

# Edward Jones Advisory Solutions<sup>®</sup> Fund Models Brochure as of July 1, 2012

Edward Jones  
12555 Manchester Road  
Saint Louis, Missouri 63131  
800-803-3333  
[www.edwardjones.com](http://www.edwardjones.com)

## Item 1: Cover Page

**This brochure provides information about the qualifications and business practices of Edward Jones. If you have any questions about the contents of this brochure, please contact us at 800-803-3333. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

**Additional information about Edward Jones is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2: Material Changes

This section describes specific material changes that have been made to the brochure as of July 1, 2012. Not all changes included in this updated brochure have been deemed material by Edward Jones. The last update to the brochure was made on March 30, 2012.

- Item 9: Disciplinary Information. This section has been updated with the most current information.

## Item 3: Table of Contents

<b>Item 4: Advisory Business.....</b>	<b>3</b>
<b>Item 5: Fees and Compensation.....</b>	<b>5</b>
<b>Item 6: Performance-Based Fees and Side-By-Side Management .....</b>	<b>8</b>
<b>Item 7: Types of Clients.....</b>	<b>8</b>
<b>Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>9</b>
<b>Item 9: Disciplinary Information.....</b>	<b>11</b>
<b>Item 10: Other Financial Industry Activities and Affiliations.....</b>	<b>17</b>
<b>Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading....</b>	<b>19</b>
<b>Item 12: Brokerage Practices.....</b>	<b>20</b>
<b>Item 13: Review of Accounts.....</b>	<b>21</b>
<b>Item 14: Client Referrals and Other Compensation.....</b>	<b>21</b>
<b>Item 15: Custody.....</b>	<b>22</b>
<b>Item 16: Investment Discretion.....</b>	<b>22</b>
<b>Item 17: Voting Client Securities.....</b>	<b>23</b>
<b>Item 18: Financial Information .....</b>	<b>23</b>
<b>Item 19: Requirements for State-Registered Advisers.....</b>	<b>23</b>
<b>Appendix A: Disclosures Regarding Proprietary/Affiliated Funds .....</b>	<b>24</b>

#### Item 4: Advisory Business

**This brochure provides you with information about Edward Jones, Edward Jones Advisory Solutions® Fund Models (Advisory Solutions), fees that we charge for our services, and our business practices. You should read this brochure carefully before you invest in Advisory Solutions.**

Edward Jones also offers other advisory programs that are not described in this brochure. These programs offer different services, fees and minimum investment requirements. If you are interested in learning more about our other advisory programs, please ask your financial advisor for a brochure.

**Overview.** Edward Jones is the primary business of The Jones Financial Companies, L.L.P., a holding company registered as a partnership with the State of Missouri. Edward Jones registered as a broker-dealer in 1941 and as an investment adviser in 1993.

As a dually registered broker-dealer and investment adviser, Edward Jones offers a variety of financial services. You can purchase many of the same or similar investments as those available in an advisory program for a lower fee through Edward Jones as a broker-dealer, although you will not receive the additional advisory services. It is important for you to consider the additional costs associated with an advisory program before investing.

As of December 31, 2011, we managed \$63,319,263,930 in discretionary assets and \$5,319,454,110 in non-discretionary assets in our advisory programs.

**Edward Jones Advisory Solutions® Fund Models.** In 2008, Edward Jones started Edward Jones Advisory Solutions® Fund Models (Advisory Solutions). Advisory Solutions is an asset allocation program in which you receive

both investment advisory and brokerage services. Your account will be invested in various allocations of mutual funds, exchange-traded funds (ETFs) and money market funds.

**Mutual Funds:** Mutual funds are diversified, professionally-managed portfolios of securities that pool the assets of individuals and organizations to invest toward a common objective such as current income or long-term growth.

**Exchange-Traded Funds (ETFs):** ETFs are typically registered investment companies whose shares track an index, a commodity or a basket of assets like an index fund, but trade like stocks on an exchange. ETFs experience price changes throughout the day as they are bought and sold.

**Money Market Funds:** Money market funds are a type of mutual fund that invests in high quality, short-term debt securities, pays dividends that generally reflect short-term interest rates, and seeks to maintain a stable net asset value (NAV) per share (typically \$1.00). An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund is managed to maintain a stable net asset value of \$1 per share, the value of the fund may fluctuate, and could lose money.

Depending on your risk tolerance and life stage, Edward Jones will invest your funds in different mutual funds and ETFs that are combined into models in order to help you maintain an acceptable level of risk for you.

Before investing in Advisory Solutions, you should decide if you are comfortable forgoing the day-to-day management of your account. People who decide to invest in Advisory Solutions typically share the following characteristics:

- ☐ Need advice and guidance when making investment decisions

- ☐ Are at ease with a financial professional making their day-to-day investment decisions
- ☐ Are willing to follow a disciplined investment strategy
- ☐ Prefer to pay asset-based (percentage) fees for investments and advice rather than individual commissions or sales charges

The decision to invest in Advisory Solutions is yours. Before making this decision, you should discuss with your financial advisor whether other programs or investments may be more appropriate for your investment goals or needs.

Once you have decided to invest in Advisory Solutions, you will complete an "Investment Objectives Questionnaire" (IOQ). Edward Jones scores certain answers to determine the level of investment risk you are willing to take (risk tolerance). Your risk tolerance combined with your life stage results in a recommended Portfolio Objective. Depending on your risk tolerance and life stage, an alternative Portfolio Objective may be available to you if you decide you are willing to take more risk or less risk than the recommended Portfolio Objective. An alternative Portfolio Objective is not available for every risk tolerance and life stage combination. You ultimately decide whether you want to invest in a recommended Portfolio Objective or an alternate Portfolio Objective.

Edward Jones constructs the asset allocation for each Portfolio Objective. To keep the Portfolio Objective aligned with your risk tolerance, Edward Jones determines the appropriate percentage to be invested in each of the following asset classes (target asset weightings):

- ☐ Aggressive
- ☐ Growth
- ☐ Growth and Income
- ☐ International Equity
- ☐ Income
- ☐ Cash Equivalents

Once you have selected your Portfolio Objective, you then choose the investment options to implement your Portfolio Objective. Edward Jones Mutual Fund Research chooses the mutual funds and ETFs available in Advisory Solutions (Program Funds) to create the Program List. You have two investment options:

### **1. You invest in a Research Model and give Edward Jones authority to select the Program Funds.**

In a Research Model, you give Edward Jones complete control over the management of the account (except for selecting or changing your Portfolio Objective). Edward Jones selects the Program Funds that are in the Research Model and how much of your money will be invested in the different asset classes. Edward Jones can make changes to the Program Funds at any time and can change the amount of your money that is invested in the different asset classes at any time without first giving you notice.

**Or**

### **2. You invest in a Custom Model and you select the Program Funds.**

In a Custom Model, you decide which Program Funds will be purchased for your account and how much of your money is invested in each Program Fund. If you would rather choose for yourself from the Program List rather than giving this responsibility to Edward Jones, then you should invest in a Custom Model. However, Edward Jones still determines how much you invest in different asset classes, and you give Edward Jones the authority to buy and sell the Program Funds in your account as necessary to bring your account back into line with your risk tolerance. If we remove a Program Fund from Advisory Solutions, when possible we will give you at least 30 days notice and will recommend another appropriate Program Fund. You can choose our recommendation or another Program Fund from the Program List in the same asset class as the Program Fund being removed. If you do not request an appropriate Program Fund

replacement within 30 days of notification, we will use the recommended Program Fund as the replacement.

You cannot restrict individual securities in an advisory account. However, you can choose not to invest in a specific mutual fund and/or ETF by investing in a Custom Model.

For more information regarding our investment strategy, see the section titled “Methods of Analysis, Investment Strategies and Risk of Loss.”

## Item 5: Fees and Compensation

**When you invest in Advisory Solutions, you pay fees to Edward Jones. You also incur internal fees and expenses in the mutual funds and ETFs in your account. The following section explains:**

- ☐ **Who receives the fees and expenses**
- ☐ **When you pay the fees and expenses**
- ☐ **How the fees and expenses are calculated and paid**
- ☐ **Potential credits you may receive from Edward Jones**

### Advisory Solutions Fees Paid to Edward Jones

**Advisory Solutions Fees = Program Fee  
+ Administrative Fee (if applicable)**

#### 1. The Program Fee

Every account pays a Program Fee for investment management services, which includes:

- ☐ Investment model construction and ongoing asset allocation guidance to distribute your money appropriately across different asset classes
- ☐ Ongoing due diligence, monitoring and portfolio management

- ☐ Dynamic rebalancing so that your portfolio stays aligned with your investment goals and appropriate level of risk
- ☐ Quarterly performance reports, including market commentary from our Investment Advisory department
- ☐ Systematic additions/withdrawals customized to your needs upon request
- ☐ Ongoing personal investment advice and service from your Edward Jones financial advisor

The Program Fee is based on an annualized schedule of rates that apply to the value of the Program Funds in your account. The value of your Program Funds corresponds to the various Annual Fee Rate tiers (shown below). As the value of your Program Funds either increases or decreases, you are charged the percentage rate for the tier that corresponds to the value of your Program Funds. As a result, your Program Fee is a weighted average of the annualized fee rates (as shown below) and will increase or decrease as the value of your Program Funds changes.

#### Program Fee Schedule for Taxable Accounts and Traditional and Roth Individual Retirement Accounts (IRAs)

	<b>Value of Program Funds</b>	<b>Annual Fee Rate</b>
First	\$500,000	1.35%
Next	\$500,000	1.25%
Over	\$1,000,000	1.00%

#### Program Fee Schedule for Benefit Plan Accounts\*

	<b>Value of Program Funds</b>	<b>Annual Fee Rate</b>
First	\$500,000	1.50%
Next	\$500,000	1.40%
Over	\$1,000,000	1.15%

\*Benefit Plan Accounts include Tax-Qualified Plans (other than Traditional and Roth IRAs),

Employer-Sponsored Plans, Other Plans, and SIMPLE IRAs and SEP IRAs.

The Program Fee can be lower than the above schedules, including in the following circumstances:

- ☐ The value of your Advisory Solutions account is over \$5,000,000.
- ☐ Either Edward Jones or your financial advisor negotiates a lower Program Fee.
- ☐ You and/or certain household members have more than one account participating in Advisory Solutions and Edward Jones decides to combine the value of the accounts in order to lower the Program Fee. Edward Jones may decide to combine these accounts when at least two of the following criteria are met: same Social Security and/or tax identification number; same last name; or same primary residence and same home phone number.
- ☐ You are an active or retired associate of Edward Jones.

Reducing the Program Fee is at the sole discretion of Edward Jones.

### **Potential Credits to the Program Fee**

Depending on certain factors, you are eligible to receive credits to your Program Fee for money that Edward Jones directly receives from mutual fund companies.

#### **(i) Fee Offsets**

- ☐ **Rule 12b-1 Fees:** Mutual fund companies, or their affiliates, may pay Edward Jones "Rule 12b-1 fees" for distribution and marketing expenses. If we receive Rule 12b-1 fees for the shares in your account, we will credit the amount we received from the Program Funds in your account for the amount received.
- ☐ **Shareholder Accounting Revenue:** Mutual fund companies may pay Edward Jones for account recordkeeping and administrative

services provided by Edward Jones for the mutual fund companies. If you have a taxable account, traditional or Roth IRA, Edward Jones will collect the Shareholder Accounting Fees received for all clients with these account types during the billing period and then allocate the applicable Fee Offset, pro rata, based on the value of the Program Funds held in each account. If you have a Benefit Plan Account, Edward Jones will apply a Fee Offset equal to the amount received by Edward Jones for these services with respect to the actual Program Funds held in your account.

#### **(ii) Fee Reductions**

If you purchased mutual funds from Edward Jones within the past twenty-four (24) months prior to investing in Advisory Solutions and paid a commission when you purchased those mutual funds, or will pay a commission or redemption fee if you sell those mutual funds within a certain time frame, you may receive a reduction in the Program Fee if you sell those mutual funds to invest in Advisory Solutions (Fee Reduction). The amount of the Fee Reduction will depend on how long you held the mutual funds you are selling. Edward Jones will decide how to calculate the Fee Reduction and apply it to your account. If you leave Advisory Solutions within two years, you will not receive any of the remaining Fee Reduction that has not been applied to your account.

If you are selling mutual funds to invest in Advisory Solutions but you did not purchase them from Edward Jones, you will not receive a Fee Reduction.

### **(2) The Administrative Fee**

If you have a taxable account or a traditional or Roth IRA, you will also pay a 0.09% (nine basis points) annualized fee for certain record-keeping and accounting services and other services

provided by Edward Jones. Benefit plan accounts do not pay the Administrative Fee.

In addition to the Advisory Solutions Fee described above, clients may incur other fees and expenses. A client may pay for other services, including but not limited to, fees to distribute an account pursuant to a transfer on death (TOD) agreement, an account transfer fee and/or an account termination fee. Please see the Edward Jones Account Agreement or Edward Jones Retirement Account Agreement for further information on these separate and/or additional fees.

### How Are Advisory Solutions Fees Calculated?

The Advisory Solutions Fee is charged to your account each month in arrears. If your Advisory Solutions account is opened for part of a month, then you will pay a fee based on the number of days your account was opened and invested in the market. The amount you pay is determined by the average daily value of your Program Funds for the previous month.

You pay the Advisory Solutions Fee on the value of Program Funds held in your account; cash and shares of the Edward Jones Money Market in your account are not Program Funds and therefore are not included in the calculation of the Advisory Solutions Fee. Edward Jones typically charges your account on the third business day of each month but we can change that date without prior notice to you.

### How do you pay Advisory Solutions Fees?

The Advisory Solutions Fee is deducted directly from your Advisory Solutions account and paid using the cash portion of the model in which you are invested. The cash portion is a money market fund. If there is not sufficient cash or assets in the money market fund, we will sell shares of Program Funds in an amount that is sufficient to pay the Advisory Solutions Fee or the balance of the Advisory Solutions Fee. If Edward Jones sells

Program Funds, you may have to pay taxes and/or you may have to pay redemption fees to the fund company if those shares were held for only a short time (see below for more information on redemption fees). At the sole discretion of Edward Jones, you may be allowed to pay your Advisory Solutions Fee from an alternate Edward Jones account.

### Examples:

The following examples show the fees a client of Edward Jones would pay if the client's average daily balance remained at \$120,000 for a year (365 days). These examples do not take into account any Fee Reduction, Fee Offset or discounts. ***These examples are for illustrative purposes only.***

#### Example # 1 – Taxable Accounts and Traditional and Roth IRAs

*The client has an average daily balance of \$120,000.00 in the account for a year (365 days). The client would pay an annual Advisory Solutions Fee of approximately \$1,728.00. This is comprised of:*

*Approximate Program Fee = \$1,620.00 and  
Approximate Administrative Fee = \$108.00*

#### Example #2 – Benefit Plan Accounts

*The client has an average daily balance of \$120,000.00 in the account for a year (365 days). The client would pay an annual Advisory Solutions Fee of approximately \$1,800.00. This is comprised of:*

*Approximate Program Fee = \$1,800.00 and  
Administrative Fee = \$0.00*

**Important! You *may* be able to deduct the Advisory Solutions Fee depending on your own financial situation and tax bracket. Edward Jones does not give tax advice nor can we tell you whether your Advisory Solutions Fee can be deducted. You should talk to your attorney or qualified tax professional about whether your Advisory Solutions fee can be deducted.**



## Internal Fees and Expenses of Mutual Fund Companies

### Internal Fees and Expenses/ Redemption Fees

The mutual funds or ETFs in your account have internal fees and expenses, which are described in the fund prospectus. These fees are in addition to the Advisory Solutions Fees described above. The internal fees and expenses vary depending on the mutual fund or ETF and are deducted from the net asset value (NAV) of the mutual fund on a daily basis. You will not see a separate entry on your account statement showing this fee. Currently within Advisory Solutions there are internal fees and expenses in Program Funds that vary anywhere from .06% to 1.95%.

The internal fees and expenses of mutual funds often depend on the type of share class you own. Edward Jones determines the appropriate share class for Advisory Solutions, which may not be the share class with the lowest fees and expenses. Please refer to the section titled "Methods of Analysis, Investment Strategies and Risk of Loss" for more information regarding the selection of Program Funds for Advisory Solutions.

You may have to pay redemption fees to the mutual fund company if you or Edward Jones decide to sell a mutual fund from your account that was held for only a short time (anywhere from 30 days to 12 months). The mutual fund prospectus describes whether the fund company has a redemption charge.

**Any internal fees and expenses charged by fund companies, as well as the fee you pay for Advisory Solutions, will affect your account's investment performance.**

You can choose to forgo the services of Advisory Solutions and buy and sell many Program Funds through Edward Jones as a broker-dealer or through other brokers or agents that are not affiliated with Edward Jones. If you purchased

these investments through Edward Jones as a broker-dealer, you would pay sales charges or commissions, a portion of which would be paid to your financial advisor. A financial advisor will typically earn more in upfront fees and commissions when you use brokerage services. In the alternative, a financial advisor will typically earn more over time if you invest in Advisory Solutions. This creates a financial incentive and potential conflict of interest to the financial advisor when recommending Advisory Solutions instead of brokerage services.

### **Item 6: Performance Based Fees and Side-by-Side Management**

This section does not apply to Edward Jones.

### **Item 7: Types of Clients**

Edward Jones offers our clients a wide range of financial services. Advisory Solutions may not be appropriate for every client or every account type. Generally, Advisory Solutions is available only to citizens or entities of the United States who open accounts in the following registrations:

- ☐ Individual(s)
- ☐ Trusts
- ☐ Estates
- ☐ Charitable organizations
- ☐ Corporations and other business structures
- ☐ Traditional and Roth Individual Retirement Accounts (IRAs)
- ☐ Benefit plan accounts

Edward Jones can prohibit anyone or any account type from investing in Advisory Solutions for any reason, including if we believe it is not an appropriate investment strategy for you.

As a general rule, you should intend to invest in Advisory Solutions for a minimum of three years or longer. You should not invest in Advisory Solutions if you want to actively trade in mutual funds and/or ETFs or have a time horizon shorter than three years.



Your initial investment in an Advisory Solutions account generally must be at least \$50,000. Your minimum investment can be in cash or investments that you currently own. If you transfer investments to open an Advisory Solutions account and those investments are not Program Funds, Edward Jones will sell the investments and use the proceeds to invest in Program Funds. Trades that occur in a taxable account may result in a taxable event to you. Please consult with your tax professional before deciding to invest in Advisory Solutions.

If you transfer investments to open an Advisory Solutions account and those investments are current Program Funds but in a different share class from that held for Advisory Solutions, Edward Jones may exchange those funds into a different share class in order to be held in Advisory Solutions. We will try to make this a nontaxable event but cannot guarantee that you will not owe taxes as a result of the exchange.

You may add or withdraw funds from your Advisory Solutions account upon request. Additions and withdrawals from your account will result in the sale or purchase of the mutual funds in your account in accordance with the asset allocation set for your Portfolio Objective and in a manner that attempts to minimize variations in the asset allocation.

Deposits, including interest and dividends, received into your account but that have not been invested into Advisory Solutions, may earn interest that will be retained by Edward Jones. Edward Jones may also earn and retain interest on distributions requested from your account until the time the check is cashed or other payment method is completed. The average overnight interest rate on these deposits may fluctuate daily, and is tied to changes in widely referenced interbank lending rates, such as Fed Funds Effective Rate ("FFER"), Fed Funds Target Rate ("FFTR"), and LIBOR rates. Under these arrangements, banks may pay interest based on a spread to one of these rates, or may pay a

fixed interest rate. These rates in recent times generally have varied from 0% to FFTR + 0.15%.

Appendix A to the brochure explains the affiliation between Edward Jones and the Edward Jones Money Market Fund. While the Edward Jones Money Market Fund is not a Program Fund, other money market funds that are not affiliated with Edward Jones are Program Funds and those assets are included in the calculation of the Program Fee.

The total value of your account is monitored by Edward Jones. If the value falls significantly (for example, a balance of \$10,000 or below), Edward Jones may automatically remove your account from Advisory Solutions, liquidate the holdings and retain the cash proceeds in your brokerage account.

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

Our Mutual Fund Research department is responsible for selecting Program Funds. Mutual Fund Research starts with the universe of available funds and uses numerous quantitative (investment history, past performance, portfolio analysis of the individual holdings in the mutual fund, etc.) and qualitative (investment strategy, process, personnel, etc.) factors in selecting and monitoring Program Funds.

Our Mutual Fund Research department continually reviews Program Funds to ensure they remain suitable for the Program List. A Program Fund can be removed from the Program List for a variety of reasons, including:

- ☐ A significant change to a fund's investment team
- ☐ A major shift in the fund's investment process
- ☐ A drift away from a fund's stated investment style
- ☐ A better Program Fund alternative identified within the same asset class

- A change in the Edward Jones Investment Policy Committee (IPC) guidance and/or outlook
- A decision by Edward Jones to reduce the ownership level of a fund

Mutual Fund Research can also place a Program Fund on “Update Pending” status. Update Pending is an interim status indicating that there is some type of important news or issue involving the Program Fund. Once Mutual Fund Research has fully assessed the significance of the news or issue, Mutual Fund Research will remove the Update Pending status and either: (1) keep the Program Fund on the Program List, or (2) remove the Program Fund from the Program List. You will not be notified that a Program Fund is in Update Pending status.

In Advisory Solutions, we use an asset allocation strategy to invest your money. Asset allocation means determining what portion (or percentage) of your investments should be invested in different asset classes based on your Portfolio Objective and risk tolerance. Asset allocation can’t eliminate risk associated with investing, but it can help to keep your account within your stated risk tolerance range.

The Edward Jones Investment Policy Committee (IPC) determines the appropriate asset allocation ranges and target allocations for each Portfolio Objective based on the Edward Jones Investment Pyramid. The Mutual Fund Research department constructs each Research Model in alignment with overall asset allocation guidelines from IPC. Program Funds are selected by Mutual Fund Research to represent the asset classes and investment styles within each model. Mutual Fund Research monitors the overall asset allocation and target weightings of investments within each model and will make changes to the Program Funds as they believe necessary.

Depending on market volatility, the asset allocations set for your portfolio will sometimes get out of balance. Different asset classes will

perform better than others, resulting in an asset allocation that may have more or less risk than what you may want. In order to keep your account in line with your risk tolerance and Portfolio Objective, your account will be automatically rebalanced if the asset classes have deviated too far from the target asset allocations. Rebalancing will occur if asset classes are out of balance by an amount and time period determined by Edward Jones.

Rebalancing is achieved by buying, redeeming or selling shares of Program Funds until the asset allocation in your account is in line with the target asset allocation of the Portfolio Objective. Rebalancing trades are subject to certain dollar minimums as determined by Edward Jones. You will not be notified before a rebalance occurs. Remember: asset allocation and rebalancing strategies do not guarantee a profit or protect against a loss. Rebalancing trades in a taxable account may result in a taxable event to you. Consult with your tax professional before you invest in Advisory Solutions.

The objective of investing in a variety of Program Funds in various types of asset classes allocated in the different percentages is that your portfolio will likely experience less volatility and show more consistent performance over time. There is no guarantee that this goal will be achieved.

All investment strategies and investments involve risk and the value of your account will fluctuate in value. As a result, your account may be worth more or less than the amount of money you invested in Advisory Solutions. Each Program Fund will also fluctuate in value and, when sold, may be worth more or less than the original cost to purchase. Diversification does not guarantee a profit or protect against loss. You should consider the investment objectives, risks, and charges and expenses of each mutual fund before deciding to invest in Advisory Solutions. A prospectus containing this and other information

about each mutual fund can be obtained from your financial advisor.

### **Item 9: Disciplinary Information**

**This section contains information on certain legal and regulatory matters affecting Edward Jones.**

State of California – Revenue Sharing. In the early 1990s, Edward Jones negotiated revenue sharing plans with seven fund families, which had been designated as “preferred funds”. On December 20, 2004, the State of California alleged that Edward Jones violated Corporations Code Section 25401 by failing to adequately disclose its revenue sharing arrangements with these certain designated preferred funds; and Section 25216(a) by omitting to disclose a material fact or facts with respect to its revenue sharing arrangements with these certain designated preferred funds which may have been misleading. On September 2, 2008, Edward Jones reached an agreement with the California Attorney General in which the case was dismissed with prejudice. Without admitting or denying the allegations, Edward Jones agreed to pay \$2.7 million to the Attorney General as fees and costs and \$4.8 million to the State of California as civil penalties.

State of Iowa – Unregistered Stock. In June 2000, the Iowa Insurance Commissioner (Iowa Commissioner) brought an action against Edward Jones alleging the unauthorized sale of unregistered stock in two companies by a financial advisor. The Iowa Commissioner ordered that Edward Jones failed to reasonably supervise its financial advisor and Edward Jones paid a civil penalty and costs of \$9,500.

United States Securities and Exchange Commission (SEC) – Revenue Sharing. On December 15, 2003, the SEC alleged that Edward Jones did not disclose its financial incentives to sell mutual funds from the preferred fund families on its website or on any other written document or orally to clients and that Edward

Jones failed to disclose on its website or on any other written document any incentives to sell 529 plans. The SEC also alleged that Edward Jones willfully violated: (i) Section 17(a)(2) of the Securities Act; (ii) Rule 10b-10 under the Exchange Act; (iii) Section 15b(c)(1) of the Exchange Act; and (iv) contravened the dictates of Municipal Securities Rulemaking Board (MSRB) Rule G-15. Simultaneously with this proceeding, the National Association of Securities Dealers (NASD) and the New York Stock Exchange (NYSE) instituted proceedings against Edward Jones.

In view of the above findings, the hearing panel, on December 22, 2004, by unanimous vote, imposed the penalty consented to by Edward Jones as follows: the imposition by NYSE, SEC and NASD of a (i) be censured; (ii) cease and desist from committing or causing any violations and future violations of Section 17(a)(2) of the Securities Act, Section 15b(c)(1) of the Exchange Act and Rule 10b-10 and MSRB Rule G-15; (iii) pay disgorgement plus prejudgment interest in the total amount of \$37.5 million (Disgorgement) and a civil monetary penalty in the amount of \$37.5 million (Penalties), for a total of \$75 million; and (iv) establish a fair fund pursuant to Section 308(a) of the Sarbanes–Oxley Act of 2002 for the funds described above. Pursuant to an escrow agreement, Edward Jones paid the Disgorgement and Penalties into an escrow account along with all costs associated with the escrow agreement and the fair fund distribution. In addition, Edward Jones was ordered to, among other things, make certain disclosures regarding its preferred mutual fund family program; develop policies and procedures with the assistance of an independent consultant in connection with Edward Jones revenue sharing and develop a distribution plan. Edward Jones agreed to not assert any reimbursement or indemnification from any source including insurance companies or claim, assert, or apply for a tax deduction or tax credit for any penalty amounts that it paid.

State of Missouri – Revenue Sharing. On December 23, 2004, the Missouri Securities Division (Missouri Division) alleged that Edward Jones failed to adequately disclose to investors information about its revenue sharing arrangements involving certain mutual fund companies. On August 5, 2005, Edward Jones was ordered to: (i) make available, upon request by the Missouri Division, all information and reports submitted to the self-regulatory and law enforcement authorities pertaining to its policies and procedures regarding revenue sharing; (ii) make available, upon request by the Division, information regarding the implementation of its mutual fund research program; and (iii) pay a civil penalty of \$650,000, a sum of \$850,000 to education funds and its own costs and attorneys fees.

State of Maine – Exercise of Discretion. On October 15, 2008, the State of Maine Office of Securities began investigating the actions of a former financial advisor for allegedly exercising discretion in two client accounts, and investigated Edward Jones to determine whether it failed to reasonably supervise the financial advisor. On October 15, 2008, Edward Jones and the Maine Office of Securities entered into a Consent Order which required Edward Jones to pay a \$10,000 fine and stated that Edward Jones failed to reasonably supervise the financial advisor by failing to (i) detect or take timely action regarding conflicting information provided by the financial advisor, and (ii) detect or adequately investigate the financial advisor's use of discretion in two client accounts and to confirm the accuracy of its representations to the Maine Office of Securities.

State of Missouri – Variable Annuity. On July 9, 2009, the Missouri Securities Division began an investigation regarding the sale of a variable annuity to a client of Edward Jones who is now deceased. Upon completing its investigation, the Missouri Division alleged Edward Jones failed to reasonably supervise its financial advisor by failing to reasonably review the death benefit

options available for the variable annuity. Without admitting or denying the allegations, Edward Jones entered into a Consent Order with the Missouri Division on July 9, 2009 and agreed to pay restitution of \$10,500 to the client's beneficiaries, \$25,000 to the State of Missouri's Investor Education Fund and \$5,000 for the cost of the investigation.

State of Maine – Revenue Sharing. On October 1, 2004, the State of Maine Office of Securities alleged that Edward Jones violated the revised Maine Securities Act when it failed to disclose to its Maine clients that it received revenue sharing payments from the sale of preferred mutual funds. Without admitting or denying the findings, on February 28, 2006, Edward Jones entered into a Consent Agreement for the sole purpose of resolving the matter.

State of Alaska – Complaint Classification. On September 24, 2004, the State of Alaska Division of Banking, Securities and Corporations alleged that Edward Jones failed to properly classify and maintain a record of specified correspondence as a complaint. On December 9, 2003, a Consent Order was entered and Edward Jones consented to a finding that they misclassified the client's letter by not treating it as a complaint. Edward Jones agreed to take the corrective action as provided in the Consent Order.

State of Hawaii – Unregistered Activity. On December 17, 2002, the State of Hawaii alleged that Edward Jones and its financial advisor effected three transactions without the proper registration pursuant to Section 485-14 of the Hawaii Securities Act. On December 17, 2002 the parties entered into a Consent Order and Edward Jones agreed to pay a \$3,000 civil penalty for the unregistered activity of one of its financial advisors. Edward Jones voluntarily stipulated to the Consent Order that Edward Jones and its financial advisor had inadvertently entered three trades in the State of Hawaii approximately 20 days prior to the financial advisor's licensing approval.

State of Montana – Misappropriation of Client Funds. On March 2, 2010, the Montana Securities Department began investigating the actions of a former financial advisor for allegedly misappropriating client funds. Edward Jones terminated the financial advisor and reported the matter to the Montana Securities Department. On November 9, 2010, Edward Jones and the Montana Securities Department entered into a Consent Agreement which required Edward Jones pay a \$100,000 fine for a books and records violation, pay six clients a total of \$349,464.92 in restitution, store exact duplicates of certain types of identified negative confirmation letters, and undertake a review of its written supervisory procedures with respect to the execution of blank letters of authorization.

State of Indiana – Supervision. In July 2009, the Securities Division of the Indiana Secretary of State (Indiana Securities Division) alleged that Edward Jones failed to supervise the activities of a now deceased financial advisor. Specifically, the Indiana Securities Division alleged the financial advisor was able to change the primary account holder and social security number on an account by submitting a form to the headquarters office without the required number of signatures, in violation of firm policy. On March 1, 2011, Edward Jones and the State of Indiana entered into a Consent Agreement in which Edward Jones agreed to pay the State \$10,000 to resolve the matter, without any admission of fault or wrongdoing.

State of Vermont – Disbursement of Funds from an Individual Retirement Account (IRA). On March 27, 2003, the Commissioner of the Vermont Department of Banking, Insurance, Securities and Health Care Administration alleged Edward Jones did not adequately supervise a financial advisor in the disbursement of funds in a client's IRA account. On May 26, 2005, without admitting or denying the allegations, Edward Jones agreed to pay into an Edward Jones IRA for the client, the distribution amount of \$3,781.07 plus the estimated tax

penalty of \$1,718.03 for a total of approximately \$5,500, revise supervisory policies and update form U-4 to include the Commissioner of Vermont's letter of admonition to the financial advisor.

State of Virginia – Use of Margin. In April 2002, the Virginia State Corporation Commission, Division of Securities and Retail Franchising commenced an investigation into Edward Jones based on actions of a former financial advisor and his recommendation for use of margin dating back to 1998. After investigating the matter, the Virginia Division alleged that Edward Jones violated the Virginia Securities Act and Code of Virginia by: (i) engaging in a transaction, practice or course of business which operates as a fraud or deceit upon a purchaser; (ii) failing to make and keep true, accurate and current, and preserve the books and records relating to its business; (iii) failing to establish, maintain and enforce written procedures; (iv) failing to perform frequent examinations of all client accounts to detect and prevent irregularities or abuses; and (v) failing to review and receive written approval by the designated supervisor of the delegation by any client of discretionary authority with respect to the client's account. On March 19, 2010, Edward Jones entered into a settlement agreement by which Edward Jones agreed to offer to pay 50% of the equity losses incurred by four Virginia investors identified by the Virginia Division and a rebate of 65% of the margin interest paid by the Virginia investors identified to the Virginia Division and who had a margin loan between January 1, 1998 and June 30, 2001.

State of Kansas – Disbursement of Funds from IRA. On April 26, 2000, the State of Kansas Office of Securities Commissioner alleged that Edward Jones failed to supervise a financial advisor in the disbursement of client funds from an IRA account. Edward Jones neither admitted nor denied the allegations but on January 20, 2006, agreed to pay restitution to the client in the amount of \$7,500.00. Edward Jones also agreed



to make a payment to the Investor Education Fund pursuant to the laws of Kansas in the amount of \$2,500.

NASD – Trade and Reporting Compliance Engine (TRACE) Markup/Markdown. On October 8, 2003, the NASD brought an action against Edward Jones. On September 20, 2004, Edward Jones accepted and consented, without admitting or denying the allegations or findings, that in 8,319 transactions reported to TRACE, Edward Jones improperly included its markup/markdown.

NASD – Fair Market Value of Municipal Securities. In June 2004, the NASD alleged Edward Jones failed to ensure the municipal securities transactions executed at aggregate prices that were fair and reasonable. On June 28, 2004, without admitting or denying the allegations, Edward Jones consented to the described sanctions and to the entry of findings; therefore, Edward Jones was censured, fined \$15,000, and required to pay \$10,181.50, plus interest in restitution to the clients. In addition, the NASD required Edward Jones to update its written supervisory procedures as they relate to the determination of the fair market value of municipal securities being bought or sold from a public client.

NASD – Net Asset Value (NAV) Transfer Programs. The NASD alleged that Edward Jones failed to provide all investors the opportunity to purchase Class A shares of certain mutual funds at NAV (i.e., without any deduction for a sales load) pursuant to the terms of their NAV transfer programs. The NASD further alleged that Edward Jones failed to exercise reasonable due diligence to identify the essential terms and conditions of all NAV transfer programs offered by the mutual funds that it sold and failed to establish, maintain, and enforce a system and procedures to ensure that all of its clients received NAV pricing when appropriate. On December 11, 2006, pursuant to NASD Rule 9216, Edward Jones entered into a letter of

acceptance, waiver and consent whereby it agreed, without admitting or denying the findings of the NASD, to the entry of certain findings and sanctions in connection with its handling of NAV transfer programs offered by certain mutual funds during the period January 1, 2002, through December 31, 2004. Edward Jones was censured and fined \$250,000, and agreed to provide remediation payments to investors estimated to be approximately \$25,000,000.

NASD – Revenue Sharing. The NASD alleged Edward Jones did not adequately disclose its incentives to sell mutual funds from the seven preferred families by relying on language pertaining to revenue sharing found in the prospectuses and statements of additional information (SAIs) provided at the point of sale. The NASD further alleged that during the relevant period, procedures were not in place by Edward Jones to ensure that the prospectuses and SAIs adequately disclosed revenue sharing, directed brokerage payments or other incentives offered to Edward Jones. The NASD also alleged that since 2000, Edward Jones sold 529 college savings plans to its clients and although it has selling agreements with 14 mutual fund companies, Edward Jones promotes only the 529 plans from certain preferred families. On December 22, 2004, based on the conduct described above, the NASD found that Edward Jones willfully violated Section 17(a)(2) of the Securities Act, NASD Rule 2110, Rule 10b-10 under the Exchange Act, Section 15b(c)(1) of the Exchange Act and NASD Rules 2210 and 2110. With regard to 529 savings plans, the NASD determined Edward Jones contravened the dictates of MSRB Rule G-15 and Section 15b(c)(1) of the Exchange Act. The NASD further alleged (i) Edward Jones improperly favored the sale of mutual funds on the basis of brokerage commissions in violation of NASD Rules 2830(k) and 2110; (ii) used unlawful sales conduct in holding sales trip incentive programs and allowed financial advisors to “win” vacations in violation of NASD Rules 2830(l), 2820(g) and 2110; (iii) failed to preserve and retain emails in



a readily accessible place for two years violating Section 17(a) of the Exchange Act and Rule 17a-4 and NASD Rules 3110 and 2110; (iv) failed to supervise late trading violating NASD Rules 3010 and 2110; and (v) failed to supervise, establish, maintain and enforce adequate written supervisory procedures and systems related to sales of preferred family mutual funds and 529 savings plans, violating NASD Rules 3010 and 2110. Simultaneously with this proceeding, the SEC and the NYSE instituted proceedings against Edward Jones. Edward Jones paid the Disgorgement and Penalties as outlined in the *SEC – Revenue Sharing* disclosure provided above to resolve this matter.

NYSE – Revenue Sharing. On December 22, 2004, without admitting or denying the findings, Edward Jones consented to a finding by the hearing panel that it: (i) violated Section 17(a)(2) of the Securities Act, (ii) violated Section 10b-10 of the Exchange Act, (iii) engaged in conduct inconsistent with principles of trade in violation of Exchange Rule 476(a)(6) in that Edward Jones: (a) encouraged financial advisors to sell mutual fund shares based in part on revenue Edward Jones received from certain mutual fund companies; (b) failed to adequately disclose the source and amount of remuneration to be received in connection with the sales of 529 college savings plans; (c) failed to give written confirmations to clients that disclosed the source and amount of remuneration received in violation of the MSRB Rule G-15; (iv) violated Exchange Rule 401 in failing to use the principles of good business practice in the conduct of its business affairs in that Edward Jones: (a) encouraged financial advisors to sell mutual fund shares based in part on the amount of revenue received from certain mutual fund companies; (b) failed to adequately disclose the source and amount of remuneration with the sales of 529 plans; (v) violated Exchange Rule 342 by failing to: (a) review prospectuses and SAIS offered by certain mutual fund families to determine if adequate disclosures of revenue sharing, directed brokerage payments or other incentives were

made; (b) reasonably supervise its business activities, and establish and maintain appropriate procedures for supervision with respect to late trading of mutual funds; (vi) violated Section 17(a) of the Exchange Act and SEC Rule 17a-4 and Exchange Rule 440 by failing to preserve for 3 years and/or preserve in an easily accessible place for 2 years, records of electronic communication. Simultaneously with this proceeding, the NASD and the SEC instituted proceedings against Edward Jones. Edward Jones paid the Disgorgement and Penalties as outlined in the *SEC – Revenue Sharing* disclosure provided above to resolve this matter.

Financial Industry Regulatory Authority (FINRA) – TRACE Reporting. In September 2008, FINRA alleged Edward Jones failed to report to TRACE transactions in trace-eligible securities within 15 minutes of the time of execution. On September 12, 2008, without admitting or denying the findings, Edward Jones consented to the above described sanctions and to the entry of findings, and was censured and fined \$10,000.

FINRA – Official Statements Delivery. On November 2, 2006, FINRA alleged Edward Jones violated MSRB Rule G-32 by failing to timely deliver official statements to certain clients in various transactions when Edward Jones was not an underwriter or member of the syndicate and violated MSRB Rules G-8, G-27, and G-17 regarding certain record keeping requirements. Without admitting or denying the findings, on April 9, 2009, Edward Jones consented to the described sanctions and entry of findings and was censured and fined \$900,000. Edward Jones adopted and implemented systems and procedures reasonably designed to ensure compliance with MSRB Rules G-32 and G-8.

FINRA – Defective Reporting. On August 3, 2009, FINRA alleged Edward Jones violated NASD Rules 2110, 3010(a), 3012(a)(2)(b)(i) by failing to establish, maintain and enforce a supervisory system, including written

supervisory procedures that were reasonably designed to review and monitor all transmittals of funds from the accounts of clients to third party accounts. Edward Jones allegedly relied on a defective report, which was incomplete and inaccurate, to review and monitor third party wires from client accounts, and failed to properly test and verify the system providing the report was functioning properly. As a result, the report failed to identify wires from accounts from which a former Edward Jones financial advisor was converting funds, and the financial advisor ultimately converted over \$3 million in client funds. Without admitting or denying the findings, on June 2, 2010, Edward Jones was censured and fined \$200,000.

NASD – Margin Loans. On September 9, 2004, the NASD alleged that Edward Jones violated NASD Conduct Rules 3010 and 2110, by failing to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to deter and prevent its representatives from making unsuitable recommendations involving the use of margin loans in client accounts as a result of its bonus plan. On September 23, 2004, Edward Jones accepted and consented, without admitting or denying the allegations or findings, that it violated NASD Conduct Rules 3010 and 2110 and consented to a censure and a fine of \$200,000.

NASD – Reporting Procedures. On November 30, 2004 and pursuant to Article V, Sections 2(c) and 3(b) of the NASD's By-Laws, and NASD Rules 2110 and 3010, the NASD alleged that Edward Jones filed at least 280 late amendments to forms U-4 and U-5, which represented approximately 27% of the required amendments relating to reportable client complaints, terminations, regulatory actions, and criminal disclosures. During the relevant period, Edward Jones' supervisory system and procedures were not reasonably designed to achieve compliance with its Article V reporting obligations. On November 30, 2004 and without admitting or

denying the allegations, Edward Jones consented to the described sanctions and to the entry of findings, and censured and fined \$300,000. In addition Edward Jones complied with the following undertakings: (i) Edward Jones' internal audit department or personnel not directly responsible for Edward Jones' Article V reporting obligations and their immediate supervisors conducted an audit to assess the effectiveness of its system and procedures for ensuring timely filing of Form U-4 and U-5 amendments summarizing the findings and recommendations and conducted a similar audit and prepared a similar written audit report for four calendar quarters; (ii) an officer of Edward Jones certified to the NASD that an audit was conducted and reviewed the current audit report; (iii) an officer of Edward Jones certified to the NASD that Edward Jones implemented the recommendations; (iv), an officer of Edward Jones certified in writing to the NASD that an audit was conducted, the audit report was reviewed, and recommendations implemented; and (v) an officer of Edward Jones certified in writing to the NASD that Edward Jones reviewed its system and procedures for complying with its Article V reporting obligations and established a system and procedures reasonably designed to achieve compliance with reporting requirements.

NASD – Municipal Securities. On September 27, 2005, the NASD alleged that in connection with transactions which involved the sales of municipal securities to clients during the period from January 2003 until April 2004, Edward Jones failed to ensure that confirmations issued included yield to maturity information as required by MSRB G-15(a)(i)(a)(5). The NASD further alleged that during the period from May 1995 until April 2004, Edward Jones failed to establish and maintain a supervisory system designed to ensure that confirmations issued for client transactions in municipal securities disclosed information regarding those transactions as required by MSRB Rule G-15 and these failures constituted a violation of MSRB Rule G-27(c). On September 27, 2005, Edward

Jones accepted and consented to, without admitting or denying the findings, a settlement which included censure and a fine of \$300,000; devise and implement a policy and set of procedures to ensure Edward Jones' confirmations issued in connection with transactions in municipal securities contained all disclosures required by MSRB Rule G-15; and provide to the NASD's Seattle District Office a written certification for two years that it had reviewed its confirmation disclosures and that they conformed to the requirements of MSRB Rule G-15.

NYSE – Disqualified Individuals. On December 30, 2003, NYSE alleged that Edward Jones violated: (i) Exchange Rule 346(f), by employing individuals whom Edward Jones knew, or in the exercise of reasonable care, should have known, were subject to statutory disqualification; (ii) Exchange Rule 351(a)(9), by failing to promptly report its association with persons subject to statutory disqualification; (iii) Exchange Rule 351 (a)(5), by failing to promptly report an employee's arrest or conviction to the NYSE; and (iv) Exchange Rule 342, by failing to provide for, establish, and maintain adequate procedures and controls, including a system of follow-up and review of its business activities, to ensure compliance with NYSE Rules and federal securities laws relating to employment of statutorily disqualified individuals. On March 8, 2004, without admitting or denying the allegations, Edward Jones consented to the findings by the hearing panel as listed above. The panel approved the imposition of a censure by the NYSE and a \$100,000 fine.

FINRA – Municipal Securities. On April 10, 2012, Edward Jones, without admitting or denying the findings, entered into a letter of acceptance, waiver and consent related to the following matters: (1) FINRA alleged that 25 of Edward Jones' trades in fixed-income securities in 2004 were not priced as favorably as possible under prevailing market conditions, in violation of NASD Rules 2110 and 2320, and that Edward

Jones' written supervisory procedures concerning best execution of fixed-income transactions in place in 2004 were inadequate, in violation of NASD Rules 2110 and 3010; (2) FINRA alleged that in five transactions in 2007 and in five transactions in 2008, Edward Jones purchased municipal securities for its own account for a client or sold municipal securities for its own account to a client at an aggregate price that was not fair and reasonable in violation of MSRB Rules G-17 and G-30(a); and (3) FINRA alleged that Edward Jones' short-interest reporting for the period July 31, 2007, through February 27, 2009 was in violation of NASD Rule 3360 or FINRA Rule 4560, and NASD Rules 2110 and 3010. Edward Jones consented to a censure, was ordered to pay a fine of \$55,000, and ordered to pay restitution to identified clients in the amount of \$13,232.

FINRA - Misappropriation of Client Funds. In December, 2009, Edward Jones advised FINRA that a branch employee had been terminated for misconduct. The former employee improperly transferred client funds to an account the former employee controlled. Edward Jones identified the client involved and paid restitution to the client. On June 27, 2012, Edward Jones, without admitting or denying the findings, entered into a letter of acceptance, waiver and consent in which Edward Jones was censured and ordered to pay a fine of \$95,000.

#### **Item 10: Other Financial Industry Activities and Affiliations**

You should be aware that Edward Jones, its affiliates and financial advisors may perform other services for you outside Advisory Solutions, including execution of brokerage transactions, providing insurance products, investment banking, research, principal transactions, retail distribution of mutual funds and other investment advisory services. We may receive compensation, including investment banking fees and commissions associated with these transactions. Edward Jones may also

receive revenue sharing from certain mutual funds families. (For more information regarding revenue sharing, please go to [www.edwardjones.com](http://www.edwardjones.com) or request a revenue sharing disclosure document from your Edward Jones financial advisor.) Edward Jones does not receive revenue sharing on assets held in Advisory Solutions accounts. Edward Jones and its financial advisors may also receive compensation for services and recommendations that may differ from advice given to you while participating in Advisory Solutions.

The following summarizes our material relationships or arrangements with other financial industry participants and arrangements.

Edward Jones is the primary subsidiary of the Jones Financial Companies, L.L.L.P. and is dually registered as an investment adviser with the SEC and a broker-dealer with the Financial Industry Regulatory Authority, Inc. (FINRA).

Our Canadian subsidiary, an Ontario, Canada limited partnership (Edward Jones Canada), is a registered broker-dealer with the Investment Industry Regulatory Organization of Canada (IIROC).

Appendix A contains a detailed discussion of our affiliation with the Edward Jones Money Market Fund.

The Edward Jones Trust Company, a wholly owned subsidiary of the Jones Financial Companies, L.L.L.P., is a federally chartered savings association that offers fiduciary services to clients and exercises discretion over investment assets. The Edward Jones Trust Company also acts as trustee under trust agreements, wills and similar arrangements. The Edward Jones Trust Company also acts as custodian for certain Advisory Solutions accounts by agreement between Edward Jones and the Edward Jones Trust Company. For additional information about this arrangement, please see the "Custody" section of this brochure.

We also have minor ownership interests in multiple insurance agencies that conduct general insurance distribution activities. Our interests in these insurance agencies are summarized here:

- Edward Jones is the sole member of Edward Jones Insurance Agency Holding, L.L.C., a Missouri limited liability company, California Agency Holding, L.L.C., a California limited liability company, and Edward Jones Insurance Agency of New Mexico, L.L.C., a New Mexico limited liability company.
- Edward Jones and Edward Jones Insurance Agency Holding, L.L.C. are members of Edward Jones Insurance Agency of Massachusetts limited liability company.
- Edward Jones Insurance Agency Holding, L.L.C., and California Agency Holding, L.L.C., are members of Edward Jones Insurance Agency of California, L.L.C., a California limited liability company.

We also invest in certain limited partnerships that are not available to the public for investment. Our interests in these limited partnerships are summarized here:

- Edward Jones owns 100% of the equity of E.J. Mortgage L.L.C., a Missouri limited liability company
- E.J. Mortgage L.L.C. owns 49.9% of Edward Jones Mortgage, a joint venture
- Edward Jones owns 100% of the outstanding common stock of Conestoga Securities, Inc., a Missouri corporation
- Conestoga owns 100% of the outstanding stock of CIP Management, Inc., which is the managing general partner of CIP Management
- CIP Management, L.P., L.L.L.P. is the managing general partner of Community Investment Partners II, L.P., L.L.L.P., Community Investment Partners III, L.P., L.L.L.P., Community Investment Partners IV, L.P., L.L.L.P., and Community

Investment Partners V, L.P., L.L.L.P., business development companies

- Edward Jones holds all of the limited partnership equity in EDJ Ventures, Ltd., a Missouri limited partnership
- Conestoga Securities, Inc. is the general partner of EDJ Ventures, Ltd.
- Edward Jones owns, as a limited partner, 49.5% of Passport Research Ltd., a Pennsylvania limited partnership, which acts as an investment advisor to a money market mutual fund
- Edward Jones owns 7% of the Customer Account Protection Company Holdings, Inc. (CAPCO), a captive insurance group

#### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Edward Jones has established a Code of Ethics to ensure that our associates:

- (1) Act with integrity and in an ethical manner with you and all of our clients
- (2) Place you and all of our clients' interests first
- (3) Conduct personal trading in compliance with our Code of Ethics, avoid potential conflicts of interest and make sure that our associates do not abuse the faith and trust you have placed in them
- (4) Comply with all applicable rules, regulations and laws
- (5) Do not use any material nonpublic information they may receive as a result of their employment with Edward Jones

Under our Code of Ethics, our associates: (1) are prohibited from buying securities during an initial public offering; (2) are prohibited from buying securities in a private placement unless they have prior approval from Edward Jones; and (3) may be restricted from making trades in securities immediately before or after trades in the same securities are made for advisory clients.

Some Edward Jones associates are deemed "access persons" under our Code of Ethics because they may have access to nonpublic information regarding either the securities in a client's accounts or the changes to the Program Funds, including asset allocations. Access persons are required to submit to the chief compliance officer (CCO), or his or her delegate, a list of any securities they own and securities transactions they made for any account the access person controls, either at Edward Jones or another financial institution. You may request a copy of the Edward Jones Code of Ethics from your financial advisor.

As a broker-dealer, there may be times where Edward Jones will buy, sell or recommend that our brokerage clients, who are not participating in Advisory Solutions, buy securities which are also available in Advisory Solutions. These brokerage activities are done in the regular course of our business as a broker-dealer and are separate from our investment advisory services. There are times when we act as principal which means that we participate in client transactions by buying securities for our own inventory and selling those securities to our clients.

You should know that financial advisors, Edward Jones associates (including those directly involved with Advisory Solutions), and/or their family members are permitted to and do invest in Advisory Solutions. This practice could create a conflict of interest if associates placing trades for their own accounts were to place a trade before our clients and receive a better price on a security. To address this potential conflict, trades for financial advisors, Edward Jones associates (including those directly involved with Advisory Solutions), and/or their family members are aggregated along with other trades, which may include trades for your account, and will be executed simultaneously with all other Advisory Solutions accounts.

We have a financial interest in our clients' transactions and the recommendations we make to clients to buy or sell securities or investment products. We may receive revenue sharing from certain mutual funds families from whom clients buy securities (for more information regarding revenue sharing, please go to [www.edwardjones.com](http://www.edwardjones.com) or request a revenue sharing disclosure document from your Edward Jones financial advisor). Edward Jones does not receive revenue sharing on assets held in Advisory Solutions accounts. Edward Jones and its financial advisors may also receive compensation for services and recommendations that may differ from advice given to you while participating in Advisory Solutions.

The firm has internal supervisory reviews and procedures to review accounts held by our associates and certain family members and their personal trading practices. The reviews look for improper trading activities, including trading that may be in conflict with the best interests of a client. In addition to the Code of Ethics and the supervisory reviews, the firm prohibits financial advisors from placing trades for their personal accounts before trades for their clients in the same security. In the event a financial advisor's personal order fills at a better price than a client's order placed close in time, the firm will adjust the trade so the client receives the better price.

## **Item 12: Brokerage Practices**

All Advisory Solutions trades are executed through Edward Jones as a broker-dealer. You cannot request that your orders be executed through another broker-dealer. Not all investment advisers require their clients to execute their trades through a certain broker-dealer as we do.

Advisory Solutions trades are aggregated. This means that trades for your account are combined with all other client accounts, including accounts for Edward Jones associates and executed in a single trade. Once the trade is executed, it is then

allocated to the client account in the proper amount. Trade aggregation is done to increase operational efficiencies and allow us to keep trading costs down. If we did not aggregate trades, the Program Fee could potentially be much higher.

Mutual fund trades for a Program Fund are allocated and executed after the close of a trading day. Trade allocation does not have any effect on the price you pay for Program Funds purchased for your account.

ETF trades are aggregated and executed twice each trading day at a time determined by Edward Jones. If an ETF trade is made after the midday aggregation, it will be aggregated in the morning on the next business day. You may not receive the same price as those trades executed the prior trading day. As a result, trade aggregation may affect the price you pay for an ETF in your account.

From time to time, the volume and/or number of trades that have to be executed for Advisory Solutions accounts may exceed Edward Jones' operational and technological capacities if these trades are made on a single day. This may occur if Edward Jones is removing a Program Fund(s) from a Research Model(s) or a large number of accounts need to be rebalanced. In order to maintain the orderly processing of trades and to minimize the incidence of errors, Edward Jones may decide to allocate trades on a fair and equitable basis, typically through a random allocation process, over a period of more than one day.

Trading in Advisory Solutions is subject to the trading policies and restrictions determined by Edward Jones. Edward Jones exercises time and price discretion for all trades.

In unusual circumstances, a trade error may occur in your account. If the trade error results in a loss in your account, we will reimburse your account for the amount of the loss as though the trade



error never occurred. If the trade error results in an erroneous gain in your account, we will take the gain from your account as though the trade error never occurred, resulting in a financial benefit to Edward Jones.

### **Item 13: Review of Accounts**

When you open an Advisory Solutions account, the Investment Advisory Supervision (IAS) team of Edward Jones reviews your Portfolio Objective to determine whether it is appropriate for your life stage, net worth and your risk tolerance. IAS will also review how you funded your account, considering such factors as how long you held the investments you sold in order to fund the account. When appropriate, IAS associates may call you directly to discuss your understanding of Advisory Solutions, including the fees and expenses you are or will be paying.

While you are invested in Advisory Solutions, the asset allocation established for your Portfolio Objective is regularly monitored and rebalanced according to Edward Jones' guidelines. (For more information, please refer to the previous applicable sections.) In addition, we regularly review the performance of Program Funds as well as your overall account performance.

You will also receive a quarterly performance report after every quarter that your account has been invested for a full quarter. In addition to market commentary, your performance report will show:

- ☐ Your account's holdings
- ☐ Your actual asset allocation compared to the target allocation
- ☐ The performance of each asset class
- ☐ Your account's performance compared to various relevant financial benchmarks
- ☐ The market value of your account from the date of your original investment to the quarter-end date of the report, which includes market performance, additions and withdrawals

At a minimum, you and your financial advisor should annually review your risk tolerance, life stage and investment needs. Your financial advisor will ask you whether there have been any changes to your financial situation or investment objectives and whether you want to restrict any specific mutual funds and/or ETFs. If you decide to invest in a different Portfolio Objective from your current investment, you will need to complete a new IOQ and sign a new Client Agreement. Your account may then be rebalanced to match your new Portfolio Objective.

### **Item 14: Client Referrals and Other Compensation**

Edward Jones does not enter into arrangements with unaffiliated third parties to refer or solicit clients to any advisory program offered by Edward Jones.

A portion of your monthly Program Fee is paid to your financial advisor. The amount paid to your financial advisor is determined by Edward Jones.

Edward Jones has contracted with Broadridge Investor Communications Solutions, Inc., an unaffiliated third party vendor, to distribute proxies, periodic reports and voting instruction information to our clients. Pursuant to the agreement between Edward Jones and Broadridge and in accordance with regulations, Broadridge charges the issuing company on behalf of Edward Jones for these services. Edward Jones may receive a portion of the fees paid by the issuing company from Broadridge.

Certain mutual fund companies on the Program List may pay certain expenses on behalf of financial advisors, including training and educational expenses, and in some instances may make payments directly to Edward Jones to subsidize training and educational costs for financial advisors. Edward Jones has not entered into any agreement with any mutual fund company or its distributors or affiliates providing

for payment of such expenses as a condition of the inclusion of a mutual fund on the Program List.

Financial advisors are eligible to participate in the Edward Jones Diversification Travel Awards Program (Diversification Program), which includes domestic and international travel, or a cash award in lieu of a trip. To qualify, financial advisors must provide investments and services in a variety of categories. Program Fees received by a financial advisor are counted towards qualifying for the Diversification Program.

### Item 15: Custody

If you have a taxable account or tax-qualified account other than a traditional or Roth IRA, Edward Jones, in its role as a broker-dealer, has custody of your funds and securities.

If you have a traditional or Roth IRA and Edward Jones Trust Company has custody of your funds and securities, Edward Jones Trust Company has delegated its duties and responsibilities as a custodian to Edward Jones, the broker-dealer.

As custodians, Edward Jones and Edward Jones Trust Company are responsible for:

- ☐ Safekeeping your funds and securities
- ☐ Collecting dividends, interest and proceeds from any sells
- ☐ Disbursing funds from your account

Edward Jones will also provide a brokerage statement to the Client for each month there is activity in the Account. If Edward Jones Trust Company is the custodian, the account statement will be sent by Edward Jones on behalf of Edward Jones Trust Company. **Please review your account statements carefully and notify us immediately if you detect an error or a discrepancy.**

### Item 16: Investment Discretion

When you decide to invest in Advisory Solutions, you will sign a client agreement indicating that you agree to all of its terms and conditions. You cannot change or amend the client agreement in any way. By signing the client agreement, you give Edward Jones discretionary investment and trading authority over your account. You do not give Edward Jones the authority to choose or change your Portfolio Objective.

The discretionary investment and trading authority you give to Edward Jones includes any and all of the following:

- ☐ Selecting the Program Funds for your account (unless you are invested in a Custom Model)
- ☐ Removing Program Funds from the Program List and your account as necessary
- ☐ Replacing a Program Fund in your account with another recommended Program Fund
- ☐ Determining the asset allocations and changing an asset allocation at any time
- ☐ Using discretion as to the time Edward Jones will make a trade in your account and the price we will pay for investments in accordance with our obligation of best execution
- ☐ Aggregating trades
- ☐ Investing and reinvesting all dividends and proceeds earned by your account into Program Funds
- ☐ Automatically buying and selling Program Funds to rebalance your account to the target asset allocation when determined necessary by Edward Jones
- ☐ Deducting cash or selling money market shares for Program Fees and deducting the proceeds from your account to pay Edward Jones your Advisory Solutions Fees
- ☐ Determining the appropriate mutual fund share classes for Advisory Solutions, which may not be the lowest-priced share class available in the particular mutual fund

- ☐ Exchanging mutual fund shares into an appropriate mutual fund share class for Advisory Solutions
- ☐ Terminating your account at any time
- ☐ Liquidating the Program Funds in your account if Edward Jones terminates your account
- ☐ Converting mutual fund shares from an appropriate advisory share class to a non-advisory share class if you or Edward Jones terminates your account

The discretionary investment and trading authority you give to Edward Jones can be exercised by Edward Jones at any time and without prior notice to you.

You may terminate your participation in Advisory Solutions at any time without any advisory termination fee. Edward Jones may require you to provide written notice in order to close your account. Your account will be charged through the date of termination. You may request that Edward Jones sell the securities, convert the account to a traditional brokerage account or transfer the securities to a third party account. Some mutual funds and/or fund share classes may not be held in a non-advisory account; in these cases, Edward Jones will sell those shares for you or will exchange the mutual fund share class into a share class that can be held in a non-advisory account.

When you terminate and sell the assets in your account, your proceeds will be available upon settlement of the trades generated to complete the liquidation. Usually, the cash proceeds will be available to you three business days following the trade.

#### **Item 17: Voting Client Securities**

As a registered investment adviser, Edward Jones may vote proxies for clients and has a fiduciary duty to vote those proxies in a timely manner and in our clients' best interests even if our clients' best interest is in conflict with our interests. Effective December 9, 2011, Edward Jones votes

proxies for all new client accounts (except Benefit Plan Accounts as defined in Item 5) unless the client specifically retains the right to vote proxies. When you invest in Advisory Solutions, you delegate the right to vote on these issues to Edward Jones and cannot direct or recommend how the firm will vote.

We have established policies and procedures to ensure that we vote in your best interest. Edward Jones has hired an independent third party proxy voting service to assist us in evaluating and voting proxies in a way that follows our adopted policies and guidelines. You can receive a copy of Edward Jones' proxy voting policy and procedures, voting guidelines and proxy voting record by asking your financial advisor or by writing to us at: Edward Jones, Attention: Investment Advisory, 12555 Manchester Road, St. Louis, Missouri 63131.

If you want to retain your right to vote proxies you must inform Edward Jones that we are not to vote on your behalf. Benefit Plan Accounts, for whom we will not vote proxies, and those clients that wish to retain their right to vote proxies, will then continue to receive all materials and notices from Edward Jones or the applicable mutual fund company and will be responsible for voting on the issues that the fund companies raise. We will not provide recommendations or advice on how to vote on these issues.

#### **Item 18: Financial Information**

This section does not apply to Edward Jones.

#### **Item 19: Requirements for State-Registered Advisers**

This section does not apply to Edward Jones.

## **APPENDIX A**

### **DISCLOSURES REGARDING PROPRIETARY / AFFILIATED FUNDS**

Advisory Solutions Accounts may from time to time be invested in shares of the Edward Jones Money Market Fund (the Fund), which is advised by Passport Research, Ltd. (the Adviser), a partnership in which Edward Jones has a 49.5% limited partnership interest. As such, this fund is advised by affiliates of Edward Jones or by persons in which Edward Jones has an interest.

Due to its limited partnership interest in the Adviser, Edward Jones receives a share of the Adviser's net income and revenues which are derived from advisory fees, as is more fully described in the Prospectus of the Fund. In addition, the Adviser or persons related to the Adviser, including Edward Jones, may provide any other services to the Fund that are permitted by law and be compensated for them, including

without limitation, custody, fund accounting, transfer agency and distribution. In addition, Edward Jones or its affiliates may serve as counterparties in transactions with the Fund where permitted by law or regulation, and may receive compensation in that capacity.

Edward Jones has provided you with a current Prospectus for the Fund. The Prospectus describes the investment characteristics of the Fund, the schedule of fees paid to the Adviser or its affiliates by the Fund, and the schedule of fees paid to the Adviser or its affiliates for any additional services provided by them to the Fund. The Prospectus also describes certain revenues received by Edward Jones in connection with the Fund.