

**VALIC Financial Advisors, Inc.**

**WRAP FEE PROGRAM BROCHURE**

Part 2A Appendix 1 of Form ADV

**VFA Managed Investment Program**

**2929 Allen Parkway, L7-20, Houston, TX 77019  
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**March 31, 2021**

**This wrap fee program 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 telephone number 866-544-4968. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**VFA is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training. Additional information about VFA also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Our brochure may be requested by contacting VFA at 866-544-4968 or it is also available free of charge at our website at [www.aigrs.com/prospectus-and-reports/vfa-form-adv-materials](http://www.aigrs.com/prospectus-and-reports/vfa-form-adv-materials).**

## **Item 2 — Material Changes**

The following material changes have been made to VALIC Financial Advisors, Inc.'s ("VFA" or the "Firm") Wrap Fee Program Brochure ("Wrap Brochure"), which describes the Managed Investment Program ("MIP"), since its last annual update on March 30, 2020.

- Effective on or about May 1, 2021, the CLS Investments Managed Investor Account CLS Smart ETF Portfolios and the CLS Investments Managed Investor Account CLS Focused Strategies Portfolios (the "CLS Portfolios") will be closed to new accounts and additional investments to the CLS Portfolios will not be permitted. More information about these closures and other available investment options are provided in this Brochure.
- Effective on or about May 1, 2021, the Envestnet PMC Integrated Managed Investor Account Portfolios will be closed to new accounts. Existing accounts established on or before May 1, 2021 may continue to make additional investments.
- The Firm also added four new available MIP Portfolios: The Managed Investor Account BlackRock Target Allocation ETF Portfolios, the Managed Investor Account BlackRock Target Allocation ESG Portfolios, the Managed Investor Account American Funds Active Income Portfolios, and the Managed Investor Account Vanguard ETF Strategic Model Portfolios.
- The Firm updated Item 4 with regard to the Program Fee schedule.
- The Firm updated Item 9 to include information regarding a Letter of Acceptance, Waiver and Consent ("AWC") completed with FINRA on January 8, 2021. VFA submitted the AWC without admitting or denying the findings therein. The AWC found that VFA violated certain FINRA rules by failing to establish a reasonably designed system and written supervisory procedures for the surveillance of rates of variable annuity ("VA") exchanges and for corrective action in the case of inappropriate exchanges. The AWC also found that VFA failed to establish a reasonably designed system and supervisory procedures for the review of transactions where a registered representative recommended that a customer invest additional funds into an existing VA. Finally, the AWC found that VFA failed to timely report statistical and summary information for certain written customer complaints received by the firm. As part of the settlement, VFA agreed to pay a fine of \$350,000.
- The Firm updated Item 9 to include information regarding two orders issued by the SEC on July 28, 2020. VFA consented to the entry of both orders without admitting or denying the findings therein.
  - In the first order, the SEC found that VFA violated certain provisions of the Investment Advisers Act of 1940 ("Advisers Act") by failing to disclose to certain Florida teachers who were potential and actual clients that VFA's parent company made payments and provided other financial benefits to a company owned by Florida K-12 teachers' unions, for client referrals. As part of the settlement, VFA agreed to pay a \$20 million penalty and to comply with certain undertakings.
  - In the second order, the SEC found that VFA violated certain provisions of the Advisers Act in connection with certain mutual fund and mutual fund share class selection practices. These practices included conflicts of interest associated with VFA's receipt of 12b-1 fees, receipt of revenue sharing, and avoidance of transaction fees, without appropriate disclosure. As part of the settlement, VFA agreed to pay disgorgement of \$13.2 million, prejudgment interest of \$2.2 million, and a civil monetary penalty of \$4.5 million, as well as to comply with certain undertakings.
- The Firm revised Item 9 to disclose that employees may solicit, refer, or market to clients the advisory programs of certain Third-Party Advisors, as described in this Wrap Brochure.

You may obtain copies of this Wrap Brochure and VFA's Firm Brochure by calling 866-544-4968 or accessing our website at [www.aigrs.com/prospectus-and-reports/vfa-form-adv-materials](http://www.aigrs.com/prospectus-and-reports/vfa-form-adv-materials).

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## **Item 4 - Services, Fees and Compensation**

### **The Firm**

The Firm is registered with the SEC as an investment adviser. As an investment adviser, VFA provides to its clients the investment advisory products and services described in this Wrap Brochure, and certain other advisory programs described in other Firm brochures. The Firm offers its investment advisory services through its investment adviser representatives (“IARs”) located throughout the United States. The Firm is also registered with the SEC as a broker-dealer and is a member firm of FINRA. As a broker-dealer, the Firm separately makes available securities such as stocks and bonds, mutual funds, exchange-traded funds (“ETFs”), variable annuity and variable life insurance products, and municipal securities. Broker-dealer services are not covered by this Wrap Brochure, are not part of our advisory relationship with you, and are not subject to regulation under the Investment Advisers Act of 1940. All IARs are also engaged in the Firm’s brokerage business and are registered with the Firm as registered representatives.

VFA was incorporated in Texas in 1996 and is headquartered in Houston, Texas with additional branches throughout the United States. VFA is a wholly owned subsidiary of The Variable Annuity Life Insurance Company (“VALIC”), doing business under the AIG Retirement Services, Inc. brand name, an indirect wholly owned subsidiary of American International Group, Inc. (“AIG”). As of December 31, 2020, VFA managed approximately \$23 billion on a discretionary basis.

This Wrap Brochure describes the services, fees and other necessary information you should consider prior to enrolling in the MIP program. The Firm also offers two other wrap fee programs: The Guided Portfolio Services (“GPS”) Program and Guided Portfolio Advantage (“GPA”) Program. You can obtain a wrap fee program brochure for these other two programs free of charge at [www.aigrs.com/prospectus-and-reports/vfa-form-adv-materials](http://www.aigrs.com/prospectus-and-reports/vfa-form-adv-materials) or by contacting us at 866-544-4968. For a description of the other services offered by VFA, please refer to the Firm’s Form ADV Part 2A Firm Brochure (“Firm Brochure”).

### **MIP**

MIP is an asset management program offered by the Firm. The Firm has contracted with Envestnet Asset Management, Inc. (“Envestnet”), a provider of wealth management software and services (and which is not affiliated with the Firm), to provide the operational and system support for MIP.

The Firm has selected third party investment managers, or “Strategists,” to provide services in MIP and that are responsible for the design and management of the MIP portfolio models described below. The Strategists include: BlackRock Investment Management (“BlackRock”); CLS Investments, LLC (“CLS Investments”); Envestnet PMC, a division of Envestnet Portfolio Solutions, Inc. (“Envestnet PMC”); Russell Investment Management, LLC (“Russell Investments”), and; The Vanguard Group (“Vanguard”). Envestnet PMC is an indirect, wholly owned subsidiary of Envestnet. The Strategists are responsible for the following MIP portfolio models:

#### **BlackRock**

- Managed Investor Account BlackRock Target Allocation ETF Portfolios
- Managed Investor Account BlackRock Target Allocation ESG Portfolios

#### **CLS Investments**

- Managed Investor Account CLS Smart ETF Portfolios
- Managed Investor Account CLS Focused Strategies Portfolios

*Note: The CLS Portfolios will not be offered after May 1, 2021 and investments will no longer be permitted.*

#### **Envestnet PMC**

- Managed Investor Account Portfolios
- Index Plus Managed Investor Account Portfolios
- Managed Investor Account ActivePassive® Portfolios
- Managed Investor Account AIG Plus Portfolios
- Managed Investor Account PMC Active Core Portfolios
- Managed Investor Account PMC Active Income Portfolios
- Managed Investor Account PMC ActivePassive Portfolios
- Managed Investor Account Retirement Income Portfolios
- Integrated Managed Investor Account Portfolios (*these portfolios will be no longer be offered after May 1, 2021 but will continue to accept additional investments*)
- Managed Investor Account California Residents Portfolios
- Managed Investor Account PMC Passive Foundation Portfolios

- Managed Investor Account PMC Impact Foundation Portfolios
- Selected Manager Investor Account Portfolios

### **Russell Investments**

- Managed Investor Account Russell Portfolios

### **Vanguard**

- Managed Investor Account Vanguard ETF Strategic Model Portfolios

VFA and Envestnet are jointly responsible for the ongoing management of your MIP account and the Strategists create and maintain their respective MIP portfolios as further described below. In connection with this arrangement, your IAR will provide assistance in determining your asset allocation and the selection of your MIP portfolio option(s) (described below). Your asset allocation will be based upon your responses within an investor profile questionnaire (the “Client Profile Questionnaire”), which includes factors such as risk tolerance, goals, investments objectives and time horizon. Your portfolio will be assigned an asset allocation ranging from Very Conservative to Very Aggressive with several allocations in between.

After completing the Client Profile Questionnaire, your IAR will help you complete an additional questionnaire designed to determine your investment focus, which may include traditional asset allocation, cost sensitivity, and socially and environmentally responsible investing, among others. Note that, if your IAR recommends the Selected Managed Investor Account Portfolio, described below, you will not complete the second questionnaire. Based on your responses in the second questionnaire, your IAR will recommend one or more MIP portfolios that best meet your needs based on the information you have provided. Your IAR will present the proposed allocation to one or more MIP Portfolios, which incorporates your responses to the Client Profile Questionnaire, for your review and approval. Once you approve the proposal it will be implemented. Envestnet will monitor your account for conformance to the allocation and will rebalance your account periodically to maintain the asset allocation. As your needs change or market conditions warrant, you have the flexibility to revisit your investor profile and complete a new Client Profile Questionnaire to determine whether you are appropriately invested.

The MIP program currently offers nineteen (19) different portfolios (however, effective on or about May 1, 2021 the two CLS Portfolios will no longer be offered, and the Envestnet Portfolios noted below will be closed to new accounts). Minimum account balances for the model portfolios are noted in the descriptions below; where applicable the annual minimum account balance fee is also noted (see also description of *Minimum MIP Account Fee* elsewhere in this Brochure).

- (1) ***Managed Investor Account PMC Passive Foundation Portfolios*** (“MIA Passive Foundation Portfolios”) – Initial minimum account balance is \$5,000. The portfolios are focused on low-cost investing using passively-managed index mutual funds. Envestnet will assess an annual minimum account fee of \$20 (see description of *Minimum MIP Account Fee* on elsewhere in this Brochure).
- (2) ***Managed Investor Account PMC Impact Foundation Portfolios*** (“MIA Impact Foundation Portfolios”) – Initial minimum account balance is \$5,000. The portfolios consist of mutual funds and is designed for investors with environmental, social and governance (“ESG”) priorities. Envestnet may assess an annual minimum account fee of \$20 (see description of *Minimum MIP Account Fee* elsewhere in this Brochure).
- (3) ***Managed Investor Account AIG Plus Portfolios*** (“MIA AIG Plus Portfolios”) – Initial minimum account balance is \$10,000. The portfolios consist of AIG mutual fund(s) (“AIG Funds”) managed by SunAmerica Asset Management, LLC (“SAAMCo”), a registered investment adviser for AIG Funds and an affiliate of the Firm, as well as other unaffiliated mutual funds. In mid-2021, the AIG Funds managed by SAAMCo included in the MIA AIG Plus Portfolios will be merged into existing Touchstone Investments mutual funds, merged into newly created Touchstone Investment mutual funds, or will be wound down and liquidated.
- (4) ***Managed Investor Account PMC Active Core Portfolios*** (“MIA American Funds Active Core Portfolios”) – Initial minimum account balance is \$10,000. These portfolios emphasize American Funds and can include mutual funds from other fund families.
- (5) ***Managed Investor Account PMC Active Income Portfolios*** (“MIA American Funds Active Income Portfolios”) – Initial minimum account balance is \$10,000. These portfolios emphasize American Funds and can include mutual funds from other fund families.

- (6) **Managed Investor Account BlackRock Target Allocation ETF Portfolios** (“MIA BlackRock Target Allocation ETF Portfolios”) – Initial minimum account balance is \$10,000. The portfolios consist of investments exclusively in iShares ETFs, which are managed by a Blackrock affiliate, BlackRock Fund Advisers (“BFA”). Envestnet may assess an annual minimum account fee of \$50 (see description of *Minimum MIP Account Fee* elsewhere in this Brochure).
- (7) **Managed Investor Account Vanguard ETF Strategic Model Portfolios** (“MIA Vanguard Portfolios”) – Initial minimum account balance is \$10,000. The MIA Vanguard Portfolio is comprised exclusively of Vanguard ETFs designed to offer broadly diversified, low-cost index exposure. Envestnet may assess an annual minimum account fee of \$50 (see description of *Minimum MIP Account Fee* elsewhere in this Brochure).
- (8) **Managed Investor Account PMC ActivePassive Portfolios** (“MIA Franklin Templeton ActivePassive Portfolios”) – Initial minimum account balance is \$10,000. These portfolios emphasize Franklin Templeton Funds and can include mutual funds from other fund families.
- (9) **Managed Investor Account Russell Portfolios** (“MIA Russell Portfolios”) – Initial minimum account balance is \$25,000. The portfolios consist exclusively of mutual funds advised by Russell Investments. Envestnet may assess an annual minimum account fee of \$50 (see description of *Minimum MIP Account Fee* elsewhere in this Brochure).
- (10) **Managed Investor Account BlackRock Target Allocation ESG Portfolios** (“MIA BlackRock Target Allocation ESG Portfolios”) – Initial minimum account balance is \$25,000. The portfolios consist of investments exclusively in ESG-focused iShares ETFs which are managed by BFA. MIA BlackRock Target Allocation ESG Portfolio invests in ESG (or Environmental Social and Governance) focused ETFs, which means investments are based on the sustainability and ethical impact of an investment in a business or company. Accordingly, the portfolios intend to screen out, and may forego potentially profitable investment opportunities in, particular companies and industries pursuant to criteria established by BlackRock. There is no guarantee that this ESG objective will be achieved, and such assessment is at BlackRock’s discretion. Envestnet may assess an annual minimum account fee of \$50 (see description of *Minimum MIP Account Fee* elsewhere in this Brochure).
- (11) **Managed Investor Account ActivePassive® Portfolios** (“MIA ActivePassive Portfolios”) – Initial minimum account balance is \$25,000. The portfolios consist of actively-managed mutual funds primarily within the PMC Fund family and passively-managed mutual funds managed by unaffiliated third parties. The actively-managed funds are managed by Envestnet Asset Management, Inc., an affiliate of Envestnet and Envestnet PMC.
- (12) **Managed Investor Account Portfolios** (“MIA Portfolios”) – Initial minimum account balance is \$50,000. The MIA Portfolio Strategist is Envestnet PMC. The portfolios consist of actively-managed mutual funds.
- (13) **Index Plus Managed Investor Account Portfolios** (“Index Plus MIA Portfolios”) – Initial minimum account balance is \$50,000. While similar to the MIA Portfolio, these portfolios consist of a combination of actively-managed mutual funds and passively-managed index mutual funds that are substituted for actively-managed funds in certain asset classes.

- (14) **Managed Investor Account CLS Smart ETF Portfolios** (“MIA CLS Smart ETF Portfolios”) – Initial minimum account balance is \$50,000. The portfolios consist primarily of ETFs. The ETFs utilized within these portfolios are limited to certain ETF providers determined by CLS Investments that pay CLS Investments a platform fee in exchange for inclusion in the portfolios; VFA does not receive any part of this fee. There is a potential conflict for CLS Investments because the ETFs utilized by CLS Investments in the portfolios are limited to the providers that pay CLS a platform fee. The fees received by CLS Investments vary based upon the ETFs utilized. Additionally, each ETF provider may expect that a portion of the total assets in the model portfolios be allocated to their ETFs. These payments incentivize CLS Investments to include certain ETFs in its models, and further to allocate assets to those ETFs whose sponsors pay CLS a higher platform fee than paid by other sponsors. To mitigate the conflicts, CLS Investments selects funds from the ETF providers that participate in the program based on their investment objectives and CLS’ risk budgeting methodology and not based on any other factor. CLS Investments employs policies and procedures to mitigate the conflicts. More information is provided in CLS Investments’ Form ADV Part 2A brochure. The CLS Investments portfolio management team seeks to manage risk in the portfolio by employing a “risk budget” that corresponds to the volatility level associated with the investments held in the Portfolio. CLS Investments adjusts portfolio allocation as market conditions change to maintain a constant risk level. Envestnet may assess an annual minimum account fee of \$50 (see description of *Minimum MIP Account Fee* elsewhere in this Brochure). Effective on or about May 1, 2021, these portfolios will no longer be offered and existing accounts will not be able to make additional investments.
- (15) **Managed Investor Account CLS Focused Strategies Portfolios** (“MIA CLS Focused Strategies Portfolios”) – Initial minimum account balance is \$50,000. The portfolios consist primarily of ETFs. The portfolio management team employs an active allocation approach using ETFs to manage specific investment objects or themes, including but not limited to commodities/natural resource companies, international sectors, macro-investment themes, or market protection strategies. CLS Investments builds portfolios of ETFs that seeks to achieve the investment objective of the MIA CLS Focused Strategies Portfolio. Envestnet may assess an annual minimum account fee of \$50 (see description of *Minimum MIP Account Fee* elsewhere in this Brochure). Effective on or about May 1, 2021, these Portfolios will no longer be offered, and existing accounts will not be able to make additional investments.
- (16) **Managed Investor Account Retirement Income Portfolios** (“MIA Retirement Income Portfolios”) – Initial minimum account balance is \$50,000. The portfolios consist of mutual funds and are designed to address the income needs of investors with portfolios structured for yield in addition to total return, designed for clients in the distribution phase of the retirement life cycle.
- (17) **Managed Investor Account California Residents Portfolios** (“MIA California Residents Portfolios”) – Initial minimum account balance is \$50,000. The portfolios consist of mutual funds and are designed for tax-sensitive California residents.
- (18) **Selected Manager Investor Account Portfolios** (“Selected MIA Portfolios”) – Initial minimum account balance starts at \$100,000; some Envestnet separately managed account manager minimums may be higher than \$100,000. The Selected MIA Portfolio offers management by institutional investment managers, called separate account managers, who will manage the MIP account. These portfolios allow advisory clients a higher level of specialization and service through ownership of individual securities. Based on your responses to the Client Profile Questionnaire, your IAR will recommend a separate account manager from a list of managers for which Envestnet PMC has conducted on-boarding due diligence and approved. The list of separate account managers available within the Selected MIA Portfolio is maintained and reviewed periodically by Envestnet PMC. Envestnet PMC uses an “Approved-Qualitative” due diligence process for all managers available within the program; more information on Envestnet PMC’s due diligence process is available in Envestnet Asset Management, Inc.’s Part 2A Brochure available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Envestnet may assess an annual minimum account fee of \$100 (see description of *Minimum MIP Account Fee* elsewhere in this Brochure).

- (19) **Integrated Managed Investor Account Portfolios** (“Integrated MIA Portfolios”) – Initial minimum account balance is \$250,000. The portfolios consist of a combination of mutual funds, ETFs and separately managed accounts within a single account. Envestnet PMC acts as an overlay manager to efficiently monitor and implement custom investment solutions for the portfolios. Overlay manager activities include managing cash flow activities, rebalancing the portfolios, accommodating portfolio restrictions, tax loss harvesting, managing wash sales, and monitoring short and long-term gains. Effective on or about May 1, 2021, new accounts will not be permitted to invest in these Portfolios; existing accounts established before this date may continue to make additional investments.

### How Your Program is Designed

If you are interested in establishing an MIP account, an IAR will meet with you to review your current financial situation, risk tolerance, and investment goals. Utilizing the Client Profile Questionnaire, your IAR will collect information about you in order to create an investor 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, you should contact your IAR. An IAR is available to answer any questions and to help 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 before your account may be established: the Statement of Investment Selection (“SIS”), New Account Application, Investment Proposal Analysis document, and the Account Transfer Application (if you have assets to be transferred from another company).

### Account Management

With the multiple investment vehicles including separate account managers, Envestnet PMC portfolio management team acts as an “overlay manager” to monitor and coordinate the recommendations and trading activities. This team actively manages the portfolio for proper asset allocation. The 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 portfolios, and accommodating portfolio restrictions. The Firm relies on Envestnet PMC and the Strategists to ensure the tools and analyses are operating properly and consistent with your investment profile. Diversification, asset allocation and rebalancing strategies do not ensure a profit or guarantee against a loss.

### Fees and Other Charges

The fees you pay for your account(s) are based on a **Program Fee** as more fully described below. The Program Fee for your account covers the provision of initial and ongoing investment services and the execution of securities transactions. The Program Fee consists of the sum of:

*Advisory Fee* - This fee is the amount paid to VFA for advisory services; and

*Platform Fee* - This fee is for the other fixed and variable costs of your MIP portfolio as described further below. It is not negotiable and includes the fees and costs for services provided by, as applicable, VFA, Envestnet, the Strategists, and National Financial Services LLC (“NFS”) for your MIP Portfolio.

The Platform Fee includes the following fees and expenses:

- *Management/Administrative Fee.* This portion of the Platform Fee is paid to Envestnet for administrative services provided in connection with the MIP platform and for the management fees that are paid to the Strategists. This fee also includes any management fees paid to the separate account managers.
- *Sponsor/Firm Fee.* This portion of the Platform Fee is paid to the Firm to cover direct costs such as overhead related to the MIP platform, and variable costs such as trading, confirmations and statements. After the payment of such costs, the Firm retains a portion of this fee.
- *Clearing Firm/IRA Custodial and Related Fees.* NFS is the clearing firm for MIP accounts, meaning that all trades are placed through NFS, and it is also the custodian of your MIP account. As explained below, a portion of the Platform Fee is paid to NFS for its services in connection with your MIP account. While the Platform Fee includes custodial services for most accounts, NFS will **separately charge an annual IRA custodial fee** for services rendered as trustee of your IRA account, as discussed below.

The Firm is responsible for paying NFS for any transaction fees associated with the purchase or sale of mutual funds in your account. However, almost all mutual funds available through NFS are available on the NFS platform as “no transaction fee” mutual funds, which means there is no ticket charge or other fee associated with the purchase and sale



of such funds (“NTF Funds”). MIP mutual fund portfolios use almost exclusively NTF Funds, which substantially reduces execution costs paid by VFA. VFA benefits by saving the transaction fee whenever an NTF Fund is used in a portfolio.

Your Program Fee is unaffected by the actual amount of trading costs paid by the Firm.

The Program Fee *does not* include the following costs/fees:

- *IRA Custodial Fees.* If your MIP account is established as an individual retirement account (“IRA”), you will pay, in addition to applicable Program Fees, NFS an annual custodial fee of up to \$35. This fee will be reflected separately on your account statement and applies to all MIP portfolios. The Firm can elect to pay the IRA custodial fees to NFS directly, in which case you will not pay this fee.
- *Mark-ups/Markdowns.* If your MIP account purchases or sells fixed-income securities, you will pay for mark-ups or markdowns on transactions. These fees are reflected in the price of the security purchased.
- *Mutual Fund and Exchange Traded Fund Fees and Expenses.* You pay the internal fees and expenses of the mutual funds and ETFs held in your MIP account. This may include short-term redemption fees on mutual fund shares.
- *Minimum MIP Account Fee.* For certain MIP portfolios, Envestnet evaluates quarterly whether it has received a minimum amount of revenue from its management/administration fee charged on your account. If the annualized fee for such services, which is calculated based on your average daily balance for the quarter, is less than the minimum amount listed in the MIP portfolio descriptions contained in this Brochure, Envestnet will assess a fee equal to one quarter of the annual minimum account fee based on the number of days in the quarter during the fee billing process.
- *Mutual Fund Small Balance Fee.* Mutual funds in your MIP account may charge a small balance fee if the value of your investment in the fund falls below a certain dollar amount. A small balance fee is assessed by the fund at the discretion of the fund company. If applicable, the minimum fund balance and the fee amount will be described in the fund’s prospectus.

The table on the next page sets forth the estimated Program Fee schedule for accounts established on or after January 29, 2018. Your actual Program Fee is provided in your SIS, which is provided to you for review and approval at the time of your enrollment in the program.

For account proposals generated prior to January 29, 2018, the Advisory Fee will vary between MIP accounts based on the Program Fee that was negotiated on your account. For account proposals generated on or after January 29, 2018, but before January 1, 2019, the Advisory Fee is a tiered fee beginning at 0.95% for all MIP portfolios. For account proposals generated on or after January 1, 2019, the Advisory Fee is a tiered fee beginning at 0.90% for all MIP portfolios.

The Advisory Fee is assessed quarterly and is based on your average daily balance in your MIP account during the quarter. Your IAR may negotiate a lower Advisory Fee, subject to approval by the Firm, but the Platform Fee may not be negotiated. If your IAR negotiates a lower Advisory Fee, your Program Fee will be lower than the fees outlined in the schedules below and VFA will receive less compensation. VFA offers Advisory Fee discounts to our current employees, current employees of our affiliates, and their household family members that invest in MIP account(s).

#### Estimated Program Fee Schedule

Portfolio	Assets Under Management	Program Fee
MIA Portfolios	First \$250,000	1.25%
MIA Portfolio Index Plus	Next \$250,000	1.03%
MIA Retirement Income Portfolios	Next \$500,000	0.90%
MIA AIG Plus Portfolios*	Next \$1,000,000	0.77%
MIA California Residents Portfolios	Next \$3,000,000	0.67%
	Over \$5,000,000	0.57%
MIA American Funds Active Core Portfolios	First \$250,000	1.25%
MIA American Funds Active Income Portfolios	Next \$250,000	1.04%
MIA Franklin Templeton Active/Passive Portfolios	Next \$500,000	0.94%
	Next \$1,000,000	0.84%
	Next \$3,000,000	0.74%
	Over \$5,000,000	0.64%

<b>Portfolio</b>	<b>Assets Under Management</b>	<b>Program Fee</b>
MIA ActivePassive® Portfolios	First \$250,000 Next \$250,000 Next \$500,000 Next \$1,000,000 Next \$3,000,000 Over \$5,000,000	1.10% 0.89% 0.79% 0.69% 0.59% 0.49%
MIA Passive Foundation Portfolios	First \$250,000 Next \$250,000 Next \$500,000 Next \$1,000,000 Next \$3,000,000 Over \$5,000,000	1.18% 0.97% 0.87% 0.77% 0.67% 0.57%
MIA Impact Foundation Portfolios	First \$250,000 Next \$250,000 Next \$500,000 Next \$1,000,000 Next \$3,000,000 Over \$5,000,000	1.20% 0.99% 0.89% 0.79% 0.69% 0.59%
Integrated MIA Portfolios <i>Effective on or about May 1, 2021, these Portfolios will no longer be offered; existing accounts continue to invest.</i>	First \$250,000 Next \$250,000 Next \$500,000 Next \$1,000,000 Next \$3,000,000 Over \$5,000,000	1.83% 1.49% 1.27% 1.13% 0.96% 0.82%
Selected MIA Portfolios**	First \$250,000 Next \$250,000 Next \$500,000 Next \$1,000,000 Next \$3,000,000 Next \$5,000,000 Next \$15,000,000 Over \$25,000,000	1.93% 1.59% 1.47% 1.36% 1.25% 1.14% 1.12% 1.10%
MIA Vanguard Portfolios	First \$250,000 Next \$250,000 Next \$500,000 Next \$1,000,000 Next \$3,000,000 Next \$5,000,000 Next \$15,000,000 Over \$25,000,000	1.20% 0.99% 0.89% 0.79% 0.69% 0.59% 0.57% 0.55%
MIA Russell Portfolios	First \$250,000 Next \$250,000 Next \$500,000 Next \$1,000,000 Next \$3,000,000 Next \$5,000,000 Next \$15,000,000 Over \$25,000,000	1.20% 0.99% 0.89% 0.79% 0.69% 0.59% 0.57% 0.55%
MIA BlackRock Portfolios	First \$250,000 Next \$250,000 Next \$500,000 Next \$1,000,000 Next \$3,000,000 Next \$5,000,000 Next \$15,000,000 Over \$25,000,000	1.20% 0.99% 0.89% 0.79% 0.69% 0.59% 0.57% 0.55%

Portfolio	Assets Under Management	Program Fee
MIA CLS Smart ETF Portfolios <i>Effective on or about May 1, 2021, these portfolios will no longer be offered <u>and</u> existing accounts will <u>not</u> be able to make additional investments.</i>	First \$250,000	1.33%
	Next \$250,000	0.99%
	Next \$500,000	0.89%
	Next \$1,000,000	0.79%
	Next \$3,000,000	0.69%
	Next \$5,000,000	0.59%
	Next \$15,000,000	0.57%
MIA CLS Focused Strategies Portfolios <i>Effective on or about May 1, 2021, these portfolios will no longer be offered <u>and</u> existing accounts will <u>not</u> be able to make additional investments.</i>	Over \$25,000,000	0.55%
	First \$250,000	1.54%
	Next \$250,000	1.24%
	Next \$500,000	1.14%
	Next \$1,000,000	1.04%
	Next \$3,000,000	0.94%
	Next \$5,000,000	0.84%
	Next \$15,000,000	0.82%
	Over \$25,000,000	0.80%

\* The MIA AIG Plus Portfolios include primarily AIG Fund(s) advised by SAAMCo, an affiliate of the Firm. Envestnet PMC is responsible for the selection of the funds used in these portfolios. In addition to your Program Fee, you pay the expenses/fees of the AIG Funds in your MIP account. These expenses/fees include the investment advisory fees paid by the AIG Funds to SAAMCo and distribution, administrative and other fees paid to other VFA affiliates. Information regarding the investment advisory and administrative fees paid by the AIG Funds to Firm affiliates and SAAMCo is included in the AIG Funds' prospectuses. Affiliates of the Firm also provide other services to the AIG Funds for which they receive compensation, such as accounting, printing and transfer agency-related services, as described in the AIG Funds' prospectuses or statements of additional information. **This means that the AIG Fund(s) used in the MIA AIG Plus Portfolio are more profitable to the Firm and its affiliates than the other mutual funds used in the MIA AIG Plus and other MIP portfolios.** Your IAR does not receive additional compensation for a recommendation to invest your assets in the MIA AIG Plus Portfolio.

\*\* With respect to the Selected MIA Portfolios, the Program Fee may be more or less than the fee stated above based on the management fees charged by the separate account manager selected for your account. For the example above, a fee of 50 bps is used for the manager fee. The management fee (included within the Platform Fee) is stated in your SIS and currently ranges from 0.08% to 0.60%. This fee is also noted on your Envestnet quarterly performance reports.

The Program 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, and the level of brokerage and other fees that would be payable if you obtained the services available under the program individually.

**Calculation and Deduction of the Program Fee.** The Firm begins to charge the Program Fee once it approves your account on Envestnet's system, which typically occurs after you complete your enrollment in your MIP account and assets are received in your account. The Program Fee is a tiered fee that is calculated quarterly, in arrears, based on the average daily balance of your MIP account during the quarter and the number of days in the quarter. At the end of a quarter, Envestnet calculates the Program Fee by multiplying the average daily balance by your advisory fee schedule. The average daily balance of your MIP account for fee calculation purposes will include all assets in your MIP account, including uninvested cash. After calculating the Program Fee, Envestnet instructs NFS to deduct the fee from your account. NFS deducts your Program Fee following the end of the quarter. If your MIP account is managed for only a portion of a quarter, the Program Fee will be pro-rated accordingly based on the average daily balance during that portion of the quarter and, in the event of a termination, the fee will be deducted before your account balance is distributed. If you decide to change your investment in your current MIP account by signing a new SIS during a quarter, the amount of the Program Fee will be adjusted to reflect the new MIP account fee schedule, and will be pro-rated based on the average daily balance during that portion of the quarter following the change to the MIP account. Depending on which MIP portfolio model you choose, your Program Fee may increase or decrease. Distribution of your account balance, less applicable fees paid, occurs promptly after notice of termination. If cash or cash equivalent funds in your account are not sufficient to pay any fees charged on your account, investments in your account will be liquidated in order to pay the outstanding fees.

***Combining of Account Values for Fee Calculations.*** If you or your family members have more than one MIP account, you can lower your Program Fees based on the cumulative assets that you maintain in your MIP account(s). “Family member” for purposes of combining account values in the MIP program includes your spouse, domestic partner, and your dependent children. Combined account arrangements established prior to January 1, 2019 that otherwise do not meet these criteria will continue to be honored. Discuss with your IAR whether you have multiple MIP accounts and whether they are eligible for lowered Program Fees.

For combined accounts, each account owner must sign the MIP Account Combination Request Form. One account will be designated as the “Primary Account” and the owner of the Primary Account will receive Envestnet quarterly reports that contain information about each of the combined accounts, including account balances, transactions and holdings. Each MIP account owner in the billing group will continue to receive his/her NFS quarterly account statement.

**The Firm is not responsible for identifying MIP accounts eligible for combining accounts for fee calculation purposes. Accounts will be combined only upon receipt by the Firm of a properly completed MIP Account Combination Request Form.** Additionally, the Firm does not combine for fee calculation purposes a client’s MIP accounts with other accounts enrolled in the Firm’s other two wrap fee programs, the GPS Program and GPA Program or other assets held at the Firm.

***Compensation and Conflicts of Interest.*** A portion of the Advisory Fee collected by the Firm is shared with your IAR for introducing and servicing your advisory account. For account proposals generated on or after January 29, 2018, but before January 1, 2019, the Advisory Fee is a tiered fee based on the average daily balance in your MIP account during the quarter and may be up to 0.95% per annum based on the value of assets in the account. For account proposals generated on or after January 1, 2019, the Advisory Fee is a tiered fee beginning at 0.90% for all MIP portfolios. For account proposals generated prior to January 29, 2018, the Advisory Fee will vary among MIP accounts based on the Program Fee on your account. **If you have an existing MIP account that compensates the IAR more than he receives under the agreement for a new account, and you seek to make an additional deposit or open a new MIP account, your IAR has a financial incentive to recommend that you deposit the additional funds into your existing account rather than open a new account.**

As a registered representative of the Firm, your IAR is paid for the sale of products and services, including sales commissions for annuities and mutual funds, and ongoing fees for certain securities and advisory services. For example, your IAR receives a portion of the Advisory Fee you pay on your MIP account, which is an ongoing fee for the services provided under the program. Your IAR’s compensation will vary based on the products and services provided to you. Your IAR has a financial incentive for you to transfer your assets to a product or service, such as MIP, that would increase the IAR’s compensation over what he/she receives on an existing product or service. We manage the potential for this conflict of interest by maintaining policies and procedures designed to ensure that IARs make recommendations that are in the best interest of the investor in the context of the products and services offered by the Firm. Specifically, all recommendations to transfer assets from one product to another are reviewed by our Supervision department, the members of which do not receive any variable product-based compensation. Additionally, the Firm maintains programs for the review of these policies and procedures via internal auditing procedures, other compliance related review and surveillance activities, and from time-to-time the Firm engages outside consultants to review, evaluate, and recommend changes to existing policies and procedures.

The PD Freedom Advisor annuity (for accounts opened in 2019 and after), when offered in conjunction with the GPA Program, generates higher revenues for VFA and VALIC in the aggregate than does MIP. We mitigate this conflict of interest, which exists at the Firm level, by paying IARs, who are responsible for making recommendations to clients, the same amount irrespective of whether the client is invested through MIP or the GPA Program.

***Mutual Fund Share Class Selection.*** As noted above, your mutual fund investment in an MIP account is subject to certain internal fees and expenses, such as advisory, administrative, custody and other fees and expenses charged by the fund, which shareholders bear on a pro rata basis. Mutual funds offer a variety of share classes, which hold the same portfolio securities but differ in total cost due to the imposition of various fees (such as 12b-1 fees, sub-transfer agency and shareholder services fees). A higher cost share class of a particular mutual fund will result in lower investment performance compared to a lower cost share class of the same fund.

VFA does not typically use share classes that charge 12b-1 fees if there is a non-12b-1 share class available (except with respect to AIG Fund(s) used in the AIG Plus model, where its receipt of 12b-1 fees is rebated to clients) and if a 12b-1 share class is used in the future, any such fees paid to VFA will be rebated to clients. However, for custom MIP Portfolios, VFA will use share classes that include sub-transfer agency and/or shareholder service fees, which

compensate NFS for services it provides to such funds (“Eligible Share Classes”). VFA seeks to include in MIP portfolios the least costly Eligible Share Class available to the program. Note that there may be other less costly share classes offered by the fund that are either (i) not available on the NFS platform, (ii) are available on the NFS platform but are subject to a surcharge imposed by NFS to trade such share classes, or (iii) are not available for use in MIP portfolios due to constraints imposed by the fund. VFA will not offer these lower cost share classes in MIP portfolios. VFA monitors on a periodic basis for the launch and availability of lower cost Eligible Share Classes on the NFS platform and will seek to exchange investors into such Eligible Share Classes on a periodic basis following the availability of such lower cost Eligible Share Class(es).

For the following non-custom MIP Portfolios managed by Envestnet, the Firm is one of multiple investment advisers that offer the model portfolios to its clients: MIA ActivePassive Portfolios, MIA American Funds Active Core Portfolios, MIA Franklin Templeton Funds ActivePassive Portfolios, MIA Passive Foundation Portfolios and MIA Impact Foundation Portfolios. Accordingly, VFA cannot dictate which share class is used for these Portfolios – that decision is made by Envestnet. As part of its periodic review process, VFA will work with its service providers, including Envestnet, to facilitate the exchange into a lower cost share class following the availability of such lower cost share class(es), but such decisions and timing are controlled by Envestnet.

*Share Class Selection for AIG Funds.* For the MIA AIG Plus Portfolio, AIG Fund(s) are used in conjunction with other unaffiliated mutual funds. With respect to the AIG Funds only, VFA uses the 12b-1 share class instead of the non-12b-1 share class, because the 12b-1 share class is less costly overall than the non-12b-1 share class after VFA rebates a portion of the 12b-1 fees to clients’ accounts. The remaining portion is retained by AIG Capital Services, Inc. (“ACS”), an affiliate of VFA, to pay for their services on behalf of AIG Funds’ shareholders. However, for all other funds, whether in the AIG Plus Portfolio or in all other custom MIP models, as noted above, VFA will use the lowest cost Eligible Share Class based on the stated net expense ratio disclosed in the fund’s prospectus or other reputable third party sources, without taking into consideration any rebates.

***Other Costs Associated with the Purchase and Sale of ETFs.*** The MIA BlackRock Target Allocation ETF Portfolios, MIA Vanguard Portfolios, MIA BlackRock Target Allocation ESG Portfolios, MIA CLS Smart ETF Portfolios, MIA CLS Focused Strategies Portfolios, Selected MIA Portfolios, and Integrated MIA Portfolios include ETFs and you should note that shares of an ETF trade on an exchange, and therefore, the value of such shares may differ from the value of the ETF’s underlying investments. ETFs may trade at a market price which reflects a “premium” or a “discount” to the net asset value (“NAV”) of their shares. If the market price is higher than the NAV, the ETF is said to be trading at a “premium”. If the price is lower, it is trading at a “discount”. Accordingly, ETFs may be purchased at prices that exceed the NAV of their underlying investments and may be sold at prices below such NAV. Under such circumstances the sale of ETF shares sold at a discount may not mirror the NAV of the underlying investments of those ETF shares. Moreover, there are costs associated with purchasing and selling an ETF, called a “bid-ask” spread (the difference between what a buyer is willing to pay (bid) for an ETF and the seller’s offering (ask) price. All of these transaction costs (which do not apply to the purchase and sale of mutual funds) will adversely affect the performance of the MIP portfolios models that invest in ETFs.

***Unique Considerations of Securities with a Focus on ESG Investing.*** Certain Portfolios may include or focus on allocations to securities with an ESG investment orientation (including mutual funds or ETFs); for these Portfolios the portfolio manager (or the separate account manager in case of the Selected MIA Portfolios) selects investments or allocations to securities based on their view of the sustainability and ethical impact of an investment in a business or company. Accordingly, these types of investments screen out, and may forego certain potentially profitable investment opportunities in, specific companies and industries pursuant to the criteria established by the portfolio manager. If an underlying mutual fund or ETF in a Portfolio is focused on ESG investing, it could result in lower performance results for such Portfolio compared to others that do not apply ESG-focused exclusionary screens to screen out specific companies or industries. Also, not all investors agree in their views of what constitutes positive or negative ESG characteristics and, as a result, a Portfolio may have an ESG-focused investment selected by the portfolio manager or Strategist which does not reflect the beliefs of any particular investor.

## **Is an MIP Account for You?**

The MIP account 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 Program Fee. Some clients prefer 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 prefer 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 transaction 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. For specific questions regarding your relative costs, please contact your IAR.

### **Termination of the Advisory Relationship**

When you enroll in a MIP account, you sign an account application, an SIS that incorporates by reference an investment advisory agreement between the Firm and you (“Advisory Agreement”), and certain other forms and documents. At any time thereafter, both you and the Firm may terminate the Advisory Agreement for any reason. You may terminate your MIP account by providing written notice to VFA. Termination by VFA will be effective upon written notice as set forth in the Advisory Agreement, unless a later date is stated in the notice. Upon termination of any advisory relationship, VFA reserves the right to deduct any unpaid pro-rated Program Fee for the period from the end of the last calendar quarter through the date of termination. For more information about the deduction of unpaid fees, refer to “Calculation and Deduction of the Program Fee” in this Brochure.

When your MIP account is terminated, you assume sole responsibility for providing instructions as to the execution of transactions in your program account and you will no longer be charged the Program Fee. Additionally, you will be limited to one or more of the following transactions: (1) redeem the existing securities in your MIP account and transfer the redemption proceeds to the money market fund available in your MIP account, (2) transfer the securities held in your MIP account, in kind, to a non-advisory, retail brokerage account that you have established with VFA as broker/dealer and carried by NFS as custodian (“VFA Retail Brokerage Account”) or to another broker/dealer, or (3) redeem the securities in your MIP account and transfer the redemption proceeds out of the account. Although you will no longer pay the Program Fee, certain fees and expenses will apply; the fees and expenses you pay after the termination of your MIP account depends on which option you choose. If you choose option 1, you will pay any fees and expenses charged by that money market fund as set forth in the fund’s prospectus. If you choose option 2, transferring assets out of your MIP account, whether cash, mutual funds, or individual securities in kind, to a new brokerage account may require that you complete a new account application, which will detail any fees you may be charged. If you choose to transfer or continue to hold securities in a VFA Retail Brokerage Account, you will pay certain fees to NFS, in addition to any fees and expenses associated with your investment(s). These fees include, for example, custodial fees, termination and/or transfer fees, transaction fees, fund fees and expenses, and other account servicing fees. You may also pay fees to VFA in the form of commissions for securities trading in your VFA Retail Brokerage Account, 12b-1 fees, and/or mutual fund sales charges for any mutual funds you acquire in your VFA Brokerage Account. NFS may also have agreements with the mutual funds offered in your VFA Retail Brokerage Account, including revenue-sharing or similar compensation arrangements, and will pay some, or all, of this compensation to VFA as payment in all or part for recordkeeping or other shareholder-related services. More information about these fees is available in your NFS brokerage agreement, your fund prospectus(es), or by contacting your IAR. If you choose option 3, you will pay account termination fees to NFS. Your IAR does not charge or receive any of these fees for any of these options. There may also be tax implications; please consult your tax advisor prior to termination.

### **Item 5 - Account Requirements and Types of Clients**

The Firm offers the MIP services primarily to individuals, including high net worth individuals. The Firm may in limited instance offer the MIP account to entities, such as corporations, partnerships and trusts.

Your IAR will present you with a proposal for your review and consideration, which includes this Brochure (and brochures for the Strategists or separate account managers, if applicable), an Advisory Agreement, an account application and the SIS, which must be signed prior to establishing your MIP account. Other disclosure documents may be also be included for your review. As part of this process, you will approve the initial MIP portfolio model for your account.

*Minimum Initial Account Balances.* For information pertaining to minimum initial account balances for each MIP Portfolio, please refer to **Item 4** of this Brochure.

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

## **Item 6 - Portfolio Manager Selection and Evaluation**

*General.* The Strategists (Envestnet PMC, Russell Investments, Vanguard, BlackRock and CLS Investments) are responsible for the selection, evaluation, and review of the investment options offered in their respective model portfolios and making changes as they deem appropriate. The Firm periodically provides input regarding investment options recommended by the Strategists. The Firm, through an investment group comprised of Firm personnel, also periodically meets with Envestnet and the Strategists to review the model portfolios' investment performance, individual mutual funds, and/or ETFs added to or removed from the model portfolios by the Strategists, operational and related issues, and other matters related to MIP.

*Selected Manager Investor Account.* An Envestnet PMC portfolio management team conducts due diligence on separate account managers based on their proprietary due diligence methodology to determine which managers can be made available to serve as a portfolio manager of your Selected Manager Investor Account. Your IAR will recommend one or more separate account managers from this list of managers. Envestnet PMC, in consultation with the Firm, will provide ongoing manager oversight of these separate account managers.

## **Item 7 - Client Information Provided to Portfolio Managers**

Envestnet provides the operational and system support for MIP, and the Strategists are responsible for the design and management of the underlying investment options in the MIP portfolio models as described above. Envestnet and the Strategists do not have a direct relationship with you. It is important to periodically review your Client Profile information with your IAR and make any applicable updates should your retirement objectives or investment circumstances change.

*Selected Manager Investor Account.* Based on your responses to the Client Profile Questionnaire, your IAR will recommend a separate account manager from a list of managers for which Envestnet PMC has made available for this portfolio. Your IAR will present recommendations for your review and approval. Once you approve the portfolio it will be implemented. The separate account manager will manage your account for conformance to the allocation of investment options within your portfolio and, based on his discretionary authority, rebalance your account periodically. A more frequent review may also be instigated by you based on changes in your personal or financial circumstances or changes in market conditions. The list of separate account managers available within the Selected MIA Portfolio for which you chose your manager is reviewed and/or updated periodically by Envestnet PMC.

## **Item 8 - Client Contact with Portfolio Managers**

If you have questions regarding your account(s), you should contact your IAR. You should not contact Envestnet or the Strategist directly because Envestnet and the Strategist rely on the IAR and the Firm to address direct client inquiries.

## **Item 9 - Additional Information**

*Disciplinary Information.* We are required to disclose any legal or disciplinary events that are material to our clients or our prospective client's evaluation of our investment advisory business or the integrity of our management. The following are disciplinary events relating to the Firm and/or our management personnel.

On November 28, 2016, without admitting or denying FINRA findings, the Firm submitted a letter of acceptance waiver or consent for the purpose of settling alleged NASD and FINRA rule violations that it failed to: (1) have a reasonable system or process/procedures designed to address, analyze or review the conflicts of interest in its compensation program or to ensure that balanced disclosures was provided to the investors regarding such compensation program, (2) to maintain adequate systems and procedures to supervise the sale of variable annuities to retail brokerage customers, (3) maintain supervisory procedures and training materials that provide registered representatives and principals guidance or suitability considerations for sales of different variable annuity share classes, including L-share variable annuities, (4) enforce supervisory procedures requiring that certain emails flagged by its email surveillance system be reviewed by designated Firm supervisors, (5) establish a reasonable system and procedures to supervise its complaint reporting responsibilities, and (6) failed to issue account notices at account opening and then on 36-month intervals for certain brokerage customers. The Firm was censured and fined \$1,750,000.

On June 3, 2019, without admitting or denying any findings of fact or conclusions of law, the Firm settled a matter with the Securities Enforcement Branch ("SEB") of the Hawaii Department of Commerce and Consumer Affairs. As part of the settlement, the Firm entered into a consent order with the SEB (the "Consent Order"), which states that the

Firm failed to supervise a registered representative who had submitted a transaction without proper customer authorization. Pursuant to the Consent Order, the Firm paid a fine of \$10,000.

On July 28, 2020, the SEC issued an order regarding certain VFA mutual fund and mutual fund share class selection practices. Specifically, the SEC found that the Firm had not appropriately disclosed certain conflicts of interest due to its receipt of revenue sharing, avoidance of transaction fees, and receipt of 12b-1 fees, in violation of Section 206(2) of the Advisers Act. The SEC also found that VFA did not adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its mutual fund share class selection practices, in violation of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. VFA neither admitted nor denied the SEC's findings.

Solely for the purpose of settling this proceeding, VFA consented to a cease-and-desist order, a censure, to pay to affected investors disgorgement of \$13,232,681 and prejudgment interest of \$2,211,072, and to pay a \$4.5 million civil monetary penalty. VFA also agreed to review and correct as necessary all relevant disclosure documents concerning mutual fund share class selection, revenue sharing, transaction fees, and 12b-1 fees, and to comply with certain other related undertakings as well.

On July 28, 2020, the SEC issued an order finding that the Firm failed to disclose to certain Florida teachers that the Firm's parent company, VALIC, provided cash and other financial benefits to a for-profit company owned by Florida K-12 teachers' unions in exchange for referring teachers to products and services offered by VALIC and the Firm, in violation of Sections 206(2) and 206(4) of the Advisers Act and Advisers Act Rule 206(4)-3 thereunder. The SEC also found that VFA did not adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder, in violation of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. VFA neither admitted nor denied the SEC's findings.

Solely for the purpose of settling the proceeding, VFA consented to a cease-and-desist order, a censure, and to pay a civil monetary penalty of \$20 million. VFA also agreed to cap the management fee for the GPS Program at 45 basis points (0.45%) for participants currently enrolled in this program in 403(b) and 457(b) plans offered by Florida K-12 schools, and to also offer this rate to any 403(b) and 457(b) participants offered by Florida K-12 schools who enroll in the GPS Program through the Portfolio Director annuity within the next five years. This capped rate will remain in effect for such participants for the duration of enrollment in the GPS Program. VFA also agreed to comply with certain other related undertakings as well.

On January 8, 2021, the Firm completed an AWC with FINRA for the purpose of settling alleged FINRA rule violations that it failed to (i) establish a reasonably designed system and written supervisory procedures to monitor rates of variable annuity exchanges and implement corrective action in the case of inappropriate exchanges, violating FINRA Rules 2330(d), 3110, and 2010; (ii) reasonably supervise recommendations involving the investment of additional funds in an existing variable annuity, violating FINRA Rules 3110 and 2010, and (iii) timely report statistical and summary information for certain customer complaints during a specified period, violating FINRA rules 4530(d) and 2010. VFA neither admitted nor denied FINRA's findings. Solely for the purpose of settling the proceeding, VFA consented to a censure and a fine of \$350,000.

*Other Financial Industry Activities and Affiliations.* VFA is a wholly owned subsidiary of VALIC, which is a Texas-domiciled insurance company and an SEC-registered investment adviser. VALIC is primarily engaged in the offering and issuance of fixed and variable annuity contracts and combinations thereof and is licensed to issue annuities in 50 states and the District of Columbia. VALIC is an indirect, wholly owned subsidiary of AIG. VFA is also a registered broker-dealer with the SEC and a member of FINRA. VFA is regulated by the Municipal Securities Rulemaking Board, and state securities and insurance regulatory bodies. VFA is also a member of the Securities Investor Protection Corporation established under the Securities Investor Protection Act of 1970. In this capacity, VFA may transact in various types of securities, including, but not limited to, stocks, bonds, variable investment products and mutual funds. VFA, as well as our financial advisors, receive separate compensation for securities transactions effected through the Firm.

- ACS is an indirect, wholly-owned subsidiary of AIG and an affiliate of the Firm. In its capacity as a registered broker-dealer, ACS acts as principal underwriter for the offer, sales and distribution of the variable annuity contracts issued by VALIC and its affiliates and as distributor of registered investment companies advised by VALIC and SAAMCo. ACS retains a portion of the 12b-1 fees paid by the AIG Funds for clients' assets invested in the MIA AIG Plus Portfolio.



- SAAMCo is an indirect, wholly owned subsidiary of AIG and an affiliate of the Firm. SAAMCo is the investment adviser for AIG Funds, including the AIG Funds used within the MIA AIG Plus Portfolio. It also serves as an administrator and investment sub-adviser to certain registered investment companies advised by VALIC.
- AIG Federal Savings Bank, an affiliate of the Firm, acts as custodian/trustee for employer-sponsored retirement plans for which the Firm provides enrollment, education and advisory services to individual plan participants.
- VALIC Retirement Services Company (“VRSCO”) is a wholly owned subsidiary of VALIC and an SEC-registered transfer agent for registered investment companies advised by VALIC and SAAMCo. VRSCO is also a record keeper and service provider to certain retirement plans for which the Firm provides enrollment, education and advisory services.
- VALIC Company I/VALIC Company II (the “VALIC Funds”) are registered investment companies advised by VALIC and, with respect to certain funds, sub-advised by SAAMCo. The VALIC Funds are offered as underlying investment options within VALIC-issued variable annuity contracts and as mutual funds in employer-sponsored retirement plans for which VFA offers the GPS Program and GPA Programs, as applicable. For these funds, SAAMCo is the administrator and, for certain funds, an investment sub-adviser, AIGCS is the distributor, and VRSCO is the transfer agent. Additionally, with respect to the VALIC Company II funds, VALIC provides shareholder services to shareholders invested in the funds.
- The AIG Funds are registered investment companies advised by SAAMCo and comprise some or all of the funds held within MIA AIG Plus Portfolio. The AIG Funds within the AIG Plus Portfolio will include series within the SunAmerica Equity Funds, SunAmerica Income Funds, SunAmerica Specialty Series, SunAmerica Senior Floating Rate Fund, and SunAmerica Series, Inc.

***Code of Ethics, Participation in Client Transactions and Personal Trading.*** The Firm has adopted a Code of Ethics (“Code”) for which it periodically reviews and updates. VFA will provide a copy of its current Code to clients and prospective clients upon request by contacting us 866-544-4968.

VFA, as an investment adviser, has a fiduciary duty to act solely for the benefit of its advisory 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. The Code is designed to protect 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.

Supervised persons are expected to adhere to the Code and are also expected to follow procedures for the reporting any violations of the Code.

For access persons, VFA requires that certain securities transactions be disclosed and/or reported. Access persons are any of VFA’s supervised persons who have access to non-public information regarding any investment advisory client’s purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any reportable fund (as defined in the Code) or any person who is involved in making certain types of securities recommendations to investment advisory clients, or who has access to such recommendations that are non-public.

In our capacity as a broker-dealer, we provide to our clients a variety of products and services for which we are compensated. If an advisory client chooses to utilize our services as a broker-dealer, VFA and registered representatives, who are also IARs, may earn compensation in the form of brokerage commissions in addition to advisory fees. Outside of MIP, our registered representatives 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.

***Privacy Policy.*** Protecting customers’ personal information is important to the Firm. Therefore, the Firm has instituted policies and procedures to keep customer information confidential and secure. The Firm does not disclose any non-public personal information about its customers or former customers to any non-affiliated third parties except as required by or permitted by law. In the course of servicing a client account, the Firm may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and attorneys. The Firm delivers a copy of its privacy policy to prospective clients prior to establishing a client relationship with VFA and to all VFA clients annually, thereafter.

**Review of Accounts.** The Firm engages in ongoing monitoring of the program. The Firm, through its investment group, periodically meets with Envestnet to review the MIP portfolio models' investment performance, Strategists and other matters related to MIP.

For all MIP portfolios (except for the Selected MIA Portfolios), Envestnet will monitor your account on an ongoing basis and will rebalance your account periodically. The Firm relies on Envestnet and the Strategist to ensure the tools and analyses are operating properly and consistent with your investment profile.

For the Selected MIA Portfolios, the separate account manager will manage your account on an ongoing basis, rebalance your account periodically and may include reasonable portfolio restrictions. The IAR relies on the separate account manager to manage your portfolio and on Envestnet PMC, in consultation with the Firm, to conduct due diligence on the separate account manager and to ensure the tools and analyses are operating properly. Diversification, asset allocation and rebalancing strategies do not ensure a profit or guarantee against a loss.

**Written Reports.** Clients receive quarterly written reports from Envestnet that itemizes the activity in your MIP 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, and an account summary that includes the beginning balance, end-of-quarter balance, and year-to-date values. Additionally, NFS will provide you trade confirmations and quarterly account statements for your Account. You will also receive all statements and forms required to be provided to you for tax reporting purposes.

**Other Compensation; Client Referrals.** VFA maintains a program under which its representatives are eligible to attend an annual conference (Advisor Leadership Conference) and other conferences sponsored by AIG and/or VALIC which are based on their achievement of certain levels of aggregate compensation from the sale of securities, insurance products, and advisory fees received from advisory accounts. Certain of the Firm's top-earning IARs are designated as President's or Platinum President's Cabinet members and receive additional compensation and benefits. Qualification for the annual conference or the President's or Platinum President's Cabinet is based on total compensation as described above and is not based on any specific product or category of products. However, because eligibility for the Top Advisor Conference and the President's or Platinum President's Cabinet is based on the IAR's total compensation, IARs are incentivized to have clients purchase additional products and services and add assets to existing products and services, and to transfer assets to products and services that generate higher levels of compensation for the IAR.

As noted above, a portion of the MIP fee that you pay to the Firm is paid to your IAR. Generally, the percentage of the fees that the Firm pays to your IAR from your MIP Program increases based on a rolling 52-week period as their aggregate compensation from both the sale of insurance/securities products and receipt of advisory fee reaches certain thresholds during that rolling time period. This increase in compensation to the IAR will not increase the Program Fee you pay to the Firm, but does trigger the same conflict described in the previous paragraph.

The compensation that your IAR receives from substantially all compensation sources, including MIP fees, count towards your IAR's qualification for non-cash awards, trips and other non-cash benefits offered by the Firm. The Firm may implement programs under which IARs may be eligible to win non-cash awards, trips and other non-cash benefits offered by the Firm for certain sales efforts relating to enrollment in employer-sponsored retirement plan accounts, among other factors. Similar to other sales-based programs, such non-cash awards are not based on the sale of any specific product or category of products. These programs will not change the fees that you pay for advisory services.

The Firm and/or one or more of its affiliates will receive payments from fund sponsors and service providers that voluntarily choose to participate in, and that are designed to defray the costs associated with, Firm-sponsored or VALIC-sponsored conferences, seminars, training or other educational events where such funds or other related services are discussed and that are attended by our employees or employees of our affiliates and/or plan sponsors and plan consultants.

The Firm does not engage solicitors or pay related or non-related persons for referring potential advisory clients. Retirement plan sponsors that have selected the Firm to make its advisory services available to plan participants may disseminate disclosures about the Firm. Depending on the circumstances, such disclosures may be deemed to include endorsements of the Firm. The Firm does not compensate plan sponsors for endorsements. An affiliate of the Firm may provide administrative services to retirement plans and collect and pay plan fees to plan sponsors; however, such plan fees are not contingent upon or otherwise related to the provision of advisory services by the Firm to plan participants.

***Sponsorship Activities of the Firm and its Affiliates.*** The Firm and its Affiliates from time to time enter into agreements with, and pay compensation to, various organizations and associations, including trade associations, unions, and other industry groups, that provide various services to retirement plan sponsors and/or plan participants. These organizations may sponsor and invite the Firm and/or its Affiliates to participate in educational conferences and seminars for retirement plan participants who, through their retirement plan, have access to the advisory programs offered by the Firm. In some instances, these organizations may endorse and/or promote the Firm and/or its Affiliates' products and/or services, and otherwise provide the Firm and/or its Affiliates with marketing opportunities. Our sponsorship payments to these organizations for marketing and advertising opportunities provide an incentive for the organizations to promote the Firm's and/or the Affiliates' advisory services and products and may result in additional annuity sales to plan participants. Certain of these arrangements may be considered payments for client referrals and endorsements.

***Referrals to Third Parties.*** For certain plan sponsor clients of VALIC, VFA has authorized its representatives to solicit, refer, and market the services of certain third-party registered investment advisors ("Third-Party Advisors") to the plan sponsors' participants in accordance with Rule 206(4)-3 under the Advisers Act. VFA and VFA's representatives receive referral fees from the Third-Party Advisors based on these solicitations and marketing activities. The compensation is paid as an ongoing cash payment calculated as a percentage of the advisory fees charged by the Third-Party Advisor for the participants' enrollment in the advisory program offered by the Third-Party Advisor. Because VFA is engaged by and paid by a Third-Party Advisor for the referral, any recommendation regarding such Third-Party Advisor presents a conflict of interest. VFA is required to provide a disclosure to all referred clients regarding the role of VFA and the representative as a referral agent, the compensation to VFA, and other terms of the relationship between VFA and the Third-Party Advisor, which helps mitigate this conflict.

***Charitable Donations.*** VALIC, VFA, its Affiliates and/or its Supervised Persons from time to time make cash or non-cash donations to charitable organizations or societies organized as 501(c)(3) charities, including charitable organizations associated with potential and/or actual clients of VFA and/or VALIC. These charitable donations are provided in support of non-profit causes identified by that organization, and disbursements of such donations are done under the direction of the charitable organization, and not VFA or VALIC. VFA and VALIC have procedures to identify, address and mitigate potential conflicts.

***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 condition that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy petition.