

# Edward Jones Managed Account Program<sup>®</sup> Brochure as of March 10, 2017

Sponsored by:

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## Item 1: Cover Page

**This wrap fee program brochure provides information about the qualifications and business practices of Edward D. Jones & Co., L.P. (“Edward Jones,” “we” or “us”). 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 SEC 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**

Not all changes included in this updated brochure have been deemed material by Edward Jones. This section describes material changes that have been made to the brochure since it was filed on March 30, 2016.

- Item 5: Account Requirements and Types of Clients. We have updated information about accepting assets from new clients and certain account restrictions.
- Item 6: Portfolio Manager Selection and Evaluation. We have updated information regarding restrictions on replacing or adding Portfolio Managers (defined below).
- Appendix A: Disclosures Regarding Proprietary/Affiliated Money Market Fund. We have updated information regarding our ownership of the adviser to the Edward Jones Money Market Fund and fees we receive for services provided on behalf of such fund.

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**This brochure (Brochure) provides you with information about Edward Jones, the Edward Jones Managed Account Program® (the Program or Managed Account Program), fees that we charge for our services, and our business practices. You should read this Brochure carefully before you invest in the Program.**

Edward Jones also offers other advisory programs, which are not described in this Brochure. These programs have different services, fees and minimum investment requirements. To learn more about other advisory programs offered by Edward Jones, please ask your financial advisor or go to [www.edwardjones.com/advisorybrochures](http://www.edwardjones.com/advisorybrochures) to review the Brochures for the available advisory programs.

**Overview.** Edward Jones is the primary operating subsidiary of The Jones Financial Companies, L.L.P. (“JFC”), 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 services available through an advisory program or the protections afforded by the Investment Advisers Act of 1940, as amended. It is important for you to consider the additional costs associated with an advisory program before investing.

As of December 31, 2016, we managed \$141,871,683,805 in discretionary assets and \$62,334,014,864 in non-discretionary assets in our advisory programs.

**Edward Jones intends to terminate the Managed Account Program on or before September 30, 2017 (“Closing”), although we may, in our discretion, extend the date of Closing. Until Closing, the Program will no longer accept assets from new clients. For more information see “Account Requirements and Types of Clients” below.**

The decision to invest in the Managed Account Program is yours. Before making this decision, you and your financial advisor should discuss whether other programs and investments may be more appropriate for your investment goals and needs. If you decide to invest in the Managed Account Program, our advisory relationship begins when Edward Jones and the independent professional money managers (Portfolio Managers), as described below, each accept a separate written advisory agreement with you. Any preliminary discussions or recommendations made before the written advisory agreements are accepted do not constitute investment advice and should not be relied upon as such.

**Edward Jones Managed Account Program®.** The Managed Account Program is an advisory program that provides clients with a customized asset allocation that is implemented by one or more Portfolio Managers who are most capable of meeting the client’s objectives, with the Edward Jones financial advisor acting as the client’s key relationship contact. Each Portfolio Manager will implement an investment strategy that may include individual stocks, bonds, and exchange-traded funds (ETFs). The Portfolio Managers will buy and sell the securities in the strategy they are managing for you. You may have relationships with several Portfolio Managers within your Program accounts. You will have a separate Edward Jones account for each Portfolio Manager strategy. We will have no investment discretion over your assets in the Program. Please note that Edward Jones may, at its discretion, restrict Portfolio Managers from purchasing certain securities. Conversely, we may allow Portfolio Managers to make purchases

in Program accounts that we may not allow in a traditional brokerage account.

Before investing in the Program, you should decide if you are comfortable with not being involved in the day-to-day management of your account. People who decide to invest in the Managed Account Program typically share the following characteristics:

- A desire to own individual stocks and bonds in their portfolio;
- A need for advice and guidance when making investment decisions;
- A wish to be involved in the overall design of their portfolio but want for a professional money manager to make their day-to-day investment decisions;
- A willingness to follow a disciplined investment strategy;
- A preference to pay asset-based (percentage) fees for investments and advice rather than individual commissions or sales charges;
- A desire for a more active trading approach to passive holding; and
- A potential need to benefit from tax management strategies.

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

Once you have decided to invest in the Managed Account Program, you will complete an “Investment Policy Questionnaire” (IPQ). As applicable, your answers on the IPQ help determine what level of risk you are willing to take (risk tolerance), and, when combined with your life stage and investment goals, allow us to create a personalized investment strategy that sets out the asset allocation (Asset Allocation) for your portfolio. We will then recommend one or more Portfolio Managers with strategies that we believe will work well together in your portfolio

and help you achieve your long-term investment goals.

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

The Managed Account Program offers our clients the opportunity to hold individually owned securities in their Edward Jones accounts that can provide several benefits, including: portfolio transparency (you own shares of individual securities so you know exactly what you own); enhanced performance reporting; the ability to customize your portfolio through the restriction of account investments (for example, you may restrict the Portfolio Manager from buying specific securities or a category of securities – e.g., tobacco or alcohol companies – that you consider objectionable for personal reasons or that you wish to avoid due to potential overconcentration in a specific security); and a greater ability to make tax-conscious choices related to your investments (you may have the ability to harvest tax losses on individual positions).

The Portfolio Managers and strategies available in the Program are selected by us. Your financial advisor will recommend one or more Portfolio Managers and strategies to you after reviewing your responses to the IPQ. We will typically recommend Portfolio Managers in different strategies in order to provide you with diversification and lower overall account volatility, but you have the ultimate discretion to select the strategies for your accounts. Once you select the Portfolio Manager(s) for your account(s), the Portfolio Manager(s) will have complete control to decide which individual investments to hold in your account(s). If your investment objectives change, your portfolio can be easily adjusted.

The recommended Portfolio Manager’s strategies are grouped into different asset classes by Edward Jones, including:

**Income:** Income investments include corporate, governmental and municipal bonds. This type of strategy is designed to generate more consistent but likely lower returns year to year, with a primary focus on providing you with current income. This strategy is for investors who are seeking a low level of price volatility and risk of loss.

**Growth and Income:** Growth and income investments offer the potential for growth through earnings and income from dividends. This is the type of strategy that seeks to balance your growth objectives with your income needs. This strategy is for investors who can tolerate modest amounts of price volatility and risk of loss over time.

**Growth:** Growth investments have the potential to outperform income or growth and income strategies, but they are typically associated with a higher degree of price volatility and risk of loss. In exchange for tolerating a higher level of risk, investors have the potential to achieve higher average returns over time.

**Aggressive:** Aggressive investments offer investors the potential for higher returns but also carry higher levels of risk and price volatility. These investments often trade with high valuations, typically do not pay dividends and may rely on major improvements in the market to generate higher returns.

A key part of the Managed Account Program is Edward Jones' ongoing monitoring and review of Portfolio Managers. The Portfolio Managers publicly report their overall performance results, and these are compared to the actual results in our clients' accounts. Edward Jones conducts ongoing due diligence and reviews of the Portfolio Managers and strategies using quantitative and qualitative analysis that may include, but is not limited to, a review of any change in the professional staff or investment strategy of a Portfolio Manager. Finally, Edward Jones compares the long-term investment results

of Portfolio Managers in the Program to other managers with similar investment styles to evaluate their performance.

### **Fees:**

#### ***Client Fee Schedule***

Depending on which Portfolio Manager(s) and strategy you select, you will be placed on one or more of the following standard fee schedules. Each strategy type (i.e., Equity, Fixed Income and Balanced) has its own tiered fee schedule based on your total assets under management in the Managed Account Program. For Portfolio Managers in the Aggressive, Growth, and Growth and Income asset classes, the Equity fee schedule will apply. For Portfolio Managers in the Income asset class, the Fixed Income fee schedule will apply. Portfolio Managers designated as Balanced will have some holdings from the Equity asset classes as well as the Fixed Income asset class, and the Balanced fee schedule will apply. As the value of your accounts either increases or decreases, you will be charged the percentage rates for the tiers that correspond with the value of your Program accounts. The fees assessed by Edward Jones and any internal expenses of money market funds and ETFs held in the account will reduce the account's overall return and performance. You and/or certain household members may have more than one account participating in the Managed Account Program, and Edward Jones may, in its sole discretion, combine the value of the separate Program accounts in order to lower your overall Program Fee.

## Equity Strategy Schedule

	<b>Total</b>	<b>Program</b>	<b>Portion to</b>
	<b><u>Program Assets</u></b>	<b><u>Fee</u></b>	<b><u>Edward Jones</u></b>
First	\$500,000	2.50%	2.05%
Next	\$500,000	2.25%	1.80%
Next	\$1,000,000	2.00%	1.55%
Over	\$2,000,000	1.50%	1.05%

## Fixed Income Strategy Schedule

	<b>Total</b>	<b>Program</b>	<b>Portion to</b>
	<b><u>Program Assets</u></b>	<b><u>Fee</u></b>	<b><u>Edward Jones</u></b>
First	\$500,000	1.50%	1.15%
Next	\$500,000	1.25%	0.90%
Next	\$1,000,000	1.00%	0.65%
Over	\$2,000,000	0.85%	0.50%

## Balanced Strategy Schedule

	<b>Total</b>	<b>Program</b>	<b>Portion to</b>
	<b><u>Program Assets</u></b>	<b><u>Fee</u></b>	<b><u>Edward Jones</u></b>
First	\$500,000	2.10%	1.70%
Next	\$500,000	1.85%	1.45%
Next	\$1,000,000	1.60%	1.20%
Over	\$2,000,000	1.24%	0.84%

### *The Program Fee:*

When you invest in the Managed Account Program, you pay one all-inclusive fee to Edward Jones (Program Fee). The fee schedules above determine your Program Fee. The Program Fee ranges from 0.85% to 2.50% of the value of your accounts and varies based on the investment strategies in your accounts. The Program Fee can be negotiated in some circumstances, but any discount to the Program Fee is at the sole discretion of Edward Jones.

The Program Fee includes trade execution (additional costs may be incurred if the trade is executed away from Edward Jones, as explained in more detail below in the *Services* section); performance reporting; ongoing monitoring and evaluation of Portfolio Managers; investment

management fees; and general administrative services associated with your accounts.

The Program Fee is used to pay two parties: the Portfolio Managers and Edward Jones (including your financial advisor). The Portfolio Managers' fees range from 0.35% to 0.45% of your accounts' assets. These fees may be negotiated in some circumstances, but any discount to the Portfolio Managers' fees is at the discretion of Edward Jones. Portfolio Managers' fees vary depending on the type of strategy they are managing; these strategies are: equity (stocks), fixed income (bonds) and balanced (combination of stocks and bonds in one account).

### *Calculating the Program Fee:*

The total Program Fee is a summation of the fees calculated for each of your Managed Account Program accounts (Equity, Fixed Income, and/or Balanced).

Deposits, including interest and dividends, received into your account but that have not been invested into the Managed Account Program, may earn interest that will be retained by Edward Jones. We 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 the 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.

The Program Fee is calculated and billed monthly in arrears and is based on the average daily market value of the assets in your Program accounts. The Program Fee is directly deducted from your accounts. When you first open your accounts, the Program Fee is calculated from the day your accounts are opened until the end of the

month in which you opened your accounts. Edward Jones has the right to change this billing period without giving advance notice to you.

### ***Program Fee Example:***

**This example is an approximation and shows the application of our highest Program Fee. It is for illustrative purposes only.**

### **Equity Strategy Schedule**

A \$1,000,000 All Equity Allocation Strategy has a \$23,800 (or 2.38%) annual Program Fee. Edward Jones would receive 1.93% of the Program Fee, and the Equity Portfolio Manager would receive .45% of the Program Fee. This is how the Program Fee would break down:

First \$500,000 x 2.50% = \$12,500

Next \$500,000 x 2.25% = \$11,250

#### **Total Annual Fee**

**Paid by Client = \$23,750 (2.38%)**

– Portfolio Manager

Portion (0.45%) = \$4,500

Portion of Annual Fee

paid to Edward Jones = \$19,250 (1.93%)

### **Services:**

Edward Jones maintains custody of your Program assets and is therefore responsible for the safekeeping of your assets, collecting dividends, interest and proceeds for any sales in your accounts, and disbursing funds from your accounts. Edward Jones effects and clears transactions on behalf of your Portfolio Manager. We will send you a monthly account statement showing all activity in your accounts. You can elect to receive your trade confirmation and account statements via e-delivery. **Please review your account statements carefully and notify us immediately if you detect an error or a discrepancy.**

Edward Jones also provides certain additional administrative services to you, including: generating trade confirmations showing all of

your purchases and sales; processing deposits and withdrawals from your accounts; preparing account statements listing all current security holdings and portfolio transactions; and providing the appropriate tax forms related to your accounts.

You will also receive a quarterly performance report after every quarter. Your performance report will show:

- Your accounts' diversification among equities, fixed income and cash equivalents, as applicable;
- Your portfolio performance composite;
- Your portfolio growth, gains and losses, and additions and withdrawals;
- An investment analysis of the returns, risk statistics and asset allocation for each account managed by a Portfolio Manager;
- A comparison of your actual asset allocation versus the target allocation for your strategies; and
- Your accounts' performance compared to various financial benchmarks.

As a shareholder of the securities in your accounts, you have the right and obligation to vote on important issues that affect the securities you own. However, the Portfolio Managers you have chosen will handle proxy voting for your accounts unless you retain that right by directly communicating with the Portfolio Managers. The Portfolio Managers will provide you with a copy of their proxy voting policy at your request. We will not provide recommendations or advice on how to vote on these issues.

**Execution Services.** In the Managed Account Program, the Portfolio Manager has discretion over your account. Edward Jones executes trades at the direction of the Portfolio Managers. In these cases, Edward Jones acts solely as a broker-dealer, not as an investment adviser. When we act as executing broker, there may be times when we engage in "principal transactions." This means that we will fill your purchase orders from



our own inventory of securities. We will not charge you a markup or markdown on these principal transactions. However, if a Portfolio Manager buys from or sells to our inventory, we may earn revenue or incur losses depending on market or price fluctuation in the security. Edward Jones will only engage in principal transactions where permitted under applicable law.

We may also engage in “cross transactions” in the Program. This means we act as a broker-dealer for advisory clients on both the sell side and the buy side of the same transaction. When this occurs, the Portfolio Manager will direct all trades and will instruct either Edward Jones or another broker-dealer to execute those trades. Edward Jones will only engage in cross transactions where permitted under applicable law.

Portfolio Managers are required to seek best execution for all trades, which means the Portfolio Manager has full authority to execute trades with those broker-dealers that the Portfolio Manager believes are capable of providing the best qualitative execution under the circumstances. In the Managed Account Program, you will not pay additional trading costs when Edward Jones executes a trade order in your account as broker-dealer. For this reason, the Portfolio Managers may determine that Edward Jones' execution capabilities as broker-dealer provide the most favorable option for placing trade orders in your account. However, Portfolio Managers may choose to execute trades with another broker-dealer if the Portfolio Managers reasonably believe another broker-dealer can obtain a more favorable execution under the circumstances. This practice is frequently referred to as “trading away,” and these types of trades are frequently called “step-out” trades. Step-out trades are executed at another broker-dealer and cleared and settled at Edward Jones.

If the Portfolio Manager executes trade orders with another broker-dealer, you may incur trading costs in addition to the Program Fee. The trading costs for step-out trades to another broker-dealer may include commissions, markups, markdowns, or “spreads” paid to market makers in addition to the Program Fee. Additionally, if a foreign currency transaction is required, a foreign broker-dealer firm may receive compensation in the form of a dealer spread, markup or markdown. There may be other exchange or similar fees, including but not limited to foreign ordinary conversion and creation of American Depository Receipts, charged by third parties as well as foreign tax charges. All of these charges are in addition to the Program Fee.

In complying with its best execution obligation, the Portfolio Manager will review several factors that reflect on the quality of the trade execution of the broker-dealer. These additional trading costs may be one of several factors the Portfolio Manager assesses when deciding to trade away. The Portfolio Manager may also consider other factors such as: the nature of the security; the size and type of transaction; the nature and character of the markets involved; the executing broker's execution, clearance and settlement capabilities as well as its reputation; soft dollar arrangements, as described below; the importance of speed, knowledge, efficiency, consistency, and anonymity provided by the executing broker; and additional investment opportunities. Each Portfolio Manager may consider different factors or may place different weight on the factors it uses to meet its best execution obligation. The Portfolio Manager's best execution obligation does not require the Portfolio Manager to obtain the best price or the lowest available cost of trade orders.

Edward Jones does not engage in soft-dollar arrangements; however, Portfolio Managers participating in the Managed Account Program may direct transactions to brokers in return for brokerage or research services. In certain



instances, Portfolio Managers engaged in soft-dollar arrangements may pay a broker-dealer (other than Edward Jones) higher commissions than another broker-dealer adequately qualified to effect such transactions would have charged where the Portfolio Manager determines in good faith that the commission is reasonable in relation to the value of the soft-dollar benefits received. Soft-dollar arrangements may be considered as a factor in best execution determinations but will not replace the duty of the Portfolio Manager to seek best execution for trades in your accounts.

Portfolio Managers may participate in other wrap fee programs sponsored by firms other than Edward Jones. In addition, Portfolio Managers may manage institutional and other accounts that are not part of a wrap fee program. In order to avoid buying or selling the same security for all client accounts through multiple broker-dealers, a Portfolio Manager may decide to aggregate all such client transactions into a block trade that is executed through one broker-dealer. This practice may enable the Portfolio Manager to obtain more favorable execution, including more favorable pricing, than would otherwise be available if orders were not aggregated. Using block transactions may also assist the Portfolio Manager in potentially avoiding an adverse effect on the price of a security that could result from simultaneously placing a number of separate successive or competing client orders. This practice generally results in “trading away” from Edward Jones, as described above.

Alternatively, Portfolio Managers may also use a trade rotation process where one group of clients may have a transaction effected before or after another group of clients. Portfolio Managers implement their trades with certain clients, custodians, or sponsors using a trade rotation process in order to minimize the impact of their trading on the securities or markets in which they trade. These trade rotation practices may result in a transaction being effected for your account near or at the end of the Portfolio Manager's rotation, resulting in your account bearing the market

price impact, if any, of those trades executed earlier in the rotation. This may result in your receiving a less favorable net price for the trade. However, the Portfolio Manager's trade rotation policies are typically designed to ensure that clients are treated equitably and fairly over time.

Clients should be aware that some Portfolio Managers have historically placed all or substantially all of their client trades as step-out trades with another broker-dealer for execution. Frequently these trades have been for fixed income, foreign and small-cap equity securities. As a result, these types of Portfolio Managers and their strategies could be more costly to a client than Portfolio Managers that primarily place trades with Edward Jones for execution. Please see Edward Jones' website at [www.edwardjones.com/advisorybrochures](http://www.edwardjones.com/advisorybrochures) for a list of Portfolio Managers that informed Edward Jones that they traded away from Edward Jones during 2016 and general information about the additional cost of those trades, if any.

The Portfolio Manager is solely responsible for ensuring that it complies with its best execution obligations to you. You should review the Portfolio Manager's Form ADV Part 2A Brochure for more information about the Portfolio Manager's soft dollar, trade aggregation and trade rotation practices, and any related conflicts of interest. You should also inquire about the Portfolio Manager's trading practices, and consider that information carefully, before selecting a Portfolio Manager. In particular, you should carefully consider any additional trading costs you may incur.

#### **Additional Fees and Considerations:**

If, instead of participating in the Managed Account Program, you separately purchased securities and services similar to those offered in the Program, you could pay several individual fees. These fees might include: brokerage commissions, custodial fees, and/or portfolio management fees. As a result, participating in the

Program may cost you more or less over time than purchasing the securities or services separately.

There are several factors that could affect the benefits you would receive if you purchased the same services separately or participated in the Program. An important factor to consider is the amount of trading activity you have in your accounts and the corresponding brokerage commissions that would be charged if you bought and sold individual securities in a brokerage account. You may experience different performance results or tax consequences from what you would experience by purchasing the investment separately or through another broker-dealer or investment adviser. You could also be responsible for additional fees for trading charged by the Portfolio Manager, as discussed above in the *Services* section.

Some Portfolio Managers may use 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. ETFs have internal fees and expenses assessed by the issuer that are not included in the Program Fee. These internal fees and expenses will impact the performance of your account if you select a strategy that incorporates ETFs. You can learn more about these costs in the individual prospectuses and other disclosure documents of these funds. The use of ETFs for tax harvesting purposes may cause you to have short-term capital gains or losses. Edward Jones does not provide tax or legal advice, so we strongly recommend that you consult with a qualified tax professional regarding these issues.

In addition, you 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.

You or Edward Jones may terminate your participation in the Program at any time without any advisory termination fee. While verbal instructions to terminate your participation in the Managed Account Program are acceptable, Edward Jones, or your Portfolio Manager(s), in its sole discretion, may require written notice to terminate the advisory relationship. Your accounts will be charged through the date of termination. When you terminate your accounts, we will deliver the securities held in your accounts in whatever manner you request, unless you request that the accounts be liquidated.

If your accounts remain open at the time of Closing, your account assets will be removed from the Program and will, upon your request, either be transferred to a suitable alternative investment program offered by Edward Jones, if available, transferred to an Edward Jones or third-party brokerage account, or liquidated. If you fail to take action at the time of Closing for any reason, your assets will be removed from the Program and held in an Edward Jones brokerage account.

A suitable alternative investment program may not be available or offered by Edward Jones at the time of Closing or, if an alternative investment program is available, its terms may not be acceptable to you. Therefore, if upon Closing you transfer or liquidate your account assets, you may incur additional tax liabilities, fees and charges.

If you request to have your accounts liquidated, the Portfolio Manager(s) may take up to two trading days following the date after we receive your liquidation request to fully liquidate your securities. This period may be even longer if the Portfolio Manager(s) believes it is in your best interest to have a longer liquidation period. Usually, the cash from the liquidation will be available to you three business days following settlement of the liquidated securities. Because bond markets may be less liquid, these investments may be more difficult to liquidate,

especially during periods of extreme market volatility. Therefore, it's possible you may experience delays or adverse price fluctuations when you attempt to liquidate bonds. Account liquidation may cause a taxable event as well as additional fees and expenses.

In certain circumstances, a trade error may occur in one or more of your accounts. It is Edward Jones' policy to use an error account to correct trades. If the trade error is caused by Edward Jones or your Portfolio Manager(s) and the trade error results in a loss in your account, it is Edward Jones' policy to restore your account to the position it would have been in had the trade error not occurred. However, in those instances in which we cannot restore your account to the position it would have been in had the trade error not occurred, Edward Jones will work with you to ensure that your account is otherwise made whole. If the process of resolving a trade error results in a net gain in the error account, we will donate the amount of such gain to charities chosen by Edward Jones.

#### **Compensation:**

Part of Edward Jones' portion of the Program Fee is paid to your financial advisor. The amount of your financial advisor's compensation may be more or less than what he/she would receive if you participated in another advisory program, or if you paid separately for investment advice, brokerage services and administrative services. As a result, your financial advisor may have a financial incentive to recommend this Program to you instead of other programs or services. Also, the compensation paid to us may vary depending on our relationship with each Portfolio Manager and also on the type of strategy used by the Portfolio Managers. Consequently, both Edward Jones and your financial advisor may benefit from recommending one Portfolio Manager or strategy over another.

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

#### **Account Opening:**

Effective March 10, 2017, Edward Jones will no longer accept assets from new clients into the Program.

Generally, the Managed Account Program is available to residents and entities of the United States who are: individuals, trusts, charitable organizations, corporations and other business entities, Traditional Individual Retirement Accounts ("IRAs") and Roth IRAs, and Benefit Plan accounts. "Benefit Plan Accounts" are defined as Tax-Qualified Plans (other than Traditional IRAs and Roth IRAs), employer-sponsored plans, SIMPLE IRAs and SEP IRAs and other eligible plans.

Edward Jones can prohibit anyone from entering the Managed Account Program for any reason, including if we do not believe it is an appropriate investment strategy for that person.

#### **Existing Accounts:**

Until Closing, we will accept new assets deposited into existing accounts. However, in the event a Program Manager or its strategy is removed from the Program for any reason, you may not add a new Program Manager or strategy to replace the one being removed. The account holding the removed strategy will convert back to a brokerage account containing the existing securities. At this point the account will no longer be actively managed by the Program Manager and we will no longer charge a fee on the assets in that account. The removal of an existing Program Manager or strategy may affect your overall asset allocation. For more information see "Portfolio Manager Selection and Evaluation" below.

### **Account Requirements:**

When you participate in the Managed Account Program, you will sign a Client Agreement with Edward Jones. You will also sign a Portfolio Management Agreement with each Portfolio Manager you select. By signing the Portfolio Management Agreement, you are appointing the Portfolio Manager to manage your account and giving sole investment discretion and trading authority over your account to that Portfolio Manager. Both the Portfolio Managers and Edward Jones have the right to decline your accounts for any reason. If this should happen, we will notify you promptly. Your participation in the Managed Account Program will begin upon acceptance of your account(s) by Edward Jones and the Portfolio Manager(s).

The Portfolio Management Agreement authorizes the Portfolio Manager(s) to instruct Edward Jones in every respect regarding your account(s). The Portfolio Manager(s) will have the authority to act in all manners for you, including the right to:

- Make purchases or conduct sales,
- Vote proxies or administer tenders associated with the securities in your accounts,
- Conduct exchanges or redemptions of securities, and
- Perform other similar actions regarding your securities in the account(s).

When your accounts are accepted by each Portfolio Manager, the Portfolio Managers will be notified that the account is funded and begin managing the funds for you. We cannot guarantee how quickly your Portfolio Manager(s) will invest the cash you deposit in the account(s) or sell the securities you deposit to fund the account(s). If you are seeking fixed-income strategies, you should be aware that these portfolios can take several weeks or longer to become fully invested. Edward Jones is not responsible for market fluctuations during the time between when you fund your account(s) and

the Portfolio Manager(s) begin investing your account(s).

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

In the Managed Account Program, we offer you access to Portfolio Managers who will provide you with personalized investment advisory services. These Portfolio Managers have undergone a rigorous due diligence process by Edward Jones and meet our objective and subjective criteria to be included in the Program. Our evaluation criteria include:

- A minimum of \$500 million in assets under management,
- Established history of investment performance,
- Assessment of the risk taken to achieve returns,
- Assessment of the organizational strength and stability, and
- Understanding and acceptance of Edward Jones' investment philosophy and mission.

Before we include a Portfolio Manager in the Program, we review several aspects of their business. We study their investment philosophies and their history and performance, and we maintain up-to-date information on their investment performance results. Edward Jones tracks Portfolio Managers' returns on a quarterly basis. Additionally, Portfolio Managers provide us with their complete and updated records on their backgrounds, performance results and investment practices.

Some, but not all, of the Portfolio Managers in the Program calculate their performance in accordance with Global Investment Performance Standards (GIPS). These standards provide a standardized format for calculating and presenting performance results, and are widely used throughout the investment industry. However, Portfolio Managers are not required to use GIPS to calculate their performance. Edward

Jones does not use an independent party to verify our Portfolio Managers' statements about their performance. Edward Jones evaluates the Portfolio Managers' performance against applicable benchmarks and peers. We rely upon our Portfolio Managers to provide us with accurate performance information.

Occasionally, we may remove a Portfolio Manager from the Program. Examples of circumstances where this may occur include, but are not limited to, the following reasons:

- Key personnel changes at the Portfolio Manager;
- The Portfolio Manager deviates from its investment philosophy;
- Legal or regulatory concerns with the Portfolio Manager;
- Poor performance by a Portfolio Manager when compared to that of other Portfolio Managers during a market cycle; and
- The Portfolio Manager is no longer appropriate for your investment goals and objectives.

If we remove a Portfolio Manager or their strategy from the Program, when possible we will give you at least 30 days' notice. Effective March 10, 2017, you will no longer be able to replace or add a Portfolio Manager. As a result, your asset allocation will fluctuate based upon the addition and subtraction of Portfolio Managers and/or cash in your account.

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

After we determine your risk tolerance and asset allocation, we will recommend one or more Portfolio Managers to you whose investment strategies match your needs. Once you choose the Portfolio Managers for your accounts, we will provide your overall portfolio objective information to them. In addition, after you enter the Managed Account Program, you will complete a Portfolio Management Agreement

with each Portfolio Manager. Based upon the information you provide, we will provide the following information to your Portfolio Manager(s):

- Name and address,
- Account number,
- Country and state of residence,
- Citizenship,
- Net worth,
- Annual income,
- Date of birth,
- Social Security Number,
- Financial objectives,
- Time horizons,
- Income needs,
- Asset allocation,
- Liquidity parameters,
- Risk tolerance,
- Account Authorizations,
- Specific investment guidelines or restrictions,
- Systematic withdrawals you wish to set up, and
- Assets that fund your accounts.

Over time, your financial goals and objectives may change. Consequently, it is your responsibility to inform us of any material changes to your investment objectives. Edward Jones will provide updated information to your Portfolio Manager(s) to ensure that your assets remain properly invested.

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

In the Managed Account Program, you not only enter into a relationship with Edward Jones but also establish a contractual relationship with each of the Portfolio Managers you select to manage your accounts. As mentioned above, when you sign the Portfolio Management Agreement, you are authorizing the selected Portfolio Manager(s) to act as your agent on your behalf. The Portfolio Manager(s) will be reasonably available to consult with you regarding the management of your account(s). Your Edward Jones financial



advisor will be your key point of contact for questions about your accounts.

## **Item 9: Additional Information**

### **A. Disciplinary Information and Other Financial Industry Activities and Affiliations**

#### **Disciplinary Information:**

Edward Jones is a registered broker-dealer and investment adviser. This section contains information about certain legal and regulatory matters that Edward Jones believes are material to a client's evaluation of its advisory business or the integrity of its management. Edward Jones has also been subject to various legal and regulatory proceedings relating to its brokerage business that are disclosed in Part 1 of its Form ADV.

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.

Financial Industry Regulatory Authority (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 – Exchange Traded Funds (ETFs). In violation of FINRA Rule 2010 and National Association of Securities Dealers (“NASD”) Rules 2110, 2310 and 3010, FINRA alleged that Edward Jones (1) failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with applicable NASD or FINRA rules in connection with the sale of non-traditional ETFs; (2) failed to establish and maintain an adequate supervisory system to monitor transactions in non-traditional ETFs involving retail clients; (3) did not exercise due diligence in investigating non-traditional ETFs; (4) did not ensure that its registered representatives obtained adequate information and instruction regarding traditional ETFs before recommending those products to clients; and (5) did not provide such information directly to registered representatives or require that they obtain it from other sources. FINRA also alleged that Edward Jones' supervisory system was inadequate with respect to its oversight of non-traditional ETF transactions and until the time when FINRA issued Regulatory Notice 09-31, relied on its general supervisory procedures to oversee transactions in non-traditional ETFs. FINRA alleged that those procedures did not address the products' unique features and risks, e.g., Edward Jones' sales exception reports and other supervisory tools did not differentiate between exchange-traded equity securities, traditional ETFs and non-traditional ETFs. FINRA alleged that Edward Jones' general supervisory procedures did not require it to



monitor either the length of time clients held open positions in non-traditional ETFs or the effect of long holding periods on those positions. On January 9, 2014, without admitting or denying the findings, Edward Jones entered into a letter of acceptance, waiver and consent in which Edward Jones was censured, fined \$200,000, and ordered to pay \$51,581.25 in restitution to clients.

State of New Hampshire – Solicitation Calls. In April 2013, the State of New Hampshire brought an action against Edward Jones, in which the allegations included solicitations calls being made in violation of applicable telephone solicitation rules, failure to properly train and supervise registered representatives in the area of telephone solicitation, and failure to establish a system and procedures reasonably designed to ensure compliance with applicable telephone solicitation rules. On February 25, 2014, Edward Jones and the State of New Hampshire entered into a Consent Agreement in which Edward Jones agreed to pay the State \$175,000 in costs, \$175,000 in contribution to New Hampshire investor education, and \$400,000 in an administrative fine, without any admission of fault or wrongdoing.

SEC – Municipal Bond Pricing. On August 13, 2015, Edward Jones, without admitting or denying the findings, entered into a settlement in public administrative and cease-and-desist proceedings with the SEC regarding certain of the Firm's municipal securities activities. Pursuant to the settlement, the SEC alleged that Edward Jones violated Sections 17(a)(2) and (3) of the Securities Act of 1933 (“Securities Act”), Sections 15B(c)(1) and 15(b)(4)(E) of the Securities Exchange Act of 1934 (“Exchange Act”), and Municipal Securities Rulemaking Board (“MSRB”) Rules G-17, G-11(b) and (d), G-27 and G-30(a), was censured and was ordered to cease and desist from violating or causing any current and future violations of Sections 17(a)(2) and (3) of the Securities Act, Section 15B(c)(1) of the Exchange Act and MSRB Rules G-17,

G-11, G-30 and G-27. The settlement requires Edward Jones to pay \$5,194,401.37 to current and former customers of Edward Jones and to pay a civil money penalty in the amount of \$15,000,000. In entering into the settlement, the SEC considered remedial acts undertaken by Edward Jones related to this matter.

FINRA – Mutual Fund Sales Charge Waivers.

On May 5, 2015, FINRA's Enforcement Division advised Edward Jones that it was investigating whether any violations of the federal securities laws or rules had occurred with respect to mutual fund purchases and sales charge waivers for certain retirement plan and charitable organization accounts. Prior to being advised of the investigation, Edward Jones had commenced a review of this issue and self-reported to FINRA. On October 26, 2015, Edward Jones, without admitting or denying the findings, entered into a settlement agreement with FINRA to resolve this matter. Pursuant to the settlement, Edward Jones agreed to provide remediation to certain customers, estimated at the time of the settlement agreement to be approximately \$13.5 million. A monetary penalty was not imposed by FINRA. In reaching the settlement, FINRA recognized the extraordinary cooperation of Edward Jones, including its self-reporting of the issue to FINRA.

**Other Financial Industry Activities and Affiliations:**

You should be aware that Edward Jones, its affiliates and its financial advisors perform services for you and other clients outside the Managed Account Program, including execution of brokerage transactions (e.g., the purchase or sale of securities or insurance products), research, the retail distribution of securities (e.g., mutual funds), the participation in principal transactions and certain underwritings and other investment advisory services. Edward Jones and its affiliates may receive compensation, including fees and commissions, associated with these services. We have a financial interest in our clients’

transactions and the recommendations we make to clients to buy or sell securities or investment products.

In its capacity as a broker-dealer, Edward Jones performs research and distributes recommendations to buy, sell or hold the equity securities of asset management companies or financial institutions with asset management affiliates that participate in the Program. In order to preserve the independence of this process and to address any conflicts of interest, we have adopted a policy under which we will not consider our opinion on equity securities of asset management companies or financial institutions in selecting the Portfolio Managers who participate in the Program.

The following summarizes Edward Jones' material relationships or arrangements with other entities that participate in the financial industry.

Edward Jones is the primary operating subsidiary of JFC, and is dually registered as an investment adviser and broker-dealer with the SEC and a member of FINRA.

Olive Street Investment Advisers, LLC, a subsidiary of JFC, is registered as an investment adviser with the SEC and serves as the investment adviser of proprietary mutual funds that are ineligible investments in the Program. Certain current or former associates of Edward Jones may serve as officers or directors of the affiliated investment adviser or the proprietary mutual funds.

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

Edward Jones Trust Company ("EJTC"), a wholly owned subsidiary of JFC, is a federally chartered savings and loan association that offers personal trust and investment management

services. EJTC also acts as custodian for certain Traditional IRAs and Roth IRAs that are participating, or have participated, in other Edward Jones programs.

Edward Jones owns directly or indirectly 100% of three insurance agencies that perform insurance related activities in the U.S.: Edward Jones Insurance Agency of New Mexico, L.L.C., a New Mexico limited liability company; Edward Jones Insurance Agency of Massachusetts, L.L.C., a Massachusetts limited liability company; and Edward Jones Insurance Agency of California, L.L.C., a California limited liability company.

Edward Jones indirectly owns 100% of two insurance agencies that conduct general insurance producing activities in Canada: Edward Jones Insurance Agency (Quebec) Inc., a Canadian corporation; and Edward Jones Insurance Agency, an Ontario Canada limited partnership.

Edward Jones owns 7% of Customer Account Protection Company Holdings, Inc. (CAPCO), a captive insurance group.

Edward Jones is the direct or indirect owner of 100% of Passport Research, Ltd., a Pennsylvania limited partnership that acts as the investment adviser to the Edward Jones Money Market Fund. Appendix A contains a detailed discussion of our affiliation with the Edward Jones Money Market Fund.

## **B. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading; Review of Accounts; Client Referrals and Other Compensation; and Financial Information**

### **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) Ensure that our associates' personal trading complies with our Code of Ethics, avoids potential conflicts of interest and makes 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; and
- (5) Do not use any material nonpublic information our associates 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 either regarding the securities in a client's account(s) or regarding the Portfolio Manager's changes to the asset allocations in those account(s). 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 the Managed Account Program, buy securities that are also available in the Program. 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 the Managed Account Program), and/or their family members are permitted to and do invest in the Program. 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 the Managed Account Program), and/or their family members are aggregated along with other trades, which may include trades for your accounts, and will be executed simultaneously with all other Managed Account Program 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. Edward Jones receives revenue sharing from certain unaffiliated mutual fund families outside of advisory programs. Edward Jones' receipt of revenue sharing creates a potential conflict of interest in the form of additional financial incentives. We believe that this potential conflict of interest is addressed through internal policies to prevent Edward Jones, in its capacity as investment adviser, and any affiliated investment adviser, from considering existing business relationships when selecting Portfolio Managers.

Edward Jones has additional policies and procedures, including client disclosures, to address this conflict. For more information regarding revenue sharing, please visit [www.edwardjones.com/disclosures](http://www.edwardjones.com/disclosures) or request a revenue sharing disclosure document from your Edward Jones financial advisor.

Edward Jones 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, Edward Jones 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, we will adjust the trade so the client receives the better price.

### **Review of Accounts:**

At the time your Program account(s) are opened, Edward Jones' supervisory associates will review your account(s) to confirm it is appropriate for your net worth, investment goals, time horizon, risk tolerance, and investment objectives. The investments sold or transferred in kind when funding the account(s) will also be reviewed. If you have sold investments purchased at Edward Jones in order to fund the account, the holding period of those investments will be reviewed for appropriateness. When appropriate, Supervisory personnel may also decide to call you directly to discuss your understanding of the Program, including the fees and expenses you will be paying.

If, during the course of the year, your financial situation or risk tolerance changes, you should contact your financial advisor. We will provide any updated information to your Portfolio Managers to ensure that your assets are properly invested based on the updated information.

At least annually, you and your financial advisor should discuss any changes to your financial situation, investment objectives and/or risk tolerance, and whether you would like to impose any reasonable investment restrictions on your

Program accounts. The review will help determine if your investment allocation and/or Portfolio Manager(s) selection(s) need to be modified. If you decide to pursue a different investment allocation, you will need to complete a new IPQ and sign a new Client Agreement; however, you will not be able to engage a new or different Portfolio Manager.

Our supervision and monitoring does not substitute for your own continued review and monitoring of your account(s) and performance of your investments. You should review performance reports, trade confirmations, account statements and other information we send to you. Current and timely information about your account will be available in Edward Jones' online client access system. If you have any questions, please discuss them with your financial advisor.

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

Edward Jones does not enter into arrangements with unaffiliated third parties to refer clients or solicit clients to any advisory program offered by Edward Jones. However, Portfolio Managers participating in the Managed Account Program may engage solicitors.

Occasionally, Portfolio Managers will participate in conferences or other marketing activities with Edward Jones and may be asked to share in the cost of those activities as well. Some Portfolio Managers may be required to sign a Code of Conduct that specifically addresses their participation in marketing events and their limitations on financially contributing to these events. Our financial advisors are not allowed to consider a Portfolio Manager's sponsorship of a marketing activity when choosing which Portfolio Manager(s) to recommend to you.

Edward Jones has contracted with Broadridge Investor Communications Solutions, Inc., ("Broadridge") 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 from Broadridge a portion of the fees paid by the issuing company.

The Program Fee generated in the Program, as well as assets under care, will impact your financial advisor's eligibility for a bonus and bonus amount.

Financial advisors are eligible to participate in the Edward Jones Travel Award Program("Travel Award Program"), which includes domestic and international travel, or a cash award in lieu of a trip. Program Fees received by a financial advisor are counted toward qualifying for the Travel Award Program.

**Financial Information:**

This section does not apply to Edward Jones.

**Item 10: Requirements for State-Registered Advisers**

This section does not apply to Edward Jones.

## **APPENDIX A**

### **Disclosures Regarding Proprietary/Affiliated Money Market Fund**

Edward Jones Managed Account Program<sup>®</sup> may from time to time be invested in shares of the Edward Jones Money Market Fund (the “Fund”), which is advised by Passport Research (the “Adviser”). Edward Jones is the direct or indirect owner of 100% of the Adviser. As such, the Fund is advised by an affiliate of Edward Jones. The Adviser receives a management fee of 0.20% of average net assets of the Fund, less any fees paid to its sub-adviser(s).

The Fund pays a 12b-1 fee of 0.25% of average net assets to Edward Jones for the sale, distribution, administration and customer servicing of the Fund’s Investment Shares and Retirement Shares, and a Service Fee up to 0.15% of average net assets to Edward Jones for providing services to shareholders and maintaining shareholder accounts. Edward Jones provides shareholder services, transfer agent services and marketing services to the Fund and the accounts that its clients maintain in the Fund.

Edward Jones has provided you with the 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 revenue received by Edward Jones in connection with the Fund.