

# Edward Jones Advisory Solutions<sup>®</sup> Unified Managed Account (UMA) Models Brochure as of March 28, 2014

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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 U.S. Securities and 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**

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. The firm has updated the brochure to further explain Edward Jones' ability to impose restrictions on managers participating in Advisory Solutions UMA Models. Additionally, further clarifications have been made regarding the firm's potential engagement in principal and/or agency cross transactions.
- Item 9A: Disciplinary Information. The disclosures in this section of the brochure have been updated.
- Item 9A: 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 9B: 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: Services, Fees and Compensation**

### **Introduction**

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 wrap fee program brochure (the "Brochure") provides clients ("Client," "you" or "your") 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, and Edward Jones' services and business practices. You should read this Brochure carefully before you invest in Advisory Solutions UMA Models.

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 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, 2013, we managed \$107,046,239,460 in discretionary assets and

\$7,924,304,739 in non-discretionary assets in our advisory programs.

The decision to invest in Advisory Solutions UMA Models 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.

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 offer 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 managed by an affiliate of Edward Jones ("affiliated mutual funds"), unaffiliated mutual funds and exchange-traded funds (ETFs) approved by Edward Jones (collectively referred to as "Program Investments"). Edward Jones Mutual Fund Research selects the Program Investments that are available in Edward Jones UMA Models ("Program List"). Investment recommendations are provided to the Overlay Manager by SMA Managers either through (i) providing a Model Portfolio to the Overlay Manager, or (ii) investing the Client's assets directly through an account ("Executing SMA Manager") and by Edward Jones (affiliated and unaffiliated mutual funds and ETFs). Please note that Edward Jones may, at its discretion, restrict the Overlay Manager and Executing SMA Managers from purchasing certain securities. Conversely, Edward Jones may allow the Overlay Manager and Executing SMA Managers to make purchases in UMA Model accounts that it may not allow in a traditional brokerage account.

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.

## **Services Provided**

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

In order to open an Advisory Solutions UMA Model account, you must complete an Investment Objective Questionnaire ("Questionnaire"). Edward Jones scores certain answers to determine the level of investment risk you are willing to take (risk tolerance). Your risk tolerance, combined with your life stage 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 or Cash Equivalents

Under Advisory Solutions UMA Models, you select either a Research Model or construct a Custom Model, consistent with your chosen Portfolio Objective. If you select a Research Model, Edward Jones determines the Program Investments for your account. If you select a Custom Model, you determine the Program Investments from the Program List.

**Research Model:** 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 various 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 we remove a Program Investment, when possible, we will give you at least 30 days' notice. If you do not select an alternative Program Investment from the Program List within 30 days (or such 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 (which may include affiliated mutual funds). If you continue to participate in 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.

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, certain Executing 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.

There is no guarantee that the Program Investments 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 Investment before investing.

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.

### **(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 performs the following services:

- Implementing instructions 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
- 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 (Please note: A taxable account funded with securities will likely result in purchase and/or sale orders in your account which will have tax consequences.)
- 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
- 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

- Implementing any restrictions that you have placed on the purchase of certain equity securities or social category of equity securities
- 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. \*This is not available for tax-free accounts, including individual retirement accounts (IRAs).

Edward Jones is solely responsible for the selection of the Overlay Manager for 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 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 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 from what you would by purchasing the investment separately or through another broker-dealer or investment adviser.

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

Under the Client Agreement, you 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 a 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.

When Edward Jones is executing transactions for an account, it is not acting as an investment adviser but solely 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.

Edward Jones may execute trades at the direction of the Overlay Manager or Executing SMA Managers. In these cases, Edward Jones will be acting solely as a broker, not as an investment adviser. When we act as executing broker, there may be times when we engage in “principal transactions.” This means that we may fill your purchase orders from our own inventory of securities. We will not charge you a markup or markdown on these principal transactions. Edward Jones will only engage in principal transactions where permitted under applicable law.

Edward Jones may also engage in “cross transactions” in Advisory Solutions UMA Models. This means that we may act as a broker-dealer for advisory clients on both the sell side and the buy side of the same transaction. When this occurs, the Overlay Manager or Executing SMA Managers will direct all trades and will instruct either Edward Jones or another broker-dealer to execute those trades. The Overlay Manager and Executing SMA Managers are required to seek best execution of all trades, which means they will use whichever broker-dealer can obtain the best execution of your order.

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:

- Markups or markdowns 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
- Transfer taxes
- Margin interest
- Exchange or similar fees (such as for ADRs) charged by third parties, including issuers, foreign taxes and fees required by the SEC
- Electronic fund, wire and other account transfer fees
- Fees and expenses incurred by mutual funds (including affiliated mutual funds) or ETFs 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
- Mutual fund redemption fees and contingent deferred sales charges
- Commission charges for transactions in foreign ordinary securities and dealer spreads or markups in connection with foreign currency conversions, including in connection with ADRs
- Any other charges imposed by law or otherwise agreed to by Edward Jones and you with regard to your account

The UMA Models Fee also does not cover execution charges (such as commissions, commission equivalents, markups, markdowns 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.

Edward Jones does not engage in soft-dollar arrangements; however, the Overlay Manager or Executing SMA Managers participating in Advisory Solutions UMA Models may direct transactions to brokers in return for brokerage or research services. In certain instances, clients whose Overlay Manager or Executing SMA Managers are engaged in soft-dollar arrangements may pay a broker higher commissions than another broker adequately qualified to effect such transactions would have charged where the Overlay Manager or Executing SMA Manager determines in good faith that the commission is reasonable in relation to the value of the soft-dollar benefits received. Soft-dollar arrangements may be considered as a factor in best execution determinations, but will not replace the duty of the Overlay Manager or your Executing SMA Manager to seek best execution for trades in your accounts.

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

If you have a taxable 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 receive a performance report after every quarter that your account has been invested. Performance reporting will begin after your account has been invested for a full quarter. Your performance report will show your account's:

- Diversification among equities, fixed income and cash equivalents, as applicable
- Asset class diversification and performance, as applicable
- Performance compared to various financial benchmarks
- Portfolio value, gains and losses, and additions and withdrawals
- 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, liquidate the holdings and convert your advisory account into a 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 an advisory fee through the date of termination. You may request that Edward Jones sell the securities in your account, convert the account to a brokerage account or transfer the securities to a third-party account outside Edward Jones.

If you terminate your account from UMA Models or transfer mutual funds to 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. 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 UMA Models account or request to transfer positions in an affiliated mutual fund out of your Advisory Solutions UMA Models account. Trades as a result of a liquidation of an affiliated mutual fund in a taxable account may result in 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, you may experience delays or adverse price fluctuations when liquidating securities.

## Fees

Every Advisory Solutions account pays asset-based fees for investment advisory services, 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). Program Investments, including ETFs, affiliated mutual funds and unaffiliated mutual funds in your account, have internal fees and expenses that are described in the prospectus of each fund. These fees are in addition to the Advisory Solutions UMA Models Fees described above. The internal fees and expenses vary depending on the particular Program Investment.

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. The UMA Models Fee comprises the following:

### Program Fee

	<b>Value of <u>Assets in Account</u></b>	<b>Annual <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 (shown above). As the value of the assets in the account increases or decreases, you are charged the percentage rate for the tier that corresponds to this value. As a result, the Program Fee is a weighted average of the annualized fee rates and will increase or decrease with the value of the assets in the account.

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

- 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 more than \$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 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, accounting and other account services. You understand that you are responsible for the cost of commissions or transaction 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 generally range from 0.25% to 0.40% on the assets associated with SMA Managers in your account. The exact SMA Fee rates depend on the Program Investment of the SMA Manager(s) included in your account. There is no SMA Manager Fee assessed on investments in mutual funds and ETFs held outside an SMA. SMA Manager Fees are paid to Edward Jones by you and are remitted by Edward Jones in part or whole to the SMA Manager.

## Fee Reductions

If you purchased a mutual fund from Edward Jones within the past twenty-four (24) months prior to investing in Advisory Solutions UMA Models 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 UMA Models, 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 UMA Models 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 UMA Models but did not purchase them through Edward Jones, you will not receive a Fee Reduction.

## 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 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 the 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 that pays Edward Jones or its affiliates 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 not otherwise waived by Edward Jones or its affiliates will be credited to your account.
- 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 based 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 a sufficient amount of shares of Program Investments to pay the Advisory Solutions UMA Models Fee in part or in whole. If Edward Jones sells Program Investments, 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 for a short time. (See below for more information on redemption fees.) Trades as a result of a liquidation of an affiliated mutual fund in a taxable account may result in a taxable event. 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**

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 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. Generally within Advisory Solutions UMA Models, internal fees and expenses in Program Investments vary from 0.05% to 1.45%.

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 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 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) not otherwise waived by Edward Jones or its affiliates to be credited back to your account.

The affiliated mutual funds will only be available through Edward Jones Advisory Solutions UMA Models and Fund Models. However, you can choose to forgo the services of Advisory Solutions and buy and sell many other Program Investments through Edward Jones as a broker-dealer or through other brokers or agents not affiliated with Edward Jones.

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 a

fund's 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.

### **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.

The amount of your financial advisor's compensation may be more or less than what he or 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 and potential conflict of interest 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 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 are 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 those 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 not yet 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 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%.

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

**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
- An established history of investment performance
- Assessment of the risk taken to achieve returns
- Assessment of the organizational strength and stability

- An understanding and acceptance of the Edward Jones investment philosophy and mission

Before we include an 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, 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 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 performance. We rely upon our SMA Managers to provide us with accurate performance information.

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

- Changes in key personnel at the SMA Manager
- An SMA Manager who deviates from the stated investment philosophy

- Legal or regulatory concerns regarding the SMA Manager
- Poor performance by an SMA Manager when compared to other SMA Managers during a market cycle

If we remove an SMA Manager or a 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 within 30 days (or such time as may be determined at the discretion of Edward Jones); otherwise, Edward Jones will select the replacement Program Investment for your account.

**Mutual Funds and ETFs.** Our Mutual Fund Research department selects Program Investments. Only certain investment strategies of SMAs may be available in Advisory Solutions UMA Models.

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. 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 Investments.** The affiliated mutual funds are Program Investments and were created specifically for Edward Jones Advisory Solutions UMA Models and Fund Models. In selecting and

monitoring sub-advisers for our affiliated mutual funds, the investment adviser, who 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 Investments. 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 a review of literature and documents, a 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.

Mutual Fund Research continually reviews Program Investments (other than affiliated mutual funds) to ensure they remain suitable for the Program List. A Program Investment 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.

**Update Pending.** Mutual Fund Research can also place a Program Investment (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 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 the Program Investment will continue through the Update Pending period. This process will not apply to affiliated mutual funds.

Edward Jones clients collectively own a large percentage of certain mutual funds which are Program Investments. 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 exceeds 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 can also decide to redeem shares "in-kind" instead of cash. In that event, accounts may receive the actual underlying securities of the fund. 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.

From time to time, the volume and/or number of trades that have to be executed for Advisory Solutions UMA accounts may exceed Edward Jones' operational and technological capacities if these trades are made on a single day. This may occur if Edward Jones is removing a Program Investment from the Program List, if a large number of accounts need to be rebalanced or by request of a Program Investment. 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 Program Investment from the Program List or the rebalancing of a larger number of accounts exceeds the limits set forth in the Program Investment's trading policies and procedures, the Program Investment 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 Program Investment's trading policies and procedures.

**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 with 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 Executing SMA Managers who are authorized to execute transactions to the extent necessary for the Overlay Manager or Executing SMA Manager to manage the account (or any 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 or 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 or the sub-advisers of the



affiliated mutual funds. If 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 should discuss with your financial advisor 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**

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 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 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.

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, 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.

#### **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 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.

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 Mutual Fund Research 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 the affiliated mutual funds. 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.

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 UMA Models. 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 SMAs or 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.

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.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.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.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 4.

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.

#### **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 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 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 regarding either the securities in a client's accounts or changes to the Program Investments, 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.

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.

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 that 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 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. However, Mutual Fund Research does not consider such business relationships in selecting the mutual funds that are designated as Program Investments and the affiliated investment adviser does not consider such relationships in recommending to the board of trustees of an 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.

### **Review of Accounts**

When you open your account, it 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 and investment objectives, as well as 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 its asset allocation and 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 Questionnaire and sign a new client agreement.

#### **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.

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, ETF sponsors and/or SMA Managers 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 SMA Manager, 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.

#### **Financial Information**

This section does not apply to Edward Jones.

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

This section does not apply to Edward Jones.



## **APPENDIX A**

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

Advisory Solutions UMA Model 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.