseeing all investments that the firm recommends. The Committee reviews market and economic factors that impact the investments that are recommended for client accounts.

The frequency of account-level reviews is based on the client's investment objectives. Wealth Management client portfolio reviews are generally conducted on a quarterly basis but reviews may also be prompted 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. Account reviews include performance comparisons to indices, review of client cash needs and analysis of allocation targets.

Annual or more frequent meetings are scheduled with Wealth Management clients. At these meetings, we review account objectives and performance of investment holdings. Additional discussion will include the economic and financial market outlook, financial planning needs, as well as any changes in the client's circumstances that may materially affect their investment objectives.

Wealth Management clients with portfolios valued above \$50,000 receive detailed quarterly reports which may include a statement of portfolio holdings, asset allocation, portfolio performance, performance of specific securities, and investment manager (mutual fund) performance. All communications with clients, including financial plans and other reports, will be reviewed by a designated Advisor.

Wealth Management clients receive statements at least quarterly from the qualified custodian of their accounts. Clients should carefully review these statements in addition to the account statements we provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 14. Payment for Client Referrals and Other Compensation

In the past, we received client referrals from Schwab and TD Ameritrade. We withdrew from and no longer receive referrals from these custodians but continue to pay a fee on the accounts previously referred through those programs. The referral fee is paid by us and not by the client. We do not charge

referred-clients fees that are more than the fees we charge clients with similar portfolios who were not referred through the custodians.

If a referred client's account is transferred away from Schwab on our recommendation, we will be obligated to pay Schwab a one-time, non-custody fee calculated as a percentage of the transferred assets. The non-custody fee would generally be more than the annual referral fee for those assets. The non-custody fee does not apply if the client is solely responsible for the decision to transfer the assets away from Schwab.

The referral and non-custody fees are based on assets in accounts referred by Schwab and on the assets of the referred clients' family members living in the same household. This means we have an incentive to recommend that accounts of referred clients' and their household members be custodied at Schwab.

Schwab will not charge our clients separately for custody but will receive compensation from our clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab.

Custodians makes products and services available to assist in managing and administering client accounts, including: software and other technology that provide access to client account data; facilitate trade execution; research, pricing information and other market data; facilitate payment of our fees from clients' accounts; and assist with back-office functions such as recordkeeping and client reporting. These resources benefit our firm and some, but not necessarily all, of our clients. Custodians may discount or waive fees it would otherwise charge for services or pay the fees of a third party providing services. Although we endeavor to act in our clients' best interests, our recommendation that clients maintain their assets at a particular custodian may be based in part on the provided resources and not solely on the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

Item 15. Custody of Assets

We do not accept or hold, client funds or securities, directly or indirectly. All client deposits are made payable to their respective custodians and deposited directly in the client accounts. We do not have custody of the assets in client accounts other than the authority to directly debit management fees from some accounts.

In addition, Confluence prohibits the following practices by any employee, officer, and/or the firm: having signatory power over any client's checking account, having power to unilaterally wire funds from a client's account, holding any client's securities or funds in Confluence's name at any financial institution, physically holding cash or securities owned by any clients, having general power of attorney over a client's account, holding client's assets through an affiliate of Confluence where the firm, its employees or officers have access to advisory client assets, 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), acting as a trustee or executor for any advisory client trust or estate; and acting as general partner and investment adviser to any investment partnership.

Item 16. Investment Discretion

Unless another mutually agreeable arrangement is reached, clients grant us discretionary trading authority by signing a Wealth Management or Annual Retainer Agreement. This authority allows us to execute its investment recommendations in accordance with the client's written Investment Policy Statement or a similar document setting forth the client's objectives.

Under discretionary authority, we 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, we have

authority to act on behalf of the client in all matters necessary to complete purchase and sell instructions with client's qualified custodian. The qualified custodian of the client's account will require the client to execute additional documents to authorize us to provide these services.

All transactions outside the authority described above shall be made in accordance with the directions provided by the client. We are able to assist clients in transmitting their instructions to the qualified custodian for transactions outside our discretionary authority, including: non-discretionary trades, deposits, withdrawals, transfer of assets, and changes of address.

Item 17. Voting Client Securities

Unless directed otherwise in writing by the client, we are authorized to receive vote proxies for some accounts. We have engaged the firm Broadridge, Inc. ("Broadridge") to provide independent, expert opinions on corporate governance and other proxy issues and to vote proxies according to guidelines developed by Broadridge and adopted by Confluence, potentially with modifications. Broadridge has engaged Glass Lewis to provide the guidelines, research and voting recommendation portion of the service. The guidelines are designed to represent shareholder interests and to resolve potential conflicts of interest. Broadridge and Glass Lewis are not affiliated with Confluence. Clients may direct our vote in a particular solicitation by sending written instructions to Roberta Monroe by email at rmonroe@confluencewealth.com or by mail at 1211 SW Fifth Avenue, Suite 1160, Portland, OR 97204 at least five days prior to the meeting date.

We have taken steps to ensure that Broadridge and Glass Lewis have the capacity and competency to adequately analyze proxy issues and vote proxies in an impartial manner that is in the best interest of the client. We review the conflict of interest policies and voting guidelines provided by Glass Lewis via Broadridge annually to ensure that its proxy voting advice remains independent from products and services it offers to issuers. We conduct a periodic review of proxy voting records to ensure proxies have been voted in line with proxy voting policies and guidelines.

Clients who retain the authority to vote proxies for their accounts will receive agenda information and ballots from each security's transfer agent or from their custodian and may contact their Advisory Team with questions regarding specific ballot items. Copies of our Proxy Voting Policy and information about votes placed through our services are available upon a written or verbal request directed to Roberta Monroe at 503-221-7595, by email at rmonroe@confluencewealth.com or by mail at 1211 SW Fifth Avenue, Suite 1160, Portland, OR 97204.

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.