

# Edward Jones Advisory Solutions<sup>®</sup> Unified Managed Account (UMA) Models Brochure as of January 17, 2013

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## Item 1: Cover Page

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

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

**Item 2: Material Changes**

This section describes specific material changes that have been made to the brochure as of January 17, 2013. Not all changes included in this updated brochure have been deemed material by Edward Jones. The last update to the brochure was made on July 1, 2012.

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

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

### **Introduction**

**This wrap fee program brochure (the brochure) provides you with information about the Edward Jones Advisory Solutions® Unified Managed Account (UMA) Models (Advisory Solutions UMA Models) sponsored by Edward Jones, fees charged for Advisory Solutions UMA Models, Edward Jones services and business practices. You should read this brochure carefully before you invest in Advisory Solutions UMA Models.**

In addition to Advisory Solutions UMA Models, Edward Jones offers other advisory programs, which are not described in this brochure. These programs have different services, fees and minimum investment requirements. If you are interested in learning more about these 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 with the SEC as a broker-dealer in 1941 and as an investment adviser in 1993.

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

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

The decision to invest in Advisory Solutions UMA Models 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.

Edward Jones Advisory Solutions UMA Models is a wrap fee program in which you can combine multiple investments in a single advisory Account. Advisory Solutions UMA Models offers multi-style investment services implemented by an investment adviser (Overlay Manager). Investments available in Advisory Solutions UMA Models include separately managed allocations (SMAs) managed or recommended by one or more investment advisers (SMA Managers), mutual funds and exchange-traded funds (ETFs) approved by Edward Jones (collectively referred to as Program Investments). Investment recommendations are provided to an investment adviser (Overlay Manager) by Edward Jones for investments in mutual funds and ETFs or by SMA Managers either through (i) providing a Model Portfolio to the Overlay Manager, or (ii) investing the client's assets directly in the Account (Executing SMA Manager).

### **Services Provided**

#### **(A) Investment model construction and ongoing asset allocation guidance**

In order to open an Advisory Solutions UMA Models Account, you must complete an Investment Objectives Questionnaire (IOQ). Edward Jones scores certain answers to determine the level of investment risk you are willing to bear (risk tolerance). As applicable, your risk tolerance, life stage, time horizon and the purpose of the funds you are investing result in a recommended Portfolio Objective. An alternative Portfolio Objective may also be available to you if you decide you are willing to take more or less risk than the recommended

Portfolio Objective. An alternative Portfolio Objective is not available for every client. You ultimately decide whether you want to invest in a recommended Portfolio Objective or an alternative Portfolio Objective. If you choose a Portfolio Objective other than that recommended by Edward Jones, your choice may affect the achievement of your investment objectives and may involve additional risks, which you fully assume.

Edward Jones establishes 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

Each Portfolio Objective offers different models determined by Edward Jones. Each model is comprised of different asset allocations from several asset classes appropriate for different risk tolerances and investment objectives. Edward Jones will establish the target weightings for each model, which can be changed by Edward Jones at any time.

Under Edward Jones Advisory Solutions UMA Models, you select either a Research Model or construct a Custom Model, consistent with your chosen Portfolio Objective. Models include Program Investments selected by Edward Jones.

**Research Model** – The Research Models are based on the asset allocations determined by the Edward Jones Investment Policy Committee (IPC) and Edward Jones is solely responsible for determining the particular asset classes and asset allocations that are appropriate for different risk tolerances and investment objectives. You

cannot change the asset allocation or asset classes that are available through a particular Research Model. Edward Jones will also establish the target weightings of the Program Investments for each Research Model, which can be changed by Edward Jones at any time. If your Account is taxable, you acknowledge that changes to asset allocation will likely cause transactions in the Account and that these transactions will likely have tax consequences. If you select a Research Model, Edward Jones has ongoing discretion over the selection of Program Investments, as well as asset allocation and rebalancing of your Account pursuant to your chosen Portfolio Objective. Edward Jones can remove and/or add a Program Investment to the Research Model at any time without notifying you. If you do not wish to invest in a specific Program Investment, you must choose a different Research Model or invest in a Custom Model.

**Custom Model** – If you select a Custom Model, you are responsible for choosing the specific investments from the Program List, consistent with your chosen Portfolio Objective. You acknowledge that Program Investments within a Custom Model may be subject to certain investment minimums as may be determined by Edward Jones and/or an SMA Manager. In addition, Edward Jones may in its sole discretion implement guidelines and/or restrictions as to the minimum and maximum number of Program Investments that can be held in an Account at any one time and the minimum and maximum percentage allocations to those investments held in a Custom Model. If a Program Investment is removed from the Program List for any reason, you understand that the Program Investment can no longer be held in your Account. If you do not select an alternative Program Investment from the Program List within

thirty (30) calendar days (or such shorter time as may be determined at the discretion of Edward Jones) of being notified of the removal of such investment from the Program List, Edward Jones will select a replacement investment from the Program List for your Account. If you continue to participate in Edward Jones Advisory Solutions UMA Models after the removal of a Program Investment, you will be deemed to have consented to such replacement. You understand that the replacement Program Investment may be subject to a higher SMA Manager fee or, in the case of mutual funds and ETFs, higher internal expenses than the prior investment and you will be responsible for paying the higher fees. The Program Fee paid to Edward Jones will not change as a result of the replacement Program Investment. There is no guarantee that any replacement Program Investment will be available at a fee level similar to that of the original Program Investment, or that Edward Jones will be able to offer replacement choices that are substantially similar to the Program Investment that is no longer being offered.

Edward Jones can make changes to the Program List at any time and can change the amount of your money that is invested in the different asset classes at any time without prior notice.

In your Account, you can restrict the purchase of certain equity securities, including a specific equity security or social category. The Overlay Manager may, in its sole discretion, reject an Account if you have placed too many restrictions on your Account. When a security or social category is restricted from purchase, your Account performance may be adversely affected. You may restrict which mutual funds or ETFs to invest in through a Custom Model, but not the actual securities in which the underlying mutual fund or ETF invest. You cannot generally restrict the purchase of a fixed income security.

Once you have selected your Portfolio Objective, you will complete a Client Agreement that must be accepted by Edward Jones and the Overlay Manager. Trading of your Account will not begin until the Client Agreement is accepted, which can take several business days. Upon acceptance, the Overlay Manager is authorized to buy, sell, or trade securities in your Account in a manner consistent with the asset allocation established by Edward Jones, the Model Portfolio provided by the applicable SMA Manager and any restrictions you have placed on the Account. With certain Program Investments in Research Models or Custom Models, SMA Managers may have discretion to buy, sell or trade securities directly in your Account.

If, pursuant to parameters determined at the sole discretion of Edward Jones, the weighting of a target asset class has drifted too far from its target asset allocation, your Account will generally be rebalanced back toward the target asset allocations of one or more asset classes in your Account at the discretion of the Overlay Manager or Edward Jones. Rebalancing trades are subject to certain dollar minimums as determined by Edward Jones in its sole discretion. You will not be notified before a rebalance occurs. Neither asset allocation nor rebalancing is guaranteed to produce a profit or protect against loss.

## **(B) Overlay Management**

Pursuant to a contractual agreement between Edward Jones and NGAM Advisors, L.P. (NGAM Advisors), NGAM Advisors currently serves as Overlay Manager for Advisory Solutions UMA Models. In this role, NGAM Advisors will perform the following services:

- (i) implementing instructions provided to NGAM Advisors by SMA Managers or Edward Jones in regard to the securities to be bought, sold or held for your Account,

including determining the amount of securities to be bought or sold;

- (ii) placing orders for the purchase and/or sale of securities through Edward Jones as broker-dealer, in accordance with the Model Portfolio recommendations of the SMA Managers or Edward Jones and/or communicating the orders for the purchase and/or sale of securities through other broker-dealers selected by SMA Managers (Note: a taxable Account funded with securities will likely result in purchase and/or sale orders in your Account with tax consequences);
- (iii) placing orders for the purchase, sale or redemption of shares of mutual funds and/or ETFs in accordance with instructions received from Edward Jones or you;
- (iv) rebalancing one or more asset classes of your Account back toward the target asset allocations if, pursuant to parameters determined in the sole discretion of Edward Jones, the weighting of one or more asset classes has deviated too far from the target asset allocations;
- (v) implementing any restrictions that you have placed on the purchase of certain equity securities or social category of equity securities; and
- (vi) managing your taxable Account\* in a tax efficient manner with the objective to minimize your tax liability while maintaining the desired investment allocation. Tax efficient management of your taxable Account may conflict with Model Portfolio recommendations from a SMA Manager; in these instances, tax efficient management may take precedence over the Model Portfolio recommendations of an SMA Manager.

\*not available for tax-free accounts, including individual retirement accounts (IRAs).

Edward Jones is solely responsible for the selection of the Overlay Manager for Edward Jones Advisory Solutions UMA Models and reserves the right to change the Overlay Manager, at any time in its sole discretion, to an unaffiliated investment manager or for Edward Jones to assume the responsibilities of the Overlay Manager.

In evaluating wrap fee programs, you should consider a number of factors. You may be able to obtain some or all the services available through this and other wrap fee programs separately through Edward Jones or another broker-dealer or investment adviser. You should consider that depending on the circumstances, the aggregate fees that you will pay for investing in UMA Models may be lower or higher than if you purchased the investments or services separately or through another broker-dealer or investment adviser. You also may experience different performance results or tax consequences than you would by purchasing the investment separately or through another broker-dealer or investment adviser.

### **(C) Execution Services**

Under the Client Agreement, you will authorize and direct that all transactions in your Account, except as provided below, are to be effected by or through Edward Jones, acting as agent or, to the extent permitted by law, as principal. You understand that this direction to trade through Edward Jones may result in less advantageous execution, including greater spreads (the difference between the bid and the offer price) and less favorable net prices, than if an unaffiliated broker-dealer were to execute the transaction.

In the case of trades for SMAs, the Overlay Manager or the Executing SMA Manager has authority to place all orders for transactions in

your Account, subject to the Overlay Manager and the Executing SMA Manager's duty of best execution. It is anticipated that in most cases, transactions will be executed through Edward Jones because the UMA Models Fee (described below) covers commissions on agency trades. The UMA Models Fee does not cover any (i) mark-ups or mark-downs by executing broker-dealers (including on fixed-income, foreign ordinary securities, ADRs or other over-the-counter transactions in which Edward Jones acts as agent) or spreads, underwriting fees or selling concessions with respect to any principal transaction effected by Edward Jones; (ii) transfer taxes; (iii) margin interest; (iv) exchange or similar fees (such as for ADRs) charged by third parties, including issuers, and fees required by the Securities and Exchange Commission; (v) electronic fund, wire and other account transfer fees; (vi) fees and expenses incurred by any mutual fund or ETF purchased for any client account, including commissions and other transaction related charges incurred by any such fund, even if Edward Jones or an affiliate thereof effects these transactions for the fund; (vii) mutual fund redemption fees and contingent deferred sales charges; (viii) commission charges for transactions in foreign ordinary securities and dealer spreads or markups in connection with foreign currency conversions, including in connection with ADRs; and (ix) any other charges imposed by law or otherwise agreed to by you and Edward Jones with regard to your Account. The UMA Models Fee also does not cover execution charges (such as commissions, commission equivalents, mark-ups, mark-downs or spreads) on transactions the Overlay Manager or any Executing SMA Manager places with broker-dealers other than Edward Jones. Trades for fixed income related strategies will generally be executed through third-party dealers and you will incur the execution charges paid to the third-party dealers. You will pay the public offering price on securities purchased from an underwriter or dealer involved in a distribution.

When Edward Jones is executing transactions for an Account, it is not acting as an investment adviser but solely as a broker-dealer.

#### **(D) Trade Confirmations, Account Statements and Quarterly Performance Reports**

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 as broker-dealer will provide all Accounts with written trade confirmation of securities transactions and Account statements. If you have selected a Research Model, you can waive certain trade confirmations; however, you will still receive mutual fund prospectuses when applicable. If Edward Jones Trust Company is the custodian, these Account documents 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.**

You will also receive a quarterly performance report after every calendar quarter that your Account has been invested. Performance reporting will begin after your Account has been

invested for a full calendar quarter. Your performance report will show:

- Your Account's diversification among equities, fixed income and cash equivalents, as applicable
- Your Account's asset class diversification and performance, as applicable
- Your Account's performance compared to various financial benchmarks
- Your Account's portfolio value, gains and losses, and additions and withdrawals
- Your Account's holdings at the Program Investment level

### **(E) Termination of Your Account**

The total value of your Account is monitored by Edward Jones. If in the discretion of Edward Jones, the value of your Account is significantly below the initial investment minimum, Edward Jones may automatically terminate your Account from UMA Models and liquidate and/or maintain the securities in your brokerage account.

You may terminate your participation in UMA Models 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 in your Account, convert the Account to a traditional brokerage account or transfer the securities to a third-party account outside of Edward Jones. 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, which may be a taxable event.

If you request to have your Account liquidated, the SMA Manager(s) or Overlay Manager may take multiple trading days following the date after Edward Jones receives your liquidation

request to fully liquidate your securities. This period may be even longer if the SMA Manager(s) or Overlay Manager believes it is in your best interest to have a longer liquidation period. Usually, the cash from the liquidation will be available to you on the second business day following settlement of the liquidated securities. Because bond markets may be less liquid than stock markets, 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 liquidating securities.

### **Fees**

You agree to pay asset-based fees for the investment advisory services, the execution of transactions through Edward Jones and related services provided to the Account pursuant to this Agreement. The total expenses and costs of investing in UMA Models include a Program Fee, an Administrative-UMA Fee and SMA Manager Fees, less any applicable Fee Reduction and/or Fee Offset (as discussed more fully below), plus the internal expenses of any mutual funds and ETFs held in the Account. The fees assessed by Edward Jones and any internal expenses of any mutual funds and ETFs held in the Account will reduce the overall performance of the Account. The UMA Models Fee is comprised of the following:

#### **Program Fee**

	<b>Value of</b>	<b>Annual</b>
	<b><u>Assets in Account</u></b>	<b><u>Fee Rate</u></b>
First	\$500,000	1.35%
Next	\$500,000	1.25%
Over	\$1,000,000	1.00%

The Program Fee is based on an annualized schedule of rates that apply to the value of any assets in the Account. The value of assets corresponds to the various Annual Fee Rate tiers (as shown above). As the value of the assets in



the Account either increases or decreases, you are charged the percentage rate for each tier that corresponds to the value of your assets. As a result, the Program Fee is a weighted average of the annualized fee rates that will increase or decrease as the value of the assets in the Account changes.

At the sole discretion of Edward Jones, the Program Fee may be reduced for certain reasons, including:

- Either Edward Jones or your financial advisor may negotiate a lower Program Fee.
- The value of your Advisory Solutions Account(s), including Edward Jones Advisory Solutions® Fund Models and UMA Models, is over \$5,000,000.
- You and/or certain household members have more than one Account participating in Advisory Solutions, including Fund Models and UMA Models. Edward Jones may combine the value of the Accounts in order to lower the Program Fee when at least two of the following criteria are met: same Social Security and/or tax identification number, same last name, or same primary residence and same home phone number.
- You are an active or retired associate of Edward Jones.

**Administrative-UMA Fee:** An Administrative-UMA Fee of 0.30% is assessed on the assets in your Account to cover the costs of providing services by the Overlay Manager and certain trade execution, record-keeping and accounting and other account services. You understand that you are responsible for the cost of commissions or transactions charges for securities trades directed by the Overlay Manager or SMA Managers that are not executed through Edward Jones. Edward Jones may reduce the Administrative-UMA Fee at its sole discretion.

**SMA Manager Fees:** SMA Manager Fees range from 0.25% to 0.40% on the assets associated with SMA Managers in your Account, with the

exact SMA Fee rates dependent on the Program Investment of the SMA Manager(s) included in the your Account. There is no SMA Manager Fee assessed on investments in mutual funds and ETFs held outside of an SMA. SMA Manager Fees are paid to Edward Jones by you and remitted by Edward Jones in part or whole to the SMA Manager.

**Fee Reduction:** If you have purchased mutual funds from Edward Jones within the past twenty-four (24) months prior to investing in Advisory Solutions UMA Models and paid a commission when purchasing such mutual funds, or will pay a commission or redemption fee if you sell such mutual funds within a certain time frame, you may receive a reduction in the applicable Program Fee if you sell those mutual funds to invest in UMA Models (“Fee Reduction”). The amount of the Fee Reduction will depend on how long you held such mutual funds being sold. Edward Jones will decide how to calculate the Fee Reduction and apply it to the Account. If you terminate the Account in UMA Models within two years, you will not receive any of the remaining Fee Reduction that has yet to be applied to the Account. If you sell mutual funds in order to participate in UMA Models but did not purchase such mutual funds from Edward Jones, you will not receive a Fee Reduction.

**Fee Offset:** Certain Program Investments may pay Edward Jones Rule 12b-1 (distribution) fees and shareholder servicing fees (collectively, “Mutual Fund Revenue”). If your Account holds shares of a Program Investment that pays Edward Jones Mutual Fund Revenue, Edward Jones will apply a Fee Offset against your UMA Models Fee equal to the amount of such Mutual Fund Revenue received by Edward Jones with respect to your Account. Any Fee Offset applied by Edward Jones against your UMA Models Fee will be shown on your brokerage statement.

Edward Jones has an ownership interest in the manager of the Edward Jones Money Market

Funds and Edward Jones receives various revenues related to assets in the money market funds (collectively, "Money Market Revenue"). For any client account investing in such fund, Edward Jones will apply a Fee Offset against the UMA Models Fee equal to the amount of such Money Market Revenue received by Edward Jones with respect to the client's account.

### **Calculation of Advisory Solutions UMA Models Fee**

The Advisory Solutions UMA Models Fee is charged to your Account each month in arrears. If your 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 assets in your Account for the previous month.

You pay the Advisory Solutions UMA Models Fee on the value of the assets held in your Account. 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.

### **Payment of Advisory Solutions UMA Models Fee**

The Advisory Solutions UMA Models Fee is deducted directly from your Account and paid using the cash portion of the Research or Custom Model in which you are invested. The cash portion is a money market fund. If there is not sufficient cash or assets in the model money market fund, Edward Jones or the Overlay Manager will sell shares of Program Investments in an amount that is sufficient to pay the Advisory Solutions UMA Models Fee or the balance of the Advisory Solutions UMA Models Fee. If Edward Jones sells Program Investments, you may have to pay taxes and/or you may have to pay redemption fees to the fund company if those shares were held for only for 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 UMA Models Fee from an alternate Edward Jones account.

### **Internal Fees and Expenses of Mutual Funds and ETFs**

The mutual funds and ETFs in your Account have internal fees and expenses, which are described in the fund prospectus. These fees are in addition to the Advisory Solutions UMA Models Fee described above. The internal fees and expenses vary depending on the mutual fund or ETF and are deducted from the net asset value (NAV) of the mutual fund on a daily basis. You will not see a separate entry on your Account statement showing this fee. The internal fees and expenses vary depending on the mutual fund or ETF. Currently within Advisory Solutions UMA Models there are internal fees and expenses in Program Investments that vary anywhere from 0.06% to 1.95%.

The internal fees and expenses of Program Investments often depend on the type of share class you own. Edward Jones determines the appropriate share class for Advisory Solutions UMA Models, which may not be the share class with the lowest fees and expenses.

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

As a client invested in Advisory Solutions UMA Models and invested in the Edward Jones Money Market Fund(s), you may also be responsible for shareholder service fees and account administration fees. These fees may lower the funds' performance. You will also be responsible for the internal fees and expenses associated with the fund(s).

## Additional Fees

In addition to the Advisory Solutions UMA Models Fee described above, a client in Advisory Solutions UMA Models may incur other fees and expenses. The Advisory Solutions UMA Models Fee covers portfolio management and investment advice provided by Edward Jones. 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. Please see the Edward Jones Account Agreement, the Edward Jones Custodial Agreement or the Edward Jones Trust Company Custodial Agreement for further information on these separate and/or additional fees.

## Compensation

Your financial advisor receives a portion of the 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 UMA Model you select. As a result, the financial advisor does not have a financial incentive to recommend one Model over another Model.

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 UMA Models to you instead of other programs or services.

In unusual circumstances, a trade error may occur in your Account. If the trade error is caused by Edward Jones, the Overlay Manager or one of your SMA Manager(s) and the trade error results in a loss in your Account, we will

cancel the trade from 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 retain the gain from your Account as though the trade error never occurred, resulting in a financial benefit to Edward Jones.

## Item 5: Account Requirements and Types of Clients

Advisory Solutions UMA Models generally requires a minimum initial investment of \$500,000. For certain Research Models, the minimum initial investment is \$1,000,000.

Advisory Solutions UMA Models is available to residents and entities of the United States who are:

- 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 from opening an Advisory Solutions UMA Models Account for any reason, including if we do not believe it is an appropriate investment strategy for that person.

If you transfer investments to open an Account and those investments are current Program Investments but in a different share class from that held for Advisory Solutions UMA Models, you authorize and direct Edward Jones to exchange those funds into a different share class in order to be held in an Account. In executing such transactions, Edward Jones is not acting as a fiduciary or an investment adviser and is entitled to charge a commission and act as a principal, if necessary, to effect the necessary transactions. Although, Edward Jones will try to

make this a nontaxable event, it cannot guarantee that you will not owe taxes as a result of the exchange.

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

Deposits, including interest and dividends, received into your account but that have not been invested into Advisory Solutions UMA Models, may earn interest that will be retained by Edward Jones. Edward Jones may also earn and retain interest on distributions requested from your account until the time the check is cashed or other payment method is completed. The average overnight interest rate on these deposits may fluctuate daily, and is tied to changes in widely referenced interbank lending rates, such as Fed Funds Effective Rate ("FFER"), Fed Funds Target Rate ("FFTR"), and LIBOR rates. Under these arrangements, banks may pay interest based on a spread to one of these rates, or may pay a fixed interest rate. These rates in recent times generally have varied from 0% to FFTR + 0.15%.

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

In Advisory Solutions UMA Models, we offer Program Investments which are SMAs, mutual funds and ETFs that we have selected and approved. Only certain investment strategies of SMAs may be available in Advisory Solutions UMA Models.

Our Mutual Fund Research department is responsible for selecting approved mutual funds, ETFs and SMA Managers. Mutual Fund Research starts with the universe of applicable investments and uses numerous quantitative

(investment history, past performance, portfolio analysis of the individual holdings in the mutual fund, etc.) and qualitative (investment strategy, process, personnel, etc.) factors in selecting and monitoring Program Investments.

**SMA Managers.** SMA Managers selected for UMA Models undergo a rigorous due diligence process by our Mutual Fund Research department, which determines whether the SMA Manager meets our objective and subjective criteria to be included as a Program Investment. Our evaluation criteria include:

- The amount of assets under management
- Established history of investment performance
- Assessment of the risk taken to achieve returns
- Assessment of the organizational strength and stability
- Understanding and acceptance of the Edward Jones investment philosophy and mission

Before we include a SMA Manager or a strategy of the SMA Manager as a Program Investment in Advisory Solutions UMA Models, we review several aspects of their business. We study their investment philosophies, their history and performance and maintain up-to-date information on their investment performance results. Edward Jones tracks SMA Managers' returns on a quarterly basis. Additionally, SMA Managers may provide us with information on their background, performance results and investment practices.

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

Manager Program Investments is not calculated on a consistent or uniform basis across the SMA Managers. Edward Jones does not verify or use an independent party to verify any SMA Manager's statements about their performance. We rely upon our SMA Managers to provide us with accurate performance information.

Edward Jones may remove a SMA Manager and/or Program Investment from Advisory Solutions UMA Models for any reason, including:

- Changes in key personnel at the SMA Manager
- The SMA Manager deviates from its stated investment philosophy
- Legal or regulatory concerns regarding the SMA Manager
- Poor performance by a SMA Manager when compared to other SMA Managers during a market cycle

If we remove a SMA Manager or their Program Investment from the Program List and you invested in a Research Model, we will select an appropriate replacement Program Investment without giving you any notice. If you invested in a Custom model, we will give you at least 30 days notice, when possible, and will recommend a replacement Program Investment. If you do not want to accept the replacement Program Investment you must notify us of this within 30 days; otherwise, Edward Jones will select the replacement Program Investment for your Account.

**Mutual Funds and ETFs.** Our Mutual Fund Research department also reviews mutual funds and ETFs included on the Program List to ensure they remain suitable for Advisory Solutions UMA Models. A mutual fund or ETF can be removed from the Program List for a variety of reasons, including:

- A significant change to a fund's investment team

- A major shift in the fund's investment process
- A drift away from a fund's stated investment style
- A stronger Program Investment alternative identified within the same asset class
- A change in the Edward Jones Investment Policy Committee (IPC) guidance and/or outlook
- A decision by Edward Jones to reduce the firm's overall ownership level of a Program Investment

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

**Proxy Voting:** In Advisory Solutions UMA Models, the Overlay Manager will vote any proxies received for the securities in your Account in accordance with the recommendations of a third-party proxy voting service selected by the Overlay Manager. Edward Jones will not provide advice or take action in regard to any legal matter impacting the securities in your Account.

**Item 7: Client Information Provided to Portfolio Managers (Overlay Manager and SMA Managers)**

Edward Jones does not provide client information to SMA Managers who are not authorized to execute transactions for the Account. Edward Jones will provide client information to the Overlay Manager or SMA

Managers who are authorized to execute transactions (“Executing SMA Managers”) to the extent that the information is needed in order for the Overlay Manager or Executing SMA Manager to manage the Account (or portion thereof).

Over time, your financial goals and objectives may change. Consequently, it is your responsibility to inform Edward Jones of any changes to your investment objectives, financial circumstances and investment restrictions. Edward Jones will provide updated investment objective information to the Overlay Manager and/or applicable Executing SMA Manager(s) as necessary to continue managing your Account.

**Item 8: Client Contact with Portfolio Managers (Overlay Manager and SMA Managers)**

You may contact your Edward Jones financial advisor during normal business hours with questions regarding your Account, including questions regarding an SMA. Generally, you cannot directly contact the Overlay Manager or SMA Managers. In the event you have a complex or non-routine question, Edward Jones will communicate with the Overlay Manager or SMA Manager on your behalf. At least annually, you and your financial advisor should discuss the management of your Account, your financial situation and investment objectives.

**Item 9: Additional Information**

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

**Disciplinary Information:**

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

State of California – Revenue Sharing. In the early 1990s, Edward Jones negotiated revenue sharing plans with seven fund families, which

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

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

United States Securities and Exchange Commission (SEC) – Revenue Sharing. On December 15, 2003, the SEC alleged that Edward Jones did not disclose its financial incentives to sell mutual funds from the preferred fund families on its website or on any other written document or orally to clients and that Edward Jones failed to disclose on its website or on any other written document any incentives to sell 529 plans. The SEC also alleged that Edward Jones willfully violated: (i) Section 17(a)(2) of the Securities Act; (ii) Rule 10b-10 under the Exchange Act; (iii) Section 15b(c)(1) of the Exchange Act; and (iv) contravened the dictates of Municipal Securities Rulemaking Board (MSRB) Rule G-15. Simultaneously with this proceeding, the National Association of Securities Dealers

(NASD) and the New York Stock Exchange (NYSE) instituted proceedings against Edward Jones.

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

State of Missouri – Revenue Sharing. On December 23, 2004, the Missouri Securities Division (Missouri Division) alleged that Edward Jones failed to adequately disclose to investors information about its revenue sharing arrangements involving certain mutual fund companies. On August 5, 2005, Edward Jones was ordered to: (i) make available, upon request by the Missouri Division, all information and reports submitted to the self-regulatory and law

enforcement authorities pertaining to its policies and procedures regarding revenue sharing; (ii) make available, upon request by the Division, information regarding the implementation of its mutual fund research program; and (iii) pay a civil penalty of \$650,000, a sum of \$850,000 to education funds and its own costs and attorneys fees.

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

State of Missouri – Variable Annuity. On July 9, 2009, the Missouri Securities Division began an investigation regarding the sale of a variable annuity to a client of Edward Jones who is now deceased. Upon completing its investigation, the Missouri Division alleged Edward Jones failed to reasonably supervise its financial advisor by failing to reasonably review the death benefit options available for the variable annuity. Without admitting or denying the allegations, Edward Jones entered into a Consent Order with the Missouri Division on July 9, 2009 and agreed to pay restitution of \$10,500 to the client's beneficiaries, \$25,000 to the State of Missouri's Investor Education Fund and \$5,000 for the cost of the investigation.

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

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

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

State of Montana – Misappropriation of Client Funds. On March 2, 2010, the Montana Securities Department began investigating the actions of a former financial advisor for allegedly misappropriating client funds. Edward Jones terminated the financial advisor and reported the matter to the Montana Securities

Department. On November 9, 2010, Edward Jones and the Montana Securities Department entered into a Consent Agreement which required Edward Jones pay a \$100,000 fine for a books and records violation, pay six clients a total of \$349,464.92 in restitution, store exact duplicates of certain types of identified negative confirmation letters, and undertake a review of its written supervisory procedures with respect to the execution of blank letters of authorization.

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

State of Vermont – Disbursement of Funds from an Individual Retirement Account (IRA). On March 27, 2003, the Commissioner of the Vermont Department of Banking, Insurance, Securities and Health Care Administration alleged Edward Jones did not adequately supervise a financial advisor in the disbursement of funds in a client's IRA Account. On May 26, 2005, without admitting or denying the allegations, Edward Jones agreed to pay into an Edward Jones IRA for the client, the distribution amount of \$3,781.07 plus the estimated tax penalty of \$1,718.03 for a total of approximately \$5,500, revise supervisory policies and update form U-4 to include the Commissioner of Vermont's letter of admonition to the financial advisor.



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

State of Kansas – Disbursement of Funds from IRA. On April 26, 2000, the State of Kansas Office of Securities Commissioner alleged that Edward Jones failed to supervise a financial advisor in the disbursement of client funds from an IRA account. Edward Jones neither admitted nor denied the allegations but on January 20, 2006, agreed to pay restitution to the client in the amount of \$7,500.00. Edward Jones also agreed to make a payment to the Investor Education Fund pursuant to the laws of Kansas in the amount of \$2,500.

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

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

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

handling of NAV transfer programs offered by certain mutual funds during the period January 1, 2002, through December 31, 2004. Edward Jones was censured and fined \$250,000, and agreed to provide remediation payments to investors estimated to be approximately \$25,000,000.

NASD – Revenue Sharing. The NASD alleged Edward Jones did not adequately disclose its incentives to sell mutual funds from the seven preferred families by relying on language pertaining to revenue sharing found in the prospectuses and statements of additional information (SAIs) provided at the point of sale. The NASD further alleged that during the relevant period, procedures were not in place by Edward Jones to ensure that the prospectuses and SAIs adequately disclosed revenue sharing, directed brokerage payments or other incentives offered to Edward Jones. The NASD also alleged that since 2000, Edward Jones sold 529 college savings plans to its clients and although it has selling agreements with 14 mutual fund companies, Edward Jones promotes only the 529 plans from certain preferred families. On December 22, 2004, based on the conduct described above, the NASD found that Edward Jones willfully violated Section 17(a)(2) of the Securities Act, NASD Rule 2110, Rule 10b-10 under the Exchange Act, Section 15b(c)(1) of the Exchange Act and NASD Rules 2210 and 2110. With regard to 529 savings plans, the NASD determined Edward Jones contravened the dictates of MSRB Rule G-15 and Section 15b(c)(1) of the Exchange Act. The NASD further alleged (i) Edward Jones improperly favored the sale of mutual funds on the basis of brokerage commissions in violation of NASD Rules 2830(k) and 2110; (ii) used unlawful sales conduct in holding sales trip incentive programs and allowed financial advisors to “win” vacations in violation of NASD Rules 2830(l), 2820(g) and 2110; (iii) failed to preserve and retain emails in a readily accessible place for two years violating Section 17(a) of the Exchange Act and Rule 17a-4 and NASD Rules

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

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

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

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

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

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

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

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

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

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

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

MSRB Rule G-27(c). On September 27, 2005, Edward Jones accepted and consented to, without admitting or denying the findings, a settlement which included censure and a fine of \$300,000; devise and implement a policy and set of procedures to ensure Edward Jones' confirmations issued in connection with transactions in municipal securities contained all disclosures required by MSRB Rule G-15; and provide to the NASD's Seattle District Office a written certification for two years that it had reviewed its confirmation disclosures and that they conformed to the requirements of MSRB Rule G-15.

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

FINRA – Municipal Securities. On April 10, 2012, Edward Jones, without admitting or denying the findings, entered into a letter of acceptance, waiver and consent related to the following matters: (1) FINRA alleged that 31 of Edward Jones' trades in fixed-income securities in 2004 were not priced as favorably as possible

under prevailing market conditions, in violation of NASD Rules 2110 and 2320, and that Edward Jones' written supervisory procedures concerning best execution of fixed-income transactions in place in 2004 were inadequate, in violation of NASD Rules 2110 and 3010; (2) FINRA alleged that in five transactions in 2007 and in five transactions in 2008, Edward Jones purchased municipal securities for its own account for a client or sold municipal securities for its own account to a client at an aggregate price that was not fair and reasonable in violation of MSRB Rules G-17 and G-30(a); and (3) FINRA alleged that Edward Jones' short-interest reporting for the period July 31, 2007, through February 27, 2009 was in violation of NASD Rule 3360 or FINRA Rule 4560, and NASD Rules 2110 and 3010. Edward Jones consented to a censure, was ordered to pay a fine of \$55,000, and ordered to pay restitution to identified clients in the amount of \$13,232.

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

FINRA – Defective Reporting. On July 13, 2012, FINRA alleged that Edward Jones' payroll department periodically received garnishments from judgment creditors, tax levies from federal and state taxing authorities, and/or bankruptcy wage withholding orders involving Edward Jones financial advisors. FINRA alleged that Edward Jones did not establish and maintain written supervisory procedures to ensure that financial advisors' uniform applications for securities industry registration or transfer (Forms

U4) were updated to reflect disclosures of which the firm's payroll department was on notice and did not timely file Form U4 amendments, in violation of Article V, Section 2(c) of the FINRA by-laws, FINRA Rule 1010, and NASD Rules 2110 and 3010(b). On December 17, 2012, Edward Jones, without admitting or denying the findings, entered into a letter of acceptance, waiver and consent in which Edward Jones was censured and ordered to pay a fine of \$35,000.

### **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 of Advisory Solutions UMA Models, including execution of brokerage transactions, providing insurance products, investment banking, research, principal transactions, retail distribution of mutual funds and other investment advisory services. We may receive compensation, including investment banking fees and commissions associated with these transactions. Edward Jones and its financial advisors may also receive compensation for services and recommendations that may differ from advice given to you participating in Advisory Solutions UMA Models.

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

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

Advisory Solutions UMA Model Accounts may from time to time be invested in shares of the Edward Jones Money Market Fund and the Edward Jones Tax-Free Money Market Fund (the Money Market Fund(s)), which are advised

by Passport Research, Ltd. (the Adviser), a partnership in which Edward Jones has a 49.5% limited partnership interest. As such, these Money Market Fund(s) are advised by affiliates of Edward Jones or by persons in which Edward Jones has an interest.

Due to its limited partnership interest in the Adviser, Edward Jones receives a share of the Adviser's net income and revenues which are derived from advisory fees, as is more fully described in the Prospectuses of the Money Market Fund(s). In addition, the Adviser or persons related to the Adviser, including Edward Jones, may provide any other services to the Money Market Fund(s) 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 Money Market Fund(s) where permitted by law or regulation, and may receive compensation in that capacity.

Edward Jones has provided you with current Prospectuses for the Money Market Fund(s). The Prospectuses describe the investment characteristics of the Money Market Fund(s), the schedule of fees paid to the Adviser or its affiliates by the Money Market Fund(s), and the schedule of fees paid to the Adviser or its affiliates for any additional services provided by them to the Money Market Fund(s). The Prospectuses also describe certain revenues received by Edward Jones in connection with the Money Market Fund(s).

The Edward Jones Trust Company, a wholly owned subsidiary of the Jones Financial Companies, L.L.L.P., is a federally chartered savings association that offers fiduciary services to clients and exercises discretion over investment assets. The Edward Jones Trust Company also acts as trustee under trust agreements, wills and similar arrangements.

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

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

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

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

- Edward Jones holds all of the limited partnership equity in EDJ Ventures, Ltd., a Missouri limited partnership
- Conestoga Securities, Inc. is the general partner of EDJ Ventures, Ltd.
- Edward Jones owns 7% of the Customer Account Protection Company Holdings, Inc. (CAPCO), a captive insurance group

**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 adopted a Code of Ethics established 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 comply with our Code of Ethics, avoid potential conflicts of interest and make sure that our associates do not abuse the faith and trust you have placed in them
- (4) comply with all applicable rules, regulations and laws
- (5) do not use any material nonpublic information 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 either 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 accounts or regarding the changes to the Program Investments, including asset allocations. Access persons are required to submit to the chief compliance officer (CCO), or his or her delegate, a list of any securities they own and securities transactions they made for any account the access person controls, either at Edward Jones or another financial institution. You may request a copy of the Edward Jones Code of Ethics from your financial advisor.

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

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 UMA Models, buy securities which are also available in Advisory Solutions UMA Models. These brokerage activities are done in the regular course of our business as a broker-dealer and are separate from our investment advisory services. There are times when we act as principal which means that we participate in client transactions by buying securities for our own inventory and selling those securities to our clients.

You should know that financial advisors, Edward Jones associates (including those

directly involved with Advisory Solutions UMA Models), 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 Advisory Solutions UMA Models), 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 Accounts.

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

#### **Review of Accounts:**

When you open your Account, your Account is reviewed by a Field Supervision Director with the Investment Advisory Supervision (IAS) team of Edward Jones. IAS reviews your net worth, investment goals, time horizon, risk tolerance, investment objectives, and the investments sold or transferred in kind when funding the Account. When appropriate, associates in IAS may call you directly to discuss your understanding of UMA Models, including the fees and expenses you will be paying.

While you are invested in the UMA Models, your Account will be monitored periodically by Edward Jones to ensure that the Account's asset allocation and Account's performance are appropriate based on the information you provided. If during the course of the year your financial situation or risk tolerance changes, you should contact your financial advisor to discuss. 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 Account. The review will help determine if your investment allocation and/or SMA Manager selections need to be modified. If you decide to pursue a different investment allocation or engage a different SMA Manager, you will need to complete a new IOQ and sign a new Client Agreement.

#### **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.

Occasionally, SMA Managers, mutual fund companies and/or ETF sponsors will participate in conferences or other marketing activities with Edward Jones. They will be asked to share in the cost of those activities as well. 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.

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.

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.

### **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.