

# Edward Jones Advisory Solutions<sup>®</sup> Fund Models Brochure as of March 28, 2014

Edward Jones  
12555 Manchester Road  
St. Louis, MO 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 U.S. 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 as of March 28, 2014. The last update to the brochure was made on October 24, 2013.

- Item 4: Advisory Business. The amount of assets under management at Edward Jones has been updated as of December 31, 2013.
- Item 9: Disciplinary Information. The disclosures in this section of the brochure have been updated.
- Item 10: Other Financial Industry Activities and Affiliations. The firm has provided additional information regarding the Mutual Fund Research department's process to address any conflicts of interest.
- Item 14: Client Referrals and Other Compensation. The firm has updated this Brochure to include additional information regarding a financial advisor's potential financial incentives.

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#### **Item 4: Advisory Business**

Edward Jones ("Edward Jones," "we" or "us") is a registered broker-dealer and investment adviser. Through the investment adviser, Edward Jones offers several advisory programs. This brochure provides clients ("Client," "you" or "your") 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.

Other advisory programs offered through Edward Jones are not described in this brochure. These programs offer different services and have different 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.

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, 2013, we managed \$107,046,239,460 in discretionary assets and \$7,924,304,739 in non-discretionary assets across all of our advisory programs, including Advisory Solutions.

**Advisory Solutions Overview.** Advisory Solutions, which was first offered in 2008, is an asset allocation program in which you receive both investment advisory and brokerage services. Your account will be invested in various allocations of affiliated mutual funds, unaffiliated mutual funds, exchange-traded funds and unaffiliated money market funds available through Advisory Solutions ("Program Funds").

An affiliated mutual fund (other than certain money market funds) will only be offered to investors once its registration statement filed with the SEC is effective. Your account may invest in one or more affiliated mutual funds whose registration statements are effective and whose investment adviser is an affiliate of Edward Jones. Please read this brochure carefully to understand the differences between affiliated mutual funds and unaffiliated mutual funds, including any additional conflicts of interest that Edward Jones may be subject to in connection with recommending affiliated mutual funds and how such conflicts are addressed.

**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. If your account invests in affiliated mutual funds, the investment adviser to the mutual funds will be an affiliate of Edward Jones.

**Exchange-Traded Funds ("ETFs").** ETFs are typically registered investment companies whose shares track an index, a commodity or a basket of assets such as 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). 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 you could lose money.

The Edward Jones Money Market Fund is affiliated with Edward Jones, but is not an available Program Fund for Advisory Solutions Fund Models. Any of your assets invested in the Edward Jones Money Market Fund will not be included in your fee for the Program ("Program Fee"). Please refer to Appendix A for more information about the Edward Jones Money Market Fund.

Depending on the level of investment risk you are willing to take (risk tolerance) and the expected time for your financial goals (life stage or time horizon), Edward Jones will invest your money in different mutual funds (which may include both affiliated and unaffiliated mutual funds), ETFs and money market funds that are combined into models in order to help you maintain an acceptable level of risk.

Before investing in Advisory Solutions, you should decide if you are comfortable forgoing the day-to-day management of your account. Investors in Advisory Solutions typically:

- 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 Objective Questionnaire ("Questionnaire"). Edward Jones scores certain answers to determine your risk tolerance. Your risk tolerance, combined with your life stage or time horizon, results in a recommended Portfolio Objective. Depending on your risk tolerance and life stage or time horizon, you may decide to choose an alternative Portfolio Objective if you are willing to take more or less risk than the recommended Portfolio Objective. Please note that an alternative Portfolio Objective is not available for every risk tolerance, life stage or time horizon combination. You ultimately decide whether you want to invest in a recommended Portfolio Objective or an alternative 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 from the investment options to implement your Portfolio Objective. Edward Jones Mutual Fund Research chooses the mutual funds (which may include both affiliated and unaffiliated mutual funds), ETFs and unaffiliated money market funds to create the list of Program Funds available in Advisory Solutions ("Program List"). You can choose one of the following 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 in the Research Model and decides 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.

## **2. You invest in a Custom Model and 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 prefer to choose from the Program List rather than give this responsibility to Edward Jones, 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 (which may include affiliated mutual funds). 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 liquidate the Program Fund being removed and use the recommended Program Fund as the replacement. Liquidation may cause a taxable event as well as additional fees and expenses.

There is no guarantee that the Program Funds will perform in any particular manner. Past

performance is not a guarantee of future results. It is important that you read the prospectus of each Program Fund before investing. Further details about a Program Fund can be found in its Statement of Additional Information ("SAI") and shareholder reports.

You cannot restrict individual securities in an advisory account. However, you can choose not to invest in a specific Program Fund by investing in a Custom Model.

At present, affiliated mutual funds will not be available in "Benefit Plan Accounts", which we define as Tax-Qualified Plans (other than Traditional and Roth IRAs), Employer-Sponsored Plans, Other Plans, and SIMPLE IRAs and SEP IRAs.

For more information regarding our investment strategy, see Item 8 (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 Advisory Solutions account pays a Program Fee for investment management services, which include:

- 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 increases or decreases, you are charged the percentage rate for the tier that corresponds to this value. As a result, your Program Fee is a weighted average of the annualized fee rates (shown below) and will increase or decrease with the value of your Program Funds. The fees assessed by Edward Jones and any internal expenses of affiliated and unaffiliated mutual funds and ETFs held in the account will reduce the account's overall returns and performance.

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

	<b><u>Value of Program Funds</u></b>	<b><u>Annual Fee Rate</u></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><u>Value of Program Funds</u></b>	<b><u>Annual Fee Rate</u></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 more than \$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 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 received to your account.

**Shareholder Accounting Revenue:** Mutual fund companies may pay Edward Jones for account record keeping and administrative services provided by Edward Jones for the mutual fund companies. If you have a taxable account or a 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.

Affiliated mutual funds (other than Edward Jones Money Market Funds) are Program Funds. If your account invests in affiliated mutual funds, the investment adviser to the mutual funds will be an affiliate of Edward Jones. Affiliated mutual funds (other than Edward Jones Money Market Funds) will be sub-advised by multiple sub-advisers who are unaffiliated with Edward Jones. If your account invests in such an affiliated mutual fund and the mutual fund pays Edward Jones or its affiliate a management or other fee with respect to the investment, the amounts received by Edward Jones and its affiliates will first be used to compensate the affiliated mutual fund's sub-advisers and certain other service providers. Remaining amounts, if any, that are not otherwise waived by Edward Jones or its affiliate will be credited back to your account. Please note that Edward Jones or its affiliate has entered or intends to enter into an agreement with each affiliated mutual fund, which can be terminated at any time, to waive any such

remaining amounts in order to avoid the need to credit or offset fees.

### (ii) Fee Reductions

If you purchased a mutual fund from Edward Jones within the past twenty-four (24) months prior to investing in Advisory Solutions and either paid a commission when you purchased the mutual fund or will pay a commission or redemption fee if you sell the mutual fund in order to invest in Advisory Solutions, you may receive a reduction in the Program Fee. The amount of the Fee Reduction will depend on how long you have held the mutual fund. Edward Jones will decide how to calculate the Fee Reduction and apply it to your account. Fee reductions are typically applied during the first twenty-four (24) months in which the account is active in the program. If you close your account in Advisory Solutions before receiving the entire fee reduction, you will not receive any of the remaining Fee Reduction that may have been applied to your account.

If you are selling mutual funds to invest in Advisory Solutions but did not purchase them through 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 an annualized fee of 0.09% (nine basis points) 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.

## How Advisory Solutions Fees Are 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 Fund 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 Advisory Solutions Fees Are Paid

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 a sufficient amount of shares of Program Funds to pay the Advisory Solutions Fee in part or in whole. If Edward Jones sells Program Funds, this may trigger a rebalance of your account. You may have to pay taxes and/or 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 an Edward Jones client 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 in the account for a year (365 days). The client would pay an annual Advisory Solutions Fee of approximately \$1,728. This is comprised of:*

*Approximate Program Fee – \$1,620*

*Approximate Administrative Fee – \$108*

### Example 2 – Benefit Plan Accounts

*The client has an average daily balance of \$120,000 in the account for a year (365 days). The client would pay an annual Advisory Solutions Fee of approximately \$1,800. This is comprised of:*

*Approximate Program Fee – \$1,800*

*Administrative Fee – none*

***Please note:*** *For U.S. federal tax purposes, you may be able to deduct the Advisory Solutions Fee depending on your 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

Each Program Fund (including affiliated mutual funds, if any) in your account has internal fees and expenses that are described in its prospectus. These fees are in addition to the Advisory Solutions Fees described above. The internal fees and expenses vary depending on the particular Program Fund and are deducted from its net asset value (NAV) on a daily basis. You will not see a separate entry on your account statement



showing this fee. Generally within Advisory Solutions, internal fees and expenses in Program Funds vary from 0.05% to 1.45%.

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 Item 8 (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 decides to sell a mutual fund from your account that was held for only a short time (typically anywhere from 30 days to 12 months). The mutual fund prospectus describes whether the fund company has a redemption charge.

Affiliated mutual funds, as with other Program Funds, will incur internal fees and expenses payable to both third-party service providers and Edward Jones (and its affiliates). With respect to the amounts received by Edward Jones and its affiliates from affiliated mutual funds by reason of your account's investment, such amounts will first be used to compensate the mutual fund's sub-advisers and certain other service providers with remaining amounts, if any, that are not otherwise waived by Edward Jones or its affiliates to be credited back to your account.

Any internal fees and expenses charged by a Program Fund, as well as the fee you pay for Advisory Solutions, will affect your account's investment performance.
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The affiliated mutual funds are only available through Edward Jones Advisory Solutions Fund Models and Unified Managed Account Models.

You can choose to forgo the services of Advisory Solutions and buy and sell many other Program Funds through Edward Jones as a broker-dealer

or through other brokers or agents 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. 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 those 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.

If you terminate your Advisory Solutions account or transfer mutual funds into an Edward Jones brokerage account, we may exchange those funds into a different share class, which generally will have higher fees and expenses that may negatively affect investment performance. The affiliated mutual funds may not be held outside an advisory program offered by Edward Jones. Accordingly, any positions in affiliated mutual funds will be liquidated if you terminate your Advisory Solutions account or request to transfer positions in an affiliated mutual fund out of your Advisory Solutions account. Liquidations of an affiliated mutual fund in a taxable account may result in a taxable event.

Deposits, including interest and dividends, received into your account but not yet 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 another 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 this 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 convert your advisory account into a 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 mutual funds, ETFs and unaffiliated money market funds and uses numerous quantitative (investment history, past performance, portfolio analysis of the individual holdings, etc.) and qualitative (investment strategy, process, personnel, etc.) factors in selecting and monitoring Program Funds. The selection process takes into consideration a variety of factors, each of which may be given different weight in the decision-making process,

and generally no one factor determines the outcome of any selection.

**Affiliated mutual funds are not subject to the selection and monitoring process that we apply to unaffiliated mutual funds and other Program Funds.** Affiliated mutual funds were created specifically for Edward Jones Advisory Solutions Fund Models and Unified Managed Account Models. In selecting and monitoring sub-advisers for our affiliated mutual funds, the investment adviser, which is affiliated with Edward Jones, follows a process that is similar, but not identical, to the process that Mutual Fund Research uses to evaluate unaffiliated mutual funds and other Program Funds. This process includes quantitative and qualitative analysis, including (but not limited to) an evaluation of the investment process, consistency, portfolio composition, strategies employed, risk management, team depth, quality and experience, operations and compliance of the sub-adviser. The evaluation process includes review of literature and documents, quantitative historical performance evaluation and discussions with members of the investment team and firm management. None of the sub-advisers are affiliated with Edward Jones.

Our Mutual Fund Research department continually reviews Program Funds (other than affiliated mutual 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
- An alternate Program Fund that has been 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 its ownership level of a fund

Edward Jones affiliated mutual funds generally will not be removed from Advisory Solutions. However, because they are multi-manager funds, the above events would likely cause the affiliated investment adviser to select a replacement sub-adviser subject to the terms and conditions of the prospectus. The affiliated investment adviser may also reallocate the fund assets or change the weightings among the remaining sub-advisers at its discretion. The affiliated investment adviser and the affiliated mutual funds have received an exemptive order from the SEC that allows the sub-advisers to be appointed without a vote of the shareholders of the affiliated mutual fund.

Mutual Fund Research can also place a Program Fund (other than an affiliated mutual 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, they 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. This process will not apply to affiliated mutual funds.

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 cannot 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 the IPC. Program Funds (and, in the case of the affiliated mutual funds, sub-advisers) 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 within each model and will make changes to the Program Funds or sub-advisers 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. Asset allocation and rebalancing strategies do not guarantee a profit or protect against 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 to construct a portfolio designed to experience less volatility and show more consistent performance over time. There is no guarantee that this goal will be achieved.

Edward Jones clients collectively own a large percentage of certain mutual funds which are Program Funds. Due to the significant ownership, there may be adverse consequences in the event that Edward Jones, as the investment adviser, removes a mutual fund from the Program. If the volume or size of redemptions required to be effected as a result of the removal of a mutual fund from the Program exceed the limits set forth in the mutual fund's trading policies and procedures, the resulting delay in effecting redemptions may result in accounts experiencing increased risk of loss. A mutual fund company can also decide to redeem shares "in-kind" instead of cash. In that event, accounts may receive the actual underlying securities of the fund. Such securities will be treated as Program Funds for purposes of calculating the Advisory Solutions Fee. The underlying securities could lose value before they are sold. In addition, brokerage and other transaction costs apply to the sale of the underlying securities. Edward Jones will work with the mutual fund company to minimize any potential adverse impact to accounts in the Program, but there is no assurance that clients will be able to avoid the risk of loss and other adverse consequences. As always, clients should read the fund's prospectus to understand the mutual fund's investment objectives, strategies, principal risks, fees and expenses, and past performance when deciding whether to invest in a mutual fund. Further details about a fund can also be found in the fund's Statement of Additional Information ("SAI") and shareholder reports.

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 Program Fund

before deciding to invest in Advisory Solutions. A prospectus containing this and other information about each Program Fund can be obtained from your financial advisor.

### **Item 9: 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.

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: (i) willfully violated Section 17(a)(2) of the Securities Act; (ii) willfully violated Rule 10b-10 under the Exchange Act; (iii) willfully violated 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.

Without admitting or denying the allegations, Edward Jones consented to certain findings. In view of such findings, on December 22, 2004, by unanimous vote, the hearing panel imposed the penalty consented to by Edward Jones as follows: the imposition by NYSE, SEC and NASD to: (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 Missouri 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 – 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.

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 its 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 million.

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 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 that Edward Jones: (i) 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, and (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, and (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, and (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 three years and/or preserve in an easily accessible place for two 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.

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.

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 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.



## **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. A potential conflict of interest may exist where Edward Jones has an existing business relationship with the mutual fund families or sub-advisers that are available through Advisory Solutions. Edward Jones believes that this potential conflict of interest is addressed through a policy under which the Mutual Fund Research department does not consider such business relationships in selecting the mutual funds that are designated as Program Funds. Similarly the affiliated investment adviser does not consider such business relationships in recommending to the board of trustees of an affiliated mutual fund that a sub-adviser be selected to manage affiliated mutual funds.

In its capacity as a broker dealer, Edward Jones' Equity Research department may perform research and distribute recommendations to buy, sell or hold the equity securities of asset management companies or financial institutions with asset management affiliates that participate in Advisory Solutions. In order to preserve the independence of the Mutual Fund Research process and to address any conflicts of interest, Edward Jones has adopted a policy under which the Mutual Fund Research department does not consider the opinion of Equity Research in selecting the mutual funds that are designated as Program Funds. Similarly the affiliated investment adviser does not consider the opinion of Equity Research when recommending sub-

advisers to the board of trustees of an affiliated mutual fund.

Edward Jones may also receive revenue sharing from certain unaffiliated mutual funds families. (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 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 entities.

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).

Olive Street Investment Advisers, LLC, a subsidiary of The Jones Financial Companies, L.L.L.P., serves as the affiliated investment adviser of the affiliated mutual funds that will be Program Funds. Certain current or former associates of Edward Jones may serve as officers or directors of the affiliated investment adviser or the affiliated mutual funds.

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

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. Edward Jones Trust Company acts as

trustee under trust agreements, wills and similar arrangements. Edward Jones Trust Company also acts as custodian for certain Advisory Solutions accounts by agreement between Edward Jones and Edward Jones Trust Company. For additional information about this arrangement, please see Item 15 (Custody).

We also, directly or indirectly, own 100% of three insurance agencies that conduct general insurance producing 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 limited liability company; and Edward Jones Insurance Agency of California, L.L.C., a California limited liability company.

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

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

Edward Jones also owns, as a limited partner, 49.5% of Passport Research Ltd., a Pennsylvania limited partnership that acts as an investment adviser to Edward Jones' two money market mutual funds. Appendix A contains a detailed discussion of our affiliation with the Edward Jones Money Market Fund.

#### **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 your 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 they 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 changes to the Program Funds, including asset allocations. Access persons are required to submit to the chief compliance officer, or his or her delegate, a list of any securities they own and securities transactions they made for any account they control 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 that 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 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 also have a potential conflict of interest where Edward Jones has an existing business relationship with mutual fund families or sub-advisers that are available through Advisory Solutions. Edward Jones addresses this potential conflict of interest because Mutual Fund Research does not consider such business relationships in selecting the mutual funds that are designated as Program Funds and the affiliated investment adviser does not consider such relationships in recommending to the board of trustees of the affiliated mutual fund that a sub-adviser be engaged to manage the affiliated mutual funds. We may receive revenue sharing from certain unaffiliated mutual funds families from whom clients buy securities (for more information regarding revenue sharing, please visit [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 our 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**

Advisory Solutions trades are typically 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 mutual fund from the Program List, if a large number of accounts need to be rebalanced or by request of the Program Fund. 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 over time, typically through a random allocation process, over a period of more than one day. In certain circumstances this process may take several weeks. Although designed to be fair and equitable over time, this may result in clients receiving different prices. In addition, if the volume or size of redemptions required to be effected as a result of the removal of a mutual fund from the Program List or the rebalancing of a larger number of accounts exceeds the limits set forth in the mutual fund's trading policies and procedures, the mutual fund may take up to seven days to process redemptions or may redeem positions in kind. In such circumstances, client assets may not be fully invested and may be subject to market risk between the redemption date and the reinvestment of the assets. Alternatively, Edward Jones may rely on the random allocation process described above to effect the redemptions over time in a manner consistent with the limits set forth in the mutual fund's trading policies and procedures.

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 net worth, risk tolerance and time horizon or life stage. 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 receive a 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 or time horizon 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 Questionnaire 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.

Your financial advisor receives a portion of the monthly Program Fee. As a result, your financial advisor has a financial incentive not to negotiate the Program Fee. The portion of the Program Fee paid to your financial advisor is at the discretion of Edward Jones. The fee rate paid to your financial advisor will be the same regardless of the Fund Model you select. As a result, your financial advisor does not have a financial incentive to recommend one model over another.

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 unaffiliated mutual fund companies and/or ETF sponsors on the Program List (or their investment advisers) 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. They may also participate in conferences or other marketing activities with Edward Jones (including the Diversification Program described below). They will be asked to share in the cost of those activities as well. Edward Jones has not entered into any agreement with any ETF, mutual fund, or its investment adviser or its distributors or affiliates providing for payment of such expenses as a condition of inclusion on the Program List or the selection of a sub-adviser for affiliated mutual funds. Our financial advisors are not allowed to consider an advisory product partner's sponsorship of a marketing activity when recommending or choosing a Program Investment for you.

The Program Fees and Administrative Fees (if applicable) generated in Advisory Solutions, as well as assets under care, may impact your financial advisor's eligibility for a bonus.

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 toward 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 (which may include affiliated mutual funds and unaffiliated mutual funds)
- 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 trades.

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

As a registered investment adviser, Edward Jones may vote proxies for clients in accordance with applicable law, 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 Program Fund 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. If you transfer non-Program Fund investments to open or fund an Advisory Solutions account, Edward Jones may also vote proxies for those securities if the date of record occurs before the securities are liquidated. 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.

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. We have established policies and procedures which are intended to ensure that we vote proxies in a manner that is consistent with our clients' best interest. 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, MO 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 who 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 Money Market 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 revenue, 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 revenue received by Edward Jones in connection with the Fund.