

Item 1 – Cover Page

FIRM BROCHURE
Part 2A of Form ADV

VALIC Financial Advisors, Inc.

2929 Allen Parkway, L3-20, Houston, Texas 77019
(877) 737-2650

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This brochure provides information about the qualifications and business practices of VALIC Financial Advisors, INC. ("VFA"). If you have any questions about the contents of this brochure, please contact us at 866-544-4968. 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.

VFA is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

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

Item 2 – Material Changes

On December 9, 2011, FundQuest Incorporated was acquired by Envestnet, Inc. and immediately renamed Envestnet Portfolio Solutions, Inc. No material changes other than the name change and new parent company.

The FundQuest investment philosophy, process and policy will remain unchanged. They will also continue to manage the portfolios according to the design and implementation of VFA’s Managed Investment Program.

Our Brochure may be requested by contacting VFA at 866-544-4968 or it is also available free of charge on website at www.valic.com.

Item 3 -Table of Contents

| | |
|---|----|
| Item 1 – Cover Page..... | 1 |
| Item 2 – Material Changes..... | 2 |
| Item 3 – Table of Contents..... | 2 |
| Item 4 – Advisory Business | 4 |
| (1) Advisory services to retirement plans | 4 |
| (2) Managed Investment Program..... | 5 |
| (3) Guided Portfolio Services Program..... | 7 |
| (4) Guided Portfolio Advantage..... | 8 |
| Item 5 – Fees and Compensation | 9 |
| (1) Advisory services to retirement plans | 9 |
| (2) Managed Investment Program | 9 |
| (3) Guided Portfolio Services Program..... | 11 |
| (4) Guided Portfolio Advantage..... | 12 |
| Item 6 – Performance-Based Compensation..... | 13 |
| Item 7 – Types of Clients..... | 13 |
| (1) Advisory services to retirement plans | 13 |
| (2) Managed Investment Program | 13 |

| | |
|--|----|
| (3) Guided Portfolio Services Program..... | 13 |
| (4) Guided Portfolio Advantage..... | 14 |
| Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss..... | 14 |
| (1) Advisory services to retirement plans | 14 |
| (2) Managed Investment Program | 14 |
| (3) Guided Portfolio Services Program..... | 15 |
| (4) Guided Portfolio Advantage..... | 15 |
| Item 9 – Disciplinary Information | 15 |
| Item 10 – Other Financial Industry Activities and Affiliations | 15 |
| Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... | 18 |
| Item 12 – Brokerage Practices | 19 |
| Item 13 – Review of Accounts..... | 19 |
| (1) Advisory services to retirement plans | 19 |
| (2) Managed Investment Program | 19 |
| (3) Guided Portfolio Services Program..... | 20 |
| (4) Guided Portfolio Advantage..... | 21 |
| Item 14 – Client Referrals and Other Compensation | 23 |
| Item 15 – Custody..... | 23 |
| Item 16 – Investment Discretion | 24 |
| (1) Managed Investment Program | 24 |
| (2) Guided Portfolio Services Program..... | 24 |
| (3) Guided Portfolio Advantage..... | 24 |
| Item 17 – Voting Client Securities..... | 24 |
| Item 18 – Financial Information | 24 |

Item 4 - Advisory Business

VALIC Financial Advisors, Inc. ("Firm" or "VFA") was incorporated in Texas in 1996. VFA is a wholly-owned subsidiary of The Variable Annuity Life Insurance Company ("VALIC"), an indirect wholly-owned subsidiary of SunAmerica Financial Group, Inc. ("SAFG"), a wholly-owned subsidiary of American International Group, Inc. ("AIG"). VFA is registered with the Securities and Exchange Commission ("SEC") as an investment adviser and a broker/dealer and is a Financial Industry Regulatory Authority, Inc. ("FINRA") member firm. In its capacity as a broker/dealer and investment adviser, VFA is compensated through a mixture of fixed fees, commissions, and a percentage of assets under management.

As of December 31, 2011 VFA managed \$9,536,318,905 on a discretionary basis and \$6,969,876 on a non-discretionary basis.

VFA offers the following types of advisory services to its clients:

(1) Advisory services to retirement plans. VFA provides advisory services to plan sponsors of employer sponsored retirement plans for which it has been specifically engaged, in addition to supporting affiliated companies through other non-advisory services to retirement plans for corporations, not-for-profit organizations and governmental agencies. Such advisory services can include selection and/or de-selection and replacement of individual investment options pursuant to agreed investment criteria. .

In choosing and monitoring investment options for employer sponsored retirement plans, we look for solid companies that offer consistent, strong performing funds. Once a fund company is identified as being a potential candidate for a particular retirement plan product, we conduct an in-depth review of the company's funds, operations, and personnel before selecting the company's funds as investment options. Qualitative and quantitative factors such as the fund management, regional exposure and asset size/growth are also evaluated. The fund companies are monitored on an ongoing basis at the firm level.

Although the final decision of which funds to select is up to the plan sponsor and/or consultant, we will assist in the construction of the portfolio by ensuring all core asset classes are covered to offer full diversification opportunities. Our research focuses on identifying funds to meet the needs of all investor profiles – from conservative to aggressive.

When selecting investment options, the research is focused on people, process and performance. Our due diligence involves spending extensive time with the individuals involved with fund at both the fund and fund company level. This includes managers, analysts and traders. Obtaining a comprehensive understanding of the investment process used in management of the fund, including buy/sell discipline, risk control procedures and portfolio construction also is critical to our evaluation. It is imperative that each manager possesses a clearly defined process that is consistently applied and can demonstrate it unequivocally. Lastly, measuring the performance, both absolute and risk-adjusted, ensures that the managers and their investment process have delivered in a variety of market cycles. Risk-adjusted performance means the performance of a security or investment relative to its risk. One may calculate the risk-adjusted performance in a number of ways. One may consider the investment's volatility. Alternatively, one may compare its performance to the performance of the market as a whole or relative

to securities or investments with similar levels of risk.

(2) Managed Investment Program (MIP). VFA offers the Managed Investment Program, a professional and flexible asset management program, in conjunction with Envestnet Portfolio Solutions, Inc., a Registered Investment Adviser. Envestnet Portfolio Solutions, Inc. is a wholly owned subsidiary of Envestnet Inc. ("Envestnet"), a leading provider of wealth management software and services to financial advisors and institutions. Envestnet has developed asset allocation models for individual portfolios, as well as a process for designing a portfolio of mutual funds and/or Exchange Traded Funds ("ETFs"), and utilizes separate account managers to manage specific asset classes of investments, or other applicable investments consistent with these models. Envestnet screens sales charge waived mutual funds and ETFs in order to design portfolios, and updates its research on a monthly basis.

The Managed Investment Program is available in eight accounts:

- ***Managed Investor Account (MIA)*** – Minimum account balance is \$50,000. This program option allows the financial advisor to establish a mutual fund investment advisory account for the client. A team of professional money managers is then utilized to choose the mutual fund investment options, monitor the account's fund selection and asset allocation, make fund selection changes and rebalance as necessary.
- ***Index Plus Managed Investor Account (IPMIA)*** – Minimum account balance is \$50,000. This program option follows the same process as the MIA, however utilizes a combination of active and passive managed mutual funds. Based on a Envestnet study, index funds are substituted for actively managed funds in certain asset classes of the portfolio. A team of professional money managers is then utilized to choose the mutual fund investment options, monitor the account's fund selection and asset allocation, make fund selection changes and rebalance as necessary.
- ***Managed Investor Account (MIA): ActivePassive® Portfolio*** – Minimum account balance is \$25,000. Mutual fund selections are made from the ActivePassive mutual funds. A team of professional money managers is then utilized to choose the mutual fund investment options, monitor the account's fund selection and asset allocation, make fund selection changes and rebalance as necessary.
- ***Managed Investor Account Retirement Income (MIA RI)*** – Minimum account balance is \$50,000. This program option allows the financial advisor to establish a mutual fund investment advisory account that helps address the income needs of investors with a portfolio that is structured for yield rather than total return and focused on the distribution phase. A team of professional money managers performs a comprehensive investment analysis of the major investment categories to identify those that will provide a balanced combination of income, expense return and risk. They also monitor the account's fund selection and asset allocation, make fund selection changes and rebalance as necessary.
- ***Integrated Managed Investor Account (IMIA)*** – Minimum account balance is \$250,000. This program option allows the financial advisor to establish an investment advisory account that combines the benefits and attributes of mutual funds, ETFs and separately managed accounts - all into one single account. The investment manager also acts as an overlay manager to efficiently monitor and implement custom investment solutions for a portfolio. Overlay manager activities include: managing cash flow activities, rebalancing the portfolio, accommodating portfolio restrictions, tax loss harvesting, managing wash sales, and monitoring short and long-term gains. A team of

professional money managers selects the investment options, monitors the account's fund selection and asset allocation, makes fund selection changes and rebalances as necessary.

- ***Selected Manager Investor Account (SMIA)*** – Minimum account balance is \$250,000. This program option allows the financial advisor to offer an investment advisory account managed specifically for that client by an institutional-caliber investment manager. These investment managers, called separate account managers, usually manage large institutional accounts. This account will allow the clients a higher level of specialization and service through ownership of individual securities. Each separate account can be managed for the individual client's needs, goals, time horizon, risk tolerance and other factors. A team of professional money managers from Envestnet will choose the separate account investment managers and provide ongoing manager oversight.
- ***Managed Investor Account - California Residents*** – Minimum account balance is \$50,000. This program option allows the financial advisor to offer a mutual fund investment advisory portfolio to tax sensitive California residents. These portfolios utilize California specific fixed income mutual funds. A team of professional money managers is then utilized to choose the mutual fund investment options, monitor the account's fund selection and asset allocation, make fund selection changes and rebalance as necessary.
- ***Personal Managed Investor Account (PMIA)*** – Minimum account balance is \$100,000. Effective July 1, 2005, this program closed to new advisors. This account allows the financial advisor to establish and manage a personalized investment portfolio for the client. The financial advisor chooses the investment options, monitors the account's investment selections and asset allocation, makes investment selection changes and rebalances when necessary.

Regardless of which strategy you select, you retain flexibility to modify your investment model when your needs change or market conditions warrant. VFA and its investment adviser representatives shall use due diligence to obtain the essential facts regarding each client account, including identity, financial situation, objectives, time horizons, appropriateness of account and similar information in accordance with regulatory requirements.

How We Design Your Program

If you are interested in establishing a program account, an Investment Adviser Representative will meet with you to review your current financial situation, risk tolerances, and investment goals. Utilizing an investor profile questionnaire (the "Client Profile Questionnaire"), your Investment Adviser Representative will collect information about you in order to create a profile of your financial and investment situation, taking into account your current investments, assets, net worth, income, investment objectives, tax sensitivity, time horizon, risk tolerance, and various other variables. Should any of your information change, it is your responsibility to have your MIP client profile updated accordingly by contacting your Investment Adviser Representative. An Investment Adviser Representative is continually available to answer any questions and to implement any changes you want to make based on changes in personal or financial circumstances, or the financial markets.

You will also need to complete and sign the following forms: Statement of Investment Selection, New Account Application, Client Account Form, Letter of Acknowledgement and the Account Transfer

Application (if you have assets to be transferred from another company).

Managed Investor Account, Managed Investor Account: ActivePassive Portfolio, Index Plus Managed Investor Account, Managed Investor Account-California Residents and Managed Investor Account Retirement Income: Based on your responses to the Client Profile Questionnaire, Envestnet will develop a customized plan of mutual funds for you. Your Investment Adviser Representative will present the plan to you for your review and approval. Once the plan is implemented, Envestnet will monitor your account for conformance to the plan and will rebalance your account periodically to maintain the asset allocation.

Personal Managed Investor Account: Based on your responses to the Client Profile Questionnaire, your Investment Adviser Representative will identify an asset allocation mix tailored for your situation, utilizing Envestnet asset allocation analysis. Based in part on that mix and other subjective factors and considerations important to you in selecting your investments, such as whether you want to transfer any existing investments into your account, your Investment Adviser Representative will then recommend a portfolio to implement the asset allocation mix recommendation. Your Investment Adviser Representative will recommend mutual funds and you can also transfer previously purchased mutual funds into your account. In deciding what mutual funds to recommend, the Investment Adviser Representative may consider a number of sources, including third party research materials, corporate press releases, and prospectus information. The Investment Adviser Representative will also take into account his or her own views and perspectives on mutual funds, as well as the client's preferences, risk tolerances, goals and, if applicable, previously purchased investments transferred to your account.

Selected Manager Investor Account: Based on your responses to the Client Profile Questionnaire, Envestnet will recommend separate account manager(s) for you. Your Investment Adviser Representative will present the plan to you for your review and approval. Once the plan is implemented, the separate account manager will manage your account for conformance to the plan and will rebalance your account periodically. Envestnet will monitor the separate account manager.

Integrated Managed Investor Account: Based on your responses to the Client Profile Questionnaire Envestnet will develop a customized plan of investments for you. Investment products include mutual funds, ETF's, and separate account managers. Once the account plan is implemented, Envestnet will monitor your account for conformance to the plan and will rebalance your account periodically to maintain the asset allocation.

(3) Guided Portfolio Services Program. VFA also offers the Guided Portfolio Services ("GPS") Program. This service is currently only available to individuals who have retirement plan accounts with VALIC or VALIC Retirement Services Company ("VRSCO"), which is an affiliate of both VFA and VALIC. There are two services available:

- Portfolio Advisor is a web-based program that enables you to obtain wealth forecasts, contribution rate and retirement age recommendations, asset allocation models and investment advice through Ibbotson Associates, Inc. ("Ibbotson Associates"), an independent financial expert. It is then your decision whether to implement the investment advice in whole, in part, or not at all. You also retain full responsibility for the ongoing monitoring and management of assets in accounts for which you are generating advice via this program.

- Portfolio Manager is a program that combines the investment advice and recommendations described in the Portfolio Advisor program above with ongoing automated asset management services including automatic implementation of the investment advice, periodic portfolio rebalancing, automatically generated annual updates to advice and annual wealth forecasts, portfolio monitoring and special account statements. Additionally, you may also receive personalized service from VFA investment adviser representatives in person or by telephone. In this program you will be granting VFA discretionary investment authority over the account.

Regarding enrollment in the GPS Portfolio Manager program:

GPS Portfolio Manager will manage your investments exclusively in accordance with the retirement objectives you indicated on your GPS Client Profile. The investment advice and recommendations you receive in GPS will be based solely on the information disclosed to VFA in your GPS Client Profile, and on the balances/allocations of assets you may have in your VALIC plans(s)/accounts(s). The advice delivered by GPS will not consider any investment objectives, risk profiles/preferences, or other information you may have provided or disclosed previously or in relation to other, separate products securities, or services.

Your GPS portfolio assignment is aimed at better diversifying your total retirement portfolio. Thus, it is important for you to disclose as much information as possible about the other components of your total retirement portfolio when completing your GPS Client Profile form. Furthermore, because GPS Portfolio Manager will manage your investments in accordance with the retirement objectives indicated in your GPS Client Profile form, and because the GPS portfolio assignment is aimed at better diversifying your total retirement portfolio (which includes retirement assets and income streams outside the accounts managed under GPS), the GPS portfolio may involve/require more or less risk than you were previously accustomed to taking.

The advised asset allocation and investment selections for the existing balances in, and future contributions to your VALIC plan(s)/account(s) that are enrolled in, GPS Portfolio Manager will be automatically implemented as indicated in the Disclosures section of the Investment Policy Statement ("IPS") unless you immediately request otherwise. You will have ten (10) calendar days after the initial IPS is sent to you to cancel the GPS Portfolio Manager program at no cost to you. Upon review of your IPS if you are uncomfortable with the GPS portfolio assignment, you may contact the Asset Management Center at (800) 448-2542 to make any necessary changes. GPS Portfolio Manager will automatically re-analyze your information, and issue the corresponding IPS, at least once per year while you are enrolled in GPS Portfolio Manager. These subsequent advice outputs may include any updates to your GPS portfolio assignment that are deemed appropriate by the advice program. Should your retirement objectives or investment circumstances change, it is your responsibility to have your GPS Client Profile information updated accordingly by contacting your advisor, contacting the Asset Management Center, or accessing your GPS Client Profile online via AdviceWeb as soon as possible. To enter AdviceWeb, first logon to your VALIC account from VALIC.com and then click on the link for Guided Portfolio Services.

(4) Guided Portfolio Advantage. The Firm also offers Guided Portfolio Advantage ("GP Advantage"). GP Advantage is an asset management program offered exclusively to clients of VALIC who purchase Portfolio Director Advantage ("PD Advantage"), a variable annuity issued by our parent, VALIC. Using objective investment advice from Ibbotson Associates, GP Advantage manages the PD

Advantage assets to a strategy that is based upon your investment horizon, attitudes toward investment risk, and whether or not the annuity contract includes the optional IncomeLOCK or IncomeLOCK Plus feature.

In this program you will be granting VFA discretionary investment authority over the account.

Ibbotson Associates, as the independent financial expert for GP Advantage, uses a tactical asset management program that develops a set of well diversified model portfolios beginning with strategic asset allocations that are typically reviewed annually, and updated if necessary. Then, as frequently as monthly, Ibbotson Associates analyzes the performance trends of all the asset classes included in their model portfolios and adjusts allocations to asset classes in order to take advantage of these trends. However, to keep the tactical asset allocation targets consistent with each model portfolio's intended investment objectives, Ibbotson Associates does limit how much the tactical allocations are allowed to deviate from their corresponding strategic allocations. After establishing tactical asset allocation targets, Ibbotson Associates completes construction of the GP Advantage model portfolios using a mix of PD Advantage investment options that allows them to hit their tactical asset allocation targets. When updates to the model portfolios are implemented, the investment allocations of accounts managed by GP Advantage are reviewed and reallocated to the new targets as necessary.

Item 5 - Fees and Compensation - For additional information, see Item 12, Brokerage Practices, in this brochure.

(1) Services to Retirement Plans. VFA does not charge a specific advisory fee but may benefit from 12b-1 fees, which range from 0 to 1% that we receive from the sale of securities that have been recommended to a retirement plan. The marketing and selling costs involved with running a mutual fund are commonly referred to as a fund's distribution costs. To cover these costs, the companies that run mutual funds are permitted to charge fees known as 12b-1 fees. These fees are deducted from mutual fund assets to compensate securities professionals for sales efforts and services provided to the fund's investors.

(2) Managed Investment Program. *Advisory Fee:* The Firm charges an advisory fee, which is negotiable, that covers the provision of initial and ongoing investment services and the execution of securities transactions. The advisory fee does not cover custodial fees for the account that will be established with a custodian to hold the assets in your account, nor does the fee cover mark-up or markdown charges on transactions in over-the-counter securities effected for your account. The advisory fee also does not cover costs for any securities transactions you request involving assets or securities not in a program account. For information about custodial fees and charges for over-the-counter transactions, please talk to your Investment Adviser Representative.

The advisory fee is calculated as a percentage of assets in your account according to the following schedule:

*Managed Investor Account / Index Plus Managed Investor Account / Managed Investor Account:
Active/Passive Portfolio / Managed Investor Account Retirement Income / Managed Investor Account-
California Residents / Personal Managed Investor Account*

| Assets Under Management | Maximum Advisory Fee |
|-----------------------------|----------------------|
| From \$0 to \$249,999 | 2.00% |
| From \$250,000 to \$499,999 | 1.75% |
| From \$500,000 to \$999,999 | 1.50% |
| Over \$1,000,000 | 1.25% |

Selected Manager Investor Account

| Assets Under Management | Maximum Advisory Fee |
|---------------------------------|----------------------|
| From \$0 to \$999,999 | 3.00% |
| From \$1,000,000 to \$1,999,999 | 2.00% |
| From \$2,000,000 to \$4,999,999 | 1.70% |
| Over \$5,000,000 | 1.50% |

Integrated Managed Investor Account

| Assets Under Management | Maximum Advisory Fee |
|---------------------------------|----------------------|
| From \$0 to \$999,999 | 2.50% |
| From \$1,000,000 to \$1,999,999 | 2.00% |
| From \$2,000,000 to \$4,999,999 | 1.70% |
| Over \$5,000,000 | 1.50% |

With respect to the Selected Manager Investor Account and the Integrated Manager Investor Account, you will pay additional fees to the separate account managers to compensate them for managing the assets in your account. These fees range from 0.25% to 0.50% of assets.

The advisory fee is negotiated on a case-by-case basis. The advisory fee may be more or less costly to you than paying for the services separately, depending upon the investment advisory fees charged, the type of account, the amount of assets in the account, time and services provided, the number of transactions for the account, the level of brokerage and other fees that would be payable if you obtained the services available under the program individually.

The advisory fee is calculated quarterly, in arrears, based on the average daily value of your account during the quarter. The fee is tiered based on the account balance. If there are cash amounts in an account, the advisory fee is charged on the entire account, including such cash amounts. The fee is debited from the account at the beginning of the following quarter. If cash or cash equivalent funds in your account are not sufficient to pay the advisory fee or any of the other fees charged in connection with your account or transactions for your account, investments in your account may be liquidated in order to pay the outstanding fees. If your account is managed for only a portion of a quarter, the advisory fee will be prorated accordingly.

Part of the advisory fee collected by the Firm is paid to Envestnet as compensation for the software tools and other services provided by Envestnet under the program. These fees range up to 0.30% on all mutual fund models and up to 1.00% on models containing individual securities. Envestnet in turn re-allows a portion of the fee received to the program's custodian, National Financial Services LLC, pursuant to the Firm's custodian agreement with National Financial Services LLC. The fee payable to Envestnet is

reduced when assets under management reach incrementally higher levels.

Under the Firm's policies, a portion of the advisory fee collected by the Firm is shared with the Investment Adviser Representatives for introducing and servicing advisory accounts. Compensation received by Investment Adviser Representatives may or may not be more than what the Investment Adviser Representatives would receive from the Firm if you paid the Firm separately for investment advice, brokerage and other services. If the amount would be more than what an Investment Adviser Representative would receive if a client participated in other programs of the Firm or paid separately for investment advice, brokerage and other services, the Investment Adviser Representative may have a financial incentive to recommend this advice program over other programs or services.

Other Charges: Your investments in a program account may also be subject to other fees and charges imposed by other third parties, such as: in the case of mutual fund investments, mutual fund investment management fees, 12b-1 fees, administrative servicing fees, short term redemption fees, and contingent deferred sales charges upon redemption of previously purchased mutual funds; in the case of purchases made in connection with an individual retirement account or other qualified plan, various IRA and qualified retirement plan fees including annual custodial fees; and, in the case of all investments, clearing, custody and other transaction charges and service fees. Other parties will receive a portion of these third party fees.

Within the Managed Investor Program, Envestnet generally will limit their mutual fund recommendations to classes of shares that are not subject to a front-end sales load or that qualify for a waiver of the load. Mutual fund shares subject to a sales load that were purchased and transferred into the Managed Investment Program are subject to all fees and charges that are normally charged on mutual fund shares held within the program, including the Advisory Fee, and 12b-1 fees (which may be shared with your Investment Adviser Representative).

Is a Program for You?

The program bundles together several service providers - an investment adviser, a broker/dealer, a clearing firm and a custodian - and offers most of these services for a single advisory fee. Some clients like having the various services "packaged" together; others prefer to select their own providers for the various services needed to manage their investment portfolios. Similarly, some clients like a fee structure that converts trading costs into an asset-based fee calculated on the same basis as advisory fees; others prefer trading costs to be assessed on a per-trade basis. Depending on a number of factors, such as the number, size and nature of the securities transactions in an advisory account, the overall fees and charges borne by the client over time could be more or less than what these fees and charges would be if the same services were provided on a separate basis.

(3) Guided Portfolio Services Program.

This program is only available to individuals who have retirement plan accounts with VALIC or VALIC Retirement Services Company ("VRSCO"), which is an affiliate of both VFA and VALIC. Those accounts may include a VALIC proprietary product for which your investment adviser representative was paid a commission.

- Participants in the Portfolio Advisor service pay a fixed annual fee in advance of \$25.00. We reserve the right to waive this fee. The fee is charged to your account following enrollment in the program and entitles you to use the service for one year. You may not obtain a refund of this pre-paid fee if the advisory contract is terminated before the end of the billing period. While this fee is not negotiable with respect to individual participants, we reserve the right to waive the fee for participants of specific employer-sponsored plans depending on the circumstances.
- Participants in the Portfolio Manager program pay a fee based on assets under management in the program. In certain instances we may offer a discount for employer sponsored plans. The fee is calculated as follows:

| Assets Under Management | Advisory fee |
|-------------------------|--------------|
| First \$100,000 | 0.60% |
| Next \$150,000 | 0.50% |
| Assets above \$250,000 | 0.45% |

The fee is calculated at each calendar quarter end, based on quarter-ending value, and is assessed within fifteen days after the end of such calendar quarter. For accounts that were established during the quarter the fees will be prorated. We will deduct the fee from your account.

Part of the advisory fee collected by the Firm is paid to Ibbotson as compensation for the advisory services provided by Ibbotson under the program. The fee would be up to 0.045% annually of assets under management.

Our Investment Adviser Representatives that recommend this program to you receive compensation as a result of your participation. The compensation received may or may not be more than what would be received if you paid us separately for investment advice, brokerage and other services. If the amount would be more than what an Investment Adviser Representative would receive if you participated in other programs we offer or paid separately for investment advice, brokerage and other services, the Investment Adviser Representative may have a financial incentive to recommend this program over other programs or services.

(4) Guided Portfolio Advantage.

This program is only available to you if purchased the underlying VALIC Portfolio Director Advantage variable annuity product for which your financial advisor was paid a commission.

An annual amount of 1% of assets under management will be deducted from your account each quarter. Fees will be calculated based on the value of assets under management at the end of the calendar quarter and the fees for assets under management for less than a full quarter will not be prorated. This fee is not negotiable.

Part of the advisory fee collected by the Firm is paid to Ibbotson as compensation for the advisory

services provided by Ibbotson under the program. The fee would be up to 0.10% annually of assets under management.

Our Investment Adviser Representatives that recommend this program to you receive compensation as a result of your participation. The compensation received may or may not be more than what would be received if you paid us separately for investment advice, brokerage and other services. If the amount would be more than what an Investment Adviser Representative would receive if you participated in other programs we offer or paid separately for investment advice, brokerage and other services, the Investment Adviser Representative may have a financial incentive to recommend this program over other programs or services.

Item 6 - Performance-Based Fees

VFA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 - Types of Clients

VFA provides advisory services to individuals, including high net worth individuals, and participants of employee sponsored retirement plans including retirement plans for corporations, not-for-profit organizations and governmental agencies.

Requirements for opening or maintaining an account: Depending on the nature of services to be provided, VFA may require a minimum dollar value of assets as a condition of maintaining an investment advisory account. VFA at its sole discretion may waive the required minimum dollar assets to maintain an account.

Requirements for opening or maintaining an account are noted below.

(1) Services to Retirement Plans:

Minimum account balance: None

(2) Managed Investment Program

Establishing a Program Account:

If you are interested in establishing an account, you will need to sign a Statement of Investment Selection and provide the requested information. You will need to approve the initial asset allocation mix for your account as well as the initial investments for the account.

For information pertaining to minimum account balances and other forms to be completed to establish an account, please refer to **Item 4 (3) Managed Investment Programs** beginning on page 8.

The Firm reserves the right to lower the minimum required amount on a case-by-case basis, as well the right to terminate an account if the assets in an account fall below the minimums.

(3) Guided Portfolio Services Program:

This service is currently only available to individuals who have first established retirement plan account(s) with VALIC or VRSCO. To establish this service with an existing retirement account you need to complete a GPS Client Profile form.

Portfolio Advisor: Minimum account balance - None

Portfolio Manager: Minimum account balance - None

(4) Guided Portfolio Advantage:

This service is offered exclusively to clients of VALIC who purchase PD Advantage for individual retirement accounts. To establish this service with an existing account you need to complete a Guided Portfolio Advantage Client Profile and Risk Tolerance Questionnaire form.

Initial minimum account balance: \$25,000

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

Investing in securities involves risk of loss that clients should be prepared to bear. Each of the following is a significant investment strategy or method of analysis that VFA uses, along with the material risks involved:

| SERVICE | DESCRIPTION OF INVESTMENT STRATEGY OR METHOD OF ANALYSIS | MATERIAL RISKS |
|----------------------------------|---|---|
| (1) Services to retirement plans | VFA's investment selection process is based on a combination of quantitative and qualitative analysis. The quantitative analysis looks at risk-based returns of the funds versus comparable peers and benchmarks and style consistency. Qualitative analysis looks at fund managers, adherence to investment process, regulatory/compliance issues and risk control process. This allows us to quantitatively rank funds based on peer groups and performance. | It is important to note that investments in securities (e.g., mutual funds) involve risk and will not always be profitable. VFA does not guarantee that the results of its advice will always be profitable. An investment made in a security may differ substantially from its historical performance. Past performance is no guarantee of future results. |

| | | |
|---------------------------------------|---|---|
| (2) Managed Investment Program | Envestnet provides asset allocation models and investment advice. | It is important to note that investments in securities (e.g., mutual funds) involve risk and will not always be profitable. Envestnet does not guarantee that the results of its advice will always be profitable. An investment made in a security may differ substantially from its historical performance. Past performance is no guarantee of future results. |
| (3) Guided Portfolio Services Program | Ibbotson Associates provides wealth forecasts, contribution rate and retirement age recommendations, asset allocation models and investment advice. | It is important to note that investments in securities (e.g., mutual funds) involve risk and will not always be profitable. Ibbotson Associates does not guarantee that the results of its advice will always be profitable. An investment made in a security may differ substantially from its historical performance. Past performance is no guarantee of future results. |
| (4) Guided Portfolio Advantage | Ibbotson Associates provides asset allocation models and investment advice. | It is important to note that investments in securities (e.g., mutual funds) involve risk and will not always be profitable. Ibbotson Associates does not guarantee that the results of its advice will always be profitable. An investment made in a security may differ substantially from its historical performance. Past performance is no guarantee of future results. |

Item 9 - Disciplinary Information

Regarding NASD Rules 2110, 2830(K), 3010 and 3070, FINRA alleged that VFA violated the directed brokerage provisions by accepting directed brokerage commissions in exchange for providing a mutual

fund company with preferred access to its sales force. The findings stated that VFA failed to report, or to timely report, disclosure events pursuant to NASD Rule 3070. The findings also stated that the firm failed to establish, maintain and enforce a system and procedures reasonably designed to achieve compliance with Federal securities laws and NASD Rule 3070 reporting requirements. Without admitting or denying the findings, VFA consented to the described sanctions and to the entry of findings and was censured and fined \$250,000. This matter was resolved October 2007.

Item 10 - Other Financial Industry Activities and Affiliations

VFA is registered with the SEC, FINRA and various state securities commissions as a general securities broker/dealer. In this capacity, VFA is involved in the sale of various types of securities, including, but not limited to, stocks, bonds, variable investment products and mutual funds. VFA, its principals and related persons of VFA spend approximately 75% of their time selling and managing the securities business and 25% of their time providing investment advice.

VFA, in its capacity as a broker/dealer, and our registered representatives, may be compensated by fees or commissions. Our investment advisor representatives in their capacity as registered representatives of VFA may recommend our broker/dealer services to clients who have or are utilizing VFA's advisory services. Clients are under no obligation to purchase or sell securities through VFA. However, if they choose to do so, commissions may be higher or lower than commission rates found at other broker/dealers.

Compensation for VFA investment adviser representatives connected with the Managed Investment Program, Guided Portfolio Advantage and Guided Portfolio Services Program is based on fees charged for the investment advisory services and possible 12b-1 fees paid by the underlying mutual fund. Our investment adviser representatives, as registered representatives of a securities broker/dealer, are authorized to offer and sell variable annuity products issued by VALIC, affiliated insurance companies, and non-affiliated insurance companies. Our registered representatives are also authorized to offer and sell mutual funds, insurance products and certain general securities through our firm. Our investment adviser representatives that provide individuals investment advisory services are licensed as an insurance agent, registered representative of a securities broker-dealer and as an associated person of a registered investment adviser. These licenses and registration enable our registered representative to offer and sell securities, including mutual funds and insurance products, and advisory products.

VFA is affiliated with VALIC, a registered investment adviser and indirect, wholly-owned subsidiary of SAFG, a wholly-owned subsidiary of AIG. VALIC is primarily engaged in the offering and issuance of fixed and variable retirement annuity contracts and combinations thereof and is licensed to issue annuities in fifty states and the District of Columbia. American General Distributors, Inc. ("AGDI") is an indirect subsidiary of SAFG and an affiliate of VFA. In its capacity as a registered broker/dealer, AGDI acts as principal underwriter for the offer, sales and distribution of VALIC Company I and VALIC Company II mutual funds and variable annuity contracts issued by VALIC and its affiliates.

SunAmerica Asset Management Corp. ("SAAMCo"), a registered investment adviser and an affiliate of VALIC, serves as an administrator to registered investment companies advised by VALIC and serves as investment sub-adviser to certain investment company portfolios advised by VALIC. AIG Federal

Savings Bank ("AIGFSB"), an affiliate of VALIC, acts as custodian for group mutual fund accounts.

VFA has retained the services of Envestnet in offering the VFA Managed Investment Program, a fee-based program. Envestnet is a registered investment adviser and technology firm that designs, operates and delivers investment programs that VFA utilizes to offer its fee-based program.

VFA has retained the services of VALIC in offering a Comprehensive Financial Planning Program. VALIC Acumen is owned by VALIC and provides financial planning software that VFA utilizes to offer its financial planning program.

VFA has retained the services of Ibbotson Associates as an independent financial expert for the Guided Portfolio Services Program and Guided Portfolio Advantage. Ibbotson Associates is a registered investment advisor and utilizes programs and technology to provide asset management services, portfolio monitoring and investment advice.

The following VFA management persons are registered with FINRA as registered representatives of VFA: Kurt W. Bernlohr; Craig Cheyne; Shawn Duffy; David H. den Boer; David L. Harrison; Stephen M. Hughes; Thomas G. Norwood; and Krien VerBerkmoes, III. Messrs. den Boer, Norwood and VerBerkmoes are also registered representatives of AGDI. Messrs. Bernlohr and VerBerkmoes are also investment adviser representatives of VFA.

Messrs. Bernlohr, Harrison, Norwood, VerBerkmoes and John Packs are members of the Firm's Investment Group. The Investment Group meets quarterly to review investment performance and funds offered. From time to time, the Investment Group may make recommendations with respect to the addition or deletion of certain funds with respect to our advisory products and services. Messrs. Bernlohr, Norwood, Packs and VerBerkmoes are officers and/or directors of certain affiliates of VFA, as noted in the following chart:

| Company:* | General Nature of Company's Business: | Positions held in the Company by members of VFA's Investment Group: |
|--|---|--|
| American General Distributors, Inc. ("AGDI") | Broker/dealer; exclusive distributor and principal underwriter of VALIC and Western National Life Insurance Company* annuity products, and VCI and VCII mutual funds. | Officer: Messrs. Bernlohr, Norwood and VerBerkmoes Director: Mr. Bernlohr |
| American General Insurance Agency, Inc. ("AGIA") | Insurance agency | Officer: Messrs. Bernlohr, Norwood and VerBerkmoes Director: Messrs. Bernlohr and Norwood |

| | | |
|---|--|---|
| SunAmerica Asset Management Corp. ("SAAMCo") | Mutual fund and asset management business | Officer: Mr. Packs |
| The Variable Annuity Life Insurance Company ("VALIC") | Group variable annuities business; SEC-registered investment adviser to VCI and VCII mutual funds. | Officer: Messrs. Bernlohr, Norwood, Packs and VerBerkmoes |
| VALIC Company I and VALIC Company II ("VCI and VCII") | Each company is an SEC-registered open-end, management investment company. | Officer: Messrs. Bernlohr and Packs |
| VALIC Retirement Services Company ("VRSCO") | SEC-registered transfer agent for group mutual fund business | Officer: Messrs. Bernlohr and Packs Director: Mr. Bernlohr |
| * These companies are affiliates, which means that they are related by common ownership or control. | | |

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

VFA has adopted a Code of Ethics ("Code"), the full text of which is available to clients and prospective clients upon request by contacting us at (877) 737-2650.

VFA has a fiduciary duty to act solely for the benefit of investment clients. The Code requires honest and ethical conduct by all our supervised persons, compliance with applicable laws and governmental rules and regulations, the prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code, and accountability for adherence to the Code. Our aim is to be as reasonable as possible with respect to internal procedures, while simultaneously protecting the organization and its clients from damage that could arise from a situation involving a real or apparent conflict of interest. While it is not possible to identify all possible situations in which conflicts might arise, this Code is designed to set forth our policy regarding the conduct of our supervised persons in those situations in which conflicts are most likely to develop.

All of our associated persons are expected to adhere strictly to these guidelines. They are also expected to follow procedures for reporting of any violations as established in the Code.

In our capacity as a broker/dealer, we provide to our clients a variety of products and services for which we are compensated. To the extent that an advisory client chooses to utilize our services as a broker/dealer, VFA and our associated persons may earn compensation in the form of brokerage commissions in addition to advisory fees.

Our associated persons may recommend to you the purchase or sale of investment products in which we or a related entity may have some financial interest, including, but not limited to, the receipt of compensation.

Records will be maintained of all securities bought or sold by our associated persons or related entities. Such records will be available for client inspection upon request.

To the extent permitted by applicable law and the investment objectives, policies and restrictions, if any, applicable to client accounts, we may recommend that an investment be made in one or several registered investment companies for which an investment advisory affiliate acts as investment adviser or sub-adviser. In certain instances, in accordance with applicable law, we will waive its fee with respect to the portion of client assets so invested.

For access and advisory persons, our written supervisory procedures require prior clearance and periodic reports on all personal securities transactions, except transactions in investment company securities and/or other exempt transactions. Further, such written supervisory procedures impose certain policies and procedures concerning the use of material, non-public information that are designed to prevent insider trading by any officer or associated person of VFA.

Item 12 - Brokerage Practices

In placing orders for securities transactions, it is our policy to seek the best execution for your accounts. Best execution will be based on a combination of the commission rates or net price and prompt, reliable execution. When selecting a broker/dealer, we consider, among other things, its execution capabilities, including large order positioning, financial stability, ability to maintain confidentiality, delivery capability and ability to obtain best price. VFA seeks to negotiate commission rates on brokerage transactions. Generally, negotiations take into account the difficulty involved in execution, the time taken to conclude the transaction, the extent of the broker's commitment, if any, of its own capital and amount involved in execution. VFA may compare the commission discount that an executing broker offers to the discount offered by other brokerage firms that could provide similar services. In addition, brokers may be paid an above-average commission for superior or difficult execution. Generally, with respect to financial planning activities, all securities transactions are effected through VFA in its capacity as a registered broker/dealer.

(1) Research and Other Soft Dollar Benefits:

VFA does not receive benefits for research or other products or services, commonly referred to as "soft dollar benefits."

(2) Brokerage for Client Referrals:

VFA does not have a program of selecting or recommending broker/dealers based on the receipt of client referrals.

(3) Directed Brokerage:

VFA does not engage in this practice.

Item 13 - Review of Accounts

1) Services to retirement plans: Individual funds are monitored on a quarterly basis and undergo due diligence using a four-factor analysis approach. The four-factor analysis approach allows our in-house fund analysts to accurately and efficiently select and monitor funds that strike a balance between good, consistent past performance, acceptable expenses, and consistent management style, according to the fund's investment objective.

(2) Managed Investment Program:

Account Management

Managed Investor Account, Index Plus Managed Investor Account, Managed Investor Account: ActivePassive Portfolio, Managed Investor Account Retirement Income, and Managed Investor Account - California Residents: Envestnet will monitor your account on an ongoing basis and will rebalance your account periodically. The Firm relies on Envestnet to ensure the tools and analyses are operating properly and that the analyses continue to meet the criteria specified by the Firm and your responses in the Client Profile Questionnaire.

Personal Managed Investor Account: Your Investment Adviser Representative will be responsible for ongoing management and review of your account. Your Investment Adviser Representative will monitor your account periodically to determine if your assets should be reallocated to reflect changes in your account, your personal or financial circumstances, or the financial markets.

Utilizing software available to the Firm, your Investment Adviser Representative will be able to access your program account at any time to:

- Analyze your current asset allocation and rebalance your investments, as appropriate;
- Review the performance of your current investments; and
- Evaluate the expenses that you are paying on your investments.

Your Investment Adviser Representative will review your portfolio periodically to ensure that your investments continue to be consistent with the asset allocation mix you selected.

Selected Manager Investor Account: The separate account manager will manage your account on an ongoing basis and may include reasonable portfolio restrictions. The Firm relies on Envestnet to ensure the tools and analyses are operating properly and that the analyses continue to meet the criteria specified by the Firm and your responses in the Client Profile Questionnaire.

Integrated Managed Investor Account

- **Ongoing Management** - The research team will monitor each model portfolio on an ongoing basis and make any changes or rebalance the portfolio asset allocations and or investment selection. Envestnet will monitor your account on an ongoing basis and will rebalance your account periodically. The firm relies on Envestnet to ensure the tools and analyses are operating properly and that the analyses continue to meet the criteria specified by the Firm and your

responses in the Client Profile Questionnaire.

- **Overlay Management** - With the multiple investment vehicles and Separate Account Managers an overlay manager is utilized to monitor and coordinate the recommendations and trading activities. The overlay manager actively manages the portfolio for proper asset allocation and maximizes client tax benefits. Use of an overlay manager adds value by delivering operating efficiencies and coordinating all trading activity and investment decisions. Other overlay manager activities include: Tax loss harvesting, managing wash sales, monitoring short and long-term gains, managing cash flow activities, rebalancing the portfolio, and accommodating portfolio restrictions. The overlay manager's focus is on implementing custom investment solutions for each individual client based on unique requirements.

(3) Guided Portfolio Services Program

With respect to the Guided Portfolio Services Program, for each calendar quarter, the Portfolio Manager investor profile information that was used to generate your wealth forecasts and investment advice, and perform asset management, is sent to you for review. Furthermore, in the quarter prior to the automatic annual update to your Portfolio Manager wealth forecast and investment advice, we will attempt to contact you to determine if there are any updates to your investor profile information.

When advice is generated for the account(s) you have managed under the Portfolio Manager program, the account(s) will be reviewed to determine whether transactions are required to allocate your assets per the target allocations of the model portfolio to which your account is being managed. Similarly, the accounts you have managed under the Portfolio Manager program will be reviewed once per quarter and rebalanced as necessary to bring the allocations back in line with the target allocations of the model portfolio.

(4) Guided Portfolio Advantage

As frequently as monthly, Ibbotson Associates analyzes the performance trends of all the asset classes included in their model portfolios. When updates to the model portfolios are implemented, the investment allocations of accounts managed by GP Advantage are reviewed and reallocated to the new targets as necessary.

The table below describes the content and the frequency of regular written reports provided to clients regarding their accounts.

| SERVICE | DESCRIPTION OF CONTENT AND THE FREQUENCY OF REGULAR WRITTEN REPORTS PROVIDED TO CLIENTS |
|------------------------------|--|
| Services to Retirement Plans | Quarterly performance statements are provided by VRSCO. |

| | |
|-----------------------------------|--|
| Managed Investment Program | Clients receive quarterly performance statements from Envestnet showing positions, activities and contributions made during the quarter. Also, our quarterly brokerage statements are provided to you by National Financial Services LLC. |
| Guided Portfolio Service Program: | |
| Portfolio Advisor | None. This program offers web-based advice enabling an individual to make investment decisions. |
| Portfolio Manager | <p>In addition to the regular VALIC quarterly statement that shows transactions for the prior quarter, fees imposed during that prior quarter, and current asset allocation, clients participating in the Portfolio Manager program will also receive a Quarterly Advice Statement and Investment Policy Statement that are described below.</p> <p>Quarterly Advice Statement (“QAS”): This is a reminder of your most recent wealth forecast, recommendations, and the investment advice to which your assets are being managed. It is also a reminder of the Client Profile and your VALIC annuity account balance information that was used to generate the most recent advice, and it shows the fees for the calendar quarter just ended. You will usually get the QAS during the month following calendar quarter end. You will receive a QAS for each plan that you have managed under Portfolio Manager as of the calendar quarter that just ended.</p> <p>Investment Policy Statement “(IPS”): Any time your advice is regenerated – whether as part of the automatic annual regeneration, or as requested by you – a new IPS will be generated to reflect the wealth forecast, recommendations, and investment advice to which your assets will be managed. The IPS will also show the Client Profile information and your VALIC annuity account balances that were used as inputs for generating this advice.</p> |

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|----------------------------|--|
| Guided Portfolio Advantage | <p>GP Advantage clients receive a quarterly VALIC account statement that shows details about their PD Advantage account(s), including transactions for the prior quarter, fees imposed during that prior quarter, and current asset allocation. For any account being managed by GP Advantage as of calendar quarter end, the VALIC quarterly statement will also show you which model portfolio those assets were being managed to at that time.</p> <p>You will periodically receive VALIC confirms that show the transactions and the model portfolio asset allocation targets associated with the account(s) that are being managed by GP Advantage.</p> |
|----------------------------|--|

Item 14 – Client Referrals and Other Compensation

From time to time, VFA may implement programs under which the VFA's representatives may be eligible to win nominal awards for certain sales efforts such as, but not limited to, the establishment of new accounts or additional assets under management. These programs will not change the fees the client pays for advisory services or the amounts that may be invested in any products the client may purchase.

Item 15 - Custody

(1) Managed Investment Program

Transactions within your Managed Investment Program account will be executed through your brokerage account with VFA. Transactions for brokerage accounts with VFA are cleared through National Financial Services LLC. National Financial Services LLC also provides custodial services for assets in advisory accounts. VFA itself will not take custody of your advisory account assets. All dividends and other distributions from your account assets will be managed in accordance with the instructions you provide on the New Account Form.

We will furnish you a quarterly written report that itemizes the activity in your program account during the preceding quarter, the current asset allocation, and the market value of the account. The report will also provide market commentary; a breakdown of investments within each asset class; and an account summary that includes the beginning balance, end-of-quarter balance, and year-to-date values.

Investment account assets will be valued based on the net asset values of the mutual funds and the market value or net asset value, as appropriate, of other investments in which your account assets are invested.

National Financial Services LLC will mail you trade confirmations and quarterly account statements for your program account investments. You will also receive all statements and forms required to be provided to you for tax reporting purposes.

VFA urges you to carefully review such statements and compare such official custodial records to the

account statements that we provide to you. Our statements may vary from custodial statements based on reporting dates.

(2) Guided Portfolio Services and Guided Portfolio Advantage

GPS transactions within your Portfolio Director account(s) and GP Advantage transactions within your Portfolio Director Advantage account(s), will be executed through your variable annuity account(s) with VALIC. VALIC also provides custodial services for assets in this account.

VALIC will mail you trade confirmations and quarterly account statements that itemizes the activity in your variable annuity account during the preceding quarter, the current asset allocation, and the market value of the account.

GPS transactions within your group mutual fund account will be executed through your account that is held by VRSCO. AIGFSB is the custodian for these accounts. You will receive a quarterly account statement that itemizes the activity in your program account during the preceding quarter, the current asset allocation, and the market value of the account.

VFA urges you to carefully review these statements and to contact us if you have any questions or concerns.

Item 16 - Investment Discretion

VFA, when given discretion by the client, may buy or sell securities based on the client's preferences, risk tolerances, goals and, if applicable, previously purchased investments transferred to the account.

The following is a description of limitations clients may place on this authority: For GPS, upon review of your IPS, if you are uncomfortable with the GPS portfolio assignment, you may also contact the Asset Management Center at (800) 448-2542 to make any necessary changes, including the imposition of limitations on the range of model portfolio (a subset from within "Very Conservative" to "Very Aggressive") that can be used when the program determines your portfolio assignment.

The following is a description of the procedures we follow before we assume this authority:

- Managed Investment Program - you must provide a signed Statement of Investment Selection before we can begin any discretionary trading in your account.
- Guided Portfolio Services-Portfolio Manager Program - you must provide a signed investment advisory agreement before we can begin any discretionary trading in your account.
- Guided Portfolio Advantage - you must provide a signed investment advisory agreement before we can begin any discretionary trading in your account.

Item 17 - Voting Client Securities

We do not receive proxies for securities held in your accounts. It is our policy that we do not vote, nor give any advice how to vote proxies for securities held in your accounts. Proxies for securities held in

your accounts will be sent to you by the issuer's proxy mailing service. With respect to the Selected Manager Investor Account, under certain Separate Account Programs, however, you designate the Separate Account Manager to vote proxies on your behalf. In the Integrated Managed Investor Accounts you do not vote proxies but the investment manager, Envestnet, controls the voting of the proxies on your behalf.

You may obtain a copy of VFA's proxy voting policies and procedures upon request by contacting us at 866-544-4968. Clients may also contact VFA with questions about a particular solicitation at this same telephone number.

Item 18 - Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about VFA's financial condition. VFA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.