

Disclosure Brochure

Mach 27, 2014

GAAM Wealth Advisors, Inc.

a Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of GAAM Wealth Advisors, Inc. (hereinafter "GAAM"). If you have any questions about the contents of this brochure, please contact Dawn Jones at 423-247-8840. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about GAAM Wealth Advisors, Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

GAAM Wealth Advisors, Inc. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

This Item discusses only the material changes that have occurred since GAAM's last annual update filed March 27, 2013. GAAM has the following material changes to disclose.

Investment Advisory Services Provided Through LPL

Traditionally the firm's investment adviser representatives ("IARs") provided clients with investment management services in their capacities as IARs of LPL Financial LLC ("*LPL*"). GAAM is transitioning its relationship with *LPL* and will begin to directly provide its clients with investment management services. Accordingly, this Disclosure Brochure has been materially revised from its prior version in order to account for investment management services offered by GAAM.

SEC Registration

Since the firm's last update, GAAM has qualified to obtain U.S. Securities and Exchange Commission (SEC)-level investment adviser registration and withdraw its current registration with the state. This switch to SEC registration means that GAAM will be primarily regulated by the SEC rather than the various states. This change in registration status will have little, if any, impact on the investment advisory services that GAAM provides to its clients.

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Item 4. Advisory Business

GAAM provides financial planning, consulting and investment management services to its clients. GAAM seeks to help clients reach their financial goals by providing sophisticated, individualized portfolio management and uncompromised investment advice. In so doing, the firm looks to build long-term relationships based on earned trust and confidence. GAAM endeavors to provide its clients with transparency by keeping clients updated on a continuous basis as well as offering numerous educational forums throughout the year on a variety of financial subjects. GAAM employs an integrated, 360-degree approach designed to provide clients with a comprehensive wealth management solution. Clients may utilize a single component of the firm's wealth management services, e.g., Retirement Income Management, or take advantage of the full breadth of services.

Prior to engaging GAAM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with GAAM setting forth the terms and conditions under which GAAM renders its services (collectively the "*Agreement*").

GAAM has been in business since November 1993. Michael Gilbert and Pamela Benzer Corrigan are the principal owners of GAAM.

Prior to May 6, 2013, GAAM's services provided through their Registered Investment Adviser previously had been limited to financial planning and consulting services. Investment advisers of GAAM provided clients with investment management services in their capacities as investment adviser representatives of LPL. As of February 7, 2014, GAAM had \$499,278,625 assets under management, of which \$411,749,673 was managed on a discretionary basis and \$87,528,952 was managed on a non-discretionary basis.

This Disclosure Brochure describes the business of GAAM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of GAAM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on GAAM's behalf and is subject to GAAM's supervision or control.

Financial Planning and Consulting Services

GAAM may provide its clients with a broad range of comprehensive financial planning and consulting services. In performing its services, GAAM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. GAAM may recommend the services of itself, its *Supervised Persons* in their individual capacities as registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest may exist if GAAM recommends its own services. The client is under no obligation to act upon any of the recommendations made by GAAM under a financial planning or consulting engagement or to engage the services of any

such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of GAAM's recommendations. Clients are advised that it remains their responsibility to promptly notify GAAM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising GAAM's previous recommendations and/or services.

While each of these services is available on a stand-alone basis, certain of them may also be rendered in connection with investment portfolio management as part of a comprehensive wealth management engagement (as described below).

Investment Management and Wealth Management Services

GAAM manages client investment portfolios on a discretionary or a non-discretionary basis. In addition, GAAM may provide clients with wealth management services which may include a broad range of comprehensive financial planning and consulting services as well as discretionary management of investment portfolios.

GAAM primarily allocates client assets among various independent investment managers (*"Independent Managers"*), mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities as well as the securities components of variable annuities and variable life insurance contracts, in accordance with the investment objectives of its individual clients. In addition, GAAM may also recommend that clients who qualify as accredited investors, as defined by Rule 501 of the Securities Act of 1933, invest in privately placed securities, which may include debt, equity and/or interests in pooled investment vehicles (e.g., hedge funds). Where appropriate, the firm may also provide advice about any type of legacy position or other investment held in client portfolios.

Clients may also engage GAAM to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, GAAM directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

GAAM tailors its advisory services to meet the needs of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. GAAM consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other qualitative factors relevant to the management of their portfolios. Clients are advised to promptly notify GAAM if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if GAAM determines, in its sole discretion,

the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the firm's management efforts.

Use of Independent Managers

As mentioned above, GAAM may select certain *Independent Managers* to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an *Independent Manager* are set forth in a separate written agreement between the designated *Independent Manager* and either GAAM or the client.

GAAM evaluates various information about the *Independent Managers* it chooses to manage client portfolios, which may include the *Independent Managers'* public disclosure documents, materials supplied by the *Independent Managers* themselves and other third-party analyses it believes are reputable. To the extent possible, the firm seeks to assess the *Independent Managers'* investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. GAAM also takes into consideration each *Independent Manager's* management style, returns, reputation, regulatory compliance, financial strength, reporting, pricing and research capabilities, among other factors.

GAAM continues to provide services relative to the discretionary selection of the *Independent Managers*. On an ongoing basis, the firm monitors the performance of those accounts being managed by *Independent Managers*. GAAM seeks to ensure the *Independent Managers'* strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

Item 5. Fees and Compensation

GAAM offers its services on a fee basis, which may include hourly and/or fixed fees. Additionally, certain of GAAM's *Supervised Persons*, in their individual capacities, may offer securities brokerage services and insurance products under a separate commission arrangement.

Financial Planning and Consulting Fees

GAAM may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$500 to \$5,000 on a fixed fee basis and/or \$150 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages GAAM for additional investment advisory services, GAAM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging GAAM to provide financial planning and/or consulting services, the client is required to enter into a written agreement with GAAM setting forth the terms and conditions of the engagement. Generally, GAAM requires one-half of the financial planning/consulting fee (estimated hourly or fixed)

payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

Investment Management and Wealth Management Fees

Fees for investment management and wealth management services are individually negotiated but will not exceed 2.50%. GAAM's advisory fees are offered at a range of 0.70% to 1.50%. Certain of GAAM's investment platforms may charge additional fees.* These fees may be collected as part of the client's advisory fee and where applicable the fee charged the client may be higher than the fee GAAM collects for advisory services. GAAM will disclose to clients these additional fees specific to the investment platform in which the client will be invested. The actual fee charged to each client is negotiable based on factors such as the client's financial situation and circumstances, the amount of assets under management, and the complexity of the services provided. GAAM offers a tiered fee structure for account sizes over \$2 million. The exact fee for services will be agreed upon and listed in the *Agreement* prior to services being rendered.

Fees are individually negotiated and are based on the aggregate asset value under advisement. In the event the client determines to engage GAAM, the annual fee is prorated and charged quarterly in advance, based upon the market value of the assets being managed by GAAM on the last day of the previous quarter.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the *Agreement* is terminated, the fee for the final billing period is prorated through the effective date of the termination and the unearned portion is refunded to the client, as appropriate.

Please note that fees for GAAM's services might be higher or lower than fees charged by other financial professionals offering similar services.

Fee Discretion

GAAM, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria listed above. In addition GAAM may charge a less fee based on factors such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

* In addition to the Wealth Management Fee, unaffiliated third parties may impose certain charges. These charges may include, but are not limited to, fees charged by Independent Managers, custodial fees, brokerage commissions, transaction fees, charges imposed directly by a mutual, index or exchange traded fund, fees imposed by variable annuity providers, certain deferred sales charges, odd-lot differentials, transfer taxes, and wire transfer and electronic fund fees.

Additional Fees and Expenses

In addition to the advisory fees paid to GAAM, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "*Financial Institutions*"). For example, brokerage commissions and/or transaction ticket fees charged by the custodian may be billed directly to the client. GAAM does not receive any portion of such commissions or fees from the custodian or client. In addition, clients may incur certain charges imposed by third parties other than GAAM in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. The firm's brokerage practices are described at length in Item 12, below.

Investment management and wealth management fees charged by GAAM are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

Fee Debit

Clients generally provide GAAM with the authority to directly debit their accounts for payment of the firm's investment advisory fees. The *Financial Institutions* that act as qualified custodian for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to GAAM. Alternatively, clients may elect to have GAAM send them an invoice for direct payment.

Account Additions and Withdrawals

Clients may make additions to and withdrawals from their account at any time, subject to GAAM's right to terminate an account. Additions may be in cash or securities provided that the firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to GAAM, subject to the usual and customary securities settlement procedures. However, GAAM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. GAAM may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

Third Party Charges

Clients can engage certain persons associated with GAAM (but not GAAM) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with GAAM.

Under this arrangement, the firm's *Supervised Persons*, in their individual capacities as registered representatives of *LPL*, an SEC registered broker-dealer and member of FINRA, may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. *Supervised Persons* may be entitled to a portion of the brokerage commissions paid to *LPL*, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds.

The receipt or potential for the receipt of commissions may give GAAM's *Supervised Persons* an incentive to recommend investment products based on the commissions received, rather than on the client's specific needs. However, GAAM's objective as a firm, which is shared by its *Supervised Persons*, is to place nothing before a client's best interests.

How we address these conflicts. First and foremost, we address the conflicts inherent in a commissionable product by disclosing them in this Brochure as well in *Supervised Persons'* Brochure Supplements. As a matter of general policy, GAAM aggressively discourages activities that put client's interests anywhere but first. Additionally, GAAM has instituted a comprehensive supervisory process, designed to address, among other things, conflicts of interest such as that associated with commission based compensation. In addition, GAAM has designated a Chief Compliance Officer, as set forth on Schedule A of GAAM's Form ADV, to be the party responsible for the overall application and oversight of its supervisory process.

The Chief Compliance Officer has the authority to delegate certain supervisory responsibilities to other *Supervised Persons* within the firm in order to ensure that our overall system of supervision is being adequately carried out and in a timely manner.

Several of the firm's *Supervised Persons* may receive commissions from the sale of other investment products such as variable annuities and mutual funds and such non-investment related products as Life Insurance. Such commissions provide an individual with an incentive to recommend these investment products based on the compensation they will receive from selling them as opposed to the client's needs. Clients can engage certain persons associated with GAAM (but not GAAM) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with GAAM.

Item 6. Performance-Based Fees and Side-by-Side Management

GAAM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7. Types of Clients

GAAM provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

No Minimum Account Requirements

GAAM does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than GAAM. In these instances, GAAM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

Methods of Analysis

GAAM may utilize a combination of fundamental, technical and cyclical methods of analysis.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For GAAM, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that GAAM will be able to accurately predict such a reoccurrence.

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (entire market or economy) or micro (company specific) level, rather than focusing on the overall fundamental analysis of the health of the particular company that GAAM is recommending. The risks with cyclical analysis are similar to those of technical analysis.

Investment Strategies

Portfolio Design

GAAM employs a strategy of Immense, Substantial Diversity whereby the firm may use anywhere from 30 to 100-plus separate asset classes for each client depending on their risk tolerance and income needs. The purpose of so many asset classes is to limit the exposure to any one particular class or sub-class. GAAM believes this helps to limit the downside of the portfolios while allowing the firm to buy (tactically) other classes that have fallen far below their intrinsic value.

Strategic Management

Once the portfolios have been designed, GAAM seeks to constantly and vigilantly manage the portfolio with the aim of reducing risk and maintaining the firm's contrarian investment philosophy. Over the course of a market cycle GAAM reduces equity exposure as market growth expands and increases equity exposure during bear markets.

Tactical Management

Once the portfolio and/or sub-portfolios have been designed, GAAM monitors them on an ongoing basis for tactical opportunities. Using Mean-Reversion Analysis GAAM monitors each individual asset class for opportunity.

Risks of Loss

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear potential losses.

Market Risks

A significant portion of GAAM's recommendations may depend to a great extent on correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that GAAM will be able to predict those price movements accurately.

Mutual Funds and ETFs

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at least daily, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may vary significantly during periods of market volatility, which may, among other factors, may lead to the mutual fund's shares trading at a premium or discount to the client's actual original cost basis.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at their most recent NAV, which is generally calculated at least once

daily for indexed based ETFs and more frequently for actively managed ETFs. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Use of Independent Managers

GAAM may recommend the use of *Independent Managers*. In these situations, GAAM continues to do ongoing due diligence of such managers, but such recommendations rely to a great extent on the *Independent Managers'* ability to successfully implement their investment strategies. In addition, GAAM generally may not have the ability to supervise the *Independent Managers* on a day-to-day basis.

Use of Private Collective Investment Vehicles

GAAM recommends that certain clients invest in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund's private placement memorandum and other offering documents explaining such risks prior to investing.

Item 9. Disciplinary Information

GAAM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. GAAM does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

GAAM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. GAAM has described such relationships and arrangements below.

Registered Representatives of Broker Dealer

Certain of the GAAM's *Supervised Persons* are registered representatives of *LPL* and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.

Receipt of Insurance Commissions

Certain of GAAM's *Supervised Persons*, in their individual capacities, are licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that GAAM or its *Supervised Persons* recommend the purchase of insurance products where GAAM or its *Supervised Persons* receive insurance commissions or other additional compensation. As a result GAAM has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of its clients.

Related Certified Public Accountant

GAAM does not render accounting advice or tax preparation services to its clients. Rather, to the extent that a client requires accounting advice and/or tax preparation services, GAAM, if requested, will recommend the services of a Certified Public Accountant, all of which services will be rendered independent of GAAM pursuant to a separate agreement between the client and the Certified Public Accountant. GAAM will not receive any of the fees charged by any recommended Certified Public Accountant, referral or otherwise. Specifically, a member of GAAM, Mr. Spiegler, is also a principal of Spiegler Blevins & Company, PC ("CPA"), a Certified Public Accounting firm. As discussed above, to the extent that CPA provides accounting and/or tax preparation services to any of GAAM's clients, all such services will be performed by CPA, in its separate capacity, independent of GAAM, for which services GAAM will not receive any portion of the fees charged by CPA, referral or otherwise.

Item 11. Code of Ethics

GAAM has adopted a code of ethics in compliance with applicable securities laws ("*Code of Ethics*") that sets forth the standards of conduct expected of its *Supervised Persons*. GAAM's *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the firm or any of its *Supervised Persons* and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The *Code of Ethics* also requires certain of GAAM's personnel (called "*Access Persons*") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, GAAM *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the GAAM's policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the GAAM is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may knowingly effect for themselves or for their immediate family (i.e., spouse, minor

children and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact GAAM to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

GAAM generally recommends that clients utilize the brokerage and clearing services of *LPL*. Factors which GAAM considers in recommending *LPL* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *LPL* enables GAAM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *LPL* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by GAAM's clients comply with the firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where GAAM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates and responsiveness. GAAM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

GAAM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct GAAM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution* and the firm will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial*

Institutions with orders for other accounts managed by GAAM (as described below). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, GAAM may decline a client's request to direct brokerage if, in the firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless GAAM decides to purchase or sell the same securities for several clients at approximately the same time. GAAM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among GAAM's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among GAAM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that GAAM determines to aggregate client orders for the purchase or sale of securities, including securities in which GAAM's *Supervised Persons* may invest, the firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. GAAM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that the firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, GAAM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist GAAM in its investment decision-making process. Such research generally will be used to service all of the firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the

allocation of the benefit of such investment research products and/or services poses a conflict of interest because GAAM does not have to produce or pay for the products or services.

Commissions or Sales Charges for Recommendations of Securities

As discussed above, certain *Supervised Persons*, in their respective individual capacities, are registered representatives of *LPL*. These *Supervised Persons* are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless *LPL* provides written consent. Therefore, clients are advised that certain *Supervised Persons* may be restricted to conducting securities transactions through *LPL* unless they first secure written consent from *LPL* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *LPL*, these *Supervised Persons* are prohibited from executing securities transactions through any broker-dealer other than *LPL* under *LPL*'s internal supervisory policies.

Item 13. Review of Accounts

Account Reviews

For those clients to whom GAAM provides investment management services, GAAM monitors those portfolios as part of a continuous and ongoing process. For those clients to whom GAAM provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of the GAAM's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with GAAM and to keep GAAM informed of any changes thereto. The firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Account Statements and Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from GAAM and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from GAAM or an outside service provider.

Those clients to whom GAAM provides financial planning and/or consulting services will receive reports from GAAM summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in writing by GAAM.

Item 14. Client Referrals and Other Compensation

Client Referrals

GAAM is required to disclose any direct or indirect compensation that it provides for client referrals. GAAM does not have any required disclosures.

Other Economic Benefits

In addition, GAAM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

Item 15. Custody

GAAM's Agreement and/or the separate agreement with any Financial Institution may authorize GAAM through such Financial Institution to debit the client's account for the amount of GAAM's fee and to directly remit that management fee to GAAM in accordance with applicable custody rules.

The *Financial Institutions* recommended by GAAM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to GAAM. In addition, as discussed in Item 13, GAAM also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from GAAM.

Item 16. Investment Discretion

GAAM is given the authority to exercise discretion on behalf of clients. GAAM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. GAAM is given this authority through a power-of-attorney included in the agreement between GAAM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). GAAM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

Item 17. Voting Client Securities

GAAM is required to disclose if it accepts authority to vote client securities. The firm does not vote client securities on behalf of its clients.

Item 18. Financial Information

GAAM is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.

GAAM Wealth Advisors, Inc.

a Registered Investment Adviser

www.gaamwealth.com

Prepared by:



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