Item 1 – Cover Page

Registered as, Confluence Wealth Services, Inc.

CONFLUENCE

Financial Partners

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March 31, 2025

This Brochure provides information about the qualifications and business practices of Confluence Wealth Services, Inc. d/b/a Confluence Financial Partners ("Confluence"). If you have any questions about the contents of this brochure, please contact us at (412-391-0377). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

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

Item 2: Material Changes

Below are a summary of material changes since the previous annual amendment file 03/25/2024.

- Item 4: Advisory Services – Updated to expand upon the description of our Wealth Management Services: Confluence Pathways Program and Confluence Core American portfolios.

- Schedule A – James Wilding, Vice Chairman and Executive Officer is retiring 03/31/2025, the same day as this annual amendment.

Confluence encourages each client to read this Brochure carefully and to contact their investment advisor representative with any questions you may have. Pursuant to SEC rules, Confluence will ensure that Clients will receive a summary of any material changes to this Brochure within 120 days of the close of our fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as we experience material changes in the future, we will send you a copy of this Brochure or a summary of our "Material Changes" along with an offer to provide the Brochure under separate cover. For more information about Confluence, please contact us at 412-391-0377

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Item 4: Advisory Business

Confluence History

Confluence Wealth Services, Inc. d/b/a Confluence Financial Partners ("Confluence" or the "Adviser") was established in 2021 and is principally owned by Confluence Financial Partners, Inc. (the "holding company"). The owners of the holding company are Gregory J. Weimer and Gregory J. Weimer II. As a wealth management firm, Confluence focuses on providing holistic planning, objective based investment solutions, and ongoing monitoring for clients. Since inception in 2021, Confluence has been providing comprehensive wealth management services (as further described below) to individuals, professionals, business owners, corporate executives, retirement plans and businesses.

As a registered investment adviser subject to Section 206 of the Advisers Act, Confluence acts as a fiduciary to its Clients and must act in the Client's best interest when providing wealth management services. As such, Confluence is guided by the core fiduciary duties of loyalty and care. The firm works closely with its Clients to define each Client's unique financial, life, and legacy goals, and then structures a financial plan and investment management strategy designed to achieve them. Confluence Financial Partners aims to impact clients through thoughtful financial planning, intelligent investing, continual improvement, and professional service.

Our Wealth Management Services

Financial Planning Services

Confluence's Financial Planning Services are designed to provide the Client with an analysis of steps the Client may wish to consider within their investment portfolio to help achieve their long-term needs. To begin this process, we will interview the Client to gather certain necessary information and request pertinent documentation in order to assess the Client's current financial situation.

Considering the Client's goals, risk tolerance and long-term objectives, the Firm will then analyze and recommend appropriate investment strategies and allocation of assets as necessary and will seek to achieve optimum overall results for the long-term.

As part of Confluence's Financial Planning Services, the Adviser also provides consulting services related to general retirement readiness planning, tax planning, estate planning, and educational savings. Typically, this will include general tax and estate planning, retirement income needs analysis and/or college savings advisement; liaising with Client's CPA, tax preparer or estate planning attorney (as needed); and hosting family meetings to discuss Confluence's analysis.

The Client acknowledges that he/she/it is under no obligation to implement any recommendations provided as part of Confluence's Financial Planning Services. Should Client decide to implement Confluence's recommendations, Investment Management Services are offered and available through the Firm. Clients should realize that such recommendations could represent a potential conflict of interest since Confluence's representatives may receive fees, compensation or other concessions for these services.

Investment Management Services

The first stage of the Adviser's investment management services typically involves the completion of Client profile information ("Client Profile"). The Client Profile sets forth the Client's overall investment objective, risk tolerance, investment guidelines, time horizons and other important and necessary information relating to the Client's assets to be managed by the Firm under this Agreement. Once the necessary information is gathered, Adviser will commence performing its investment management services which are provided on a discretionary or non-discretionary basis.

Confluence manages Client accounts on an individualized basis in accordance with the Client's investment guidelines, including any reasonable restrictions requested by the Client in accordance with normal industry practice. Based on the needs of the Client and the size of the Client's account(s), we generally offer either the Confluence Separately Managed Account Services or the Confluence Compass Services, as further described below.

We encourage Clients to inform us in the event of any significant life changes, such as setting a retirement date, having a child, etc., so that we can perform an assessment to determine the proper investment strategy from that point forward. Typically, we review accounts internally and no less than annually with our Clients, which should be sufficient given our long-term strategic approach to money management. While generally Confluence's investment strategies are primarily long-term focused, we may buy, sell, or reallocate positions that have been held less than one year to meet the objectives of a particular strategy or due to market conditions.

1. Confluence Separately Managed Account Services
   Generally, for Clients with larger accounts who desire more personalized services, Adviser makes available three (3) Separately Managed Account Services. Confluence will actively manage the Client's portfolios and typically incorporate both active and passive investment vehicles which consist of stocks, bonds, mutual funds, ETFs, options, allocation models and other securities, including short-term money market instruments. Portfolios are generally reviewed and rebalanced annually, with Client meetings generally occurring on an annual basis. For its Separately Managed Account Services, Confluence offers the following:

   a. *Target Allocation and Individually Managed Portfolios* - Confluence offers proprietary investment strategies and/or an individually designed, custom portfolio based on the Client's needs.

   b. *Managed Stock Portfolios* - Confluence offers internally managed stock portfolios that are overseen by the firm's Investment Advisory Committee. The strategies are actively managed through quantitative analysis of historical fundamental factors, with a focus on large-cap and mid-cap securities domiciled in the United States. The strategies do not have a material cash allocation. The firm requires a $100,000 account minimum.

2. Core American Portfolios – This portfolio offering includes active-passive portfolio models that consists of open-end mutual funds and/or exchange traded funds (“ETFs”) including actively managed ETF’s. These holdings are generally low cost, long-term investment products, however, some may carry associated transaction fees. Alternatively, at times, a slightly more expensive share class option may be offered that does not have transaction fees. Client accounts are evaluated on an individual basis to substantiate the lowest cost option and the option that is in the best interest of the Client. This evaluation considers numerous factors, such as share price, transaction costs, internal expense ratios costs, and (i.e., management fees, expenses, and 12(b)1 fees, as applicable) to quantify the most economical choice at the time of the purchase. However, there are additional qualitative factors that are considered, including client preferences, that cannot be quantified in monetary or numerical terms. These factors are documented in individual client files.

3. Confluence Pathways Program -Pathways is an optional extension to the traditional 401k services provided through our RPS (Retirement Plan Services). Pathways provides a solution for employers who want to offer the added benefit of direct email communications with the firm via dedicated inbox for basic financial literacy type questions. When applicable, a basic financial plan and recommendations will also be offered. Pathways provides additional dedicated newsletters specific to enrolled plans. Confluence Financial Partners is compensated a flat annual fee or a per employee fee structure. The fee for this service is billed directly to the employer.

   For individuals with more sophisticated financial needs, Confluence Financial Partners may offer comprehensive financial planning and investment management at agreed upon fee structures outside of the Pathways program and offerings. This fee is paid by the individual client. By partnering directly with a Wealth Manager, additional tailored solutions may be provided including retirement planning, tax strategies, estate planning guidance, and legacy planning, among other services. The fee for this service is billed to the employer.

4. Third-Party Managers - Confluence offers asset management services involving unaffiliated third-party money managers (collectively hereinafter, “Third-Party Managers” or “TPMs”). Through these services, Confluence can provide access to third-party money managers that can manage a portion or all of the Client’s assets.

5. Confluence Compass Services
   Generally, for those Client with smaller account sizes who wish to have more systematic services, Confluence offers a basic financial planning service and discretionary model

portfolio solution. Each Client will be designated with a Wealth Manager and Client Service Associate who can provide general planning guidance, access to the managed stock portfolios and objective based portfolios, annual rebalancing and more. Client meetings will be offered on an annual basis, and there is no required account minimum.

Insurance Services

Through its affiliated entity, Confluence Insurance Services (“CIS”), the Adviser makes available to its advisory Client an insurance review. If it is determined that an insurance policy would be suitable for the Client, the Confluence Investment Adviser Representative (“IAR”) will refer insurance business to CIS or an outside insurance broker. To the extent a Confluence IAR who is insurance licensed refers insurance business to CIS’s Insurance Specialist or to an outside insurance broker, and the Client elects to purchase an insurance product through CIS, that IAR will share in the insurance commissions to the extent permissible in accordance with applicable insurance regulations. This creates a conflict of interest due to the fact that remuneration is received for such referral. These conflicts of interest are mitigated by Confluence IARs making recommendations to insurance providers only if they believe that to be in the Client’s best interest. Fees associated with Insurance Services will be provided through a separate engagement agreement with CIS or the outside broker.

Any referral by a Confluence IAR to CIS or an outside broker, however, is a conflict of interest to the extent that the IAR is receiving remuneration should the Client elect to purchase the insurance policy. Clients are under no obligation to purchase an insurance policy through CIS.

Other Services - Retirement Plan Consulting Services

Confluence provides retirement plan consulting services to sponsors of qualified retirement plans as defined by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The services provided by Confluence vary from Client to Client and will be tailored to the specific needs of the plan sponsor. Although not intended to be all inclusive, the retirement plan services provided may include plan design consulting, fiduciary best practices assessment, basic compliance reviews, investment policy development, fund menu design, fund manager search and selection, fund replacements, asset allocation modeling, investment monitoring and review, plan committee meetings, provider fee and service reviews, provider management, provider search and selection, transition services to a new provider, Section 404(c) consulting, education program strategy, and employee meetings.

Confluence offers Wealth Management services to the participants in the ERISA plans it manages. Each ERISA plan sponsor has the option to agree that this service be offered to its participants.

IRA Rollovers – Prohibited Transaction Exemption 2020-02 Disclosure

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

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

Client considering rolling over assets from a qualified employer-sponsored retirement plan ("Employer Plan") to an Individual Retirement Account ("IRA") should review and consider the advantages and disadvantages of an IRA rollover from their Employer Plan. A plan participant leaving an employer typically has four options (and can engage in a combination of these options):

(1) Leave the money in the former employer's plan, if permitted;
(2) Rollover the assets to a new employer's plan (if available and rollovers are permitted);
(3) Rollover Employer Plan assets to an IRA; or,
(4) Cash out the Employer Plan assets and pay the required taxes on the distribution.

At a minimum, Client should consider fees and expenses, investment options, services, penalty-free withdrawals, protection from creditors and legal judgments, required minimum distributions, and employer stock. Confluence encourages you to discuss your options and review the above listed considerations with an accountant, third-party administrator, investment adviser to your Employer Plan (if available), or legal counsel, to the extent you consider necessary.

By recommending that you rollover your Employer Plan assets to an IRA advised by Confluence, we will earn fees as a result. In contrast, leaving assets in your Employer Plan or rolling the assets to a plan sponsored by your new employer likely results in little or no compensation to Confluence, with the exception of circumstances in which Confluence is the investment advisor to the plan that you are enrolled in, or if you hire Confluence to provide advice on your individual Employer Plan assets. Confluence has an economic incentive to encourage investors to rollover

Employer Plan assets into an IRA managed by Confluence. Investors can face increased fees when they move retirement assets from an Employer Plan to a Rollover IRA account. Even if there are no costs associated with the IRA rollover itself, there will be costs associated with account administration, investment management, or both. In addition to the fees charged by Confluence, the underlying investment (mutual fund, ETF, annuity, or other investment) can also include fees. Custodial and trading fees also apply. Investing in an IRA with Confluence will typically be more expensive than an Employer Plan.

Artificial Intelligence

Artificial Intelligence (AI) is the simulation of human intelligence in machines designed to think and learn like humans. AI encompasses a range of technologies that enable systems to perform tasks such as recognizing speech, making decisions, and understanding complex ideas. AI tools can be used to enhance our services, improve operational efficiency, and deliver overall better outcomes. By integrating AI into our processes, we aim to stay at the forefront of technological innovation while maintaining a strong commitment to ethical practices and data privacy. Confluence utilizes AI for real-time note-taking to enhance accuracy, efficiency, and productivity. Our AI tool transcribes spoken content, generates summaries, and identifies key takeaways. Participants are informed of AI usage and have the right to opt out of AI-generated note-taking. Should a Client have any questions or concerns, please contact us at our email address, phone number, or website. In addition to real-time note-taking, Confluence uses AI to gather general insights and manage projects. By analyzing large volumes of data and identifying patterns, AI helps us develop preliminary concepts, streamline research processes, and enhance decision-making. This allows Confluence to focus on more complex and creative aspects of our work, ultimately delivering more comprehensive and effective solutions for our Clients. We ensure that any use of AI is supervised and conducted with transparency, maintaining the highest standards of data privacy and ethical practices.

While artificial intelligence technologies aim to enhance efficiency, accuracy, and investment outcomes, their use introduces specific risks that Clients should consider. Using AI in decision-making can result in overreliance on technology, potentially reducing human oversight. Unexpected system malfunctions, algorithmic errors, or misinterpretations of AI-generated insights could adversely affect investment outcomes. Confluence Financial Partners requires human oversight of AI tools. Clients are encouraged to discuss any concerns about AI-related risks.

Assets Under Management

As of December 31, 2024, Confluence had approximately $4.889 billion in discretionary regulatory assets under management and $565 million of non-discretionary assets under management.

Assets Under Management	
Discretionary: $4,889,144,515	Non-Discretionary: $565,030,847
Total: $5,454,175,362	

Item 5: Fees and Compensation

Wealth Management Fees

For Confluence's Wealth Management Services, we charge a quarterly fee in advance.

1. Separately Managed Accounts

For our Separately Managed Accounts, fees are assessed based on the value of the Client's accounts (including cash and equivalent).

Adviser's Separately Managed Account Fees range between .20% and 1.50% on an annualized basis. This annualized fee rate includes financial planning services, unless otherwise noted in the Client's Agreement. Generally, annualized rates will be based on the aggregated value of all Accounts as described in the Confluence Wealth Management Agreement.

In addition, our separately managed account Client will be assessed the following additional fees:

a. **Managed Stock Portfolios** - The fee for Managed Stock Portfolios equals the Annualized Fee Rate, *plus* an active management fee of 0.25%.

b. **Third-Party Managers** - The fee for accounts with Third-Party Managers equals the Annualized Fee Rate, plus an additional management fee that ranges from 0.45%-0.65%. This fee is paid to the Third-Party Manager and Confluence does not share in this fee nor is Confluence paid by the Third-Party Managers to participate in the program. Fees for Third-Party Managers are detailed separately in their Form ADV. Clients should be aware that in certain cases, access to Third-Party Managers is available directly without the involvement of Confluence, which would alleviate the layering of fees.

c. **Confluence Minimum Fee** – If the annualized fee for the entire household is less than $1,000, Confluence will charge a minimum fee of $1,000 for the year. This is not in addition to the Confluence Separately Managed Account fee schedule listed on Exhibit

B (a.) in your Wealth Management Agreement. It applies to new Client only and it applies to households held on the Raymond James platform.

2. Confluence Compass Service Fees

Confluence's Compass Service fee is 1.00% annually based on the Client's non-aggregated assets under management.

Unless otherwise noted in the Client's Wealth Management Agreement, fees are invoiced to the Custodian of record on a quarterly basis and debited from the Client's Account(s). Clients are billed in advance. Advisory fees are prorated based on the number of days that the Account(s) are open during the quarter. The first payment is due upon the end of the calendar quarter in which the account is fully invested and will be prorated and calculated based upon the value of the Client's account at the end of that quarter. This payment will be in addition the quarterly payment in advance, which will be debited from Client's account at the same time. Additional deposits of cash and/or any securities made during a calendar quarter will not be invoiced until the next billing cycle. In the event Client terminates their engagement with Confluence mid-quarter, the Client's investment management fees will be prorated through the date of termination and timely refunded to the Client.

Adviser may, but is not obligated to, negotiate fees at any time with Client in its sole discretion.

Insurance Services

Insurance services are offered through an affiliated entity in accordance with a separate engagement agreement which outlines the fees associated with this service.

Fixed Fees for Financial Plan Reviews

Confluence offers Financial Plan Reviews on a fixed fee basis for those Clients who desire financial planning as a standalone service. The standard fee associated with the preparation and review of a Client's plan starts at $5,000 but will vary per agreement. Fees are based on the complexity and scope of the plan. Client will pay half of the stated fee upfront and the remaining half at the time of delivery of the financial plan to the Client, which will occur within six (6) months from the first date of service. If the financial plan review Client chooses to become a Wealth Management Client of Adviser within 14 days after receiving and reviewing their financial plan, the Financial Plan Review fees will be waived.

Fee Discretion

As described above, Confluence, in its sole discretion, will negotiate to charge a lesser fee. We base this upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy Client relationship, employer-employee relationship, account retention and pro bono activities. Fees are negotiable at the discretion of the Firm. In addition, for certain family and friends of the Firm, the Firm has, and can do so again in the future, negotiated reduced fees and in some cases waived fees in their entirety. Lower fees for comparable services may be available from other sources.

Additional Fees and Expenses

In addition to Confluence's advisory fees, Client will also incur certain charges or fees imposed by third parties other than Confluence, such as Raymond James and SEI. Such charges generally include but are not limited to: mutual fund 12b-1 fees, certain deferred sales charges on previously purchased mutual funds transferred into the Account(s), transactions on certain products within your investment accounts (which generally ranges from $5 - to $25 as assessed by the Client's qualified broker-dealer/custodian for trades in non-no transaction fee ("NTF") mutual funds, bonds & fixed income, options, prime brokerage accounts, equity orders, transaction fee ("TF") funds and orders requiring special handling), IRA and qualified retirement plan fees, interest charged on margin borrowing, bank service fees, interest charged on debit balanced, "spreads" imposed by brokers and dealers representing implicit transaction costs, commissions and transfer taxes, small account fee, wire fees, overnight fees, stop pay fee, special asset services fee, etc. Information regarding fees or charges assessed by any mutual funds held in Client accounts is available in the appropriate prospectus. They are listed in the "Costs and Fees" section or at RaymondJames.com/client fees and also in the "SEI Wealth Platform Fee Schedule" section of the Account Application. The Firm's brokerage practices are described at length in Item 12, below.

Mutual Fund and ETF Fees

Confluence invests in mutual funds, including open-end funds, closed-end funds (mainly interval funds) and ETFs in Client portfolios. Each mutual fund charges fees to shareholders, which are described in their respective prospectus and usually include a management fee, administrative and operations fees, and certain distribution (e.g., 12b-1 fees) and/or redemption fees. These fees are generally referred to as a fund's "expense ratio" and the fees are deducted at the mutual fund level when calculating the fund's net asset value ("NAV") and have a direct bearing on the fund's performance. Certain open-ended mutual funds also charge an up-front or back-end sales charge. In addition, some open-end mutual funds offer different share classes of the same fund and one share-class can have a higher expense ratio than another share class. The most economical share class will depend on certain factors, including the amount of time the shares are held by a Client and the amount a Client will be investing. Also, closed-end interval funds usually don't have 12b-1 distribution fees, but they do charge redemption fees for each redemption made by a shareholder. ETFs do not have 12b-1 distribution fees or redemption fees but charge certain expenses including an operating expense ratio described as the annual rate the fund charges on the total assets it holds to pay for administration and other costs. ETFs are also subject to the bid-ask spread.

NOTE: Mutual fund expense ratios vary by mutual fund, so it is important to read the mutual fund prospectus to fully understand all the fees charged. The fees charged by mutual funds and ETFs, as well as transaction fees charged by your broker of record (if any) are in addition to the advisory fees charged by Confluence.

Confluence will strive to invest our Clients in the lowest cost mutual fund share class for Client. Confluence monitors Client's investments on an ongoing basis and reviews share class availability for lower cost shares periodically throughout the year.

For new Clients that hold any mutual funds upon account opening, Confluence will determine whether such mutual funds remain suitable for the client's current investment objective. Should Confluence believe the mutual funds remain suitable, we then will check to see if a lower cost share class of a particular mutual fund is available. If a lower cost share class of that mutual fund is available, Confluence will analyze and determine whether it is in the client's best interest to transfer, based on cost, transaction fees and other factors as discussed below.

There have been times in the past, and can be in the future, when Confluence does not have access to lower costs share classes for the mutual funds the Firm is investing in for Clients. As an example, this typically occurs when the investment amount at the time of purchase does not meet the minimum investment requirement for the lower share class – such as for an I-share class. There are times, when based on certain facts and circumstances, that Confluence believes it would not be in the best interests of a Client to purchase or transfer into (as applicable) the lowest share class available. For example, transaction fees play a role in the overall costs when investing in mutual funds. Some custodians offer certain higher cost mutual fund share classes for purchase at no transaction cost. Other times the Client is transferring an account into Confluence and has a CDSC attached, and it would be cost prohibitive to sell. Therefore, Confluence will have a client remain in a more expensive share class if we've determined, based on facts and circumstances, that such transaction would be the most economical for a client at the time of transfer.

Please note that neither Confluence nor any Confluence IAR receives any compensation, including 12b-1 fees, from any mutual funds invested in by Confluence advisory Client in their managed accounts. If a client holds a share class that generates 12b-1 fees, the custodian will receive these fees.

Fees charged to a Client's account lower the overall performance of the account. Therefore, Clients should review all applicable direct and indirect fees charged, including but not limited to custodian fees, transaction fees, fees associated with investments (e.g., mutual funds and ETFs), and advisory fees to fully understand the total amount of fees to be paid by you.

Money Managers and Product Sponsors

Investment advisor representatives will, on occasion, have an opportunity to attend a training event or participate in a due diligence visit where the Money Manager or Product Sponsor will cover the associated travel expenses such as airfare, hotel and meals. Training opportunities are often held at luxury resorts where amenities such as golf, spas and entertainment are provided. Such accommodations represent a conflict of interest that can influence the evaluation of the Money Manager or Product sponsor based on factors other than the quality of services.

Industry Professionals

When it is in the best interests of the Client, Adviser can introduce the services of other professionals for certain non-investment purposes (i.e., lawyers & accountants). Introductions represent a conflict of interest because they create a relationship where the other professional has an implied obligation to introduce potential new Client to Advisor. Clients are under no obligation to engage the services of any such professional. If the Client engages any such professional, and a dispute arises, any recourse will be exclusively from and against the engaged professional.

Friends & Family

Fees can be waived, in whole or in part, for Client who are members of the family or friends. In certain other circumstances, fees and account minimums are negotiable and therefore, fees can vary from Client to Client.

Certain Confluence Employees are Licensed Insurance Agents

Confluence Investment Advisor Representatives (IARs), each in his/her individual capacity holds a PA insurance license and is eligible to receive/or share in insurance commissions. Confluence IARs generally refer insurance business to the firm's Insurance Specialist or outside brokers who are responsible for fulfilling all suitability, disclosure, and other relevant requirements to meet applicable insurance laws. The IARs will share in the insurance commissions on policies written for referred Client. Please refer to Item 10 for associated conflicts of interest to consider.

Custodians

Confluence uses Raymond James as a Custodian. In the event a Client chooses a different custodial provider, custodial fees will be negotiated by the Client and may be higher or lower than the fees that could have been obtained by Confluence. Raymond James utilizes the American Funds F2 share class. F3 share classes, which have different expense ratios, are not available on the Raymond James platform and Client would not be permitted to purchase F3, even if it offers a lower cost. Ultimately, the decision belongs with the Client on which custodian the Client chooses to use.

Confluence offers SEI Private Trust Company as a Custodian. This agreement was instituted to accommodate Client that are already established on the SEI Platform.

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

Confluence does not charge performance-based fees.

Item 7: Types of Clients

As noted in Item 4, Confluence provides wealth management services to individuals, professionals, business owners, corporate executives, retirement plans and businesses. Generally, the minimum account value for Confluence's Separately Managed Account Services is $250,000, which can be waived at the sole discretion of Confluence's management team. Confluence offers internally managed stock portfolios that are overseen by the firm's Investment Advisory Committee. The firm requires a $100,000 account minimum for these accounts. There is no account minimum for Confluence's Compass Services. If the annualized fee for the entire household is less than $1,000, Confluence will charge a minimum fee of $1,000 for the year.

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

We strive to understand the macro-economic environment, which is the condition that exists in the economy as a whole, rather than in a particular sector or region. In general, the macro environment includes trends in the gross domestic product (GDP), inflation, employment, spending, and monetary and fiscal policy. The macro-environment is closely linked to the general business cycle as opposed to the performance of an individual business sector.

We select investment managers by understanding the culture of the entity, communicating with the firm/managers, understanding the public and private ownership of the fund company, looking for repeatable investment processes, and analyze the process in context of how it complements the other investments we advise on.

When investing in individual equities for our Clients, we seek to create broadly diversified portfolios that provide exposure to companies across multiple sectors of the economy. We utilize multiple 3rd party research providers when analyzing companies and are generally looking to hold the companies in which we invest for multiple years. Ideally, we are seeking to invest in companies whose stock prices reflect a lower expectation by the market of their future success than we believe they will achieve. We attempt to understand the company's competitive strengths as well as its potential threats and weaknesses and try to gain an understanding of the executive management team's vision for the firm.

When establishing a portfolio for a Client, we start by understanding exactly the Client's objective(s) to ensure that the management of each portfolio is aimed at helping the Client reach his/her goals. Our investment strategies and advice may vary depending upon each Client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

We believe a diversified portfolio that is consistent with your risk tolerance, time horizon and goals and objectives is essential. Our financial professionals ensure you are educated on your choices, and we personally engage with you to keep connected and ensure that your portfolio is aligned with your financial plan. Your unique circumstances and personal objectives dictate the method of investing, as well as the types of strategies chosen.

- **Asset Allocation**: Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of mutual funds, ETFs, equities, fixed income, cash, and other investments suitable to the Client's investment goals and risk tolerance. Additionally, we incorporate an analysis of current market data and valuations of various market sectors and asset categories to identify investment opportunities as well as pitfalls.
- **Risks:** All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized. Stock markets and bond markets fluctuate substantially over time. In addition, the performance of any investment is not guaranteed.

Confluence does not guarantee the future performance of the Account or any specific level of performance, the success of any investment decision or strategy that the Adviser may use, or the success of the Adviser's overall management of the Account. Client understands that investment decisions made for Client's account by the Adviser are subject to various market, currency, economic, political, and business risks, and that such investment decisions will not always be profitable. The price of securities can and will fluctuate and may become valueless. There also may be loss or depreciation of the portfolio's value due to market fluctuations.

Types of Investments and Risks

Alternative Investments

Alternative investment products, including real estate investments, notes and debentures, hedge funds, and private equity are considered highly speculative and involve a high degree of risk. They often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager. Performance can be volatile. Investors could lose all or a substantial amount of their investment.

Cybersecurity Risk

Confluence is dependent on the effectiveness of the information and cybersecurity policies, procedures and capabilities it maintains to protect the confidentiality, integrity, and availability of its computer and telecommunications systems and the data that resides on or is transmitted through them. An externally caused information security incident, such as a cyber-attack including a phishing scam, malware, or denial-of-service attack, or an internally caused incident, such as failure to control access to sensitive systems, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential client or competitive information. The computer systems, networks and devices used by us and our service providers employ a variety of protections designed to prevent damage or interruption from computer viruses, network and computer failures and cyberattacks. Despite such protections, systems, networks and devices potentially can be breached.

Moreover, Confluence’s increased use of mobile and cloud technologies could heighten these and other operational risks, as certain aspects of the security of such technologies may be complex, unpredictable or beyond Confluence’s control. Confluence’s exposure to the public Internet, as well as any reliance on mobile or cloud technology or any failure by third-party service providers to adequately safeguard their systems and prevent cyber-attacks, could disrupt its operations and result in misappropriation, corruption or loss of personal, confidential or proprietary information.

In addition, there is a risk that encryption and other protective measures may be circumvented, particularly to the extent that new computing technologies increase the speed and computing power available. Moreover, due to the complexity and interconnectedness of Confluence’s systems, the process of upgrading existing capabilities, developing new functionalities and expanding coverage into new markets and geographies, including to address client or regulatory requirements, may expose Confluence to additional cyber- and information-security risks or system disruptions, for Confluence, as well as for clients who rely upon, or have exposure to, Confluence’s systems. Although Confluence has implemented policies and controls, and takes protective measures, to strengthen its computer systems, processes, software, technology assets and networks to prevent and address potential data breaches, inadvertent disclosures, cyber-attacks and cyber-related fraud, there can be no assurance that any of these measures prove effective. In addition, due to Confluence’s interconnectivity with third-party vendors, advisers, custodians, exchanges, clearing houses and other financial institutions, Confluence may be adversely affected if any of them are subject to a successful cyber-attack or other information security event, including those arising due to the use of mobile technology or a third-party cloud environment.

Confluence also transmits and receives personal, confidential or proprietary information by email and other electronic means. Confluence collaborates with clients, vendors and other third parties to develop secure transmission capabilities and protect against cyber-attacks. However, Confluence cannot ensure that it or such third parties have all appropriate controls in place to protect the confidentiality of such information. Any information security incident or cyber-attack against Confluence or third parties with whom it is connected, or issuers of securities or instruments in which client portfolios invest, including any interception, mishandling or misuse of personal, confidential or proprietary information, has the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, loss of competitive position, regulatory fines and/or sanctions, breach of client contracts, reputational harm or legal liability. Furthermore, many jurisdictions in which Confluence operates have laws and regulations relating to data privacy, cybersecurity and protection of personal information. Any determination of a failure to comply with any such laws or regulations could result in fines and/or sanctions against Confluence.

General Economic, Geopolitical, and Market Disruption Risks

The success of Confluence's investment strategies, processes, and methods of analysis, as well as any client portfolio activities, will likely be affected by general economic, geopolitical, and market conditions, such as changes in interest rates, availability of credit, inflation rates, market liquidity, global demand for particular products or resources, natural disasters, supply chain disruptions, cybersecurity events, economic uncertainty, pandemics, epidemics, terrorism, social and political discord, war, debt crises and downgrades, regulatory events, governmental or quasigovernmental actions, changes in laws, and national and international political circumstances. These factors create uncertainty, and can adversely impact the volatility, value and performance of the securities held in client accounts.

Market Risk

This is the risk that the value of securities owned by an investor goes up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.

Interest Rate Risk

This is the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.

Credit Risk
This is the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.

Issuer-Specific Risk
This is the risk that the value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

Investment Company Risk
Investment companies include open-end and closed-end investment companies. Shares in investment companies represent interests in professionally managed portfolios. These investments involve substantially the same risks as investing directly in the underlying instruments; in addition, the return from such an investment will be reduced by the operating expenses and fees of the investment company, including applicable advisory fees.

Equity Investment Risk
Equity securities include common stocks, preferred stocks, convertible securities, and mutual funds that invest in these securities. Equity markets can be volatile. Stock prices rise and fall based on changes in an individual company's financial condition and overall market conditions. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.

Bond Risk
Rising interest rates will generally cause the prices of bonds and other debt securities to fall. In addition, falling interest rates can result in an issuer redeeming, calling, or refinancing a security before its stated maturity. Longer maturity debt securities are subject to greater price fluctuations than shorter maturity debt securities. Bonds and other debt securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Lower quality debt securities generally have higher rates of interest and are subject to greater price fluctuations than higher quality debt securities.

Sector Risk
To the extent a Client account invests more heavily in particular sectors, industries, or sub-sectors of the market, its performance will be especially sensitive to developments that significantly affect those sectors, industries, or sub-sectors. An individual sector, industry, or sub-sector of the market can be more volatile, and perform differently, than the broader market. The several industries that constitute a sector can all react in the same way to economic, political, or regulatory events. A Client account's performance could be affected if the sectors, industries, or

sub-sectors do not perform as expected. Alternatively, the lack of exposure to one or more sectors or industries can adversely affect performance.

Alternative Strategy Mutual Funds

Certain mutual funds invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies is not 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 mutual 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. These types of funds tend to have higher expense ratios than more traditional mutual funds. They also tend to be newer and have less of a track record or performance history.

Exchange-Traded Funds (ETFs)

ETFs are typically investment companies that are legally classified as open-end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly traded companies. ETF shares trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. ETFs can be closed and liquidated at the discretion of the issuing company.

Pandemic Risk

Large-scale outbreaks of infectious disease that can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption.

The novel coronavirus known as COVID-19 involves significant risk of a sustained increase in the volatility of global markets, which volatility could continue for the foreseeable future. Market responses to decisions made by governments and scientists around the world, including measures to contain the spread of the virus, availability of healthcare and treatments, and rolling shutdowns of markets across the globe would negatively impact markets and pose a significant risk of loss to investment principal. The pandemic also poses a risk from a human capital and resource perspective.

Restrictions on Transferability of Certain Mutual Funds

Certain mutual funds are generally only available through Registered Investment Advisors. If a Client terminates Advisor s' services, they may be unable to transfer their securities to a retail account or to another broker/dealer, and they may be unable to purchase additional shares of those mutual funds they currently own. If they determine to sell their mutual funds, they may be subject to tax consequences.

Tax Harvesting Risk

The trading strategy employed in Client accounts is tax harvesting. The intent of this trade is to sell an ETF or mutual fund at a taxable loss and replace that position with a holding whose historical performance and expected future performance are similar, thereby having little impact on the overall strategic allocation, but capturing the tax loss. Because past performance is no indication of future performance, there is potential for the future performance of the replacement position to deviate from that of the initial holding. This type of strategy may also incur an increase in the frequency of trading and amount of transaction costs.

Taxability Risk

The risk that a security that was issued with tax-exempt status could potentially lose that status prior to maturity. Since municipal bonds carry a lower interest rate than fully taxable bonds, the bond holders would end up with a lower after-tax yield than originally planned.

- It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable. Investing in securities involves the risk of loss that Client should be prepared to bear.

<u>Types of Investments</u>

Advisor generally manages Client portfolios that consist of mutual funds, Exchange Traded Equities (ETFs) and individual securities.

Annuities

Retirement products for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

Cash Positions

Based on perceived or anticipated market conditions and/or events, certain assets will be taken out of the market and held in a defensive cash position. The firm invests cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government-backed debt instruments. Cash positions are subject to the agreed upon advisory fee as they are managed as part of the overall active investment strategy. The firm does not hold cash positions for an extended period of time.

Cash Balances in Client Accounts

Confluence considers its models to be fully invested but will hold some minimum amount of cash resulting from dividend and interest income and to facilitate the payment of client fees. Cash held in the client's investment accounts are typically swept into the money market fund accounts or money market bank accounts at the client's custodian. Generally, the rate a client will earn on cash sweep investments will be lower than the rate on other available cash alternatives, although cash sweep rates do vary by custodian. During periodic portfolio reviews, Confluence will generally discuss upcoming cash flow needs with each client and seeks to plan accordingly to meet those needs. Confluence includes cash and cash equivalents in the calculation of assets under management and fees, unless the client has negotiated another arrangement, such as an asset carveout agreement. During periods of exceedingly low short-term interest rates, client fees paid on cash balances could exceed money market yields.

Cryptocurrency

Cryptocurrencies refer to the actual virtual currency (decentralized digitized money) that allows individuals or entities to transfer funds online without the need for a bank or credit card company, such as Bitcoin, Ethereum, Cardona, and Litecoin. Cryptocurrency is Cryptocurrencies were not designed to be investments and have not been deemed to be a security. They were designed to be mediums of exchange and seen as an alternative to traditional sovereign currencies. Cryptocurrency-related products refer to securities that either directly purchase cryptocurrencies or are involved in the cryptocurrency space, such as through mining cryptocurrency, investing in companies that develop and use blockchain technology, etc. The SEC, CFTC, NFA, and FINRA have issued investor alerts and advisories on the risks of cryptocurrencies and initial coin offerings (ICOs). These regulators continue to warn investors to keep in mind that actual cryptocurrency and cryptocurrency-related products continue to be speculative and extremely volatile investments. Due to the unregulated nature and lack of transparency surrounding the operations of crypto exchanges, they may experience fraud, market manipulation, security failures or operational problems, which can adversely affect the value of cryptocurrencies and, consequently, the value of the shares of cryptocurrency-related products.

Emerging Markets

The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

Equity

Investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environment.

Exchange Traded Funds (ETFs)

An ETF is a portfolio of securities invested to track a market index similar to an index mutual fund, but the shares are traded on an exchange like an equity. An ETF share price fluctuates intraday depending on market conditions instead of having a net asset value (NAV) that is calculated once at the end of the day. The shares may trade at a premium or discount; and as a result, investors pay more or less when purchasing shares and receive more or less than when selling shares. The supply of ETF shares is regulated through a mechanism known as creation and redemption that involves large, specialized investors, known as authorized participants (APs). Authorized participants are large financial institutions with a high degree of buying power, such as market makers, banks or investment companies that provide market liquidity. When there is a shortage of shares in the market, the authorized participant creates more (creation). Conversely, the authorized participant will reduce shares in circulation (redemption) when supply falls short of demand. Multiple authorized participants help improve the liquidity of a particular ETF and stabilize the share price. To the extent that authorized participants cannot or are otherwise unwilling to engage in creation and redemption transactions, shares of an ETF tend to trade at a significant discount or premium and may face trading halts and delisting from the exchange. The performance of ETFs is subject to market risk, including the complete loss of principal. ETFs also have a trading risk based on cost inefficiency if the ETFs are actively traded and a liquidity risk if the ETFs has a large price spread and low trading volume. In addition, investors buying or selling shares in the secondary market pay brokerage commissions, which may be a significant proportional cost not incurred by mutual funds.

Exchange-Traded Notes (ETNs)

An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows. The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer's ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer's credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks.

Fixed Income

Investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

Hedge Funds and Managed Futures

Hedge and managed futures funds are available for purchase in the program by Client meeting certain qualification standards. Investing in these funds involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Clients should be aware that these funds are not liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain repurchase offers made from time to time. However, there is no guarantee that Clients will be able to redeem the fund during the repurchase offer.

Mutual Funds

A pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets.

Open-End Mutual Funds

A type of mutual fund that does not have restrictions on the amount of shares the fund will issue and will buy back shares when investors wish to sell. Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

Closed-End Mutual Funds

A type of mutual fund that raises a fixed amount of capital through an initial public offering (IPO). The fund is then structured, listed and traded like a stock on a stock exchange. Client should be aware that closed-end funds available within the program are not readily marketable. In an effort to provide invest or liquidity, the funds may offer to repurchase a certain percentage of shares at net asset value on a periodic basis. Thus, Client may be unable to liquidate all or a portion of their shares in these types of funds.

Alternative Strategy Mutual Funds

Certain mutual funds available in the program 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 mutual 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.

Options

A contract granting the right to either buy or sell a specific amount or value of a particular underlying interest at a fixed exercise price by exercising the option by or before its specific expiration date. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, basket of securities, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses the premium paid. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security (which could result in a potentially unlimited loss) rather than only the loss of the premium payment received. Prior to buying or selling an option, investors must read a copy of the Characteristics and Risks of Standardized Options, also known as the options disclosure document (ODD). It explains the characteristics and risks of exchange traded options.

Margin Accounts

Clients should be aware that margin borrowing involves additional risks. Margin borrowing will result in increased gain if the value of the securities in the account go up, but will result in increased losses if the value of the securities in the account goes down. The custodian, acting as the Client's creditor, will have the authority to liquidate all or part of the account to repay any portion of the margin loan, even if the timing would be disadvantageous to the Client. For performance illustration purposes, the margin interest charge will be treated as a withdrawal and will, therefore, not negatively impact the performance figures reflected on the quarterly advisory reports.

Precious Metal ETFs

Metals such as Gold, Silver, or Palladium Bullion backed "electronic shares" not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

Real Estate Investment Trusts (REITs)

A real estate investment trust (REIT) is a company that owns, operates, or finances income-generating real estate. Modeled after mutual funds, REITs pool the capital of numerous investors. This makes it possible for individual investors to earn dividends from real estate investments—without having to buy, manage, or finance any properties themselves. REITs are designed to generate a steady income stream for investors but offer little in the way of capital appreciation. Most REITs are publicly traded like stocks, which makes them highly liquid (unlike physical real estate investments). REITs invest in most real estate property types, including apartment buildings, cell towers, data centers, hotels, medical facilities, offices, retail centers, and warehouses. In general, REITs specialize in a specific real estate sector. However, diversified and specialty REITs may hold different types of properties in their portfolios, such as a REIT that consists of both office and retail properties.

Regulation D Private Placements

Under the federal securities laws, any offer or sale of a security must either be registered with the SEC or meet an exemption. Regulation D under the Securities Act provides a number of exemptions from the registration requirements, allowing some companies to offer and sell their

securities without having to register the offering with the SEC. However, a "Form D" must be electronically filed with the SEC after they first sell their
securities. Form D is a brief notice that includes the names and addresses of the company's promoters, executive officers and directors, and some details about the offering, but contains little other information about the company.

Short Sales

A short sale involves the sale of a security that the Client does not own in the hope of purchasing the same security at a later date at a lower price. To make delivery to the buyer, the Client must borrow the security and is obligated to return the security to the lender, which is accomplished by a later purchase of the security. The Client realizes a profit or a loss as a result of a short sale if the price of the security decreases or increases respectively between the date of the short sale and the date on which the Client covers its short position, i.e., purchases the security to replace the borrowed security. A short sale involves the theoretically unlimited risk of an increase in the market price of the security that would result in a theoretically unlimited loss.

Structured Products

Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

Unit Investment Trust (UIT)

An investment company that offers a fixed, unmanaged portfolio, generally of stocks and bonds, as redeemable "units" to investors for a specific period of time. It is designed to provide capital appreciation and/or dividend income. UITs can be resold in the secondary market. A UIT may be either a regulated investment corporation (RIC) or a grantor trust. The former is a corporation in which the investors are joint owners; the latter grants investors proportional ownership in the UIT's underlying securities.

Use of Third-Party Managers

Confluence recommends the use of Independent Managers for certain clients. Confluence will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the Third-Party Managers ability to successfully implement their investment strategy. In addition, Confluence does not have the ability to supervise the Third-Party Managers on a day-to-day basis other than as previously described above.

Item 9: Disciplinary Information

Confluence has no legal or disciplinary events to report that would impact the evaluation by a Client or investor (or potential Client or investor) of Confluence's advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

Certain Confluence Employees are Licensed Insurance Agents

As disclosed in Item 5, through its affiliated entity Confluence Insurance Services ("CIS"), the Adviser makes available to its advisory Client an insurance review. If it is determined that an insurance policy would be suitable for the Client, the Confluence IAR will refer insurance business to CIS or an outside insurance broker. To the extent a Confluence IAR who is insurance licensed refers insurance business to CIS's Insurance Specialist or to an outside insurance broker, and the Client elects to purchase an insurance product through CIS, that IAR will share in the insurance commissions to the extent permissible in accordance with applicable insurance regulations. This creates a conflict of interest due to the fact that remuneration is received for such referral. These conflicts of interest are mitigated by Confluence IARs making recommendations to insurance providers only if they believe that to be in the Client's best interest. Clients are under no obligation to purchase an insurance policy through CIS.

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 includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, guidelines surrounding gifts and business entertainment, personal securities trading, and conflicts of interest, among other things. All supervised persons must acknowledge the terms of the Code initially upon hire as well as annually, or as amended.

Our Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of our employees will not interfere with making decisions in the best interest of advisory Client.

- **Personal Trading with Material Interest**
  Confluence does not act as principal in any transactions. In addition, the firm does not act as the general partner of a fund or advise an investment company. Confluence does not have a material interest in any securities traded in Client accounts.

- **Personal Trading in Same Securities as Client**
  Confluence allows our Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Clients. Owning the same securities, we recommend (purchase or sell) to you presents a conflict of interest that, as fiduciaries, we must disclose to you and mitigate through policies and procedures. As noted above, we have adopted a Code of Ethics to address insider trading (material non-public information controls); gifts and entertainment; outside business activities and personal securities reporting.

- **Personal Trading at Same Time as Client**
  Supervised Persons may not purchase or sell any security immediately prior to or immediately after a transaction being implemented for an advisory account, thereby preventing an employee from benefiting from transactions placed on behalf of advisory accounts.

We will provide a copy of our Code of Ethics to any Client or prospective Client upon request.

Item 12: Brokerage Practices

It is the policy and practice of the Adviser to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In selecting a broker, dealer or other intermediary, the Adviser will consider such factors as financial strength, reputation, execution, pricing, research, and service, that in good faith and judgment it deems reasonable under the circumstances.

In the course of providing wealth management services, the Adviser may transact in the same security for multiple Client accounts. Generally, Confluence transacts on an individual account basis and does not aggregate securities for purposes of block trading. This could result in one Client receiving a better price than another Client for the same security transacted on the same day. In addition, in rare instances when an order cannot be executed in full, we will allocate the transaction in accordance with our random allocation method in order to not favor any one Client over another.

In select cases for our Separately Managed Accounts and for our model groupings only, Confluence could aggregate trades in certain circumstances and Client would receive an average-share price. There will be times that Confluence is unable to aggregate and execute orders across model groupings of accounts, necessitating the execution of orders over time. In such cases, Confluence will use a trade rotation methodology by model grouping designed to avoid favoring one group of accounts over another and to treat Client equitably over time. There may be reasons Confluence deviates from this approach, including but not limited to market liquidity constraints and investment manager redemption/purchase demands. Confluence seeks to implement model changes as quickly, at the best price, and most equitably as possible.

Confluence generally recommends Client use as their custodians Raymond James & Associates, Inc., member New York Stock Exchange/SIPC. Factors which Confluence considers in recommending Raymond James & Associates, Inc. ("Raymond James"), or any other broker-dealer to Client include their respective financial strength, reputation, execution, pricing, research, and service. The transaction fees charged by Raymond James may be higher or lower than those charged by other Financial Institutions.

Confluence receives support services and/or products from Raymond James which consists of:

- investment-related research
- pricing information and market data
- software and other technology that provide access to Client account data
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support

These support services are provided to Confluence based on the overall relationship between Confluence and Raymond James. It is not the result of soft dollar arrangements or any other express arrangements that involve the execution of Client transactions as a condition to the receipt of services. Confluence will continue to receive the services regardless of the volume of Client transactions executed with Raymond James. Clients do not pay more for services as a result of this arrangement. The receipt of these benefits from Raymond James creates a conflict of interest. The receipt of these products and services presents a financial incentive for Confluence to recommend that its Clients use Raymond James' custodial platforms rather than another custodian's platform.

Additional Benefits

Confluence may receive certain benefits from Raymond James pursuant to a Client Benefit Confirmation Agreement, whereby Raymond James will provide Confluence with a Client benefit in consideration for Confluence introducing and custody with Raymond James a pre-specified amount of assets under management (AUM). These benefits include transition assistance and reimbursement of the cost of account termination fees (ACAT fees) for accounts transferred to the custodian. Confluence's receipt of these benefits presents a conflict of interest as it creates an incentive for us to recommend that you transition, open, and maintain accounts with Raymond James over other qualified custodians.

Soft Dollar Arrangements

Confluence does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with Client securities transactions.

Brokerage for Client Referrals

Confluence does not recommend broker-dealers to Client based on our interest in receiving Client referrals.

Trade Allocation

In the course of providing trade aggregation, in rare instances when an order cannot be executed in full, we will allocate the transaction in accordance with our random allocation method in order to not favor any one Client over another.

Fund Share Class Selection

Confluence invests in mutual funds, including open-end funds, closed-end funds (mainly interval funds) and ETFs in Client portfolios. Confluence will strive to invest our Client in the lowest cost mutual fund share class for Client based on that Client's needs. Confluence monitors Client' investments on an ongoing basis.

For new Client that hold any mutual funds upon account opening, Confluence will determine whether such mutual funds remain suitable for the Client's current investment objective. Should Confluence believe the mutual funds remain suitable, we then will check to see if a lower cost share class of a particular mutual fund is available. If a lower cost share class of that mutual fund is available, Confluence will then exchange to the lower share class.

There have been times in the past, and can be in the future, when Confluence does not have access to lower costs share classes for the mutual funds the Firm is investing in for Client. This typically occurs when the Client's custodian (e.g., Raymond James) does not offer a lower cost share class, or the investment amount at time of purchase does not meet the minimum investment requirement for the lower share class (such as for an I-share class). This occurs for example when Raymond James utilizes the American Funds F2 share class, but not the F3 share class, which has different expense ratio. See Item 5 for additional information.

Also, a Client could invest in a mutual fund 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.

Cash Sweep Program

Each investment strategy involves a cash allocation (“Cash Allocation”) that will be held in a sweep program (the “Sweep Program”). The Cash Allocation will be a minimum of 4% of an account’s value to be held in cash, and may be higher, depending on the investment strategy chosen for a Client. The Cash Allocation will be accomplished through enrollment in the Sweep Program. By enrolling in the Program, Client consent to having the free credit balances in their brokerage accounts swept into deposit accounts (Deposit Accounts) through the Sweep Program.

The Bank is an FDIC-insured depository institution that is an affiliate of the custodian. The Sweep Program is a required feature of the Program. If the Deposit Account balances exceed the Cash Allocation for a Client’s investment strategy, the excess over the rebalancing parameter will be used to purchase securities as part of rebalancing. If Client request cash withdrawals from their accounts, this likely will require the sale of fund positions in their accounts to bring their Cash Allocation in line with the target allocation for their chosen investment strategy. If those Client have taxable accounts, those sales may generate capital gains (or losses) for tax purposes. In accordance with an agreement with Schwab, Schwab Bank has agreed to pay an interest rate to depositors participating in the Sweep Program that will be determined by reference to an index.

Item 13: Review of Accounts

While the underlying securities within Wealth Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each Client's stated investment objectives and guidelines. 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. The Confluence investment adviser representative for your account will perform the review.

Clients receive written monthly statements (or quarterly if there is no monthly activity) and confirmations of transactions directly from the custodian detailing account holdings and all activity within the account, including all contributions, withdrawals, and purchase/sell transactions.

Item 14: Client Referrals and Other Compensation

Confluence has entered into agreements to compensate third parties ("Promoters") for Client referrals, which are compensated endorsements under Rule 206(4)-1 of the Advisers Act. Under these arrangements, Confluence will pay a fee per referral. Client referred by the Promoters will not be charged more than similarly situated Client who were not referred. The Promoters will not provide investment advisory services to Confluence Client. The referral arrangements are governed by a written agreement between Confluence and the Promoters that (i) complies with Rule 206(4)-1 and Rule 204-2 and (ii) requires that Client be provided with clear and prominent disclosure that the referral arrangement is paid and a conflict of interest exists.

Confluence pays one or more employees for referring Client. In each case, this internal referral arrangement is governed by a legal agreement between the Firm and the employee to ensure compliance with applicable federal and state statutes. If a Client is introduced to Confluence by this internal Promoter, the Firm pays that Promoter a referral fee. Any such referral fee shall be paid solely from Confluence's investment management fee and shall not result in any additional charge to the Client. At the time of the referral, the internal Promoter shall provide the Client with all relevant disclosures related to the nature of the referral arrangement with Confluence in accordance with the requirements of Rule 206(4)-1 of the Advisers Act.

No compensation (cash or non-cash) is paid to Client that refer prospective Client to Confluence.

Also, as referenced in Item 12 above, Confluence may receive certain benefits pursuant to a Client Benefit Confirmation Agreement with Raymond James. There is no corresponding commitment made by Confluence to Raymond James or any other entity to invest any specific amount or percentage of Client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangement.

Item 15: Custody

Confluence is deemed to have custody because it can debit advisory fees pursuant to the authority granted by the Client in the Wealth Management Agreement. Custody of Account assets are maintained with an independent qualified custodian under Rule 206(4)-2 of the Advisers Act ("Custodian"). Confluence Financial Partners uses Raymond James and SEI as its Custodian. Our firm's agreement requires the Client to appoint a qualified custodian to receive and have possession of the assets of the Account. In accordance with applicable custody rules, custodians are required to send a statement to Client, not less than quarterly, indicating all amounts paid to our firm. Confluence also sends periodic reports to Clients. Clients are advised to carefully review the statements and confirmations sent directly by the custodian and to compare them with any reports received from our firm. Client has sole responsibility to verify the accuracy of the calculation of the investment management fees as the Custodian will not determine whether the fees charged to the Account are accurate or have been properly calculated. Please contact Confluence with any questions.

Confluence is deemed to have constructive custody over client assets as a result of any arrangement under which Confluence is authorized to withdraw client funds or securities pursuant to a standing letter of instruction or other similar asset transfer authorization established by a client with a Financial Institution. In this instance, however, Confluence would be excused from the requirement of an annual surprise examination because it complies with certain processes and procedures mandated by applicable law.

Item 16: Investment Discretion

Confluence provides management services on either a discretionary or non-discretionary basis. Discretionary basis means that we will be authorized by you to make investment decisions, and we will buy and sell the securities we have recommended to you. Non-discretionary basis means you as the investor make the ultimate decision whether to purchase or sell the securities recommended to you.

A discretionary or non-discretionary election is formalized in the Wealth Mangement Agreement and when the account is elected to be non-discretionary, the client must authorize prior to trading. Confluence is not authorized to place trades without the client's express permission and confirmation. Potential risks are inherent in this scenario, for example, if Confluence is unable to reach the Client, the Client's account may not be traded on a timely basis which could disadvantage the Client depending upon market action.

Confluence does not, however, exercise day-to-day discretion over any assets managed by the Third-Party Managers. Furthermore, Confluence provides advice to certain ERISA Plans which are deemed non-discretionary per the terms of the Agreement.

Item 17: Voting Client Securities

The Client understands that it is the Adviser's policy to not vote proxies on behalf of Client accounts. The Adviser and/or the Client will direct the Custodian to forward all shareholder-related materials directly to the Client's address on record. Client understands that for any mutual funds held in Client's account, the mutual fund is responsible for voting proxies on securities held in the mutual fund portfolio and not the Adviser. In addition, the Adviser does not advise or act for the Client with respect to any legal matters, including bankruptcies and class actions, for the securities held in the Client's Account. In the case of ERISA Client, the Adviser generally does not vote proxies for ERISA Client accounts. Should proxy materials be forwarded on to the Adviser at the request of the plan sponsor, the Adviser will strive to vote proxies in the best interest of the Client. A copy of the Adviser's proxy voting record and policies are available upon written request by the plan sponsor.

Item 18: Financial Information

Registered investment advisers are required to provide you with certain financial information or disclosures about the firm's financial condition. Confluence does not require or solicit prepayment of fees more than six months in advance. Additionally, Confluence has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Client and has not been subject to a bankruptcy proceeding.