

Understanding how we are compensated for financial services

Government-sponsored Bonds (“Agency Bonds”)

What is an agency bond?

Agency bonds are bonds issued by government-sponsored enterprises, such as Fannie Mae and the Federal Home Loan Banks, and by wholly owned government corporations such as the Tennessee Valley Authority (“TVA”). When you buy an agency bond, the issuer pays you interest on the number of bonds you purchase. At a stated date in the future (the maturity date), the issuer returns your principal to you if you still hold the agency bond. The maturity dates typically range from one year to 40 years.

How are we paid for our services?

Newly issued agency bonds

We sell newly issued agency bonds at the offering price during the initial public offering period. We receive a selling fee, which is incorporated into the initial offering price. You will see the selling fee displayed as a new issue payment line item in the trade confirmation.

Secondary agency bonds

Secondary agency bonds are transactions involving previously issued bonds. When you buy or sell secondary agency bonds, Edward Jones may act as either an agent or a principal. If we act as an agent, your trade confirmation will display the commission you pay, which may be up to 1.5% of the dollar amount you buy and up to .50% of

the dollar amount you sell. If you buy a secondary agency bond from our inventory or sell a bond that we purchase directly from you, we act as a principal. You will see the markup or markdown, which is included in the price, displayed as a line item in the trade confirmation. The markup may be up to 1.5% of the dollar amount you buy and the markdown may be up to .50% of the dollar amount you sell. The price is also adjusted to reflect changes in interest rates and market prices that have occurred since we bought the security. As a result of these changes, Edward Jones can earn revenue or incur losses from buying or selling securities as principal.

In addition to either a commission or markup or markdown, Edward Jones generally charges a transaction fee when you buy or sell a secondary agency bond through our brokerage services. If the agency bond’s principal is \$1,000 or less, you will not be charged a transaction fee.

How is your financial advisor compensated?

Your financial advisor receives a percentage of any commissions, markups or markdowns for agency bonds. In addition, our revenue affects Edward Jones’ overall profitability and thus may affect any branch bonus your financial advisor receives.