

Results of In-Depth Investor Interviews Regarding Proposed Mutual Fund Sales Fee and Conflict of Interest Disclosure Forms

Note:

This report serves as a supplement to the existing *Results of In-Depth Investor Interviews Regarding Proposed Mutual Fund Sales Fee and Conflict of Interest Disclosure Forms*, dated November 4, 2004.

Supplemental Report to the Securities and Exchange
Commission

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Siegel & Gale, LLC

Design

Gelb Consulting Group, Inc.

Research

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Atlanta Testing

The following pages highlight the key findings from in-depth individual interviews with seven Atlanta-area investors. The findings are organized according to the testing focus or content area.

The respondents in this round of interviewing had varying degrees of experience in investing.

During this round of interviews, four types of forms were introduced to investors:

- Mutual Fund Point of Sale forms (one version of Class A and C forms and an alternate version of Class A)
- 529 Point of Sale (Class A)
- Variable Annuity Point of Sale forms (Class B and C)
- Website Disclosure Statement

The discussion guide was developed by modifying the discussion guides from the initial investor research reported in the November 4, 2004, report. The areas of inquiry were modified to reflect the new forms tested, but with the same evaluative criteria in mind:

- Utility
- Navigational Ease
- Relevance
- Clarity, and
- Educational Value

The interviewing approach differed from previous interview rounds in the stimuli used. Similar to other rounds, investors were asked to provide general reactions and complete tasks to identify specific pieces of information. Tasks were not intended to test whether the respondent could answer the question correctly, but to assess the navigational ease of the form and the clarity of its content.

General Reactions

Investors navigated through the forms with ease and understood most of the information presented.

Form and website disclosure content was deemed relevant by study participants. Some representative comments:

- “By making me aware of this [type of information], it puts me on alert.”
- “Tells me how much will go to cover the charges to purchase the fund.”
- “This form tells me what my rights are. Things the broker doesn’t remember to tell you.”
- “What is your investment, and how much of it they’re taking.”

All forms received similar general responses in terms of its utility. Study participants used words like “informative” and a “good tool” to describe the forms. In terms of navigational ease, investors felt the forms were well laid out and “simple, not a lot for you to digest.”

Investors found several features of the forms appealing:

- Fill in the blank
- Organization
- Conflict of interest statements
- Ability to access more information at a website
- Detailing fees with percentages and dollar amounts

Mutual Fund Point of Sale – Version One Classes A and C

Investors liked these forms for the way they highlighted the potential conflicts of interest and the distribution of costs.

Investors clearly understood the nature of the up-front sales fees in the Class A shares. A few investors understood the minimum initial investment to be the first amount presented (\$1,000). Some also commented on the breakpoints and referred to them as a lower percentage of fees charged with an increase in initial investments.

Investors also understood the nature of the Class C funds having only on-going sales charges. Some recommended that the forms follow a similar format by including a similar section as the Class A form (i.e., up-front sales without any fees).

When comparing Class A and Class C, most investors used the percentages and fee amounts to determine the most attractive investment. Many pointed to the on-going fees being lower in the Class A investment or commented on the size of the initial investment being a key determinant of the attractiveness of each class.

Consistent with the findings from other rounds of investor interviews, these respondents preferred to have more detailed information on the forms. Furthermore, a few saw the percentages to be the most applicable to the varied nature of their investment amounts.

The conflicts of interest section was appealing to investors as they could use it as a prompt to ask the broker more questions. As one investor indicated, this section communicated “if the brokerage pays their people to push this fund, [they are] not looking out for me as a customer.” Another respondent commented, “My decision and the information provided to me...will be tainted because they’re paid extra to promote this fund over other funds...I’d factor that in.”

In contrast to the other rounds of testing, “distribution fees” did not stymie investors. The variance between this round and others was the absence of the term “12b-1” fees.

Mutual Fund Point of Sale – Version Two Class A

Investors generally liked the “fill in the box” feature as it made the information more personally relevant to them, as long as their broker completed it.

Some investors expressed confusion as to why annual fees were estimates rather than actual numbers. Of these investors, some still correctly concluded that actual fees would vary because of fund performance. A few investors incorrectly assumed that a fund’s annual fee percentage might change. This minority did not focus on language which explained that “estimated 1st-year annual fees” were based on an assumption that the value of an investor’s fund holdings would remain constant.

529 Point of Sale - Class A

Investors were asked to read and comment on each section of this form. Investors with prior experience with 529 plans quickly recognized the purpose of the form. Others noticed several key features of the investment vehicle and commented it was a college-related program or state sponsored program, but did not clearly associate it with the more commonly used name, 529 plan (note: the term “529 plan” was not on the form tested).

Based on the information presented in the form, investors generally understood there were considerations when investing in different states and that tax incentives might vary. Several noted that the tax incentives might make this an attractive investment to consider.

The application fee was easily understood. Including this fee as a line item in the form rather than in a paragraph was recommended.

Investors did not associate the term “administrative fees” with the fees charged by the state authorities overseeing these investments.

Variable Annuity Classes B and C

Generally, respondents had little experience with variable annuities. While some had actually invested in them, even they could not clearly describe the features of the product.

Respondents found the fee information they would consider when investing in variable annuities. The forms were easy to navigate.

Investors grasped several key features of the variable annuity:

- Tax penalties – pointing to the disclaimer titled Tax Treatment, investors commented that they would consider the IRS penalty for early withdrawal, a “double-tax.”
- Surrender charges – while this term confused a few investors, most understood this to resemble a “back-end sales fee.”
- Premium payment – generally understood to be the amount the investor contributed to the account, whether one-time or on-going.
- Free look right – investors understood and appreciated the opportunity to invest in the product, but later terminate. Investors recommended specifying the term of the period in the form.

Other terms used in the forms were unclear to investors:

- Mortality and expense risk charge – some mentioned that this would be a death benefit and also commented this was some sort of insurance against financial instability of the investment firm.
- Optional charges – this descriptor was not clearly associated with the options an investor can purchase on a variable annuity product. Most assumed it represented discretionary charges the annuity could charge the investor.
- How fees are charged – investors were confused as to how the fees were actually deducted from their investments. To some of the investors, the form presented communicated those fees would be deducted on a one-time annual basis. Furthermore, the reference to a “fixed account” was confusing to respondents as well.

Using the information provided in the forms, investors compared Class B and Class C investment options. To complete this task, respondents compared the maximum annual fees in the forms. Some commented that the maximum fee might be misleading and cause them to choose the inferior option, as the maximum might not represent the actual fees. A few recommended that a range be included in the form to represent both the minimum and the maximum fees.

Website Disclosure Statement

Overall, investors found the information presented useful, especially the standard compensation section. They viewed the information as “comprehensive,” and “useful...[you’ll know] what to expect.”

Respondents commented that it was helpful to compare fee amounts among A, B and C classes in the table. The descriptions of each class were also intuitive to the investors.

Some terms were confusing to study participants. For example, the term “trailing fees” was unappealing to investors as they preferred a non-financial industry term such as “annual fees” and felt the latter would be more understandable to others like them.

Some were also confused as to the details of compensation presented in the form. The recipient of special incentives and compensation baffled some. This minority could not determine whether they would receive the amounts indicated for investing in the fund or if the broker would.

Appendices

- A Discussion Guide**
- B Respondent Recruitment Screener**
- C Release and Confidentiality Form**
- D Forms Used For Testing**

Appendix A:
Discussion Guide

SEC

Disclosure Forms

Discussion Guide – Atlanta Interviews

Gelb Consulting Group, Inc.

Thank you for joining us today. My name is John McKeever, and I work for Gelb Consulting Group, an independent market research firm. Today we are going to talk about how you use different information sources to manage your investments. We're conducting this work for the Securities and Exchange Commission.

The primary mission of the SEC is to protect investors and maintain the integrity of the securities markets. They created some forms to better educate investors to make better decisions regarding mutual fund investments.

During the interview, we will spend some time reviewing information you might use before you purchase a mutual fund.

Keep in mind that there are no right or wrong answers; we are just interested in the opinions of investors like you.

Your name will not be used in any way and your comments will remain anonymous. This session is being video taped so I can refer to it for analysis. Do you have any questions before we begin?

Introduction (2-3 minutes)

1. To get started, I would like you to think about the last time you made an investment purchase. What was that purchase (probe: mutual fund or stock)? Tell me about the information you used to make the purchase.
2. When researching investments, what resources do you typically use (probe: broker, websites)?

Forms Test

Now I would like you to think about making a mutual fund purchase with your broker. Imagine that I am your broker and I am presenting you with several investment options. Please consider each investment choice separately.

First, I am going to show you information regarding this mutual fund investment.

Mutual Fund Point of Sale Version 1 (Class A) (5 minutes)

3. Please take a moment to review the information on the form. What is your overall impression of the form?
4. What information from the form would you use to evaluate the investment? (probe fully)

Mutual Fund Point of Sale Version 1 (Class C) (5 minutes)

5. Please take a moment to review the information on the form. What is your overall impression of the form?
6. What information from the form would you use to evaluate the investment? (probe fully)
7. How could these forms be improved to make it more useful? (probe: on-going fees percentages or dollars)

Mutual Fund Point of Sale Alternate Version Class A (5 minutes)

Now I want to show you another version of the mutual fund point of sale form, for a Class A share.

8. I'd like to ask you a few questions about this section (point to "you also pay each year section") First, in this section, the term "estimated 1st year annual fees" is used. What does this term mean to you?
9. You'll see that three basic types of information could potentially be included in this section on the form (point to each): a percentage, an estimate based on \$1,000, and an estimate based on the value of your investment. If you were deciding whether to make an investment in this fund, which of those three items would be the most helpful to you for making your decision (probe concern regarding estimates)

529 Point of Sale Class A (10 minutes)

10. Please take a moment to review the information on the form. For each section, what is the purpose or key message this form communicates to you? (probe: state tax incentives, application fee, administrative fee)

Variable Annuity Point of Sale Forms Class B and C (25-30 minutes)

Here is information on another type of investment, called a variable annuity.

11. How familiar are you with variable annuities? What is your understanding of how this type of investment works? (probe fully)

First Variable Annuity Form

12. Please take a moment to review the information on the form. For each section, what is the purpose or key message this form communicates to you? (probe: tax treatment; free look right)
13. What information from the form would you use to evaluate the investment? (probe for specific pieces of information; does investor notice annual contract charge?)
14. I'd like to ask you a few questions about this section (point to "you also pay each year section"). Are you familiar with the term "optional charges" What does that term mean to you? [Repeat with "mortality and expense risk charge."]

15. The form uses the term “surrender charge.” What does this term mean to you?
16. The form also uses the term “premium payment.” What does this term mean to you?

Second Variable Annuity Form

17. Please take a moment to review the information on the form. For each section, what is the purpose or key message this form communicates to you?
18. What information from the form would you use to evaluate the investment? (probe for specific pieces of information)

Variable Annuity – wrap-up

19. How could these forms be improved to make them more useful? (Probe: comparison ranges, fee presentation)

Website Disclosure (10 minutes)

20. Please take a moment to review this information. For each section, what is the purpose or key message this form communicates to you?
21. Do you find this information useful in making investment decisions? Why do you say that?

Wrap-up (2-3 minutes)

22. Finally, do you have any suggestions for SEC as they move forward in developing forms to better inform investors like you?

Thank you for your time and feedback.

Appendix B:

Respondent Recruitment Screener

Hello, my name is _____ with (facility name), an independent research firm. We are holding several interviews in the (location) area to talk with members about improving the information you receive from financial institutions.

I am calling today to invite you to participate in one of the interviews. Your name will not be used in any way and there are no sales involved with the research. Also, your personal account balances will not be discussed or revealed during the discussion.

We are offering a \$XX incentive for participation in this interview. Each interview will last about 60 minutes.

Would you be interested in participating and sharing your ideas with us?

Yes **Continue** No **Thank and terminate**

1. Have you participated in a focus group discussion or research project with any research firm within the past 6 months?
 - Yes **Thank and terminate**
 - No
 - Don't know/ Don't remember **Thank and terminate**

2. Do you, or does anyone in your household work for a marketing research firm, financial services firm, or securities regulator?
 - Yes **Thank and terminate**
 - No
 - Don't know/ Don't remember **Thank and terminate**

3. Who in your household is primarily responsible for making decisions regarding purchases of investments, such as stocks, bonds, retirement accounts, college savings plans or mutual funds? **(DO NOT READ LIST)**
 - Self **Continue**
 - Self and other jointly **Continue**
 - Other **Ask to speak with that person, if not available, thank and terminate**

4. Please tell me which describes the highest level of education you have attained:
 - Some high school **Thank and terminate by telling them the group is already full**
 - High school
 - Undergraduate degree
 - Graduate degree **Thank and terminate by telling them the group is already full**

5. Which of the following statements best describes your experience with making investments in things like stocks, bonds, retirement accounts, college savings plans or mutual funds?

<input type="checkbox"/>	A	I have made investments like this through a broker over the phone
<input type="checkbox"/>	B	I have made investments like this through a broker in person
<input type="checkbox"/>	C	I have made investments in stocks or bonds through a broker online
<input type="checkbox"/>	D	I have made investments in mutual funds or 529 plans through a broker online
<input type="checkbox"/>	E	I have made investments like this directly (not through a broker)
<input type="checkbox"/>	F	I have never made investments like this Thank and terminate
<input type="checkbox"/>		Don't know/ Don't remember Thank and terminate

Note: If respondents are only in C or only in E or only in C & E, then thank and terminate.

Note: Do not recruit more than 1/3 of participants in category C.

6. Which of the following have you purchased from your broker or financial representative in the past two years?

<input type="checkbox"/>	A	Individual stocks
<input type="checkbox"/>	B	Mutual Fund
<input type="checkbox"/>	C	Section 529 Plan where the underlying investment is a mutual fund
<input type="checkbox"/>	D	Variable Annuity
<input type="checkbox"/>	E	No-load Mutual Fund
<input type="checkbox"/>		Don't know/ Don't remember Thank and terminate

Note: If respondents are in only A or only E or in only A&E, then thank and terminate.

7. How would you describe your criteria for deciding which stocks, bonds or mutual funds to invest in? **Test for articulateness**
8. What is the total of all assets you have invested in stocks, bonds or mutual funds, outside of 401(k)s but including IRAs? I will read several ranges to you. Please tell me which range includes your assets:
- Less than \$2,000 **Thank and terminate**
 - \$2,000 - \$24,000
 - \$25,000 - \$99,000
 - \$100,000 - \$499,000
 - \$500,000 or more **Thank and terminate**
 - Don't know **Thank and terminate**

9. I will read several age ranges to you. Please tell me which range includes your age:

- Under 25
- 25 - 39
- 40 - 54
- 55 and Over

Thank you for agreeing to take part in this focus group. I'm sure you will find it interesting. The discussion group will last about 60 minutes, and you will receive \$XX in appreciation of your time and for your travel costs. This will be informal and held at a professional office building in the (location) area.

Thanks again for agreeing to be a part of these discussion groups. They will be held at the office of (facility).

I would like to send you a confirmation letter with a map and directions to (facility). May I please get your full name and address?

Name: Mr/ Ms _____

Phone: (____) _____ H/W

Address: _____ City _____ Zip _____

Appendix C:

Release and Confidentiality Form

I, _____, hereby declare and agree to the following:

1) That I shall not to disclose, make known, divulge, disseminate, or communicate such confidential and proprietary information or any part thereof to any person, firm, corporation, company or entity that I shall receive at any time from Gelb Consulting Group during the course of this interview, with exceptions noted below:

That this agreement is not valid or meant to cover information received during this study that is not proprietary or confidential, specifically information that:

- 1) Is in public domain at any time
- 2) Is known to you independently
- 3) Becomes known to you from sources other than this study

2) I hereby authorize Gelb Consulting Group to videotape this interview. I understand that this video will not be used to personally identify me now or at some future date nor will it be used for any marketing or promotional activities.

Date:

Name:

Signature

Appendix D:
Forms Used for Testing

Sales fees and our conflicts of interest

AAA Equity Fund – Class A shares

Ask before you buy

We are required to tell you about sales fees and conflicts of interest that may affect your decision to buy shares of this fund. Ask us to fill in the blanks below for details about the sales fees for your investment amount.

Volume discount

You may qualify for fee discounts if you or members of your family hold other shares from this fund family, or if you agree to make additional purchases. Ask us for more information about these discounts.

Sales fees

You pay when you buy

You pay a sales fee for Class A shares up front when you buy your shares. The amount you pay is based on the value of your payment.

Do you want us to fill in the blanks for you?

We must write in amounts for your investment at your request.

Total payment amount	Up front fee you pay	Your net invest. value	Up front fee%
\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	<input type="text"/> %
\$1,000.00	\$56.60	\$943.40	6.10%
\$50,000.00	\$2,249.07	\$47,750.93	4.71%
\$100,000.00	\$3,502.85	\$96,497.15	3.63%

You also pay each year

In addition to the up-front sales fee, ongoing fees are deducted from the fund's assets every year. These fees affect the performance of your investment.

Ongoing fees

Distribution fees <i>(we receive all or almost all of the distribution fees)</i>	0.25%
Management fees	1.20%
Other expenses	0.73%
Total ongoing fees	2.18%

Conflicts of interest

Does the fund or its affiliates pay us extra to promote this fund over other funds? **YES**

Do we pay our personnel more for selling this fund than for selling other funds we offer? **NO**

Find out more

Fund Prospectus

You should consider all the costs, goals and risks associated with any fund before you buy. Read about this information in the fund prospectus. We can provide you with a copy today, or you may obtain one by calling (800) 999-9999 or on line at www.aaafunds.com/equityfund/prospectus.

Summary of special incentives

Ask us for a summary of the special incentives we receive to sell this fund. This detailed information is not available in the fund prospectus. You can request this information by calling (800) 888-8888 or review it online at www.brokerwebsite.com/specialincentives.

Sales fees and our conflicts of interest

AAA Equity Fund – Class C shares

Ask before you buy

We are required to tell you about sales fees and conflicts of interest that may affect your decision to buy shares of this fund. Ask us to fill in the blanks below for details about the sales fees for your investment amount.

Sales fees

You pay each year

Ongoing fees are deducted from the fund's assets every year. These fees affect the performance of your investment.

Ongoing fees charged each year

Distribution fees	1.00%
<i>(we receive all or almost all of the distribution fees)</i>	
Management fees	1.20%
Other expenses	0.73%
Total ongoing fees	2.93%

Conflicts of interest

Does the fund or its affiliates pay us extra to promote this fund over other funds? **YES**

Do we pay our personnel more for selling this fund than for selling other funds we offer? **NO**

Find out more

Fund Prospectus

You should consider all the costs, goals and risks associated with any fund before you buy. Read about this information in the fund prospectus. We can provide you with a copy today, or you may obtain one by calling (800) 999-9999 or on line at www.aaafunds.com/equityfund/prospectus.

Summary of special incentives

Ask us for a summary of the special incentives we receive to sell this fund. This detailed information is not available in the fund prospectus. You can request this information by calling (800) 888-8888 or review it online at www.brokerwebsite.com/specialincentives.

Fees and our conflicts of interest

AAA Equity Fund – Class A shares

Ask before you buy

We are required to tell you about fees and conflicts of interest that may affect your decision to buy shares of this fund. Ask us to fill in the blanks below for details about the fees for your investment amount.

Volume discount

You may qualify for fee discounts if you or your family hold other shares from this fund family, or if you agree to make additional purchases. Ask us for more information about these discounts.

Fees

You pay when you buy

You pay a sales fee for Class A shares up front when you purchase your shares. The amount you pay is based on the value of your contribution.

Do you want us to fill in the blanks for you?

We must write in upfront sales fees for your investment at your request.

Contribution amount	Up front fee you pay	Your net invest. value	Up front fee%
\$	\$	\$	%
\$1,000.00	\$56.60	\$943.30	6.00%
\$50,000.00	\$2,249.07	\$47,750.93	4.71%
\$100,000.00	\$3,502.85	\$96,497.15	3.63%

You also pay each year

In addition to the up-front sales fee, you will pay ongoing fees every year you hold shares in the fund. These fees are based on the value of your fund holdings, and include:

Management fees	1.20%
Distribution and service fees	0.25%
Other expenses	0.73%
Total annual fees	2.18%

Before you invest, you should know this fund's ongoing fees.

If information about total annual fees, management fees or other expenses is not available on this form, you can obtain it by reviewing the fund prospectus or by asking us for more information. The estimate below assumes that the value of your fund holdings does not change.

Investment value	Estimated 1 st -year annual fees	Annual fee %
\$	\$	2.18%
\$1,000.00	\$21.80	2.18%

Conflicts of interest

Does the fund or its affiliates pay us extra to promote this fund over other funds? **YES**

Do we pay our personnel more for selling this fund than for selling other funds we offer? **NO**

Find out more

Fund Prospectus

You should consider all the costs, goals and risks associated with any fund before you buy. Read about this information in the fund prospectus. We can provide you with a copy today, or you may obtain one by calling (800) 999-9999 or on line at www.aaafunds.com/equityfund/prospectus.

Summary of special incentives

Ask us for a summary of the special incentives we receive to sell this fund. This detailed information is not available in the fund prospectus. You can request this information by calling (800) 888-8888 or review it online at www.brokerwebsite.com/specialincentives.

Sales fees and our conflicts of interest

[STATE OF X] GROWTH PORTFOLIO – Class A

Ask before you buy

We are required to tell you about sales fees and conflicts of interest that may affect your decision to buy shares of this college savings plan portfolio. Ask us to fill in the blanks below for details about the sales fees for your investment amount.

Your state's tax incentives

Many states offer their residents tax deductions and other benefits for investing in their college savings plans, but not for investing in other states' plans. If you live in a state that offers these tax deductions or other benefits, you should consider whether investing in your state's college savings plan is best for you.

Sales fees

You pay when you buy

You pay a sales fee for when you purchase your shares. The amount you pay is based on the value of your payment.

Do you want us to fill in the blanks for you?

We must write in amounts for your investment at your request.

Total payment amount	Up front fee you pay	Your net invest. value	Fee % of your net invest. value
\$	\$	\$	%
\$1,000.00	\$56.60	\$943.40	6.10%
\$50,000.00	\$2,249.07	\$47,750.93	4.71%
\$100,000.00	\$3,502.85	\$96,497.15	3.63%

In addition to the sales fee described above, you will pay a one-time application fee of **\$75** if you are resident of State of X or **\$95** if you are not a resident of State of X.

You also pay each year

In addition to the up-front sales fee, ongoing fees are deducted from the fund's assets every year. These fees affect the performance of your investment.

Ongoing fees charged each year

Distribution fees <i>(we receive all or almost all of the distribution fees)</i>	0.25%
Management fees	1.20%
Other expenses	0.73%
Administrative fees	0.20%
Total ongoing fees	2.38%

Conflicts of interest

Are we paid extra to promote this state's college savings plan over others? **YES**

Do we pay our personnel more for selling this state's college savings plan than for selling other plans we offer? **NO**

Find out more

Plan Offering Document

You should consider all the costs, goals and risks associated with any college savings plan before you buy. Read about this information in the college savings plan's offering document. We can provide you with a copy today, or you may obtain one by calling (800) 999-9999 or on line at www.aaafunds.com/equityfund/prospectus.

Summary of special incentives

Ask us for a summary of the special incentives we receive to sell this state's college savings plan. This detailed information is not available in the plan offering document. You can request this information by calling (800) 888-8888 or review it online at www.brokerwebsite.com/specialincentives.

Sales fees and our conflicts of interest

VARIABLE ANNUITY B with surrender charge

Ask before you buy

We are required to tell you about sales fees and conflicts of interest that may affect your decision to buy this variable annuity. Ask us to fill in the blanks below for details about the sales fees for your premium payment.

Tax Treatment

Variable annuities are subject to special tax treatment under federal and state law. For example, a 10% IRS penalty tax may apply to early withdrawals; in addition, earnings on variable annuities are generally taxed at ordinary income tax rates.

Surrender charges

You pay when you sell

You pay a surrender charge if you withdraw money from your contract within a certain period of time.

The surrender charge % will decline over time.

Do you want us to fill in the blanks for you?

We must write in amounts for your premium payment at your request.

Premium payment amount	Estimated maximum surrender charge	Maximum surrender charge %
\$ <input type="text"/>	\$ <input type="text"/>	8.00%
\$1,000.00	\$80.00	8.00%
\$50,000.00	\$4,000.00	8.00%
\$100,000.00	\$8,000.00	8.00%

You also pay each year

In addition to the surrender charge, you will pay ongoing fees every year you hold the contract. These fees may be based on the value of your contract, or the value of the fund portfolios, and will differ depending on the contract features you select. Typically, they are deducted directly from the fund portfolios in which you are invested.

Ongoing Fees

Distribution Fees <i>(we receive all or almost all of the distribution fees)</i>	Max. 0.25%
Other Fund Portfolio Fees	Max. 2.00%
Optional Charges	Max. 2.50%
Mortality and Expense Risk Charge	1.75%
Other Charges	Max 1.50%
Total Fees	Max. 8.00%

These fees may not be charged on assets you direct to the fixed account. You may also pay an annual contract charge. Ask your broker for details.

Conflicts of interest

Does the insurance company or its affiliates pay us extra to promote this product over other variable annuities? **YES**

Do we pay our personnel more for selling this product than for selling other variable annuities we offer? **NO**

Free look right

You may be able to terminate your contract within the "free look" period and receive a refund of your premium payments or your contract value, which may be less. Ask your broker for details.

Find out more

Product and portfolio prospectuses

You should consider all the costs, goals and risks associated with any variable annuity before you buy. Read about this information in the prospectuses for the product and the investment portfolios. We can provide you with copies today, or you may obtain them by calling (800) 999-9999 or on line at www.aaaannuities.com/variableannuity/prospectus.

Summary of special incentives

Ask us for a summary of the special incentives we receive to sell this product. This detailed information is not available in the product or portfolio prospectuses. You can request this information by calling (800) 888-8888 or review it online at www.brokerwebsite.com/specialincentives.

Sales fees and our conflicts of interest

VARIABLE ANNUITY C

Ask before you buy

We are required to tell you about sales fees and conflicts of interest that may affect your decision to buy this variable annuity. Ask us to fill in the blanks below for details about the sales fees for your premium payment.

Tax Treatment

Variable annuities are subject to special tax treatment under federal and state law. For example, a 10% IRS penalty tax may apply to early withdrawals; in addition, earnings on variable annuities are generally taxed at ordinary income tax rates.

Sales fees

You pay each year

You will pay ongoing fees every year you hold the contract. These fees may be based on the value of your contract, or the value of the fund portfolios, and will differ depending on the contract features you select. Typically, they are deducted directly from the fund portfolios in which you are invested

Ongoing Fees

Distribution Fees	Max. 0.25%
<i>(we receive all or almost all of the distribution fees)</i>	
Other Fund Portfolio Fees	Max. 2.00%
Optional Charges	Max. 2.50%
Mortality and Expense Risk Charge	3.75%
Other Charges	Max 1.50%
Total Fees	Max. 10.00%

These fees may not be charged on assets you direct to the fixed account. You may also pay an annual contract charge. Ask your broker for details.

Conflicts of interest

Does the insurance company or its affiliates pay us extra to promote this product over other variable annuities? **YES**

Do we pay our personnel more for selling this product than for selling other variable annuities we offer? **NO**

Free look right

You may be able to terminate your contract within the "free look" period and receive a refund of your premium payments or your contract value, which may be less. Ask your broker for details.

Find out more

Product and portfolio prospectuses

You should consider all the costs, goals and risks associated with any variable annuity before you buy. Read about this information in the prospectuses for the product and the investment portfolios. We can provide you with copies today, or you may obtain them by calling (800) 999-9999 or on line at www.aaaanuities.com/variableannuityprospectus.

Summary of special incentives

Ask us for a summary of the special incentives we receive to sell this product. This detailed information is not available in the product or portfolio prospectuses. You can request this information by calling (800) 888-8888 or review it online at www.brokerwebsite.com/specialincentives.

Our compensation for selling AAA Equity Fund

Standard compensation that we receive for selling this fund

Class A shares ("front-end" sales fees)

Up-front compensation	Payment amount	What we receive	Our payment as %
We receive the following standard up-front fees for selling Class A shares of this fund.	\$1,000.00	\$50.00	5.00%
	\$50,000.00	\$2,000.00	4.00%
	\$100,000.00	\$3,250.00	3.25%
Annual "trailing" fees	Investment value	What we receive	Our payment as %
Each year we also receive the following standard "trailing" fees based on the value of investments owned by our customers.	\$1,000.00	\$2.50	0.25%
	\$50,000.00	\$125.00	0.25%
	\$100,000.00	\$250.00	0.25%

Class B shares ("back-end" sales fees)

Up-front compensation	Payment amount	What we receive	Our payment as %
We receive the following standard upfront fees for selling Class B shares of this fund.	\$1,000.00	\$45.00	4.50%
	\$50,000.00	\$2,250.00	4.50%
	\$100,000.00	\$4,500.00	4.50%
Annual "trailing" fees	Investment value	What we receive	Our payment as %
Each year, for the first seven years you own this fund, we also receive the following standard "trailing" fees based on the value of investments owned by our customers. After seven years, this amount will reduce to 0.25%.	\$1,000.00	\$10.00	1.00%
	\$50,000.00	\$500.00	1.00%
	\$100,000.00	\$1,000.00	1.00%

Class C shares ("level load")

Up-front compensation	Payment amount	What we receive	Our payment as %
We receive the following standard upfront fees for selling Class A shares of this fund.	\$1,000.00	\$10.00	1.00%
	\$50,000.00	\$500.00	1.00%
	\$100,000.00	\$1,000.00	1.00%
Annual "trailing" fees	Investment value	What we receive	Our payment as %
Each year we also receive the following standard "trailing" fees based on the value of investments owned by our customers.	\$1,000.00	\$10.00	1.00%
	\$50,000.00	\$500.00	1.00%
	\$100,000.00	\$1,000.00	1.00%

Special promotional payments we receive from the AAA fund family

We or our affiliates also receive some fees by special arrangement with the AAA fund family. Those promotional payments, which can create conflicts of interest, are described below.

Type of compensation	What we receive
Sales-based compensation	We receive \$2 for every \$1000 of AAA Equity Fund shares we sell after we sell \$10 million of AAA Equity Fund.
Compensation for fund shares held by our customers	We annually receive 50 cents for every \$1000 of fund shares issued by the AAA fund family that our customers maintain in their accounts for more than one year.
Other compensation	In addition to those other types of compensation, in our most recent fiscal year we received \$50,000 from the AAA family, on total sales of \$40 million. We expect to receive at least \$25,000 of other types of compensation from the AAA fund family in the current fiscal year.

Compensation-related conditions to our sale of mutual funds

- We only sell mutual funds that charge sales fees. We do not sell no-load funds.
 - We only sell mutual funds that pay us asset-based distribution fees ("rule 12b1 fees") of at least 0.25% of assets. If a fund family does not pay us those fees for all funds (including funds that are closed to new investors), we do not distribute that family's mutual funds.
 - We only sell mutual funds that pay us sub-transfer agent fees of \$12 per customer account.
 - Funds that pay promotional payments to us receive special access to our sales personnel.
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Special incentives we pay to our personnel for selling this fund or particular share classes

Our personnel are paid more for selling AAA fund shares

We pay our personnel more money for selling fund shares issued by AAA fund family than for selling shares issued by some other fund families. For example, while we generally pay our salespeople 42% of the sales fees we earn on mutual fund sales, we pay our salespeople 45% of the sales fees we earn on the sale of AAA fund shares. We also waive certain charges to our personnel when they sell AAA fund shares, but not the shares of other funds.

Moreover, this fund pays all broker-dealers more for selling fund shares than the average paid by comparable funds. We pay our personnel a standard percentage of our revenues, meaning that our personnel may earn more for selling this fund than they earn for selling other comparable funds.

Our personnel may be paid more for selling class B shares

We can expect to earn more for selling class B shares of this fund than class A shares, particularly for larger sales, than we earn for selling other share classes. As a result, our personnel also may earn more when they sell class B shares.
